

Macedonia

Capital budgeting

Ministry of Finance - Republic of Macedonia

Basis for Budget Preparation

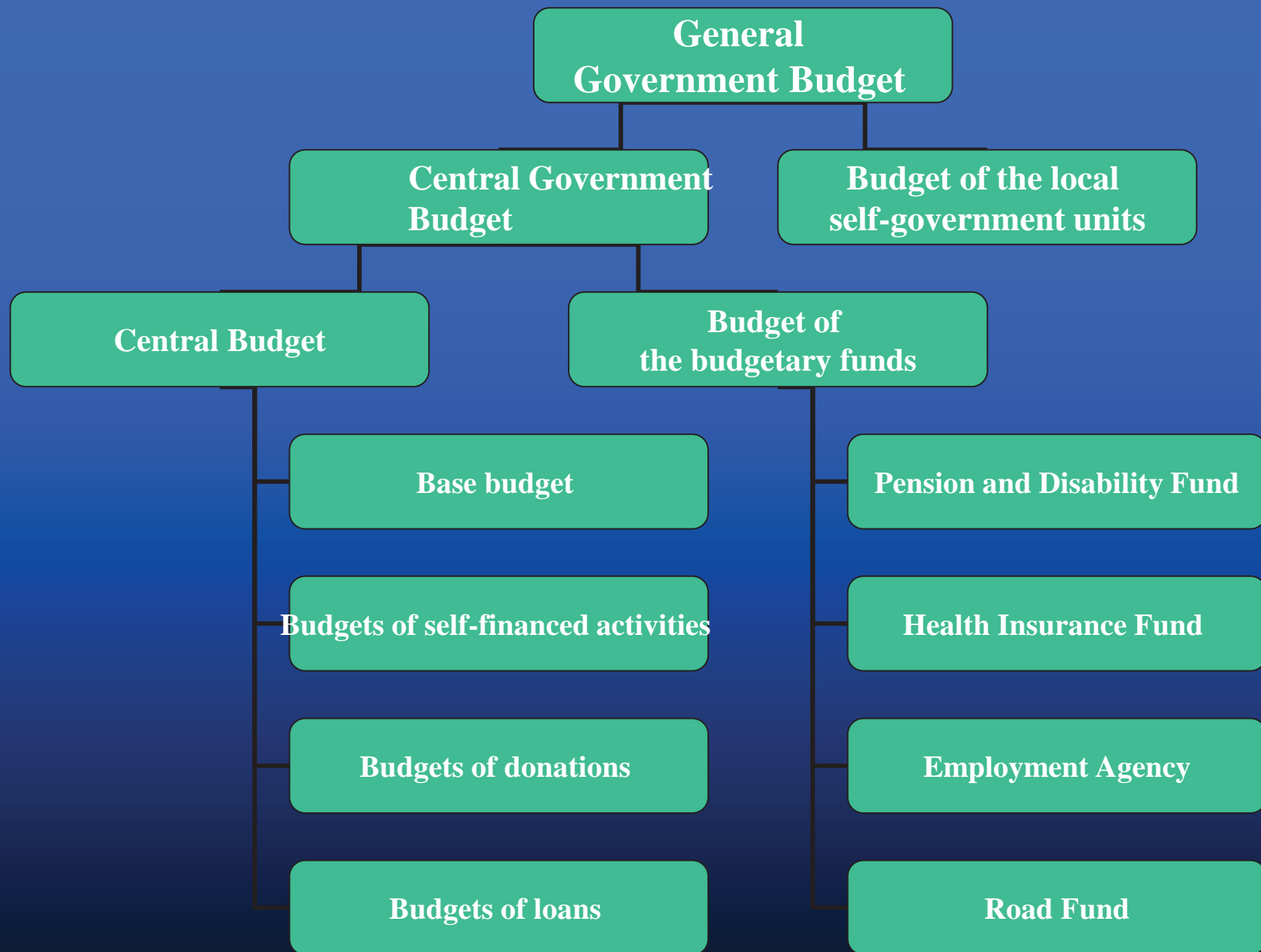
DEFINITION: Budget of the Republic of Macedonia is a annual plan of revenues and expenditures, that refers to a period of a 12-months.

