



REPUBLIC OF MACEDONIA  
MINISTRY OF  
LABOUR AND SOCIAL POLICY

# ASSESSMENT ANALYSIS OF THE BUDGETARY PROCESSES AND REFORMS IN THE BUDGET POLICIES FROM THE ASPECT OF GENDER EQUALITY





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Skopje, 2013



Austrian  
Development Cooperation

This publication was produced in the framework of the regional project "Promoting Gender Responsive Policies in South East Europe" (2011-2013) of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), financially supported by UN Women and the Austrian Development Cooperation (ADC).

The views and opinions contained in the publication are those of the authors and do not necessarily represent the views of ADC, UN Women, the United Nations or any of its affiliated organizations.

## Abbreviations

|      |   |  |
|------|---|--|
| EARM | - | Employment Agency of the Republic of Macedonia |
| AP   | - | Autonomous province                            |
| AWPG | - | Annual work program of the Government          |
| GS   | - | General Secretariat                            |
| SAO  | - | State Audit Office                             |
| SSO  | - | State Statistical Office                       |
| SLI  | - | State Labor Inspectorate                       |
| LSU  | - | Local Self-Government Units                    |
| EU   | - | European Union                                 |
| ME   | - | Ministry of Economy                            |
| MLSP | - | Ministry of Labor and Social Policy            |
| IMF  | - | International Monetary Fund                    |
| MF   | - | Ministry of Finance                            |

- PDIF - Pension and Disability Insurance Fund of Macedonia
- PAR - Public Administration Reform
- RM - Republic of Macedonia
- SEA - Secretariat for European Affairs
- SL - Secretariat for Legislation
- SP - Strategic Plan

## **I. Executive summary**

Budgeting based on programs or results, namely performance, is a process of appropriation of funds to specific purposes and/or results which need to be achieved with the invested funds. As opposed to program-oriented budgeting, there is line budgeting, where the budget is presented based on expenditure items, i.e. the expenditures are grouped by type, such as wages and social transfers, goods and services etc.

The process of budgeting is only one activity which is compulsorily in a stable integrative relationship with strategic planning process and therefore cannot be considered as an independent process, regardless of the activities that precede or follow. If it is considered as an isolated process, the whole picture will be lost and wrong conclusions will be drawn.

Integral part of program budgeting is gender budgeting, that is a budgeting approach based on gender equality principles. Gender budgeting (budgeting based on gender equality principles) provides assurance that the government programs and priorities, as well as the budget itself, are oriented towards the needs and interests of the citizens from different social groups, women and men, boys and girls.

The subject of this analysis is the budget process in the Republic of Macedonia (RM), with emphasis on the reforms of budget policies in terms of gender equality and determining entrance points for integration of the gender into the budgeting process. An important task is to examine the system and the process of budgeting defined “on paper” and its implementation in practice, because it is possible that there is a difference. The analysis focused on reviewing the Budget of RM for 2009, 2010 and 2011, with a description of the budgeting process and a review of the reforms of the budget process towards the implementation of program-oriented budgeting. The analysis was based on the consideration of the relevant documentation for the process of strategic and budget planning, reviewing the legal frame relating to strategic planning and budgeting,

consultations with the project team, interviews with relevant staff working on the budgeting process and strategic planning.

Introduction of the concept of gender budget in the Republic of Macedonia is outlined in the Law on Equal Opportunities of Women and Men<sup>1</sup>, as well as in the National Action Plan for Gender Equality (2007-2012), a strategic document of the Government of RM which lists the activities towards the realization of gender equality arising from the Beijing Platform for Action, CEDAW, the Millennium Development Goals, liabilities arising from the process of European integration and the adjustment and alignment of the Republic of Macedonia to the European Union, as well as other international liabilities, through the area of strengthening institutional capacities and mechanisms for inclusion of the gender perspective into public policies, strategies and action plans and implementation of the methods of gender budgeting on a national and local level.

The main conclusion that can be drawn after the performed analysis is that the amendment to the Law on Budgets in 2008 was the first step that the Republic of Macedonia took towards the implementation of program-oriented budgeting. The development of strategic planning and the implementation of strategic plans in budget institutions is the basis for separation of activities and projects into separate programs and subprograms. By implementing Development programs, more detailed information is provided on budget funds approved for capital, development investment projects. The reform of the budget process imposed as a priority the need to develop indicators that will allow measurements of the results of the implementation of programs and subprograms.

The development of capital budgeting (Development programs) is a segment that requires special efforts and full coordination by all budget institutions. The full planning of capital projects is of exceptional importance for their timely and successful realization. Displaying projects

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<sup>1</sup> Закон за еднакви можности на жените и мажите (Official Gazette no. 66/2006 and 117/2008)

as separate Development programs together with the project realization dynamic by years and months and the detailed financial construction render an image of justification for the projects, and at the same time they should enable a timely realization of all activities related to the projects themselves. This information should enable the improvement of the public investment policy, allocation of capital projects and effective use of the funds. The objective of the Ministry of Finance is to make sure that the activities related to capital projects shall not be postponed, as well as to ensure timely payments for the performed work.

However, as it is stated in the Report of SIGMA for 2010<sup>2</sup>, the process of introduction of fully program oriented budgeting has not been fully completed. According to the current structure of the Budget of the Republic of Macedonia, it cannot be classified as entirely line budget or program oriented. In its structure it comprises elements from both kinds. The budget procedure foresees budgeting by programs. The activities covered by the programs are defined in three-year Strategic Plans prepared by the budget users themselves. The strategic planning foresees definition of indicators for each activity. These characteristics of the budget lead toward a program-oriented budget.

However, within the frame of each program, the expenditures are planned over expenditure items. Taking into account the fact that part of the budget users have provided only one program in their budgets which covers all activities means that the expenditures are planned as a group by expenditure items, which ultimately is a linear budgeting.

To achieve full program budgeting, it is necessary to:

- concentrate on programs, rather than expenditures
- have expenditures by programs and activities, not by category of expenditures

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<sup>2</sup> SIGMA, Support for Improvement in Governance and Management, *Former Yugoslav Republic of Macedonia, Public Expenditure Management System, Assessments year 2010*. [http://www.sigmaxweb.org/document/37/0,3746,en\\_33638100\\_34612958\\_36492389\\_1\\_1\\_1\\_1\\_00.html](http://www.sigmaxweb.org/document/37/0,3746,en_33638100_34612958_36492389_1_1_1_1_00.html)

- present the total amount spent and the levels of implementation
- provide a narrative review of the program, determine standards for the achieved and keep statistical data
- implement the set objectives.

*One of the primary tasks of the analysis was to identify the entry points for gender mainstreaming. The following documents were identified as entry points after the conducted analysis: Strategic plans, Draft programs of development projects and the Budget Circular as the basic documents and the Government programs, strategic priorities and objectives as strategic objectives of the Government.*

In this regard, some of the conclusions that emerged from the analysis are:

- The knowledge that budget users have about the process of strategic planning is on a low level and not enough attention is paid to the process
- Inconsistency is noticeable in the defining of indicators in the Strategic plans and the Budget
- The programs defined in the Strategic Plans and those defined in the Budget do not always coincide, which makes the linking of the plan with the allocated funds harder
- The budget of RM has a complex structure, which hampers the management of funds
- There is a lack of an analysis of the indicators after the fiscal year has ended, i.e. there is a lack of consistent monitoring of the results and their connection with programs financed by the budget for the corresponding year
- The lack of precise information prevents citizens and non-governmental organisations to participate in the discussion for allocation of public resources

- No gender component was noticed in the programs and subprograms in the Strategic Plans and budgets of budget users that were subject to analysis

The following recommendations are given for the purpose of overcoming the identified weaknesses in the system of strategic and budget planning, and towards the goal of gender mainstreaming:

- The budget process and strategic planning should be an open processes that will include all stakeholders (citizens, the business sector, civil sector)
- Quantitative indicators should be defined in order to measure the achievement of results
- It is necessary to strengthen the role of the General Secretariat in coordinating the process of strategic planning
- When determining Government strategic priorities, objectives and programs to take into consideration gender equality principles
- It is necessary that the Strategic plans, the Draft plan of development programs and the Budget circular mandatorily include gender-sensitive activities, results and indicators
- If we want to establish the gender component, it needs to be identified as a principle when creating policies, that is, programs/projects, covered with the strategic plans. The establishment of the principle of gender equality is adequate to and would be an answer, at same time and solution, to the demands that all policies in society should be revisited from a point of view of respecting gender equality.
- The Ministry of Labor and Social Policy needs to take an active role in raising the awareness among budget users for gender budgeting

- The Parliamentary Commission for Gender Equality of RM needs to take an active role in the assessment of the impact of the proposed budget programs on women and men, before the Budget of RM is adopted by the Assembly of RM

## II. Introduction

The analysis of public finance and the economic policy can render an image about the politics and the role of the government and the interests of the actors in public finance, as well as the availability of the information and transparency. Fiscal transparency means openness towards the public on the structure and functions of the government, the fiscal policy intentions, public sector accounts and fiscal projections.

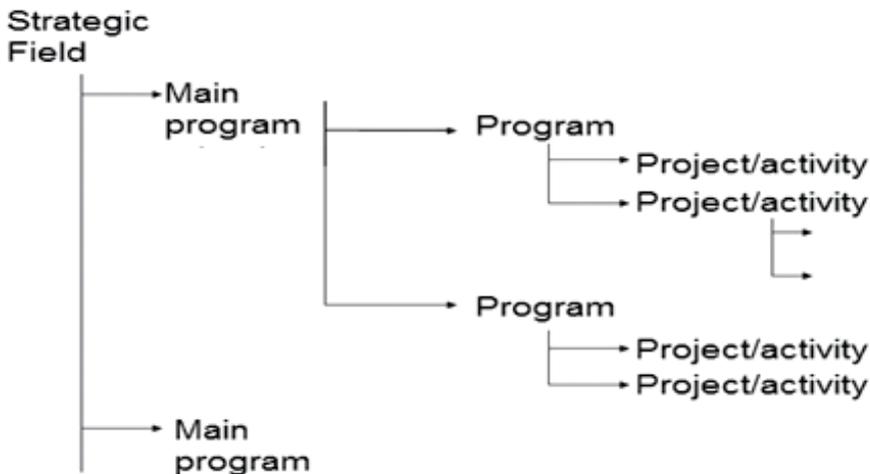
When it comes to public finance, it should be taken into account that budgeting is a process of allocation of limited resources for government programs and services. Allocation of resources provides a power that can be used for improvement of the welfare of citizens, but it can also be abused for inefficient allocation, when some budget users may get the opportunity to manage most of the resources. As Budget users can be recognized state or public institutions where their functioning are financing form the Budget of RM, as ministries, funds, public institutions.

Budgeting based on programs or results is a process of appropriation of funds to specific purposes and/or results which are pursued to be achieved with the invested funds. The best practice in the process of mid-term, i.e. strategic planning of the budget uses budgeting based on the programs or results as a basis for decision-making in relation to the budget policy and the appropriation of budget funds in accordance with the strategic priorities of the government.

Program budgeting links strategic planning, budgeting and management on the basis of the effectuated. Planning means prospecting what to give to the society, budgeting would mean financing those prospects and management, based on the effectuated, assumes a test of the own work through an examination whether the society, that is the citizens, are satisfied. Program-oriented budget process in its essence represents budget information in a way that clearly links budget resources to the outcomes of the policy that the Government wants to achieve.

Besides budgeting based on programs, among other types of budgeting there is budgeting by expenditure items or so called line item budgeting. Presentation of the budget by expenditure items means presentation of expenditures grouped by type such as salaries and social transfers, goods and services and the like. If the program oriented budgeting provides concise information on what the funds were spent on, who benefited from the projects, this information cannot be obtained through budgeting by budget line, as they do not require indicators to be defined, expenditures cannot be linked to a specific project, but rather they are planned as a group on a level of budget beneficiary.

Program classification in the Republic of Macedonia was introduced for the first time in 2000 and up until 2003 a detailed bottom-to-top approach to the result-oriented Budget was used, but only in several selected budget users.



Picture 1. Structure of the program classification

Among the first budget users in which this concept was implemented were the Ministry of Finance, the Ministry of Health, the Ministry of Education, the Agency for Real Estate Cadastre and the State

Statistical Office. Initially one program was defined for each budget beneficiary, and the Budget was still presented by functional and organizational classification. The disadvantages of this system were such that program budgeting:

- was not required by the Law on Budgets,
- was not used as a means of presentation of the budget,
- was not part of the Chart of Accounts, it was not result-oriented,
- no changes were made to the way budgets were planned and managed,
- the form was overwhelmingly complex, as budget users had limited capacities to plan and manage the budget.

Given the position of the Budget of the Republic of Macedonia, it cannot be classified as fully line budget or program oriented. In its structure it comprises elements from both types. Budgeting funds by budget users is made by programs. Programs are a synthesis of activities that need to be undertaken by the budget users. Activities and results that need to be implemented by the performance of these activities are defined in three-year Strategic plans made by the budget users. The strategic planning foresees definition of indicators for each activity through which the achieved results should be measured. In addition to those in Strategic Plans, budget users define indicators in Draft budget requests as well (Budget Circular), indicators that are also listed in the Budget of RM. In order to integrate the system of strategic planning with the process of budgeting, the indicators defined in Strategic plans need to be reflected in Budget circulars, and subsequently transferred into the Budget of RM. These characteristics of the budget lead toward a program-oriented budget.

Taking into account the fact that a portion of the budget users have provided only one program in their budgets which covers all activities means that the expenditures are planned as a group by type of expenditures, which ultimately is linear budgeting.

The analysis has shown that due to the complex structure of the Budget of RM, there is no linking of programs with the allocated funds in all cases. This results with the inability to identify end users of the programs in the Budget. Also, there was no reassurance that over the course of the analysis the process of strategic planning is practiced in accordance with the Strategic Planning Handbook<sup>3</sup>, especially in the part of monitoring the implementation of the set activities and results. These are merely additional characteristics that the Budget of RM has, and which are a characteristic of line budgeting.

The gender-sensitive budget is an integrated part of program budgeting. Gender-sensitive budgets are not budgets that relate only to men and only to women. Instead, they express the awareness for the existence of the gender that needs to be included in all policies and in the budgets of all budget users.

Gender budgeting provides assurance that the government programs and priorities, as well as the Budget itself, are in line with the needs and interests of the citizens from different social groups, women and men, boys and girls. Gender mainstreaming, as a concept, started to be implemented in the 80s of the XX century. Although over the past period in national legislation and international instruments concerning the protection of human rights there was an equalization of the rights of women and men, which was of historical importance as it stopped the centuries old discriminatory practice, it was clear that de jure equality does not necessarily lead to de facto equality, or rather the objectives set were not implemented with the desired speed. Also, the main policies in practice remained gender neutral, so in their planning and implementation the specific needs of women and men were not taken into account, their different social status and unequal starting positions, which did not result with the removal of dominant inequalities between women and men, nor with equitable development. Women remained poor; the exercise of human

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<sup>3</sup> Strategic Planning Handbook, General Secretariat of the Government of RM, Skopje 2007

rights oftentimes was taken from them, and the chances to improve their status were small. At the same time, the limited range of the policies that had women as their target groups was comprehended, had they been the only strategy to improve their status. In fact, these programs were intended for a limited number of women, often accompanied with limited funds, thus only the users of these programs benefited, whereas for a large number of women who remained out of these programs the situation remained unchanged.

It is because of this that firstly within the United Nations, and later within other international organizations, such as the European Union, the Council of Europe, the World Bank, the International Monetary Fund and others the idea that it is necessary to integrate the principle of gender equality into all government policies and programs began to grow strong. It is becoming increasingly clear that it is impossible to change the status of women in only one area if the barriers in other areas are not removed simultaneously.