TIMEFRAME: Fiscal year begins on January 1st and ends on December 31st.

ASSUMPTIONS: Basis for the preparation of the budget are:

- the strategic priorities of the Government
- the Fiscal Strategy
- the draft strategic plans of the budget users.

RESPONSABILITY: The Minister of Finance



Budget of Republic of Macedonia *(Economic classification)*

Revenues

- **Tax revenues**
- **Social contributions**
- **Non tax revenues**
- **Capital revenues**
- **Foreign donation**

Expenditures

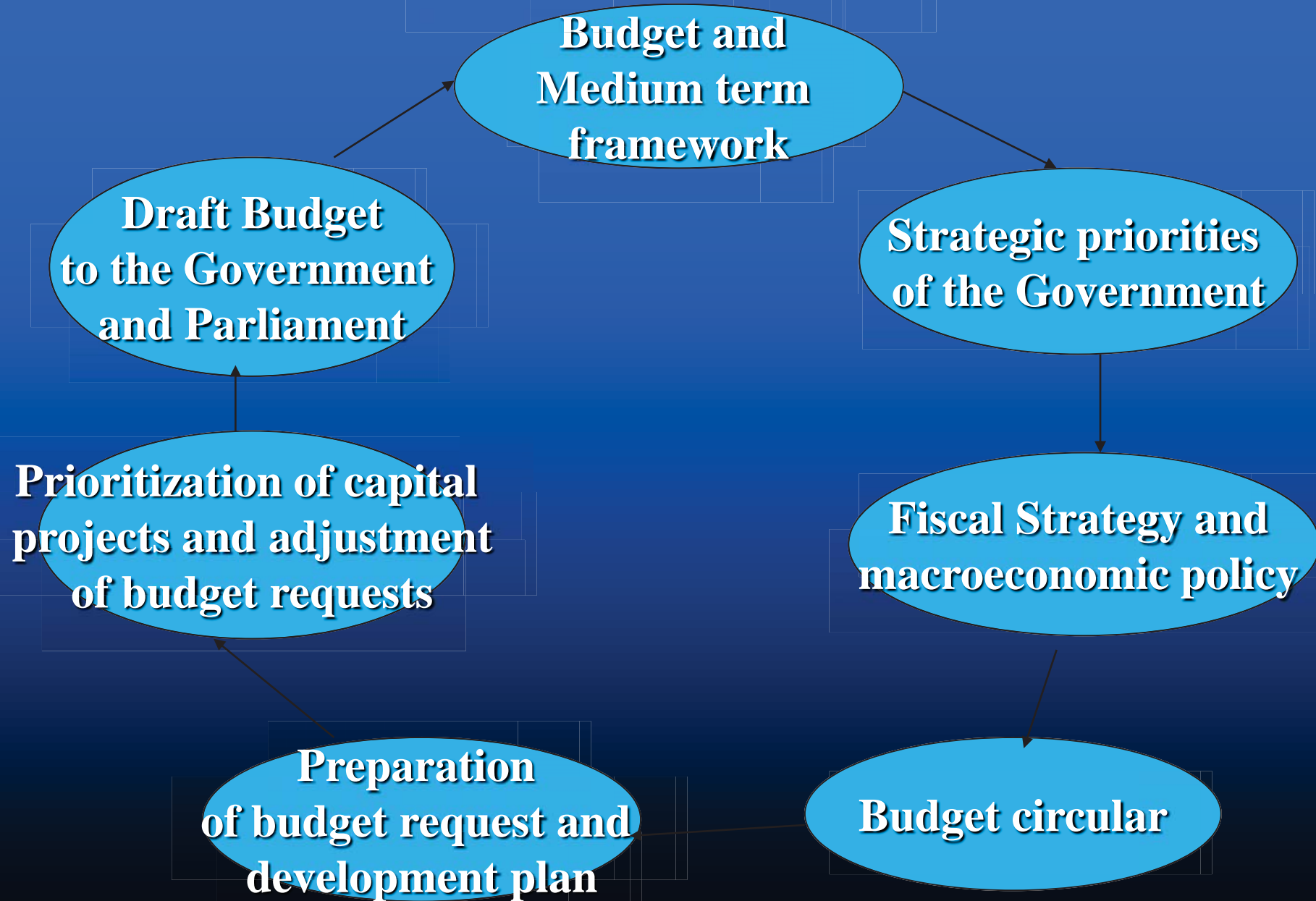
- **Wages and allowance**
- **Good and services**
- **Transfers**
- **Interest**
- **Capital expenditures**