It was this way that the idea of gender mainstreaming was developed, which in fact is a request that all policies within the society be reexamined from the aspect of gender equality, which would enable their implementation to contribute to the equality of men and women and to improve the status of women, which in a long term would change the social structure that creates inequality. This idea has been accepted by a large number of governments as a dominant strategy for implementation of equal opportunities for men and women with the adoption of the Beijing Platform for Action on the Fourth World Conference on Women in 1995. The platform is a global plan of activities for achievement of gender equality which calls the governments and other actors to actively implement the concept of gender equality in all policies and programs, and thus before a decision is made, it is necessary to perform an analysis on how it influences men and women.

The promotion of gender budgeting as a tool for promoting gender equality is one of the recommendations of the European Commission

proposed in the Resolution of the 6<sup>th</sup> European Ministerial Conference<sup>4</sup> (held in 2006) and mentioned in the Roadmap for Equality Between Women and Men 2006-2010<sup>5</sup>. Faced with the obligations to harmonize domestic legislation with the EU legislation in the accession process to the EU, the Republic of Macedonia has an obligation to take into account the recommendations for gender equality and gender budgeting contained in the EU Resolution on Gender Budgeting from 2003.<sup>6</sup>

"Gender budgeting is a process through which public budgets are being examined in order to evaluate whether and how much they implement and/or contribute to the equality between men and women, and thus propose changes aimed at achieving gender equality. In addition, the gender analysis of budgets helps the authorities to decide on how to steer political decisions in order to achieve a maximum impact, as well as where to re/allocate resources in order to achieve a higher level of human development and gender equality. Budgeting is not merely a financial tool for balancing between the revenues and expenditures. As a process, it is also a method for setting out priorities and for decision making for issues that influence the present and future situation of people and their surroundings. The people who plan the budget must have knowledge of the situation, as well as be aware of the consequences from setting priorities that have an influence over the lives of men and women, now and in future."<sup>7</sup> The Ministry of Labor and Social Policy, in cooperation with the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) are implementing the Project "Budgeting that takes into account gender issues" from which the activity that is subject to this analysis arose.

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<sup>4</sup> [http://www.coe.int/T/E/Com/Files/Ministerial-Conferences/2006-Stockholm\\_egalite/default.asp](http://www.coe.int/T/E/Com/Files/Ministerial-Conferences/2006-Stockholm_egalite/default.asp)

<sup>5</sup> A Roadmap for equality between women and men 2006-2010 {SEC(2006) 275}

<sup>6</sup> European Parliament resolution on gender budgeting - building public budgets from a gender perspective (2002/2198(INI)) – P5 TA(2003)0323

<sup>7</sup> National Action Plan for Gender Equality, 2007-2012, MLSP, page 16

The countries in the region, including the Republic of Macedonia in recent years have been dealing with a reform of the public finance system, which comprehends the introduction of a program-oriented budget system that focuses on the results achieved, rather than on the spent funds. These reforms include the creation of policies and a system of budgeting that is oriented towards needs, transparent, accountable and participative. Therefore, they open the door for gender issues to be integrated in the process of creation of policies and to develop understanding for gender-sensitive budgeting.

### **III. Budgeting process**

When it comes to the budgeting process in RM, we have a complex process consisting of multiple interrelated and dependable processes that in no case can be considered as separate activities. The drafting and the adoption of the Budget of RM for the current year is not an activity that starts and ends in the given calendar, i.e. fiscal year, but rather it is a process that takes place over several calendar years, although revenues and their spending, i.e. expenditures are strictly related to the given fiscal year. The fiscal year in RM coincides with the calendar year, meaning it lasts from January 1<sup>st</sup> to December 31<sup>st</sup>.

The process of budgeting for the current year (n) starts in the previous year (n-1) with the adoption of the strategic priorities of the Government, and ends in the year (n+1), that is after the Final Audit Report has been issued by the State Audit Office (SAO) after the audit of the Budget of RM, an activity required by the work plan of SAO. SAO prepares the audit report after the fiscal year has ended, and before the adoption of the Annual Accounts of the Budget of RM by the Assembly of RM, that is before June 30<sup>th</sup> of the current year for the previous fiscal year.

The Law on Budgets<sup>8</sup> regulates the procedure of drafting, adoption and execution of the Budget of RM and the budgets of local self-governance units and the City of Skopje. The Law on Budgets defines the time frame for adoption of the documents based on which the Budget is prepared. The said time frame is reviewed in detail in the Methodology for strategic planning and preparation of the Annual Work Program of the Government (AWPG)<sup>9</sup>, which defines the phases and the procedures in the process of strategic planning, as well as their relation to the budget process.

These are the following basis for the preparation of budgets:

- strategic priorities of the Government of RM,
- Fiscal strategy,
- draft Strategic Plans of the budget users and budget policy,
- priorities of the municipalities.

A review of the activities that constitute the process of strategic planning and a description of the documents that define the process is provided hereinafter, in order to capture their connection with the budgeting process.

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<sup>8</sup> Law on Budgets (Off. Gazette no. 64/05, 4/08, 103/08, 156/09 and 95/10)

<sup>9</sup> Methodology for Strategic Planning and preparation of the Annual Work Program of the Government of RM (Official Gazette no. 124/08)

**Table 1 – Strategic and budget planning cycle**

| No.   | Step   | Competent institution  | Result   | Time frame                     |
|---|--|--|--|--------------------------------|
| <b>I. Defining the strategic priorities of the Government</b> |  |  |  |                                |
| 1.  | Analysis of the achieved results from the implementation of the strategic priorities for the previous year | GS   | Analysis of the results for the previous year  | January – February             |
| 2.  | Determining the strategic priorities and priority objectives   | GS in cooperation with the Office of the Prime Minister, MF, ME, SEA, SL | Draft decision on the strategic priorities   | March - April 15 <sup>th</sup> |
| 3.  | Deciding on strategic priorities   | Government of the RM   | Decision on strategic priorities for the following year with an Analysis of the achieved results for the past year | April 15 <sup>th</sup>         |
| <b>II. Determination of a fiscal strategy</b>                 |  |  |  |                                |
| 1.  | Determination of a fiscal frame with   | Ministry of  | Draft Fiscal   | April - May                    |

|  |   |  |   |                               |
|--|---|--|---|-------------------------------|
|  | maximum amounts of approved funds by budget users                                       | Finance                                  | strategy  |                               |
| 2.   | Adoption of the Fiscal Strategy   | Government of the RM                     | Fiscal strategy                                   | May 31 <sup>st</sup>          |
| 3.   | Providing budget users with guidelines for budget funds planning                        | Ministry of Finance                      | Budget circular                                   | June 15 <sup>th</sup>         |
| <b>III. Preparation of draft strategic plans</b> |   |  |   |                               |
| 1.   | Preparation of draft strategic plans and creation of programs, subprograms and projects | Budget users in coordination with GS     | Draft strategic plans of budget users             | May – August 31 <sup>st</sup> |
| 2.   | Submitting draft strategic plans to GS and MF   | Budget users                             | Draft Strategic Plans                             | September 1 <sup>st</sup>     |
| 3.   | Analysis of draft Strategic plans   | General Secretariat, Ministry of Finance | Analysis of the proposed programs in the draft SP | September 30 <sup>th</sup>    |
| <b>IV. Preparation of draft budget requests</b>  |   |  |   |                               |
| 1.   | Preparation of a Draft plan for development   | Budget users in coordination             | Draft plan for development programs of            | July 15 <sup>th</sup>         |

|            | programs  | with GS                              | budget users   |   |
|------------|---|--------------------------------------|--|---|
| 2.         | Approval of the Draft plan for development programs | Government of RM / Municipal Council | Draft plan for development programs for budget users | August 15 <sup>th</sup> / November 15 <sup>th</sup> |
| 3.         | Preparation of Draft – budget requests              | Budget users in coordination with MF | Proposed budget requests                             | June 15 <sup>th</sup> - August 31 <sup>st</sup>     |
| 4.         | Submission of Proposed budget requests to MF        | Budget users                         | Proposed budget requests                             | September 1 <sup>st</sup>                           |
| <b>V.</b>  | <b>Adoption of a Draft Budget</b>                   |                                      |  |   |
| 1.         | Preparation of a Draft Budget                       | Ministry of Finance                  | Draft budget   | September – October                                 |
| 2.         | Submitting the Draft Budget to the Government of RM | Ministry of Finance                  | Draft budget   | November 1 <sup>st</sup>                            |
| 3.         | Submitting the Draft Budget to the Assembly of RM   | Government of the RM                 | Draft budget   | November 15 <sup>th</sup>                           |
| 4.         | Adoption of the Budget                              | Assembly of RM                       | Budget of RM   | December 31 <sup>st</sup>                           |
| <b>VI.</b> | <b>Annual Accounts of the Budget of RM</b>          |                                      |  |   |
| 1.         | Preparation of the Annual Accounts                  | Budget users                         | Annual Accounts                                      | March 1 <sup>st</sup>                               |

|             |  |                     |                              |                       |
|-------------|--|---------------------|------------------------------|-----------------------|
| 2.          | Preparation of the Consolidate Annual Accounts       | Ministry of Finance | Consolidated Annual Accounts | May 31 <sup>st</sup>  |
| 3.          | Audit of the Annual Accounts of the Budget of RM     | State Audit Office  | Final Audit Report           | June 30 <sup>th</sup> |
| 4.          | Submitting the Annual Accounts to the Government     | Ministry of Finance | Endorsed Annual Accounts     | May 31 <sup>st</sup>  |
| 5.          | Submitting the Annual Accounts to the Assembly of RM | Government of RM    | Adopted Annual Accounts      | June 30 <sup>th</sup> |
| <b>VII.</b> | <b>Transparency of the Budget</b>                    |                     |                              |                       |
| 1.          | Monthly and Mid-term Reports for Budget execution    | Ministry of Finance | Monthly and Mid-term Reports | July 30 <sup>th</sup> |

### ***I. Defining the Government's strategic priorities***

The strategic priorities of the Government of RM are the initial burst that determines the contents of the Budget of RM for the current fiscal year, and starting from 2009 with the introduction of the development part of the budget, they provide the directions for the following two years.

*1.1. Analysis of the achieved results from the implementation of the strategic priorities for the previous year*

The Government's Decision to determine the strategic priorities was made after an analysis of the results of the implementation of the strategic priorities for the previous year. The analysis is prepared by the General Secretariat on the input received from the budget users. The analysis should show whether the Government, i.e. the budget users have undertaken activities that lead toward concrete and measurable results for realization of the strategic priorities and whether the provided funds were efficiently and economically used in function of the achievement of the desired results.

The input from budget users consists of information on the degree of completion of the foreseen programs, projects and results in the previous year, which the budget users have foreseen in their Strategic plans. The analysis is prepared in the period January – February in the current year for the previous year.

*1.2. Determining the strategic priorities and priority objectives*

Pursuant to the Government's Decision to determine strategic priorities, the Government of RM adopts strategic priorities and objectives for the year that follows until April 15<sup>th</sup> in the current year. The Decision by the Government of the RM to determine strategic priorities is published in the Official Gazette of the RM and they must be respected as such in form and contents by the budget users. Budget users of the central government and the funds must include the Strategic priorities as a collection of objectives and initiatives in their budgets through the government programs and subprograms.

The starting points to determine the Government's strategic priorities are the following: The Work program of the Government, the Stabilisation and Association Agreement, the National Development Plan, the Accession Partnership with EU (AP), the National Program for Adoption of the Acquis (NPAA), the Pre-accession Economic Program

(PEP), macroeconomic policy, the current socio-economic and social situation and the obligations arising from international agreements.

The Strategic priorities should include significant changes for specific issues that the Government plans to realize on a mid-term or long-term basis and the expected result to be achieved over a period of three to five years. Multiple priority objectives are determined in order to achieve the strategic priorities, which as opposed to priorities, are concrete, measurable, ambitious, but achievable in reality, result-oriented and determined in time.

### *1.3. Deciding on strategic priorities*

The General secretariat submits the final proposal for the government's strategic priorities along with an analysis of the results from the past year to the Government of the RM. The Government of RM adopts the decision on the strategic priorities and objectives for the year that follows until April 15th in the current year.

Based on those adopted strategic priorities, the budget users prepare strategic plans for the following three years which consist of programs and activities oriented towards the realization of government priorities, as well as the realization of their own objectives and priorities.

## ***II. Determining a fiscal strategy***

After the Decision on the strategic priorities of the Government of RM has been made, the Ministry of Finance prepares a mid-term fiscal strategy for a period of three years, which provides directions and objectives of the fiscal policy, at the same time assessing the amount of revenues and expenditures for the given period. The fiscal strategy determines fiscal projections for the following three years, sets a boundary for the total expenditures based on the budget balance and the planned deficit and the revenue projections.

### II.1. Determination of a fiscal frame with maximum amounts of approved funds by budget users

The fiscal strategy which is a result of the process of promotion of mid-term planning defines the macroeconomic frame for the current year and the projection of the basic indicators for the following two years, the enforcement of revenues and expenditures of the central government budget for the current year, as well as the presumptions and risks that determine mid-term projections and policies of the government.

Economic forecasts in the Fiscal strategy are based on the new observations of the economic movements, fiscal policy (expected increased or decreased influx of funds used to finance the planned projects), the necessity to start new or redefine existing projects, expected loans, credits and donations from international financial institutions etc. In its essence, the Fiscal Strategy includes planning of the budget's revenues and expenditures.

Fiscal strategy as the basic strategic document is a basis for the preparation of the Budget of the relevant year. The Ministry of Finance, based on the Fiscal Strategy, proposes the maximum approved funds to the Government of RM (budget ceiling) for the following three years by budget users of the central government and for funds. Budget ceilings are distributed to the budget users with the Budget circular.

The Government of RM determines strategic priorities for development of the country, while the Fiscal Strategy establishes a link between strategic priorities and the disposable funds in the budget. Thus, strategic planning positions in a real three-year fiscal frame, within a sustainable level of the total public expenditures.

Namely, in a way of fulfilment of strategic priorities “enhancement of economic growth and competition on permanent bases, increased employment rate, increased standard of living and quality of life” and “investment in education as the most certain way for building strong individuals and strong country”, the Fiscal Strategy of RM for 2011-2013

says: “In order positive rate of economic growth to be realised and sustained in the three forthcoming years, the public investments shall be increased for about 50% comparing to the present level. In this frame investments are planed in road, railway, energetic and communal infrastructure, capital investments in penitentiary institutions, improvement of conditions for education and health system, investments in culture and social centres.”<sup>10</sup>

## II.2. Adoption of the Fiscal Strategy

The draft Fiscal Strategy with the set maximum amounts of the appropriated funds by budget beneficiary is prepared in the period April – May, and the Government adopts it no later than May 31<sup>st</sup>.

## II.3. Providing guidelines for planning budget funds to budget users

Based on the mid-term Fiscal Strategy and the determined maximum amounts of the approved assets, the Ministry of Finance no later than June 15<sup>th</sup> submits directions in the form of a Budget circular to budget users of the central government and funds in order to submit requests for preparation of a draft budget (hereinafter budget requests). As for the units of the local self-government, the Ministry of Finance submits the Budget circular no later than September 30<sup>th</sup> to the mayor of the municipality.

The directions for preparation of the Draft budget requests contain the necessary guidelines for simple and correct filling of the forms from the Budget circular. The directions also provide a projection of macroeconomic aggregates for the following three years, that is the expected rate of GDP, inflation, the expected level of revenues and expenditures, the sources of revenues and their structure<sup>11</sup>, the structure of expenditures<sup>12</sup>, the rate of the expected budget deficit, the sources of funds

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<sup>10</sup> Fiscal Strategy of RM for 2011-2013, Ministry of Finance, page 15

<sup>11</sup> Rulebook on classification of revenues (Official Gazette no. 79/09 and 153/09)

<sup>12</sup> Rulebook on classification of expenditures (Official Gazette no. 79/09 and 153/09)

to finance the deficit, projection of the state and the public debt, the movements of the unemployment rate, the exchange rate, the amount of exports and imports and foreign exchange reserves.