Budget of the Republic of Macedonia

(Functional classification)

- 1. General public services**
- 2. Defence**
- 3. Public order and safety**
- 4. Economic affairs**
- 5. Environmental protection**
- 6. Housing and community**
- 7. Health**
- 8. Recreation, culture and religion**
- 9. Education**
- 10. Social protection**

BUDGET CYCLE



Strategic Priorities of the Government

The Government of the Republic of Macedonia determines the strategic priorities for the next year at latest by April 15th of the current year

Budget users prepare three-year strategic plan covering programs and activities for realization of the strategic priorities of the Government, including capital expenditures

It is mandatory that budget users include the strategic priorities, as a sum of goals and initiatives, in their budgets.

Fiscal Strategy and Medium term framework

The Ministry of Finance prepares a mid-term (three-year) fiscal strategy, proposing directions and objectives of the fiscal policy, macroeconomic projection and public debt.

The Fiscal Strategy is adopted by the Government by May 31st of the current fiscal year at the latest

Based on the Fiscal Strategy, Government determines the maximum amounts of appropriations for the next fiscal year by budget users by end-May of the current fiscal year at the latest

Budget Circular

Based of the adopted Fiscal Strategy and determined maximum amounts of appropriation, the Ministry of Finance delivers, by June 15th at the latest, to the budget users instructions-budget circular.

Contents of the Budget Circular:

- Projection of the macroeconomic aggregates,
- Strategic priorities determined by the Government,
- Maximum amounts of expenditures,
- Instructions for budget request and development plan preparation.

Development program

- Plan of development programs is a medium-term presentation of programs that are intended for development investment
- Budget users propose a plan of development programs to submit for approval to the Government no later than July 15 in the current year.
- Government approved them no later than August 15 in the current year.

Submission of Budget Requests

Budget users prepare the budget request in accordance with the instructions and guidelines contained in the Circular,

The budget users' programs and sub-programs from the development program plan (capital projects) which were approved by the Government shall be included in the draft budget request.

Budget users submit budget request for their activities covered in the programs to the Ministry of Finance by September 1st.

Adjustment of Budget Requests

Ministry of Finance check the adjustment of the draft budget requests with :

- reference to the adopted maximum amounts of appropriations,**
- their harmonization with the directions and instructions given in the Circular and**
- their adjustment with reference to the efficiency, priority and rationality of the request.**

The Minister of Finance adjust the budget request drafts with the heads of the budget users.

Budget

Draft Budget of the Republic of Macedonia submitted to the Government by November 1th.

The Government shall submit the Draft Budget of the Republic of Macedonia to the Parliament by November 15th of the current year at the latest.

The Parliament of the Republic of Macedonia shall adopt the Budget of the Republic of Macedonia until December 31st at the late.

Medium term Fiscal strategy is a enclosed document to the Budget.

Capital budgeting and program budgeting

Program budgeting actually means provision of resources to achieve the goals, defined in the programs and monitoring of their realization via the achieved results.

As of 2009 defines development programs related to multi-investment projects (capital projects) and projects financed by IPA funds.