The Budget Circular<sup>13</sup> contains the following forms:

- A1 – data on the budget users
- A2 – detailed information on budget programs with budget users
- A3 – detailed information on government programs with budget users
- B1-B3 – projection of revenues and expenditures for the three subsequent years
- B1 – plan for development programs
- B2 – plan for IPA development programs
- G1 – form for systematized working positions and calculation of the necessary funds for new employments
- G2 – necessary funds for temporary employments
- D – allocation of earmarked and block grants to municipalities

### ***III. Preparation of draft strategic plans***

Strategic plans are multipurpose documents that express the objectives and tasks of the budget users for a period of three years. They are prepared in accordance with the strategic priorities of the Government of RM, and the Strategic plan is the accompanying document of the budget requests from the aspect of the integral planning and budgeting system.

#### ***III.1. Preparation of draft Strategic plans and creation of programs, subprograms and projects***

Strategic plans are prepared over the course of the current year, in the period from May to August, and are relevant for the following three

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<sup>13</sup> <http://www.finance.gov.mk/node/949>

years. The plans contain the results by the organizational units of the budget beneficiary for the current and previous year. Analogous to this, the Plans show the expected results also by organization units of the budget beneficiary for the current year (most often for the period November-December), as well as those that relate to the upcoming three-year period.

### III.2. Submitting draft Strategic plans to GS and MF

One copy of the Draft Strategic Plan is submitted to the Ministry of Finance accompanying the budget request, and one is submitted to the General Secretariat no later than September 1st.

### III.3. Analysis of draft Strategic plans

The General Secretariat performs an analysis of the Draft Strategic Plans from the aspect of the content and the form, and analyses whether the activities proposed by the budget users contribute to the realization of the Strategic priorities of the Government of RM in cooperation with the Secretariat for European Affairs. The General Secretariat organizes inter-ministerial cooperation on horizontal programs, if this is deemed necessary. The Ministry of Finance, on the other hand, analyses Draft Strategic Plans from the aspect of justifiability of the allocated funds for implementation of the programs, subprograms and the projects and possibilities for their provision.

The Strategic Planning Handbook provides the guidelines as per which elements and characteristics should be included by the system for monitoring and the reports on monitoring progress. In accordance with the guidelines of the Handbook, all inter-reports prepared on a monthly, quarterly and semiannual basis for all programs included in the Strategic plan should be taken into account during the annual updating of the Plan. The analysis of these reports and the progress should be a starting point for the planning of the subsequent three-year Strategic Plan.

#### ***IV. Preparation of draft budget calculations***

Draft budget calculations are claims by budget users for the purpose of financing programs and projects contained in their Strategic Plans.

##### ***IV.1. Preparation of a Draft plan for development programs***

Draft plans for development programs relate to development programs and they should be harmonized with the budget users' Strategic Plans, the Guidelines for preparation of a draft budget and they should contain a complete project and technical documentation. Budget users submit the Draft Plan on development programs to the Government of RM at latest until July 15<sup>th</sup> in the current year.

The Draft Plan of development programs prepared by the unit of local self-government is submitted for approval to the Municipal Council by October 20<sup>th</sup> in the current year.

##### ***IV.2. Approval of the Draft plan for development programs***

The Draft plans of budget users are approved by the Government of RM no later than August 15<sup>th</sup>. The Municipal Council should approve the Draft Plan of the local self-government no later than November 15<sup>th</sup>.

##### ***IV.3. Preparation of Draft – budget requests***

Draft budget requests provide a detailed overview of the manner in which budget users will allocate resources by programs and projects included in the Strategic Plans. When preparing draft budget requests, budget users need to take into account the maximum amounts defined by the Ministry of Finance, and approved by the Government of RM with the Fiscal Strategy. Head of the budget beneficiary is the one who allocates the maximum amounts of approved funds in the draft budget and the Development Program Plan, and this should be in accordance with the strategic priorities of the Government.

Budget users are obliged to submit the draft budget requests to the Ministry of Finance no later than September 1<sup>st</sup>, otherwise the ministry will prepare a budget in their name.

## ***V. Adoption of Draft Budget***

The budget of RM is an annual plan or revenues, other income and approved funds used to finance the activities determined by law.

### ***V.1. Preparation of Draft Budget***

The Law on Budgets determines the deadlines and the procedure to prepare and adopt the Budget of RM. The preparation of the Draft Budget of RM is within the jurisdiction of the Ministry of Finance, whereas the Mayor of the municipality is responsible for the preparation of the Budget of the local self-government. The following are the basis for the preparation of the Draft Budget:

- Draft budget requests from budget users
- Draft Strategic Plans of the budget users
- Fiscal strategy
- Government's strategic priorities
- Municipal priorities (for the preparation of the Budget of the local self-government)

### ***V.2. Submitting the Draft Budget to the Government of RM***

After the adjustments with the budget users, the Ministry of Finance submits the draft Budget to the Government of RM for adoption no later than November 1<sup>st</sup>. The Draft Budget shows the requested amount by the budget users and the proposed amount by the Ministry of Finance.

### V.3. Submitting the Draft Budget to the Assembly of RM

The Government of RM reviews the Draft Budget and based on the defined strategic priorities and the Fiscal strategy determines the amounts by budget beneficiary. The Government of RM submits it to the Assembly of RM no later than November 15<sup>th</sup>.

### V.4. Adoption of the Budget

The Minister of Finance presents the Draft Budget of RM before the Assembly. The Assembly of RM may not review the draft budget within 20 days from the day it was submitted to the Assembly of RM. The Draft Budget must be fully discussed at the Parliamentary Commission for Financing and Budget and the Legislative Affairs Commission, but there is an established practice that all commissions review the Draft Budget for their respective fields.

The Members of the Parliament through public discussions and work in parliamentary commissions have an open opportunity to give suggestions, propose amendments to the Draft Budget and the Law on Execution of the Budget of the Republic of Macedonia for the relevant year. Each increase of the proposed approved funds must be followed by a proportional decrease of other proposed approved funds. The Assembly has the final say for the adoption of revenues and expenditures, as well as the measures to collect budget revenues before they officially become part of the Budget of RM for the following year. The Assembly adopts the Budget of RM no later than December 31<sup>st</sup>.

In case the Assembly of RM does not adopt the Budget of RM for the following year until December 31<sup>st</sup>, the Ministry of Finance allows allocation of funds on a monthly basis up to one third of the total expenditures in the first quarter of the previous year by March 31<sup>st</sup>. During this period, no new obligations are undertaken and no expenditures for new programs are realized.

## **VI. Annual accounts of the Budget of RM**

Preparation of the Annual Accounts of the Budget users and the audit on the Annual Account of the Central Budget of RM derives from the Law on Budgets, Law for accounting of budgets and budget users<sup>14</sup> and Law on State Audit<sup>15</sup>.

### VI.1. Preparation of the Annual Accounts

Each Budget user, single budget user<sup>16</sup> and Budget of the Funds prepare Annual Accounts for the part of the Budget it is responsible for at the latest by 1<sup>st</sup> of March in the current year for the previous year. Prepared Annual Accounts, Single budget users submit to the Budget users at the latest by 1<sup>st</sup> of March. Budget users prepare consolidate Annual Accounts from the Annual Accounts received from the Single Budget users and it one Accounts. Consolidated Annual Accounts are submitted to the Ministry of Finance at the latest by 31<sup>st</sup> of March.

Budget of the Funds also prepare consolidate Annual Accounts.

In addition, the Budget users are obliged to submit their Annual Accounts to the Central Register by the end of February in the current year for the previous year.

### VI.2. Preparation of the Consolidate Annual Accounts

On the basis of the Annual Accounts from the Budget users and the Funds, Ministry of Finance prepares Consolidate Annual Accounts for the Budget of RM. Consolidate Annual Accounts of the Budget of RM present planned and realized revenues and expenditures.

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14 Law for accounting of budgets and budget users (Official Gazette No. 61/2002)

15 Law on State Audit (Official Gazette No. 66/2010)

16 Example Budget user – Ministry of labour and Social Policy; Single budget user – Municipal Centres for Social Policy

### *VI.3. Audit of the Annual Accounts of the Budget of RM*

SAO starts with the audit of the Annual Accounts of the Budget users and the Budget of RM, once they are finalized by the Budget users i.e from 1<sup>st</sup> of March. The Draft Audit Report should be issued by SAO by 31<sup>st</sup> of May, and the Final Audit Report together with the comments from the Budget users by 30<sup>th</sup> of June.

### *VI.4. Submitting the Annual Accounts to the Government*

Consolidate Annual Account of the Budget of RM along with the Draft Audit Report from the SAO, is submitted to the Government of RM by the Ministry of Finance by 31<sup>st</sup> of May.

### *VI.5. Submitting the Annual Accounts to the Assembly of RM*

Government of RM reviews the Consolidate Annual Accounts along with the Draft Audit Report from the SAO and comments to it, and by 30<sup>th</sup> of June, endorsed Consolidate Annual Accounts submits to the Assembly of RM for adoption.

In parallel, the SAO submits to the Assembly of RM the Final Audit Report, also by 30<sup>th</sup> of June.

The Assembly reviews the Consolidate Annual Accounts and the Final Audit Report and adopts the Annual Accounts. After the adoptions by the Assembly of RM, the Annual Accounts are published in the Official Gazette.

## ***VII. Transparency of the Budget***

Transparency of the Budget of RM, according to the Law on Budgets refers to publication of the regular monthly reports on Budget execution prepared by the Ministry of Finance as well to the publication of the Consolidate Annual Accounts of the Budget of RM.

### *VII.1. Monthly and Mid-term Reports for Budget execution*

On regular monthly base, Ministry of Finance prepares report for Budget execution and publishes it on its web page<sup>17</sup>. The report is a cumulative summary of the realized revenues and expenditures in the current year as well as the budget deficit / surplus. Monthly reporting on Budget execution is in accordance with the methodology of International Monetary Fund for Government statistics<sup>18</sup>.

By the 31<sup>st</sup> of July in the fiscal year Ministry of Finance should submit to the Government of RM, Mid-term report for Budget execution in the first six months of the year. To the Report, enclosed is updated report on macroeconomic indicators and projected revenues, liabilities and expenditures for the budget year. This report also should be published on the Ministry of Finance web page.

## **IV. Reform of the budget process in RM**

The budget of RM is consisted of the central budget and the funds budget. The central budget incorporates:

- General Budget – financed by general revenues (taxes, customs, etc.) that are further used to finance the basic functions of budget users
- Budget from self-financing activities – financed by revenues that budget users realize by performing additional activities (such as leasing sports venues within schools)
- Donations budget – financed by tax revenue and used only as earmarked and in accordance with the agreement concluded with the donor and

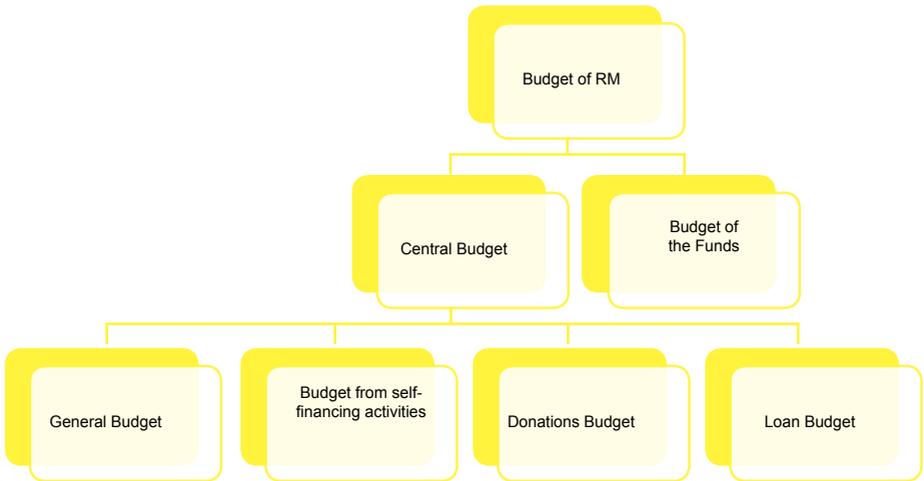
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<sup>17</sup> <http://www.finance.gov.mk/node/898>

<sup>18</sup> Manual on Government financial statistic 1986 (GFSM 1986)

- Loans budget – financed by revenue from loans and used to finance competences, programs and projects

The budget of the funds is an annual plan or revenues, other income and approved funds used to finance the activities of the fund determined by law. Funds are Pension and Disability Fund, Health Insurance Fund, Employment Agency and Agency for National and Regional Roads.



Picture2. Structure of the General Budget

The Budget of RM is structured by budget classifications – organizational, economic, functional and program. The program classification is for the best interest of this analysis, which is the structure of classification codes for programs and subprograms included in the budget.

Биланс на расходи на Централен буџет по буџетски корисници

| Расход | О П И С                                     | 127.928.226                             | 111.886.320              | 3.071.338                               | 5.735.363        | 2.780.241          | 2.378.987 | 128.991.382 |
|--------|---|---|--------------------------|---|------------------|--------------------|-----------|-------------|
|        |   | Расходи на Основен Буџет за 2011 година | Б У Џ Е Т 2012           |   |                  |                    |           |             |
|        |   |   | Расходи на Основен Буџет | Расходи од евроинтеграционата активност | Расходи од земји | Расходи од донации |           |             |
| 01001  | ПРЕДСЕДАТЕЛ НА РЕПУБЛИКА МАКЕДОНИЈА         | 89.338                                  | 81.581                   | 0                                       | 0                | 0                  | 0         | 81.581      |
| 01002  | АГЕНЦИЈА ЗА РЕЗУЛТАТЕ                       | 147.821                                 | 143.353                  | 1.000                                   | 0                | 0                  | 0         | 144.353     |
| 02001  | СОПНИКЕ НА РЕПУБЛИКА МАКЕДОНИЈА             | 678.365                                 | 704.743                  | 11.488                                  | 0                | 0                  | 11.384    | 817.618     |
| 02002  | ДРЖАВЕН ЗАВОД ЗА РЕВИЗИЈА                   | 94.825                                  | 129.754                  | 0                                       | 0                | 0                  | 0         | 129.754     |
| 02003  | ДРЖАВНА КОМИСИЈА ЗА СПРЕМУВАЊЕ НА КОРУПЦИЈА | 18.758                                  | 20.217                   | 0                                       | 0                | 0                  | 284       | 20.501      |
| 02004  | ДРЖАВНА ИЗБОРНА КОМИСИЈА                    | 80.184                                  | 88.789                   | 0                                       | 0                | 0                  | 0         | 88.789      |
| 02005  | КОМИСИЈА ЗА ЗАШТИТА НА КОНКУРЕНЦИЈА         | 16.473                                  | 18.485                   | 0                                       | 0                | 0                  | 0         | 18.485      |
| 02006  | ВИКЦИЈА ЗА ЗАШТИТА НА ПЛИНИ ПОДАТОЦИ        | 31.184                                  | 12.439                   | 2.904                                   | 0                | 0                  | 0         | 15.343      |

Picture 3. Organizational classification

Биланс на расходи на Буџетот на Република Македонија по ставки

| Категорија | Ставка                             | О П И С | 155.752.249                                       | 160.653.807                        | 3.071.338                               | 5.735.363        | 2.780.241          | 2.378.987 | 174.618.777 |
|------------|------------------------------------|---------|---|------------------------------------|---|------------------|--------------------|-----------|-------------|
|            |                                    |         | Расходи на Основен Буџет и фондови за 2011 година | Б У Џ Е Т 2012                     |   |                  |                    |           |             |
|            |                                    |         |   | Расходи на Основен Буџет и фондови | Расходи од евроинтеграционата активност | Расходи од земји | Расходи од донации |           |             |
| 40         | ПЛАТИ И НАДОМЕСТОЦИ                |         | 22.438.997  | 21.829.794                         | 123.728                                 | 737.848          | 0                  | 0         | 22.691.364  |
| 401        | Основни плати                      |         | 18.098.280  | 15.671.927                         | 87.344                                  | 501.770          | 0                  | 0         | 18.261.041  |
| 402        | Придоноси за социјално осигурување |         | 6.286.668   | 6.111.580                          | 34.381                                  | 236.078          | 0                  | 0         | 6.382.036   |
| 403        | Остатни придоноси од плати         |         | 280   | 0                                  | 1.000                                   | 0                | 0                  | 0         | 1.000       |
| 404        | Надоместоци                        |         | 55.799  | 46.287                             | 1.000                                   | 0                | 0                  | 0         | 47.287      |

Picture 4. Economical classification

Буџетски расходи по функции на Централен буџет

|                                     |   | 111.995.380                             | 3.071.339                             | 5.735.393        | 2.780.241          | 2.378.997                     | 125.961.350       |
|-------------------------------------|---|---|---------------------------------------|------------------|--------------------|-------------------------------|-------------------|
| Функционална<br>Функционална ставка | О П И С   | Буџет 2012 година                       |                                       |                  |                    |                               |                   |
|                                     |   | Расходи на Основен буџет за 2012 година | Расходи од самофинансирани активности | Расходи од земји | Расходи од донации | Вкупно расходи за 2012 година |                   |
| <b>701</b>                          | <b>ОПШТИ ЈАВНИ СЛУЖБИ</b>   | <b>10.416.995</b>                       | <b>835.970</b>                        | <b>1.158.560</b> | <b>636.963</b>     | <b>1.644.615</b>              | <b>14.693.103</b> |
| 7011                                | Извршни и законодавни органи, финансиски и фискални работи, надворешни работи | 4.694.067                               | 717.078                               | 0                | 456.963            | 12.384                        | 5.880.492         |
| 7012                                | Странска економска помош  | 75.543                                  | 150                                   | 0                | 0                  | 10.000                        | 85.693            |
| 7013                                | Општи услуги  | 3.811.232                               | 81.914                                | 1.123.650        | 180.000            | 1.587.431                     | 6.784.227         |
| 7014                                | Основни истражувања   | 190.000                                 | 0                                     | 0                | 0                  | 0                             | 190.000           |
| 7015                                | Општи јавни услуги за истражување   | 82.592                                  | 0                                     | 34.910           | 0                  | 34.800                        | 152.302           |

Picture 5. Functional classification

| Раздел<br>Програма<br>Категорија<br>Ставка | О П И С  | Буџет 2011       | Б У Џ Е Т 2012           |                                       |                  |                    | Вкупно расходи    |
|--|--|------------------|--------------------------|---------------------------------------|------------------|--------------------|-------------------|
|  |  |                  | Расходи на Основен буџет | Расходи од самофинансирани активности | Расходи од земји | Расходи од донации |                   |
| <b>06001</b>                               | <b>МИНИСТЕРСТВО ЗА ВНАТРЕШНИ РАБОТИ</b>              | <b>8.723.882</b> | <b>8.882.827</b>         | <b>1.397.087</b>                      | <b>114.600</b>   | <b>0</b>           | <b>10.584.614</b> |
| <b>1</b>                                   | <b>АДМИНИСТРАЦИЈА</b>                                | <b>76.889</b>    | <b>0</b>                 | <b>114.600</b>                        | <b>0</b>         | <b>0</b>           | <b>191.489</b>    |
| 10   | АДМИНИСТРАЦИЈА                                       | 62.660           | 0                        | 0                                     | 0                | 0                  | 62.660            |
| 11   | УГОСТИТЕЛСТВО  | 14.229           | 0                        | 114.600                               | 0                | 0                  | 128.829           |
| <b>2</b>                                   | <b>БЕЗБЕДНОСТ</b>                                    | <b>8.595.994</b> | <b>1.397.087</b>         | <b>0</b>                              | <b>0</b>         | <b>300</b>         | <b>9.455.981</b>  |
| 20   | ЈАВНА БЕЗБЕДНОСТ                                     | 5.539.531        | 1.397.087                | 0                                     | 0                | 300                | 6.936.918         |
| 21   | СЕКТОРИ ЗА ВНАТРЕШНИ РАБОТИ                          | 231.287          | 0                        | 0                                     | 0                | 0                  | 231.287           |
| 22   | РЕГИОНАЛНИ ЦЕНТРИ ЗА ТРАНСИЧНИ РАБОТИ                | 1.117.626        | 0                        | 0                                     | 0                | 0                  | 1.117.626         |
| 23   | ИНТЕГРИРАНО ГРАНИЧНО УПРАВУВАЊЕ                      | 627              | 0                        | 0                                     | 0                | 0                  | 627               |
| 24   | РЕФОРМИ ВО ПОЛИЦИЈА                                  | 1.052.123        | 0                        | 0                                     | 0                | 0                  | 1.052.123         |
| 25   | РЕКОНСТРУКЦИЈА И ОПРЕМУВАЊЕ НА ЗГРАДИ                | 117.000          | 0                        | 0                                     | 0                | 0                  | 117.000           |
| 3  | ЦЕНТАР ЗА ОБУКА                                      | 36.926           | 0                        | 0                                     | 0                | 0                  | 36.926            |
| 30   | ЦЕНТАР ЗА ОБУКА                                      | 36.926           | 0                        | 0                                     | 0                | 0                  | 36.926            |
| 4  | ДРЖАВНА БЕЗБЕДНОСТ                                   | 86.282           | 0                        | 0                                     | 0                | 0                  | 86.282            |
| 40   | ДРЖАВНА БЕЗБЕДНОСТ                                   | 86.282           | 0                        | 0                                     | 0                | 0                  | 86.282            |
| 5  | ИНТЕГРАЦИЈА ВО НАТО                                  | 175              | 0                        | 0                                     | 0                | 0                  | 175               |
| 50   | ИНТЕГРАЦИЈА ВО НАТО                                  | 175              | 0                        | 0                                     | 0                | 0                  | 175               |
| A  | ДЕЦЕНТРАЛИЗАЦИЈА                                     | 290.969          | 0                        | 0                                     | 0                | 0                  | 290.969           |
| A2   | ПРЕНЕСУВАЊЕ НА НАДЛЕЖНОСТИ НА ЕЛС                    | 290.969          | 0                        | 0                                     | 0                | 0                  | 290.969           |
| G  | ЗАКОНЕ НА ВЛАДЕВНОТО НА ПРАВОТО                      | 15.382           | 0                        | 0                                     | 0                | 0                  | 15.382            |
| G1   | БОРБА ПРОТИВ КОРУПЦИЈА И ОРГАНИЗИРАН КРИМИНАЛ        | 12.575           | 0                        | 0                                     | 0                | 0                  | 12.575            |
| G2   | БОРБА ПРОТИВ ТРГОВИЈА СО ЛУТЕ И ИЛЕГАЛНА МИГРАЦИЈА   | 2.807            | 0                        | 0                                     | 0                | 0                  | 2.807             |
| K  | РЕФОРМА ВО ЈАВНАТА АДМИНИСТРАЦИЈА                    | 3.000            | 0                        | 0                                     | 0                | 0                  | 3.000             |
| K2   | СТРУЧНО ОСПОСОБУВАЊЕ И УСОВРШУВАЊЕ                   | 3.000            | 0                        | 0                                     | 0                | 0                  | 3.000             |
| M  | ИНТЕГРАЦИЈА ВО ЕУ                                    | 15.000           | 0                        | 0                                     | 0                | 0                  | 15.000            |
| MA   | ПОМОШ ПРИ ТРАНСИЦИЈА И ИНСТИТУЦИОНАЛНА НАДГРАДА      | 15.000           | 0                        | 0                                     | 0                | 0                  | 15.000            |
| <b>РАСХОДИ</b>                             |  |                  |                          |                                       |                  |                    |                   |
| <b>40</b>                                  | <b>ПЛАТИ И НАДОМЕСТОЦИ</b>                           | <b>5.880.911</b> | <b>5.964.420</b>         | <b>0</b>                              | <b>0</b>         | <b>0</b>           | <b>5.964.420</b>  |
| 401  | Основни плати  | 4.054.620        | 4.043.194                | 0                                     | 0                | 0                  | 4.043.194         |
| 402  | Придоноси за социјално осигурување                   | 1.804.391        | 1.820.626                | 0                                     | 0                | 0                  | 1.820.626         |
| 403  | Остатни придонеси од плати                           | 260              | 0                        | 0                                     | 0                | 0                  | 0                 |
| 404  | Надоместоци  | 360              | 600                      | 0                                     | 0                | 0                  | 600               |
| <b>42</b>                                  | <b>СТОКИ И УСЛУГИ</b>                                | <b>997.638</b>   | <b>1.147.832</b>         | <b>1.269.087</b>                      | <b>73.600</b>    | <b>0</b>           | <b>2.490.919</b>  |
| 420  | Патни и дневни расходи                               | 18.700           | 20.000                   | 18.000                                | 0                | 0                  | 38.000            |
| 421  | Комунални услуги, енергија, комуникација и транспорт | 458.144          | 601.082                  | 101.000                               | 10.000           | 0                  | 712.082           |

Picture 6. Programme classification

From 2006 onwards, a comprehensive top-to-bottom program classification is applied in the Budget of RM. This means that the expenditures of budget users, by purpose, are grouped and planned by programs. Depending on the objectives and priorities they meet, programs are divided into Government and Budget. Government programs are defined by the Government of RM and are oriented towards the realization of each government priority, as for example the Programme K – Reform of the public administration, which is oriented towards fulfillment of the Government priority “Maintenance of good interethnic bases and equal administration of the law and co-existence on the principals of interethnic tolerance and respect as well as finalization of the implementation of the Framework agreement”. Budget programs are defined by the budget users themselves and are aimed at achieving their own original objectives and competences, as for example the Programme 4 – Social protection of the Ministry of Labor and Social Protection or the Programme 3 – Agriculture and rural development of the Ministry for Agriculture, Forestry and Water Economy. All activities of any budget beneficiary that are not identified as government programs are represented by budget programs.

Budget programs, on the other hand, can be vertical and horizontal. Vertical programs are planned and implemented in order to achieve specific objectives within one department/ministry. Horizontal programs are much more complicated and foresee planning and implementation of multiple subprograms and/or projects by multiple departments/budget users in order to achieve one common objective or program.

With the Law on Amending the Law on Budgets from 2008<sup>19</sup>, i.e. with the budget for 2009, the Development part of the budget was introduced in addition to the general and specific part of the Budget. The general part includes the total revenues and other income, total expenditures and other outflow of the budget for the fiscal year, as well as global projections of revenues, income, expenditures and outflow for the following two years. The specific part of the Budget of RM includes a plan of approved funds of budget users and the funds by programs, subprograms and items for the fiscal year. The development part includes the Plans of the development programs for budget users, i.e. Development Programs.

| Раздел 07002 УПРАВА ЗА ИЗВРШУВАЊЕ НА САНКЦИИ   |                |                |                |
|--|----------------|----------------|----------------|
| Потпрограма 3А ИЗГРАДБА, РЕКОНСТРУКЦИЈА И ОПРЕМУВАЊЕ НА КАЗНЕНО-ПОПРАВНИТЕ УСТАНОВИ  |                |                |                |
| Опис и цели Основната цел на оваа потпрограма е подобрување на условите во казнено-поправните установи преку реконструкција на казнено-поправните установи со цел обезбедување на квалитетен третман на осудените и малолетните лица, похуман однос меѓу вработените и осудените лица, подобро менаџирање и управување, зголемување на безбедноста во установите преку набавка на техничка опрема заради поефикасна борба против корупцијата на вработените во казнено-поправните установи<br>во илјади денари |                |                |                |
| Извор на финансирање<br>Категорија   | Година         |                |                |
|  | 2012           | 2013           | 2014           |
| <b>Основен буџет</b>   | <b>1.000</b>   | <b>10.000</b>  | <b>15.000</b>  |
| 630 48 КАПИТАЛНИ РАСХОДИ   | 1.000          | 10.000         | 15.000         |
| <b>Вкупно</b>  | <b>1.000</b>   | <b>10.000</b>  | <b>15.000</b>  |
| Потпрограма 3Б РЕФОРМИ НА КАЗНЕНО-ПОПРАВНИТЕ УСТАНОВИ  |                |                |                |
| Опис и цели Во рамките на оваа потпрограма е опфатен Проектот за реконструкција на казнено-поправните установи, финансиран со зема од Банката за развој при Советот на Европа. Основната цел на овој проект е унапредување на процесот на извршување на санкциите преку остварување и унапредување на човековите права во однос на условите за сместување, хигиената, здравствената заштита и слободните активности на осудените и притворените лица.<br>во илјади денари                                      |                |                |                |
| Извор на финансирање<br>Категорија   | Година         |                |                |
|  | 2012           | 2013           | 2014           |
| <b>Основен буџет</b>   | <b>19.554</b>  | <b>31.000</b>  | <b>42.000</b>  |
| 630 42 СТОКИ И УСЛУГИ  | 3.000          | 1.000          | 2.000          |
| 630 48 КАПИТАЛНИ РАСХОДИ   | 16.554         | 30.000         | 40.000         |
| <b>Заеми</b>   | <b>91.965</b>  | <b>154.000</b> | <b>214.000</b> |
| 786 42 СТОКИ И УСЛУГИ  | 5.810          | 2.000          | 4.000          |
| 786 48 КАПИТАЛНИ РАСХОДИ   | 86.155         | 152.000        | 210.000        |
| <b>Вкупно</b>  | <b>111.519</b> | <b>185.000</b> | <b>256.000</b> |

Picture 6. Development part of the Budget  
– Plan of development programmes

<sup>19</sup> Law on Amending the Law on Budgets (Official Gazette no. 04/08)

Development Programs present the necessary funds allocated to development of new technologies, improvement of the infrastructure, telecommunications systems, construction and maintenance of roads, buildings, procurement of software solutions etc. Both Government and Budget programs that have these characteristics can be classified as Development Programs.

The Law on Amending the Law on Budgets from 2008 introduced new documents that are submitted accompanying the budget requests, including:

- the mid-term Strategic Plan of the budget beneficiary relating to the following three years<sup>20</sup>,
- approved development programs plan with detailed description and
- plan for systematized and filled working positions.

These amendments of the Law on Budgets replace the Request for new capital projects and the Request for extension of capital projects into the following fiscal year with the Development Programs Plan. Introduction of the Development Programs Plan and Development Part in the Budget represent a step forward towards the introduction of program-oriented budgeting.

The Strategic Plan is a strategic document which describes the basic functions of the budget beneficiary that arise from their competences determined by law. Strategic plans are documents that announce future projects in which the budget beneficiary will be engaged and the aspirations of their organizational units represented through the sector policies. Projects and activities that define budget users in the Strategic Plans should be aimed at achieving some of the government or own (budget) programs.

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<sup>20</sup> The Law on Budgets from 2005 (Official Gazette 64/05), pursuant to Article 23 “Contents of the budget request”, stipulates submission of the Strategic plan of budget users which is relevant only for the following year

The reform of the budget process with the Budget of RM for 2009 and with the introduction of the Development part of the budget and three-year planning of the necessary funds, the forms from the Budget Circular A2 and A3, and especially forms B1 and B2 gained importance towards the program oriented budgeting. These forms define program classification of the Budget and they describe the programs of budget users (form A2), government programs (form A3) and development projects (forms B1 and B2).

The form A2 lists and describes budget programs and defines output indicators of achievement on the basis of which the results will be evaluated.