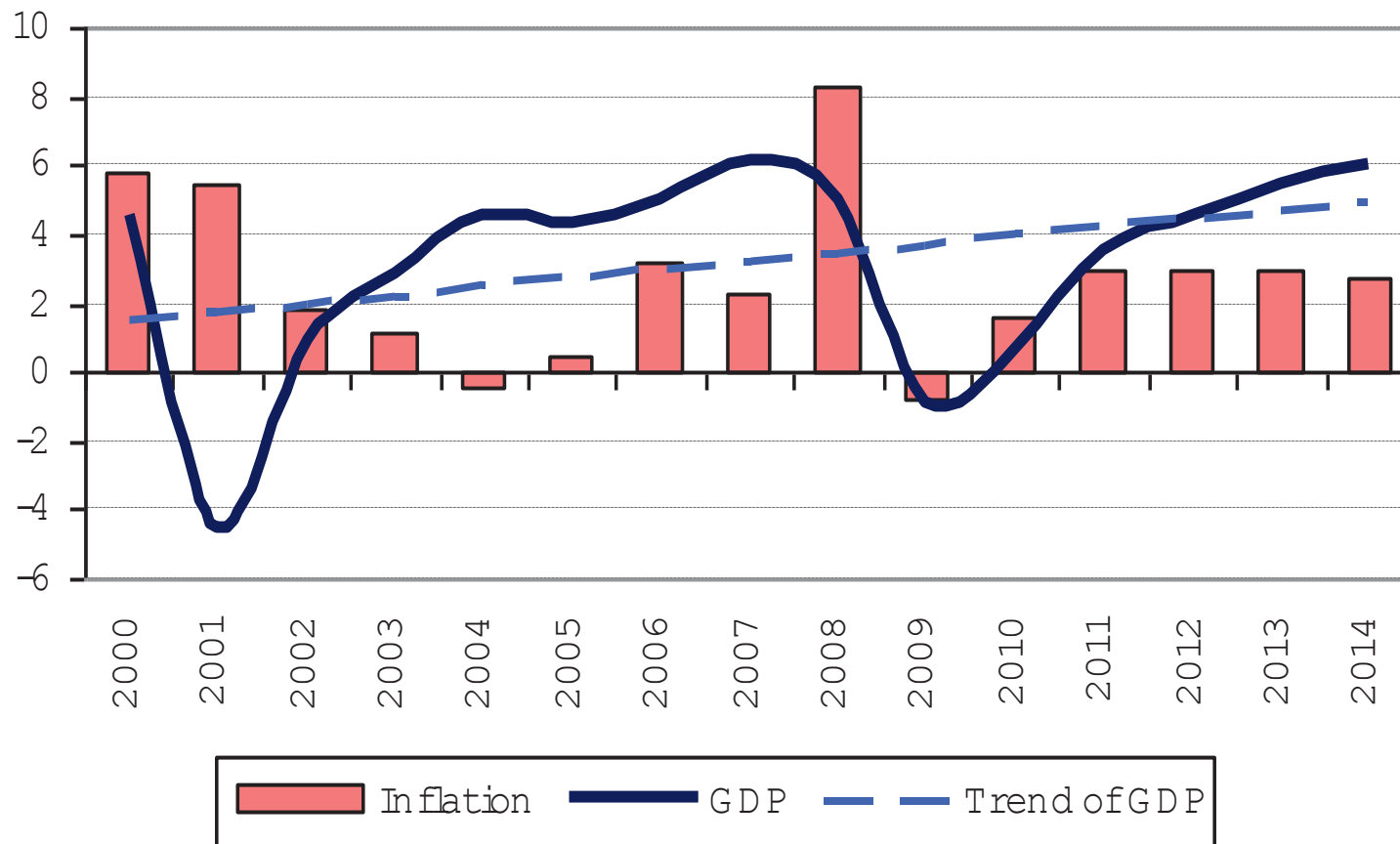
All development programs are separate subprograms and its presents in different Development part of Budget for three years.

Capital budgeting and program budgeting

The appropriations in the subprograms of development part of the Budget that will be not used during fiscal year, 50% are transmitted as approved funds for the first half of next fiscal year.

The Program approach in financing provides greater transparency and enables the public to see the earmarked usage of budget resources.

Macroeconomic policy



CURRENT SITUATION IN FISCAL STRATEGY 2011-2013

Projected revenues of the consolidated government budget in the next three-year period decreased by 34.5% of GDP in 2011 to 32.5% of GDP in 2013.

Continuity in a disciplined budget policy, providing reduced total of 37% of GDP in 2011 to 34.4% of GDP in 2013.

The budget deficit is projected to optimum sustainable level of about 2% of GDP.