The form A3 collects the following information:

- Description of the government program – the budget beneficiary must clearly describe each government program, the manner of achievement, the sources of the funds that will finance it etc.
- Support of strategic government priorities – the priority supported by the activity of the budget beneficiary is listed here. If the activity supports multiple priorities, in that case all of them must be listed.
- Contribution aimed at the realization of the government priorities and other foreseen influences – in this part, budget users should provide an explanation on how the government program will contribute to the achievement of the government's strategic priorities separately, will the proposed activity have a positive or negative influence on the economy, employment, environment. In order to simplify this part, budget users should specify the government's strategic priorities that are linked to the government program, what are the purposes of the government program and in what time periods are the concrete results to be expected

The results from last year need to be specified in this form as well.

Forms B1 and B2 that describe Development Programs are in fact the Development Programs Plan. The Development Programs Plan remains a mid-term display of programs aimed at development investments. The Development Programs Plan is a constitutional part of the Draft Strategic Plans. The Development Programs Plan (Form B1 and B2 of the budget circular) in addition to the general information on the project, also state the following:

- from what budget or government program and subprogram the project emerges,
- the objectives that are to be achieved
- the expected results, i.e. effects from the project,
- anticipated risks,
- performance indicators,
- the years during which the activities will be realized and
- the sources of finance for the project.

The form B1 states the development projects that are unrelated with the usage of funds from the EU Instrument for Pre-Accession Assistance - IPA. If the implementation of a specific project requires a study, it is necessary to specify the name of the study and determine the level, i.e. whether it is a concept project, main project, pre-feasibility study, feasibility study etc. Also, the development programs plan should be aligned with the Strategic Plan of the budget beneficiary and accompanied by a complete project technical documentation. If the development program included funds from the IPA instrument, budget users are obliged to register these projects in Form B2 – Development Programs Plan – IPA.

The Development Programs Plan includes multi-year projects, i.e. projects whose implementation takes multiple fiscal years. Although expenditures from the category 40 – salaries and compensations, from example, can be categorised as multi-year projects from a time aspect and from that aspect need to be included in the Development Programs Plan,

they do not contain the development component in order to be included in the development part of the budget. Projects included in the development part of the budget, the Development Programs Plan, after the implementation should contribute by an additional value to the field they refer to. By considering the Development part of the Budget of RM for 2009, 2010 and 2011, it can safely be concluded that Development Programs Plans include projects that primarily are categorised by a technical technological component and are mainly realized through expenditures categories 42 – goods and services and 48 - capital expenditures.

Each budget beneficiary defines the program classification of their budget programs, bearing in mind the following codification instructions defined by the Ministry of Finance:

- Government programs are marked with a letter (program M – EU Integration),
- Budget programs are marked with a number (program 4 – social protection),
- Subprograms of government and budget programs are marked with a number (subprogram K2 – professional adaptation and improvement of government program K – Reform of the public administration, subprogram 43 – Support to the implementation of the decade and strategy for Roma of budget program 4 – Social protection),
- Development programs within government programs are marked with two letters (subprogram MG – Human Resources Development),
- Development programs within budget programs are marked with a number and a letter (subprogram 4A – Construction, equipping and maintenance of facilities for protection objects).

Table 1, provided as an appendix, provides an overview of the programs of MLSP included in the Budget of RM for 2011, which shows their

classification to budget and government programs and subprograms, development budget and government subprograms and according to that classification which Forms from the Budget circular should be completed. In accordance with the Strategic Plan of MLST (2011-2013) and the programs defined therein and the budget of MLSP for 2011, Table 2 shows the correlation of the Strategic Plan with the budget, as well as a classification of the programs to horizontal and vertical.

## **V. Analysis of the process of strategic planning and budgeting**

The analysis of the legal regulation, the existing documentation and the running of strategic and budget planning processes in practice, has shown that notwithstanding the reforms conducted with the Budget for 2009 with the purpose of introducing programme-oriented budgeting process, this process is not finalised in its entirety. The same conclusion was reached by SIGMA in its report for 2010. This is primarily down to the fact that there are still budget users whose budget is represented chiefly on the basis of items of expenditure (line budgeting), and not on the basis of budget programmes. These beneficiaries have their budget programmes limited to one or two programmes covering the comprehensive policies of the budget beneficiary, while the development projects were almost non-existent, with the exception of several budget users who as the only development project have the expenditures on the basis of the government sub-programme MA –Transition Assistance and Institutional Building which covers the activities financed by the IPA Instrument. As an example we can cite the Budget of the President of the RM, of the Intelligence Agency, of the Assembly of the RM, of the State Audit Office, of the State Commission for Prevention of Corruption, of the State Election Commission, of the Directorate for Personal Data Protection, of the Government of the RM, of the Secretariat for Legislation, of the Public Attorney’s Office of RM, of the Agency of Administration, of the Protection and Rescue Directorate, of the Customs Administration of RM etc.

However, a positive step forward is the fact that by introducing the budget reforms in 2009, the Ministry of Finance, as an authority responsible for drawing up and monitoring the Budget, has adopted the best practice of mid-term budget planning which is based on mid-term (three year duration) Strategic Plans and strategic priorities.

Bearing this in mind, we have commenced this budget process analysis by describing the process of adopting the strategic priorities by the Government through the fiscal strategy and strategic plans up to the adoption of the Budget of RM itself, as a final result of a complex process.

#### *V.1. Definition of the Government strategic priorities and goals*

As of 2009, the Government of the RM establishes the same strategic priorities and goals on annual basis and in similar form, these strategic priorities and goals are present as of 2007. As an example can be taken strategic priorities concerning integration in EU and NATO, establishment of sustainable economic growth, maintenance of good interethnic relations, investments in education. In fact, the input for determination of the strategic priorities and goals of the Government comes from the budget users. The budget users submit their proposals to the General Secretariat along with the priorities and goals which are suggested to be adopted by the Government. After analysing the received proposals, as well as after assessing the progress in the process of achieving the existing priorities and evaluation of the current social and economic situation, the General Secretariat in cooperation with the cabinet of the Prime Minister, the Ministry of Finance, the Ministry of Economy, the Secretariat for European Affairs and the Secretariat for Legislation prepare draft decision determining the strategic priorities and goals of the Government and present it to the Government with request for review and adoption.

Taking in regard the continuity of the Government Programmes and strategic priorities, it can be concluded that the Government remains consistent in the fulfilment thereof and dedicated to the goals which it sets as its tasks. On the other hand, we can say that the continuity of the

strategic priorities means reticence of the administration, as well as of the Government as a whole, in the introduction of new working initiatives. One of these initiatives is of course the initiative for gender budgeting which represents the modern developments of the economy and takes in regard the fulfilment of the various needs of women and men.

By publishing them in the Official Gazette, the strategic priorities become publicly available not only to the budget users, but also to all interested parties. This is important most of all from the aspect of the civil sector and economic entities whose activities are closely related to the social and economic developments which are largely determined by the policy of the Government. However, at the moment they are available to the general public only as information, with no possibility for intervention, i.e. supplementation. The decision for the strategic priorities and goals for 2012 is given in Appendix 1.

### *V.2. Process of strategic planning*

The fulfilment of the strategic priorities of the Government is operationalised through the Government and Budget Programmes. At the same time, the operationalisation of the Government and Budget Programmes is conducted by the budget users. The introduction of programme budgeting enables the budget users to determine the actions which are to be taken in order to fulfil the strategic priorities and goals of the Government, as well as in order to fulfil their own goals which are defined with the Strategic Plans and the expected results.

In the process of preparation of the Strategic Plans it is provided for all the organisational units of the budget beneficiary to be included, and to establishing an intersector and interministerial cooperation in order to determine the measures, activities, responsibilities, deadlines and resources that have been clearly defined and which are based on relevant data and measurably defined goals, available resources and expected results. The intersector and interministerial cooperation is usually realised through the creation of working bodies (work groups). The intersector and

interministerial cooperation in the process of preparation of plans is important from the aspect of avoiding double presentation of the same projects in the event when several sectors from one budget beneficiary or several budget users are included in their implementation. For example, this type of activity is the fight against human trafficking where the activities have intertwined relations between the Ministry of Internal Affairs and the Ministry of Labour and Social Policy. If double presentation of the projects within one or several budget users is avoid, that shall result in avoiding the unrealistic representation of increased demand of human resources and financial means for realisation thereof. If there is well established communication channel between the sectors and the budget users, it would be possible to accurately identify which activities from certain project within the competence of which sector or budget beneficiary are.

The strategic plans include the goals and tasks of the organisational units and of the budget user as a whole, the activities for fulfilment of these goals and tasks as well as the effects and results thereof. The plans are documents in writing, i.e. general framework providing the basic characteristics of the budget beneficiary: vision, mission, tasks and liabilities of the budget beneficiary, its singularities, organisational structure, and organisational units. The last part of the Strategic Plans is the Implementation Plan containing the programmes which shall be carried out by the budget beneficiary represented through the expected results, the activities which shall be conducted, the indicators for measuring the realisation, the necessary human and financial resources for the execution thereof, the carriers of the activities and the deadlines for their execution.

The Implementation Plan shows the connection between the programmes and the strategic priorities and goals of the Government of the RM and between the programmes and strategic priorities and goals of the budget beneficiary, as well as the goals, results and programme achievement indicators and the budget programme to which they belong. The Plan contains the programmes, sub-programmes and projects for the

purpose of meeting the strategic priorities of the Government. The plans of the development programmes are also part of the Strategic Plans.

Having in regard the fact that the Strategic Plans are being submitted as an attachment to the budget requests, they represent a good source of information for mid-term budget planning, i.e. they provide assistance in determining the necessary level of funds in the following three years. By conducting a more detailed analysis of the Strategic Plans of the budget users, the Ministry of Finance can create the fiscal policy for the following three years. This enables the Ministry of Finance to provide the funds necessary for realisation of the activities planned by the budget users in a timely and appropriate manner, as well as to submit a proposal to the Government for provision of additional funds from the international financial institutions, if necessary. However, it is not uncommon that the filled budget circular to be sent back to the Ministry of finance without draft strategic plan.

### *V.3. Definition of Government programmes*

The Strategic Plans of the budget users show the connection between the stipulated programmes and the strategic priorities of the Government, the goals and budget programmes, but they do not show the connection to the Government Programmes. The absence of connection does not mean that the budget users do not plan/realise projects through which the Government Programmes would be carried out, but it simply means that the visible connection between them within the Strategic Plans is missing. The only connection between the activities and the Government Programmes can be found in the Development Part of the Budget where there is a detailed description of the activities which shall be carried out in accordance with the concrete programme- sub-programme.

The Government programmes were defined for the first time in the Budget for 2005, and with the development and modernisation of the economy, the list of programmes was supplemented on several occasions. Most of the programmes like decentralisation, poverty reduction measures, defence and security promotion, rule of law strengthening, economic

development, health care system reform, public administration reform, and also the investment programme/education reform in its modified form, were included in the Budgets that have been drawn up until now. Summary of the Government Programmes for 2012 is given in Appendix 3.

The Government Programmes and Sub-programmes reflect the activities of the Government of the Republic of Macedonia which are taken in order to boost the economic growth, to accelerate the structural reforms and provide stable and secure environment. The Government Programmes show the current priorities and activities of the Government, and the realisation thereof is executed through the budget users.

The funding of the government programmes, as well as of the budget programmes, is provided from budget funds, donations and loans from the World Bank and other international institutions. The established government programmes may cause changes in the regular work activities of the ministries as a result of change of priorities. Best example thereof is the Ministry of Defence where most of the operational policies and procedures have been changed with the purpose of meeting the NATO accession standards (for example, the abolishment of compulsory military service and introduction of professional army, introduction of new organisational structure in the army).

In Table 2 given in the appendix, it can be seen that the Ministry of Labour and Social Policy in its Strategic Plan has defined activities which emanate from its competence and have the purpose of realising the Government Programmes. In the Table can be seen exactly in which programme or sub-programme of the Strategic Plan of the Ministry there are defined activities which are channelled towards carrying out the Government Programmes.

By realising the activities which are channelled towards carrying out the Government Programmes, the budget users fulfil the tasks which emanate from their competences and thereby they fulfil the tasks channelled towards the fulfilment of their own goals. In order to show the connection between the activities of the budget users stipulated in the

Strategic Plan and the Government Programmes, it would be enough to cite the programme/activities in the Strategic Plan, i.e. the Implementation Plan to the realisation of which the Government Programme makes a contribution. The realisation of this proposal is within the competence of the General Secretariat as a coordinator of the process of strategic planning and an authority competent for preparation of the Handbook on Strategic Planning.

#### *V.4. Preparation of Budget Circulars (Budget requests)*

As mentioned above, the Strategic Plans are being prepared in the period May – August of the current year and refer to the following three years and on 1 September along with the Budget Circulars prepared by the budget users are being submitted to the Ministry of Finance. Anyhow, as a result of the mutual dependence of these processes, the preparation of the Strategic Plans and the draft – budget requests takes place simultaneously.

The impression that is left from the conversations<sup>21</sup> that have been led is that notwithstanding the instructions for the process of strategic planning and preparation of the budget to take place simultaneously, these two processes take place separately and thereby the real connection between the plans and the budget is not achieved. The problem rises even in the phase of planning by organisational units at the budget beneficiary. Each organisational unit at the budget beneficiary independently prepares the plan for the following three years and determines the amount of funds necessary for this purpose and later the units for strategic planning compile the individual plans and subsume them into a Strategic Plan of the budget beneficiary. The practice shows that the units for strategic planning of the budget users usually receive proposals of future activities which more look like a wish list than plans which can be realised in reality. This is the case not only for the part related to the activities, but also for the part related to the necessary funds.

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<sup>21</sup> List of conducted interviews and consultation is annexed to the text

The demands for funds stated in the budget requests of the budget users which are submitted to the Ministry of Finance should be within the budget limits which the Government of the RM has approved on proposal of the Ministry of Finance. Besides the fact that the budget limits for each budget beneficiary are defined in advance by the Ministry of Finance with the Fiscal Strategy and are being submitted to the users with the Budget Circular, in practice, the budget requests which are being delivered to the Ministry of Finance go beyond this limit. This is primarily down to the demand of funds by the budget users for realisation of the activities higher than those determined as a limit, but also it is a result of the established practice for the Ministry of Finance in the preparation of the Budget Proposal to cut the funds requested by the budget users.

#### *V.5. Allocations of available budget funds*

After the adoption of the first package of anti-crisis measures by the Government of RM in November 2008, in the allocation of the maximum determined amounts, the budget users should also bear in mind these measures which are channelled towards economical and rational spending of budget funds in order to improve the budget structure by decreasing the current expenditures (goods and services and transfers) with the purpose of providing more significant funds for realisation of the capital projects and development investments. Among other things, the decrease of current expenditures implies:

- Interim prohibition for new employments (except for employments provided for in accordance with the National Programme for Adoption of the Acquis Communautaire and the implementation of the Framework Agreement).
- Delay of the 10% increase of salaries in the state administration and public sector planned for October 2009.
- Reduction of the item of current expenditure of all budget users for 16% on average in respect of the existing budget.

- Extension of the prohibition for procurement of furniture, equipment, vehicles and other unproductive expenditures of all budget users.
- Reduction in the number of business trips and significant reduction in the number of members of delegations for trips abroad.
- Reduction in the entertainment allowances and costs for commercials and sponsorships of all budget users.
- Stringent control on allowances and other costs of members of management and supervisory boards in public enterprises, agencies, funds, institutes and joint stock companies in national state ownership or reduction in costs for mobile phones, trips abroad etc., as well as provision for payment of lump sums by performance (attendance at a session).
- Prohibition on payment of remunerations to the commissions established within the ministries, agencies, funds, institutes, public enterprises and joint stock companies with majority of state capital in the execution of the regular activities.
- Lowering the limit for using business mobile phone to the whole public administration and a recommendation to all the ministries, public enterprises, agencies, funds and institutes to harmonise the requirements for provision of a business mobile phone.
- Control on employment through interim employment agencies, as well as control on the salaries which are given to the persons temporarily engaged at the public institutions.
- Reduction of current and capital expenditures of public enterprises, funds, agencies, institutes, joint stock companies predominantly owned by the state.
- Compulsory abolishment of bonuses and reduction of other costs incurred by public enterprises, funds, agencies,

institutes, joint stock companies, predominantly owned by the state.