ASSUMPTIONS ABOUT THE MEDIUM-TERM PROJECTIONS OF REVENUE

Further reducing the tax burden,

Continuity in reducing tax evasion,

Projected structure of income

-tax revenues about 55%,

-social contributions about 30%

-non-tax and capital revenues about 12%

ASSUMPTIONS ABOUT THE MEDIUM-TERM PROJECTIONS OF EXPENDITURE

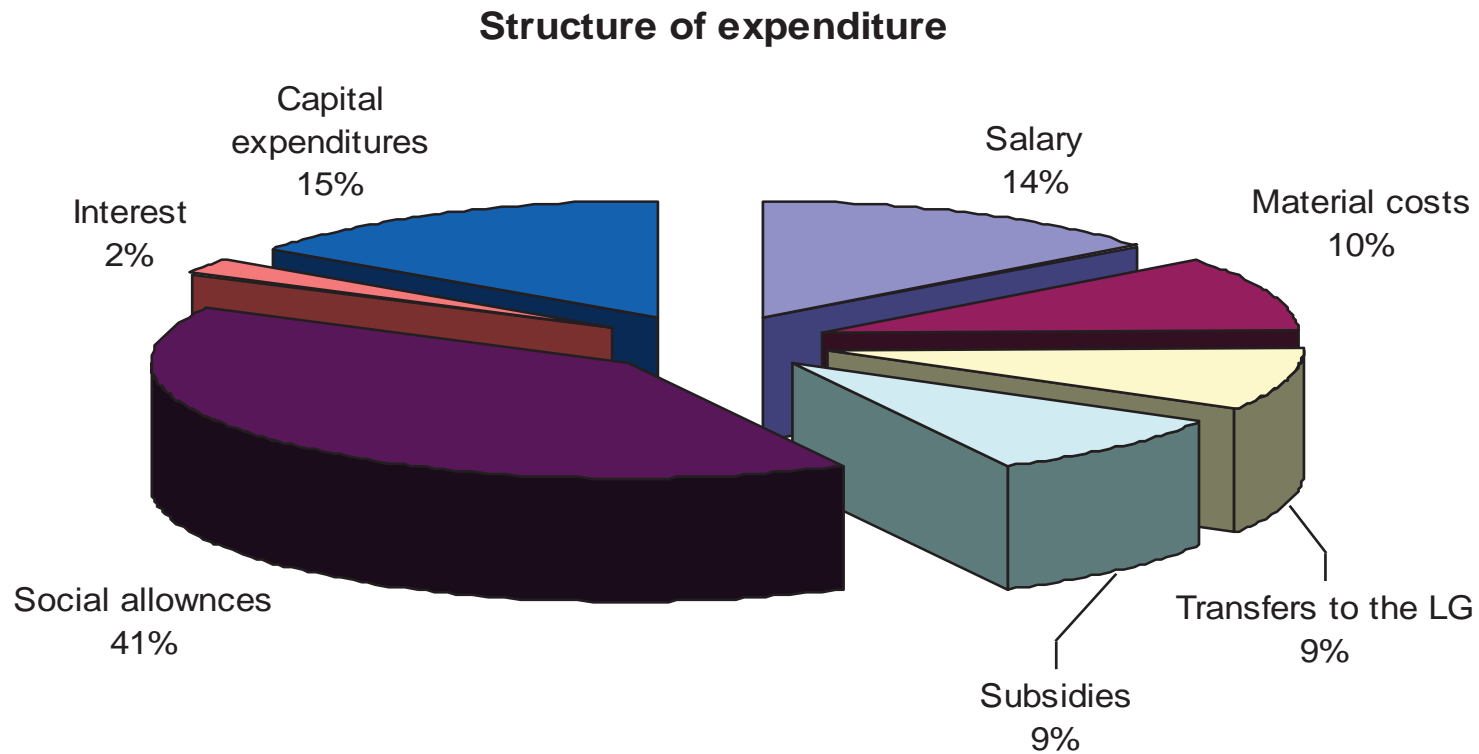
Strict control of new employment and freezing the wages in the public sectors

Reducing unproductive expenditures

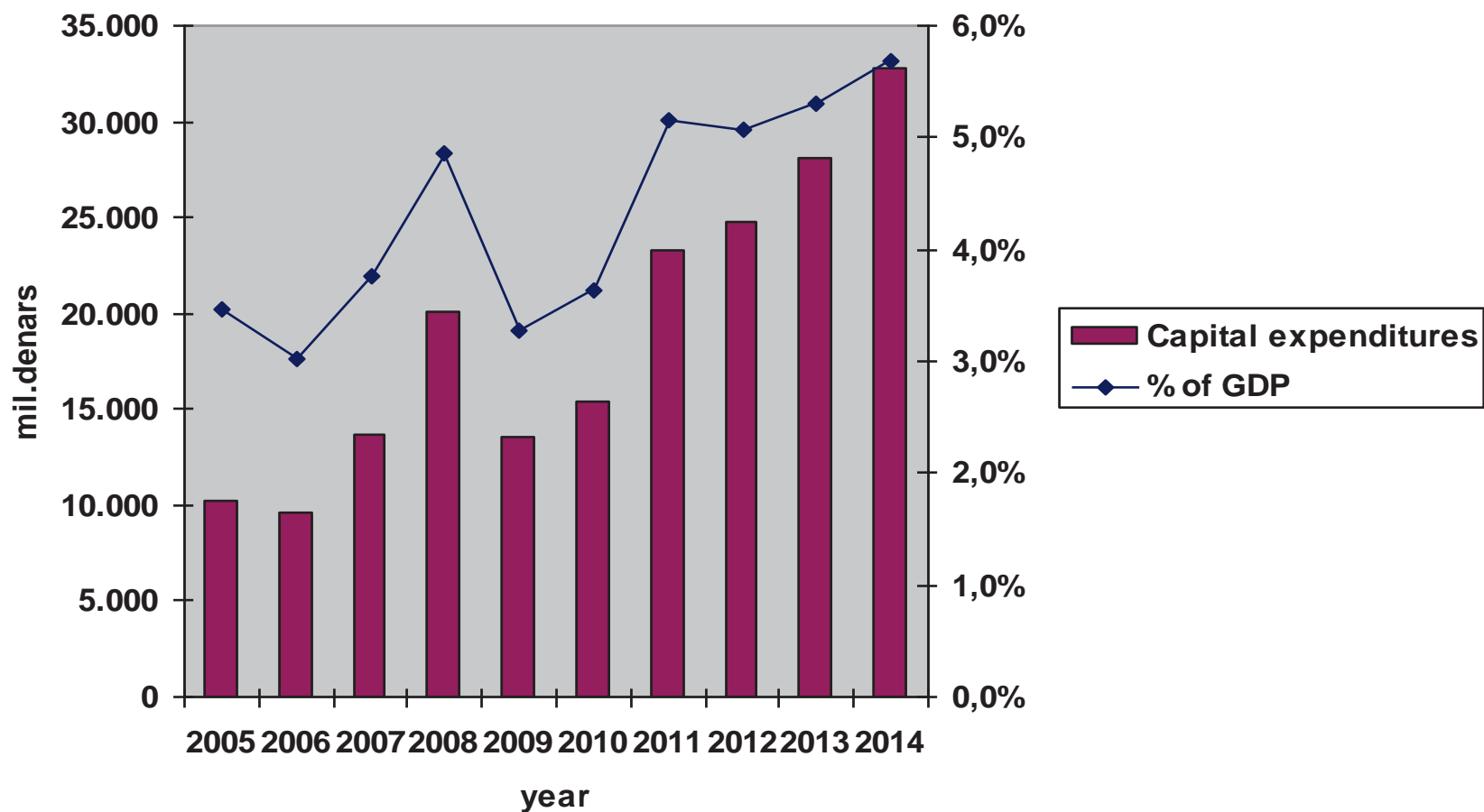
Full and timely payment of pensions, social benefits and subsidies in agriculture

Improve the cost structure by increasing capital expenditure on account of reduction of current expenditure