- Recommendation for reduction of expenses incurred by the local administration in respect of entertainment allowances, trips abroad etc.
- Part of the projects of the Government, in the field of capital expenditures, was prolonged, i.e. they receive new dynamics of realisation and disbursement (for example, erection of a church on the square Makedonija).

After the negotiations with the Ministry of Finance, if the funds demanded by the budget user are reduced, the financial workers of the budget users have no established methodology for reducing the funds for the planned activities, and usually there is a linear reduction to all the programmes or advantage is given to the priority activities of the budget beneficiary where a smaller reduction is applied in comparison to the other programmes.

In the conversation led with the competent persons it was made clear that after the entry into force of the Budget for the relevant year, as a result of the lack of funds for covering all the costs and the large amount of outstanding liabilities from the previous years, most often the budget is executed on the principle First In First Out, i.e., the outstanding liabilities from the previous years are paid first and then, if there are sufficient funds, the liabilities from the current year are settled.

This occurrence is also contributed by the structure of the Budget which is rather complex and widespread and as such it sometimes disables the persons responsible for budgeting at the budget users to properly link the plans to the funds. The outstanding liabilities from the previous years contribute towards having lack of funds for realisation of the planned activities of the current year and thereby the plans are not fulfilled. As a result of this, the budget users are very often constrained to do reallocation of funds by changing the purpose thereof, and according to the statements of the persons responsible for budgeting, the budget procedures for changing

the purpose of the funds are long-running and complex, especially when a change in the purpose of funds from one programme to another programme is done.

When we speak about the budget programmes in the Strategic Plans, they usually refer to the programmes of individual organisational units of the budget beneficiary and usually are not reflected as such in the Budget. By comparing the Strategic Plans of the budget users for the past three years (2009 – 2011, 2010 – 2012 and 2011 - 2013) and the Budget of the Republic of Macedonia for the years 2009, 2010 and 2011, most often we can encounter the practice of having several programmes defined in the Strategic Plans being covered by one programme of the budget.

Namely, in order to show the approved funds of the budget users in the Budget, the budget users in the preparation of the budget requests group the projects/activities provided for in their Strategic Plan into one or several programmes. That is, the programmes show the approved funds of the budget users by project/activity. For funding certain project/activity, the budget beneficiary uses the funds allocated to him/her for the programme (budgetary or governmental) in which the relevant project is classified. The budget users may not use funds from another programme in order to finance the project/activity. It would represent spending of funds for unintended purposes. In case of lack of funds in the relevant programme for full funding of the project/activity, the additional funds may be provided by the budget beneficiary by making changes to the purpose of the funds from another programme, by submitting an application to the Ministry of Finance for allocation of additional funds or from international financial institutions in the form of loans, credits, donations.

The change in the purpose of the funds represents reallocation of funds between the items of expenditure in two or more programmes or between the items of expenditure within one programme. When a change is made to the purpose of the funds, the increase of funds of one item of expenditure is followed by appropriate decrease of funds of one or more other items of expenditure.

The defining of several programmes makes the execution of the budget difficult, especially of horizontal costs like, salaries, stationary, overhead costs etc. Therefore, usually these costs of the budget beneficiary are entirely planned in the programme 1 – Administration, and the programme part of the sectors (sectoral policies) is planned within individual programmes. Hence, the most common criterion for programmes defining is the administrative aspect of costs, and then the field covered by the activities defined in the Strategic Plans, the existence of a separate legal regulation for certain field.

This practice does not allow seeing the end – users of the programmes through the Budget. If the funds planned, i.e. spent for several activities are given as a group in one programme, then the persons responsible for budget management are not able to identify which activity the realised funds belong to. Therefore, it is even more difficult to identify, for example, who and how many persons were covered by the programme, its structure etc. These data can be obtained by analysing the additional documents (for example, if we are talking about a seminar that was held, the number of attendees and their structure can be analysed through the Lists of Attendance in which the participants in the seminar are registered) and by leading conversations with several persons who have been engaged in the implementation of the programme. However, it is not justified since it implies engagement of additional resources spent in an unproductive manner (persons, time, and money) which could have been utilised for some other more productive activities.

This practice results in simplification of the complexity of the budget and in easier handling thereof. At the same time, when several programmes are sublimed into one programme, it facilitates the utilisation of funds, the complex and long-running procedures for change of the purpose of funds from one programme to another are avoided, i.e. they are limited to the change of purpose of funds between the items of expenditure with the programme itself, which is a more simplified procedure.

Because of all of this, it is difficult to make a full connection between the programmes from the Strategic Plan and those from the

Budget. Partly, this information usually can be given only by the persons employed at the units for financial matters and budget of the budget users, i.e. those who are directly involved in the creation of the budget of the relevant budget beneficiary. Detailed description of the programmes of the MLSP in accordance with the classification in the Budget of the Republic of Macedonia for 2011 is provided in Appendix 2.

#### *V.6. Definition of indicators*

Regardless of the fact whether several programmes provided for in the Strategic Plan are sublimed into one programme given in the Budget of the Republic of Macedonia or are given as individual programmes, in both documents they should meet the requirements set by the programme budgeting, i.e. they should have the results, activities and output indicators defined.

When we talk about the defining of the results which should be achieved by the budget users, the budget users are declared with the Guidelines for Filling the Budget Circular in the form A2 – programmes of the budget beneficiary, in order to have the achievement indicators, on the basis of which the result performance shall be measured, compulsorily defined. The defining of the result measurement indicators, i.e. the output indicators, represents the core of the programme-oriented budgeting. Proposed as such by the budget users, the output indicators are provided in the Budget of the Republic of Macedonia itself, in the part which gives a description of the budget programmes by budget beneficiary.

Additionally, in the form B1 – Plan on Development Programmes, the budget users are obliged to define measurable indicators for the development programmes through which the achieved results in the realisation of the activities provided for in the development sub-programmes shall be evaluated.

“The process of budget planning promotion posed the necessity of developing individual indicators for the performance of each individual programme whereby it would enable measuring of programmes realisation results, as well as justification of the funds allocated therefore.”

The indicators should focus on the programme's key activities and should measure its most important activity. It is important to mention that the achievement indicators are not developed with the purpose of informing of each activity which is taken with the programme, but to focus on the most important goals which are achieved by the programme, their connection to the Strategic Plan and on the issue of how the programme funds are spent.

There are four categories of achievement indicators – input, output, efficiency indicators and result indicators.

The input indicators measure the funds necessary for execution of the programmes. In the Budget of the Republic of Macedonia for 2012, the following are used as input indicators: number of employees and approved funds in accordance with the economic classification.

The output indicators measure the quantity of goods or services received by carrying out the activities of individual programmes. An example of an output indicator is the number of traffic penalties issued by traffic officers.

The efficiency indicators are a measure for the funds spent by the budget users for activities performed through budget programmes. They can be represented as “cost per output”, “units per input”, or as “cost per result”. An example of the efficiency indicator is the indicator which measures the “operational cost per employee”. In the Budget of the Republic of Macedonia for 2009, an efficiency indicator on the level of a budget beneficiary has been determined: operational costs per employee.

The result indicators measure the efficiency in the achievement of the desired result. An example of the result indicator is the 10% increase in the number of resolved cases.....

.... In the process of development of achievement indicators, the Ministry of Finance points out that the budget users with budget request for 2012 should mandatorily determine only output indicators for each budget programme.

The introduction of the Development Part in the Budget of the Republic of Macedonia as a novelty in the budget process for the following year poses the necessity of determining the achievement indicators for each development sub-programme.”<sup>22</sup>

#### *V.7. Adoption of the Budget and alignment of the Strategic Plans with the approved Budget*

The adoption of the Budget of RM is followed by a complete harmonisation of the Plan with the funds approved from the Budget and the priorities regarding the programmes, sub-programmes, projects, measures and activities are set. This would mean that up to the moment of adoption of the Budget of the RM by the Assembly of the RM, if no funds are allocated for certain project/activity provided for in the Proposed Strategic Plan of a certain budget beneficiary, than this activity should be omitted from the Strategic Plan or the deadline for its realisation should be reviewed in accordance with the expectations when the necessary funds would be provided. The shortened version of the Strategic Plans harmonised in this manner are being published on the web-sites of the budget users up to 15 January the following year at the latest.

However, the conversations that were led left the impression that in practice this activity is not consistently implemented. The conversation with the competent authorities leads to the conclusion that a small revision of the plan is being performed, while a full harmonisation is not done because of the complex procedure and the large number of participants which should be engaged. This occurrence is a result of the budget users' capacities for the process of strategic planning which are still on a low level, the non existence of cooperation between the persons responsible for strategic planning and budgeting, but also as a result of the lack of human capacities.

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<sup>22</sup> Guidelines for preparation of a draft budget estimate for 2012.

### *V.8. Execution of the Budget*

The Law on the Execution of the Budget of the Republic of Macedonia, which is adopted on yearly level and refers to the Budget for the current year, defines the manner and procedure on funds spending planned with the appropriate Budget. The Law on Execution closely regulates the manner of funds usage by separate items of the Budget, as well provides the specifications for funds spending by separate sections. During the budget execution, the objectives of the budget programme need to be effectively and efficiently achieved via transparent procedures. The effectiveness represents realisation of the provided objectives in accordance with the budget in the given terms, and the efficiency is their realisation by utilization of minimum amount of funds.

Additional directions for spending the budget funds were given in the Instruction on the Manner of Treasury Activities. The Instruction more thoroughly refers to the types of account which can be held by the budget users, and the manner of their management, defines the payment instruments within the frames, towards and from the accounts of the users who have opened them within the frames of the treasury account, manner of keeping the register of budget users.

### *V.9. Interconnection between strategic planning and budget process*

In the process of subliming the Strategic Plan of the budget beneficiary, the units for strategic planning once again look into the individual plans and if they determine an unrealistic planning, the plans shall be reviewed from the aspect of the activities provided for, the deadlines set for their realisation, the necessary funds and human capacities. The process of strategic planning does not only include the persons from the unit for strategic planning, but this activity is delegated to a work group. The Handbook on Strategic Planning provides guidelines in respect of the profiles which the work group for strategic planning should constitute. The members of the work group, among others, should include persons who are responsible for the budget and the financial framework in order for a connection between the plan and the budget funds to be

established. Beside the fact that these guidelines are formally retained by the budget users and the work groups are established with a decision of the minister or head of the budget user, unfortunately, the conversations that were led leave an impression that the insufficient mutual cooperation between the persons of the budget users responsible for strategic planning and for matters related to the budget is a practice established at the budget users. The losses generated as a result of this occurrence are enormous. Not only there is a relativisation of the positive legal provisions, like the Law on Budgets, which among other matters regulates the connection between the strategic planning and the process of budgeting, but also the concept of programme-oriented budgeting fails to be realised in its entirety.

The work group for strategic planning in which compulsorily there is a member from the unit for financial matters and budget of the budget user, closely looks into the Strategic Plan from the aspect of necessary funds and the possibility for provision thereof, before the plan is being delivered as a proposal to the General Secretariat and the Ministry of Finance. However, not always the necessity for funds stated in the Strategic Plan corresponds with the budget request which the budget user submits to the Ministry of Finance.

Nevertheless, what can be noticed from the conversations with persons of the budget users is that greater importance is attached to the cooperation between the sectors in charge of financial matters and budget and the other organisational units of the budget users in the preparation of the budget request, than in the strategic planning. The process of preparation of budget requests by the budget users implies thorough talks and review of the budget needs of each organisational unit individually and compilation of the budget request which is submitted to the Ministry of Finance on the basis of individual needs. However, we can note that the organisational units of the budget users rarely submit well filled budget circular to the sectors in charge of financial matters and budget, especially in the part of indicators, which if given, is on a very basic level.

First of all, this is down to the weak capacity, i.e. the lack of knowledge in the process of planning demonstrated by the employees of

the budget users. The legal regulation of the processes related to budgeting is more stringent and more comprehensive than the legislation which regulates the process of strategic planning. Therefore, the budgeting and budget management procedures are more strictly observed than the procedures of strategic planning.

As a positive example of implementation of the strategic planning process and connection to the budget we can mention the Ministry of Agriculture, Forestry and Water Economy. According to the statements of the persons responsible for strategic planning, great attention is paid to this process. The unit for strategic planning and the unit for financial matters are in close cooperation in the process of preparation of the Strategic Plan and the budget. The unit for financial matters provides the data for the realisation of funds for the last three years and based thereupon, the realisation of the activities from the Strategic Plan is monitored. If during the process of review of the individual proposals received from the organisational units, it was determined that there are planned activities for which funds were already allocated in the past three years, and depending on the nature of the activities they are removed from the current Strategic Plan and no funds are planned in the draft budget request. Also, it was emphasised that each organisational unit is obliged to prepare a SWOT analysis (analysis of the strengths, weaknesses, opportunities and threats) in accordance with the Handbook on Strategic Planning. Attention is paid to the continuity of the members of the strategic planning work group where there is a binding participation of persons from the unit for financial matters and human resources, as well as to the attendance of the work group members at training sessions organised by the General Secretariat. However, despite the fact that it was emphasised that they keep record of the realisation of the activities from the Strategic Plan and they obtain part of the data from the Sector for Analysis, this record – keeping is reduced to the realised activities itemised in the Strategic Plan which are given by the organisational units within whose competence the implementation of the activity is.

### *V.10. Monitoring of the realisation of the indicators*

The analysis showed that only part of the budget users have only the programme achievement indicators related to the number of employees at the budget beneficiary and the operational expenditures per employee stated in the Budgets, while the output indicators are missing. In order to fully implement the system of programme-oriented budgeting, it must be insisted on compulsorily defining the output indicators of all budget users in order to have real monitoring of the results from the programmes which are financed with budget funds. Despite the fact that the indicators are given within the Budget, there is no analysis thereof after the end of the financial year, i.e. there is no consistent monitoring of the results and connection thereof with the programmes financed from the budget for the relevant year.

The only public data for realisation of indicators can be found in the amendments to the budget and these data refer only to the output indicators which are stated in the budget and not to all indicators defined in the Strategic Plan. This practice was introduced for the first time with the amendments to the Budget of the Republic of Macedonia for 2007. However, the amendments to the budget show only the level of realisation of the indicators in respect of the planned indicators and do not provide additional explanation thereof. If we look into the given realisation of the indicators in the amendments to the budget, we can see that significant part of the indicators show high level of realisation.

Bearing in mind the fact that most of the amendments to the budget were adopted in the middle of the financial year, a question is raised, how come in the first half of the year there is high level of realisation of the targets set and the planned goals are represented as almost fully met, when the targets should be set for the duration of the whole year. And again, the same conclusion is reached, that it must be as a result of weakness in the planning and not having a possibility to assess the real capacity of the budget users for accomplishing the tasks. The chronic lack of funds for realisation of the planned activities and the large outstanding debt from the previous years is another reason. After the payment of the outstanding

debts, the budget users are not able to finance the activities of the current year in their entirety and therefore, they set smaller targets. The setting of smaller targets can be justified with the fact that the budget users expect each year to have amendments to the budget whereby the funds for the current year would be additionally reduced to them and the full realisation of the planned activities would be jeopardised.