Structure of Budget and Capital expenditures

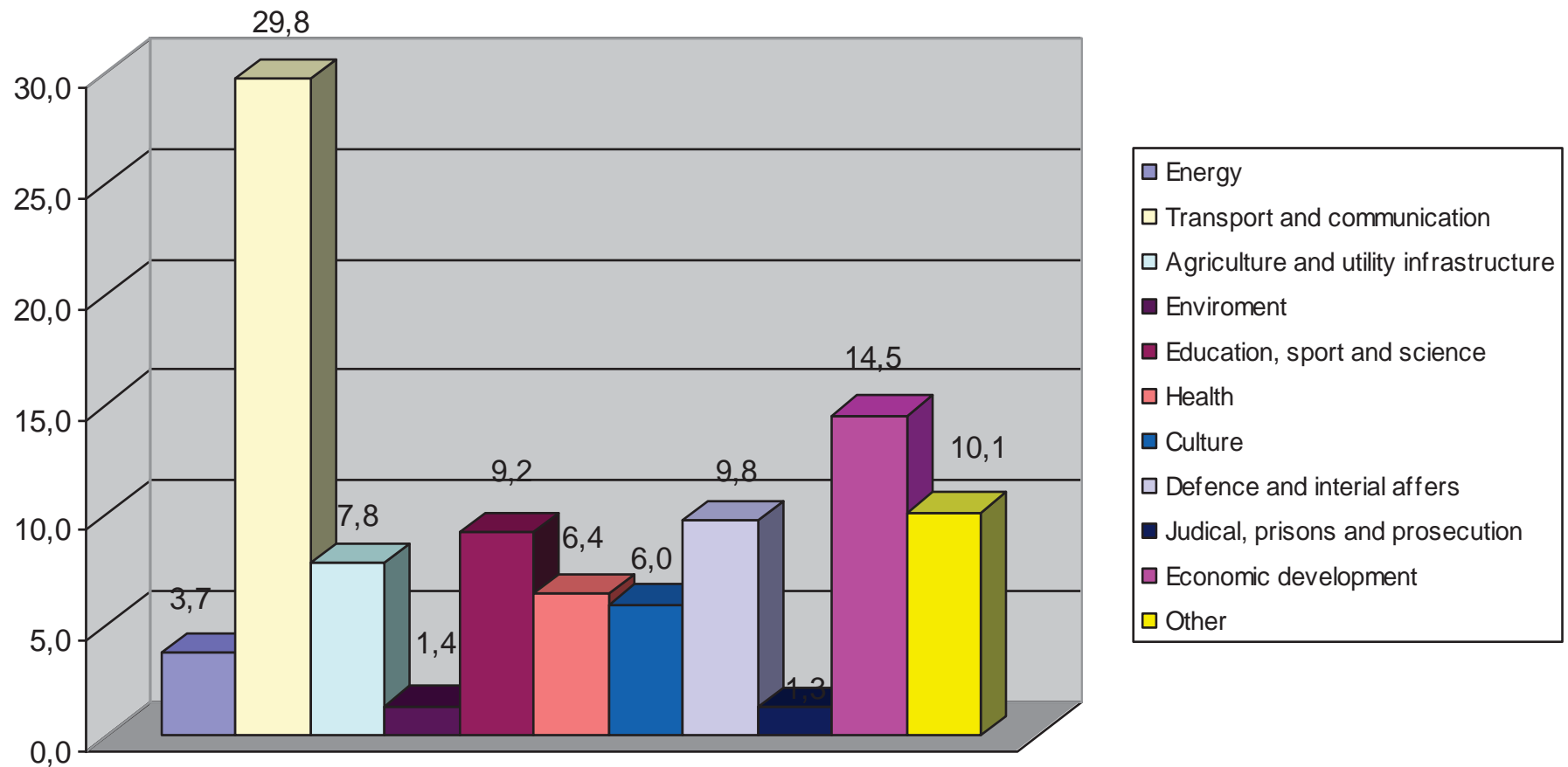


Trend of capital expenditures and % of GDP



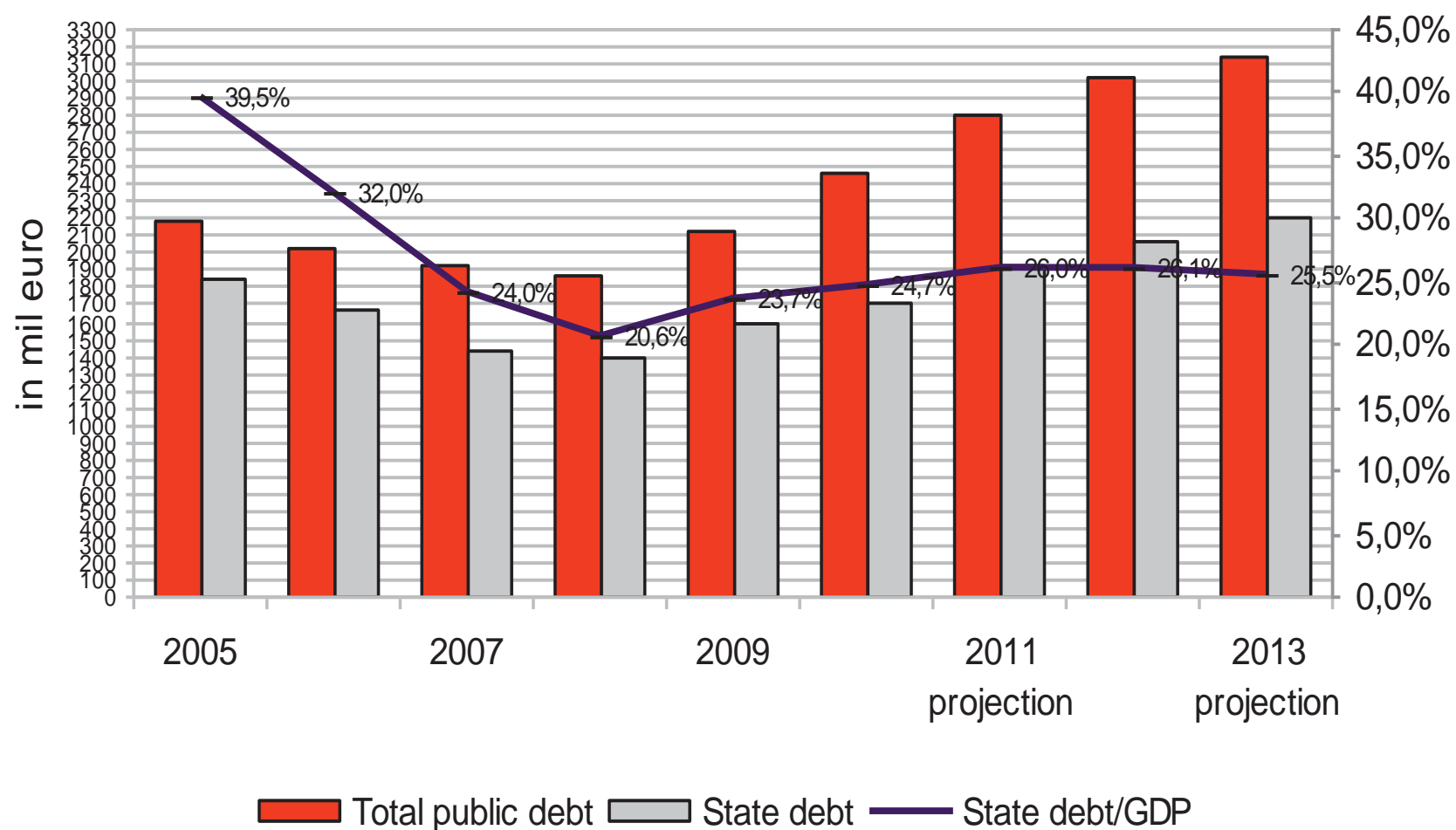
Capital budgeting by sectors

Capital expenditures by sectors



Public debt

TREND OF PUBLIC DEBT



IMPROVING OF BUDGET PLANING

The Ministry of Finance, constantly works on improving the process, procedures of Budget planning, and program budgeting and introducing of performance indicators for measuring the program results.

In the previous period, considerable level of transparency was provided in the presentation of the Budget.

The Budget, presents all the information for the main functions of the budget users, the results achieved in the previous fiscal year, as well as information on the capital subprograms of Budget institutions.

Improving the budgetary process in the coming medium term include:

- 1. Multiyear budgeting**
- 2. Increasing and improving the quality of public finances**
- 3. Greater diversification by sectors and regions**
- 4. Developing indicators of efficiency of use of budgetary funds**
- 5. Greater transparency by involving the professional public and NGO sector in the budget process**