The insufficient cooperation between the persons at the budget users responsible for strategic planning and matters related to the budget results in the application of a different methodology for defining the indicators or performance indicators within the Budget and the Strategic Plans. By looking into the Budgets of the Republic of Macedonia and the Strategic Plans of the budget users for the past three years it is evident that there is a small number of indicators included in the Budget of the Republic of Macedonia in contrast to the comprehensive indicators defined in the Strategic Plans. Also, the indicators defined in the Budget of the Republic of Macedonia are not always originally cited; as they are defined in the Strategic Plans, and we can say that part of them do not reflect the primary competence of the budget beneficiary. The indicators given in the Budget are always quantified, while the indicators defined in the Strategic Plans are usually qualitative. However, there are positive examples of defining measurable quantitative indicators which can serve as an example, like the indicators defined by the Ministry of Agriculture, Forestry and Water Economy, the State Statistical Office, the Agency for Promoting the Development of Agriculture, the Ministry of Foreign Affairs.

#### *V.11. Monitoring of the realization of the Strategic Plans*

In terms of monitoring the realisation of the Strategic Plans, the Handbook on Strategic Planning provides the following guidelines: “The monitoring of the Strategic Plan is focused on the level of implementation of the planned activities without evaluating thereby the efficiency of the programme itself. Unlike monitoring, the evaluation is a planned project with well determined methodology whose goal is to critically examine and evaluate all aspects of the programme. The evaluation is performed in order to determine whether the planned goals of the policy have been

fulfilled in an efficient manner and whether some negative effects have occurred and to which extent. As a result from the evaluation it is expected for information to be obtained in respect of the fact whether the programme needs alterations or whether even a cancellation thereof is necessary.”

The disadvantage of the system devised in this way is that the monitoring and evaluation of the fulfilment of activities and achievement of results provided for in the Strategic Plans is left completely to the budget users themselves. Despite of the fact that the General Secretariat is the central unit for strategic planning, it only has coordinative function and does not play role in the process of monitoring the fulfilment of Strategic Plans of the individual budget users, given it does not have mandate to monitor the implementation of strategic plans of the budget users

One of the tools for monitoring the achievements and evaluating the strategic plans and connecting the plans to the funds spent is the performance audit of the work activities. The Law on Public Internal Financial Control<sup>23</sup> defines the performance audit of the work activities (execution) as assessment of the thriftiness, efficiency and effectiveness of work activities and the use of funds in the defined field of activity or programme. The performance audit is within the competence of the units for internal audit of budget users. This audit would enable you to make an analysis of the results, activities and indicators provided for in the Strategic Plans and setting thereof in constellation with the spent budget funds. The audit should determine whether the funds are spent with an appropriate purpose (the projects planned with the Strategic Plan), whether the results and the goal of the programme are achieved with the funds spent and whether the performance indicators which are set (output indicators) confirm the fulfilment of the programme. Unfortunately, in the conversation that was led with the authorised persons it was underlined that the performance audit has not been conducted in the last three years and

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23 Law on Public Internal Financial Control (Official Gazette No. 90/09 and 12/11) – consolidated text

bearing in mind the insufficient capacities of the units for internal audit, they are focused on the basic financial audit of the budget users.

Initial steps in this direction are currently made by preparing the Internal Audit Protocols for conducting performance audit. The Protocols shall prescribe the procedure for monitoring and evaluation of the Strategic Plans, which will implement the internal audit of the budget users. When these Protocols will be adopted depends on the budget users themselves. As it has been shown in the conversation with the competent authorities, currently the process of monitoring and evaluation of the Strategic Plans is not being implemented in accordance with the directions given in the Handbook on Strategic Planning. Until the adoption of the Protocols, these processes come down to the records being kept by the Strategic Planning units. These records are composed of a list of activities for which funds have been provided in the last years, as well as a degree of their completeness. Specific methodology for collection of these data is not known, but it comes down to the information they receive from the organizational units (sectors) which are in charge of the completion of the activities.

#### *V.12. Improvement of the process of strategic planning*

In order to improve the image, the General Secretariat as an institution responsible for coordination of the process of strategic planning constantly organises 10 – 15 training sessions (specialised or generic) for the employees of the budget users in order to raise their capacity for strategic planning. Five advanced trainings in strengthening the capacity for policy creation and eight workshops on local level were organized in 2011, with the cooperation of the Ministry of local self-government.

Even though still not operational, we welcome the initiative of the General Secretariat for developing a software program for improving the system for monitoring the implementation of the Annual Programme for the work of the Government of the RM.

A Public Administration Reform Strategy of the Republic of Macedonia was drafted towards the end of 2010 which should support

further modernisation of the public administration with the purpose of meeting the expectations of the citizens and the legal entities. The Public Administration Reform Strategy shall be implemented in the period between 2010 and 2015 and in the part referring to strategic planning and policy creation it states the following:

The Rule of Procedure for work of the Government and the Methodology for Strategic Planning and Preparation of the Annual Work Programme of the Government of the Republic of Macedonia formally provides a solid framework for development of a system of strategic and yearly planning which can enable implementation and monitoring of the strategic priorities of the Government. However, the capacities of the General Secretariat, as well as of the ministries and other state administrative bodies, are still insufficient. There are no formalised internal procedures within each ministry for provision of sustainable implementation of the processes of strategic and yearly planning or monitoring and reporting on the implementation. The Strategic Plans of the ministries are usually prepared by a small number of civil servants whereby in these cases the internal coordination of the different departments, especially in the budget departments is very weak. All the state administrative bodies prepare strategic plans; however, the quality varies between different ministries. Although the ministries clearly understand the importance of the process of strategic planning, sometimes they are not successful in the adoption of this process and the application thereof as an instrument for planning and monitoring. Changes will be made in this field also with additional development based on the Public Administration Reform Strategy.

The Ministry of Finance has an important role in the process of strategic planning and policy planning. The employees at the Unit for Funds' Budgets of the ministry shall have close cooperation with the other ministries and state administrative bodies in the course of duration of the whole process of planning and preparation of budget in order to enable allocation of the necessary funds for the priority programmes and thus contribute towards the realisation of the strategic priorities of the Government. Despite having mid-term, the fiscal strategy is a prerequisite for the existence of a stable and sustainable fiscal management; however, the benefit and gains the reform

depend on the capacities of the Ministry of Finance for preparation of macroeconomic projections and forecasts for the revenues and expenditures, as well as on the strategic planning within the administration as a whole. Therefore, attempts were made with the purpose of strengthening the link between the whole process of policy creation and the budget since all the proposals of new expenditures submitted to the Government for approval must contain cost analysis for a period of three years. Although the fiscal impact of these proposals is summarised in standard forms for Fiscal Impact Analysis (FIA), a thorough analysis in many cases is missing. This approach will be changed and additionally developed on the basis of the Public Administration Reform Strategy.

Another key challenge is the improvement of the cooperation between the units in charge of policies and the units for financial management within the ministries themselves. At the moment, the developments in the field of public expenditure management continue without real internal need for such changes and that is why the public expenditure management system does not support the current process of decision- making. This will be additionally developed and properly conducted as a regular procedure.

In accordance with the Decree on Internal Organisation Principles of the State Administrative Bodies, large part of the ministries have established a unit for strategic planning and monitoring which directly informs the state secretary. However, the capacities of these units are usually insufficient and in these cases they face difficulties in the fulfilment of the role of coordination and monitoring in the process of strategic planning. The General Secretariat has organised and held a large number of training sessions regarding the process of strategic planning in the past several years.

During the past years, the employees at the General Secretariat have developed knowledge and skills for coordination and maintenance of the process. Nevertheless, the capacities for coordination and content advising of the Government regarding the strategic priorities and the implementation thereof in the General Secretariat can be improved.

(source: Public Administration Reform Strategy of the Republic of Macedonia (2010 - 2015), Human dynamics – public sector consulting, IPS institute)

The Strategic Plan and the plans for implementation of the programmes and projects are documents which should be used in the everyday work of the budget users. The constant monitoring over the performance of tasks and activities is a method for the employees who implement the plan, but also for the management and the minister, to have constant insight in the progress of the implementation of the plan and of the fulfilment of the goals. Also, the monitoring is important since it enables you to react timely if there are any problems which could cause changes or adjustments to the Strategic Plan.

*V.13. Reform of the budget process – introduction of the program oriented budgeting*

Besides the introduction of a three-years strategic planning and presentation of the programmes and sub-programmes in the Development Part of the Budget, another significant step towards the programme-oriented budgeting with the Law Amending the Law on Budgets of 2008 has been made by allowing transfer of unspent funds for capital projects in the amount of 50 % as approved funds for the first semester of the next fiscal year. Positive step has been made with the Law on the Execution of the Budget of the Republic of Macedonia for 2010<sup>24</sup> by decreasing the rate of funds spending for capital expenditures from 30% to 20% in the first half of the year which, if unspent, will be automatically transferred by the Ministry of Finance to the section 09002 - Functions of the State, sub-programme 20 – functions, item 414 – reserves of capital expenditures. This positive part of the budget reforms has also been noted in the SIGMA report for 2010.

These amendments are important from the aspect of complete realization of the stipulated capital projects by the budget users who before the introduction of the transfer of funds for the following year and the high rate of expenditures which had to be realised during the first half of the

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<sup>24</sup> Law on Execution of the Budget of the Republic of Macedonia for 2010 (Official Gazette No. 156/09)

year were faced with an incapability of realising the capital projects. First of all, this problem appears when the public procurement is financed by donors (EU, World Bank), implemented under their auspices or according to the rules of the donors whose tender procedures require long period of realisation which cannot always be finalised in the first half of the year.

Besides the identified deficiencies, the Republic of Macedonia is on the right way to introduce complete programme budgeting. This assertion is supported by the fact that the documentation which is used upon programme budgeting should answer the following questions:

- Why there is a budget beneficiary – the objective and mission
- Which results the budget beneficiary intends to realise – the strategic goals
- What does the budget beneficiary undertakes to achieve the results – the programmes and operational goals
- How much does it costs – the funds which are necessary for the budget beneficiary to realise his/her own goals divided by programmes and economic category.
- How the results of the implemented item are being measured – indicators for measurement of the realised one
- Who is responsible for the programme – responsible person

Analysing the documentation which is delivered in addition to the Budget Circulars, it can be freely concluded that it, nonetheless, provides an answer to most of these questions. Strategic plans of the budget users provide an answer to the question for the objectives and the mission of the budget beneficiary, programmes (activities) which are implemented and which are indicators for success. An answer to the questions regarding how much funds are needed for programme realisation, then which indicators will measure the achievements and who is the person responsible for the programme can be obtained from the Forms B1 and B2 – Plan on Development Programmes, part of the Budget Circular. However, there is a lack of synthetisation of all of these data in one document and as already has been mentioned, there are significant weaknesses in indicators monitoring and analysis of the realised results.

#### *V.14. Transparency of the Budget of RM*

The research conducted by the International Budget Partnership which assesses the transparency of the governments regarding the budget policy, and the report for 2010<sup>25</sup> shows that the general transparency of the governments worldwide is low. The report states that only insignificant small number of countries have transparent budget, whereas the rest of them give insufficiently little budget information. In accordance with the ranking criteria, the Republic of Macedonia is in the group of countries which:

- provide “some” budget information
- have modest legal regulation which regulates the budget process
- have strong central audit institution (referring to the State Audit Office)

The same report states that the trend of opening the budgets for the public is positive, especially with the countries which gave a little budget information in the past, which the Republic of Macedonia belongs to. In order for the budget to be made more transparent, the researchers recommend for the budget documents to be widely and duly available to the public.

As it is already stated in the text, with the Law on Budget, Ministry of Finance is obliged to prepare monthly and mid-year reports on the budget execution. These reports should be published on the Ministry of Finance’s web page. Respecting their obligation, Ministry of Finance publishes the monthly reports on the regular bases, while the half-year report including macroeconomic indicators and projected revenues, liabilities and expenditures for the budget year as of 31<sup>st</sup> of July, could not be found on their web page. From the aspect of reporting on

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<sup>25</sup> The open budget survey 2010, International Budget Partnership, <http://internationalbudget.org/what-we-do/open-budget-survey/>

macroeconomic indicators, on the Ministry of Finance's web page<sup>26</sup>, several monthly, quarterly and yearly reports can be found.

#### *V.15. Participation of the public in the process of budgeting*

The indirect role of the citizens and the civil sector, business community, and tax payers is inevitable in the control of the budget performance. In order for them to participate in the process of budget control, they have to be informed how the budget funds are spent. In this regard, it can be established that the public does not have large access to information on budget spending, i.e. there is a lack of information which will be simply presented and apprehended. Latest in 30 days from the end of the month, the Ministry of Finances publishes the data on execution of the Budget of the Republic of Macedonia on its website. The tables for the execution of the budget are prepared according to the IMF Methodology for government statistics (Government finance statistic 1986).

However, the budgets are presented with the technical language, whereupon the citizens can hardly understand what the public money are spent on. The lack of precise information disables the citizens and nongovernment organisations to participate in the discussion for the distribution of the public resources. Even the Tables of Budget Performance presented by the Ministry of Finance show the costs by types of expenditures in groups (goods and services, transfers, capital costs) and thus no clear picture can be obtained on what the funds have been spent and which projects have been supported.

Sometimes the budget frame itself disables effective participation of the civil sector in the budget process. The legal system of the Republic of Macedonia directly does not guarantee the right of the citizens to be included in the process of creations of budgets and their utilisation. However, the laws do not exclude the civil monitoring for budget utilisation. On national level, it includes:

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<sup>26</sup> <http://www.finance.gov.mk/node/400>

- Constitutional right of drafting laws and amendments to existing legal acts;
- right to influence the documents adopted from the Assembly via its MPs;
- the right to obtain information in accordance with the Law on Free Access to Information of Public Character<sup>27</sup>,
- there are offices for contact with citizens, MPs' questions etc.

On local level, the provisions of the Law on Local Self-Government<sup>28</sup>, Law on Financing the Local Self-Government Units<sup>29</sup> and the Statutes of the municipalities encourage the citizens to participate in the budget process. The Law on Local Self-Government confirms that the local self-government units have right to local self-government via direct participation of the citizens upon deciding on general and citizens' interests. The Handbook – Guide through the competencies of the newly elected mayors and members of the municipal councils says:

“... The participation of the citizens in the budget process is very important. There is no democratic society without open authority. The benefits are two-sided because:

- The citizens participate in the determination of the priorities, and then in the control during the realisation thereof;
- The authorities check for the legitimacy of their policy and strengthen the trust among citizens.

It can be best done by delivering previous notifications to the all interested parties for the budget requesting for them to leave their own opinion. Then, by organizing public platforms for the Draft-Budget in the local and urban communities... After the termination of the public

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<sup>27</sup> Law on Free Access to Information of Public Character (Official Gazette No. 13/06, 86/08 and 06/10)

<sup>28</sup> Law on Local Self-Government (Official Gazette No. 02/05)

<sup>29</sup> Law on Financing the Local Self-Government Units (Official Gazette No. 61/2004, 96/2004, 67/2007, 156/2009 and 47/2011)

discussion and the incorporation of the useful proposals into the text, the draft-budget will be delivered to the council for its adoption...”

Positive examples of the application of the practice of citizens' participation in the budget process via public debates and measurement of the satisfaction of the citizens are the municipalities of Veles, Shtip, Ohrid, Debar, Gevgelija, and Strumica.

The participation of the citizens in the budget monitoring is significant in order for them to lobby for the introduction of conditions for transparent decision – making for the needs of the budget funds. In this context, the monitoring of the budgets can be defined as the activity of research, study and observe the rhetoric of the authorities and civil servants regarding how they are obliged to take actions and in which terms. One of the most important things for transparent financial operations is to duly deliver to the public comprehensive, precise and approved budget information. The information should refer to the comparison of the promises and achievements, i.e., to see for what objective and how much of the funds is spent. Quality information is a basis for the interested parties to participate in the budget monitoring.

The role of the civil sector and non-governmental organisations is to develop efficient and transparent monitoring system which will promote consistent utilisation of the approved budgets by which the corruption and bad management with public resources will be reduced. They can perform monitoring with the purpose of determining whether the public policies for which budget funds have been provided for and spent are properly and precisely implemented, whether the budget funds are economically spent, etc.

The role of the civil sector has increased by entering into force of the Law on Free Access to Information of Public Character. The Law realises the constitutional principle which guarantees free access to data and freedom of reception and transfer of information, as well as transparent work of the information holders. Information holders have an obligation to provide the public with accessibility of the texts of the regulations, programmes, strategies and other documents related to their scope of work, as well as the manner of their performance.

## **VI. Connection between the budgeting process and gender equality**

The equality of the citizens on all grounds, including gender equality is guaranteed with the highest legal act – the Constitution of the Republic of Macedonia, as well as the Law on Equal Opportunities between Men and Women. Gender equality is provided for and regulated by a dozen of legal acts and international agreements which are part of the Macedonian legal system<sup>30</sup>. Gender represents different identities, roles, responsibilities and relation between men and women in the society.

The Council of Europe defines gender budgeting as "... inclusion of the gender perspectives in the process of determination of the budget process, which implies gender based budget assessment, inclusion of the gender perspectives at all levels in the process of budget approval and redistribution of revenues and expenditures in order to promote gender equality."

The several decades of effort to find the most efficient ways through which the political commitments for gender equality contained in the national legislation, as well as in numerous international documents, will be put in practice have shown that these strivings can be successfully implemented only if the principle of gender equality is consistently integrated in all public policies and if the entire society takes responsibility for the realisation of gender equality. One of the methods for realisation of this objective is gender budgeting, which although is still a novelty becomes more dispersed practice on a global level, as well as in our country.

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<sup>30</sup> UN Charter, Universal declaration of Human Rights, International Covenant on Economic, Social and Cultural Rights, MOT and UNESCO Convention, Convention on the Elimination of all Forms of Discrimination against Women – CEDAW, European Convention on Human Rights, the Law on Labour Relations, the Law on Health Insurance, Law on Health Protection, Law on Primary Education, Law on Secondary education, Law on Higher Education, Penal code, Election Laws, Law on Family

The Ministry of Labour and Social Policy as line ministry should take active role in the process of development of gender responsive budgeting by implementing activities from the strategic area *Strengthening of the institutional capacities and mechanisms for the inclusion of the gender perspectives in the public policy, strategies and action plans, and inclusion of the methods of gender budgeting both on national and local level* provided for in the National Action Plan on Gender Equality.

When we talk about introduction of the activities related to gender mainstreaming which would be financed through the Budget of the Republic of Macedonia, the analysis should begin with the examination of the Government Programmes and strategic priorities because, as it has already been mentioned, this is the first step towards defining the activities financed through the Budget of the Republic of Macedonia. The government programmes in different sectors have different influence on men and women, their economic strength and standards of living.

The complete gender mainstreaming will be achieved only if the Government of the Republic of Macedonia defines the government programmes, strategic priorities and objectives which will be directly related to the gender or if the gender component is introduced in the existing ones. The government programme - *Measures for increasing the employment and standard of living*, can be taken as an example, and analogous to that, the government priority – *Increasing the economic growth and competition on permanent basis, higher employment rate, increase of the standard and quality of living* and strategic objective - *Implementation of active employment policies which influence the knowledge and qualifications of the labour supply*. If the gender aspect is included, whereupon their meaning and objective would not be changed, they would have the title – *Measures for increasing the employment and standard of living of **men and women***, i.e. *Increasing the economic growth and competition on permanent basis, higher rate of employment of men and women, increase of the standard and quality of living of **men, women, boys and girls*** and *Implementation of active policies for the employment of **men and women**, which influence the knowledge and qualification of the*

*labour supply.* Such defined programmes, strategic priorities and objectives of the Government of the Republic of Macedonia will contribute to the definition of specific activities (projects) by budget users and will be gender responsive.

The priorities show the general results to be achieved in medium and long term periods. Including and presenting the gender component as part of the general result within a specific priority is desirable, and the gender component could be detailed in the strategic goals through specific, detailed, plausible and deliverable results with an established timeframe.

Besides the government programmes, priorities and objectives as strategic commitments of the Government, the Strategic Plans, Draft Plan of the Development Programmes and the Budget Circular have been identified as entry point for the introduction of the gender during the analysis.

In the process of strategic planning, the budget users should identify the projects, i.e. activities which are in their competence and which are related to gender mainstreaming. When these activities will be identified, they should be recorded in the Strategic Plans, Plan on Development Programmes and Budget Circular. Budget users should be required to compulsorily define the gender responsive indicators through which the results of the conducted activities will be implemented. Gender responsive indicators should be distributed by: gender, ethnicity, age, education, place of residence, etc. This identification of the activities will enable closer monitoring of their effects by monitoring and analysis of the gender responsive indicators which will be defined during the creation of the Strategic Plans, Plan on Development Programmes and Draft Budget requests.

The most appropriate to make the identification of the gender sensitive projects/activities and indicators in the Strategic Plan is in the Implementation Plan i.e. in the part “Expected results (components) of the programme” where the list of planned projects and activities which the

budget users plan to implement in the forthcoming period, as well as the indicators for measurement of the achievements are given.

Concerning the Plan on Development Programmes, the part where the goals of the development programme are described, is the most suitable also for explanation whether and how the programme will attribute towards gender mainstreaming. If the project has gender component, definition of the gender sensitive indicators to be obligatory.

Guidelines for budget funds planning should guide the budget users in the Forms A2, A3, V1 and V2 to identify the programmes that have gender component, as well to define the gender sensitive indicators for them.

In order to ensure unique methodology access to the manner of determining which activities, i.e. projects are gender responsive and how to formulate gender responsive indicators, directions should be given in the Handbook on Strategic Planning prepared by the General Secretariat of the Government of the Republic of Macedonia and the Directions for the Preparation of the Budget requests prepared by the Ministry of Finance.

Besides the data which are already contained in the Strategic Plan, Plans on Development Programmes and the Budget Circular, additional information should be added which will show how the programmes, i.e. activities contribute to the gender mainstreaming, which indicators show this, what results have been achieved in the past period and what are the expectations, i.e. effects for the upcoming period. Such collected data would be transferred in the Budget of the Republic of Macedonia as an explanation to the programmes (projects or activities) which are gender responsive in the general and development part of the budget.

For this purpose it is the best to form work groups with representatives from the Ministry of Labour and Social Policy, the Ministry of Finance and the General Secretariat which will work on the improvement of the Strategic Plans, Draft Plans on Development Programmes and the Budget Circular. Only by close and direct

cooperation with the General Secretariat and the Ministry of Finance, appropriate amendment to the Rulebook on Strategic Planning and Budget Circular, i.e. Directions for the Preparation of Budget requests can be achieved.

In order to ensure complete realization of the planned objectives, the Strategic Plans and Budget of the Republic of Macedonia need to be in constant correlation with other strategic documents in the area of gender equality, not only through the Law on Equal Opportunities for Men and Women, but through similar documents, but also through documents which will be adopted in future. First of all, this correlation will be made if the activities which will be provided for in the strategic documents will be taken into consideration upon the adoption of the Strategic Priorities of the Government of the Republic of Macedonia, then through the Strategic Plans of the Budget Users. They will also be taken into consideration in the Budget of the Republic of Macedonia.

All of these documents must be put into correlation with the strategic documents which define the development of gender equality in the upcoming period, such as the National Action Plan on Gender Equality. This plan is strategic document of the Government of the Republic of Macedonia, which is defined for the period of 2007-2012 and defines the objectives, measures, indicators, key policy makers for the promotion of gender equality in different areas of life, responsible actors and all interested parties in the introduction of gender equality and equal opportunities between man and women in the Republic of Macedonia.

This refers to the definition of indicators by programmes. In order to provide maximum benefit from the activities which will be financed by the Budget of the Republic of Macedonia, besides the definition of measurement indicators, they need to be put, as far as possible, in correlation with the indicators which are defined with the strategic documents referring to the gender mainstreaming. This will ensure integral set of indicators which will lately facilitate the process of monitoring and measurement of the results of the implemented programmes and all the

involved institutions “will speak in the same language”, i.e. will have comparable data.

Another tool which can be used in order to ensure that the gender concept has been met in the programmes and activities which will be financed by the budget is for the Draft Budget of the Republic of Macedonia to be examined by a body which will perceive the gender perspectives in the proposed financing activities and will give proposals for amendments, if necessary, before its submission for an approval to the Government of the Republic of Macedonia. This body may be composed as a work group which will be composed of representatives from the Ministry of Finance, MLSP and other budget users, as well representatives from the civil sector in order to perceive the gender perspective in the Budget of the Republic of Macedonia. Already appointed equal opportunities coordinators by budget users could be members of this work group.

In the process of Budget adoption the most important actor is the Committee on Gender Equality of the Assembly of the Republic of Macedonia. It should take active role in the assessment of the influence of the proposed programmes on men, women, boys and girls. Simultaneously, it can demand for redistribution of the costs to be made in order to achieve gender responsive budgeting.

The differences between men and women remain unfamiliar in the entire budget process due to the assumption that the objectives and the instruments of the economic policy are widely applicable and gender neutral. As a result of this, the Ministry of Labour and Social Policy should take active role as line ministry competent for this issue in the implementation of this process. MLSP, through the Sector for Equal Opportunities, should act in the direction of raising the awareness of the budget users on this issue. They should act towards bringing this concept primarily in structures that are responsible for creating policies, as well as structures in charge of creating the draft budget requests for budget users. Currently there is very small, almost nonexistent knowledge of the concept of gender mainstreaming among budget users.

Having this in mind, a progress in the identification of activities cannot be expected, i.e. in projects implemented by the budget users until adequate facilities are not constructed in them. The planned objective, i.e. creation of gender responsive budgeting may be achieved only by implementing a campaign for raising the awareness of gender mainstreaming, starting from the structures of the Government of the Republic of Macedonia and then all budget users.

Special attention should be paid to the Ministry of Finance, especially the Sector for Budgets and Funds which is directly responsible for the preparation of the Fiscal Strategy and the Budget of the Republic of Macedonia. The concrete amendments to the Budget Circular and the Budget of the Republic of Macedonia itself will be made in mutual cooperation between the Sector for Equal Opportunities of the Ministry of Labour and Social Policy and the Sector for Budgets and Funds of the Ministry of Finance.

Internal audit units of the budget users should be included in the campaign for raising the awareness of the importance of gender budgeting because they are important tool for monitoring the fulfillment of plans, above all, the performance indicators as a benchmark for the achieved results. The Sector for Public Internal Financial Control of the Ministry of Finance has coordinative role in the process of internal audit, acts as central unit for harmonisation of the financial management and control. Specialised trainings for the internal auditors should be organized in cooperation with this sector, at which the gender concept of the budget will be treated paying special attention to the significance of the indicators/performance indicators.

For the purposes of easier approach to the concept of gender responsive budget by the competent persons, MLSP, as line ministry, should initiate a procedure for a selection of pilot budget users with which the process of adoption of gender responsive budget will be initiated. The programmes of budget users which directly contribute to the realisation of strategic priority of the Government - Increasing the economic growth and

competition on a legal basis, higher employment rate, increase of the standard and quality of living may be chosen as pilot budget users who may serve as a good example for the creation of gender responsive budget. From this aspect, the programmes Work Relations of the Ministry of Labour and Social Policy, Rural Development of the Ministry of Agriculture, Forestry and Water Economy, Primary Education of the Ministry of Education and Science, sub-programmes Construction of Medical Clinics in Rural Areas of the Ministry of Health, Support of the Development of Small and Medium Enterprises of the Ministry of Economy may be chosen as pilot programmes. Once the techniques for creating a gender responsive budget would be implemented and tested at these pilot budget users, they would be expanded to all budget users.

Given that the programs, projects and activities of budget users are defined in the Strategic Plans, in accordance with previously established strategic priorities and programs of the Government, in order to determine where and how gender issues should be integrated so that they can be properly covered and accompanied by a budget allocations, this document will give the conclusions of the analysis of the Strategic Plan of the MLSP.

After the analysis of the objectives of the programs and their expected results, a conclusion is made that the concept of gender equality can be introduced in all programs of the Ministry. Exception can only be made for programmes and sub-programmes dealing with horizontal issues such as the programme for Strategic Planning, the programme for Legal, Normative, General, and Common Affairs, the programme for Financial Affairs, the programme for Coordination and Technical Assistance to the Minister, and the programme for Internal Audit.

Having in mind that the budget is operating part of public policies, gender budgeting and gender budget analysis actually examine how much public policies are gender responsive and how the principal commitments for gender equality are followed by an adequate allocation of budget funds. In this way, the influence of the distribution of revenue and expenditure on the social status of women and men is examined and it is being indicated to

potential areas which could be the cause of inequality and where it is necessary to redistribute the resources in order to achieve gender equality. In a nutshell, gender budgeting does not mean special funds for women, nor separating equivalent means for men and women, but a reallocation of resources in accordance with the specific needs of men and women.

The use of gender budgeting raises the awareness of the various actors on gender issues and gender influence on the budget and policy, leads to increased government responsibility because its commitment to gender equality is expressed through the budget policy, budget and policies are adapted to the real needs of women and men which promote gender equality in the society. Otherwise insufficiently recognized contributions of women become visible through gender budgeting, i.e. the value of women's unpaid work and activities performed, which must be considered as an important factor in making and implementing the policies is being indicated.

In this direction, even the Provincial Secretary of Vojvodina, Miroslav Vasin, in the publication "Towards Gender Budgeting in AP Vojvodina" notes "... integrating gender budgeting in the regular work of the provincial authorities as a mechanism for the promotion of their work from the aspect of gender equality, we will also promote the principle of responsible government and equal opportunities for women and men, and will send a clear message that the politics led by the authorities to the AP Vojvodina is based on historical democracy in which women and men contribute to the development and progress of our country in equal measure and enjoy the same rights. "

This approach should be an integral part of the everyday work of the administration and a manner in which policies should be designed, implemented and evaluated. This will enable all policies which are created to be in accordance with the needs and situation of women and men, in greatest possible extent, and thus to contribute to achieving gender equality, and the funds allocated for their implementation to be used in the most efficient way. Gender budgeting is a process that does not stop with

the identification of entry points, but it is necessary to continue the development of the capacities within the administration for its application, as well as the institutional capacity building in terms of improving the data collection system, the establishment of inter-sectoral and inter-ministerial cooperation, increase the awareness of the importance and benefits of gender analysis and generally gender mainstreaming.

## **VII. International experiences**

The first gender budget initiatives were implemented in Australia in 1984, when the first assessments of the impact of the budget on the gender relations were made, which later became a regular practice. Similar initiatives started simultaneously in Great Britain (at first, as NGO initiatives, later in cooperation with the Ministry of Finances) and a bit later in Canada. Once the governments of the UN Member States reached the agreement with the Beijing Platform for Action in 1995, that it is necessary to “reexamine systematically the way in which men and women benefit from public expenditures, and it is necessary to adjust budgets so to provide equal access to public expenditures, both because of increasing productivity and increasing social need” (Article 347), the gender budgeting became wider-spread practice and more acceptable standard of creating public policies and examining their efficiency. Beside the abovementioned countries, the most progressive countries in this process are the Scandinavian countries (mostly Sweden and Norway), France, Austria, Ireland, etc.

The countries from our region – Macedonia, Serbia, Bosnia and Herzegovina, Albania - have made pioneering steps towards gender budgeting too. At the end of 2006, at the time when the gender budgeting concept was still quite unknown and when only a small number of activities on this topic was implemented, UNIFEM launched a project in the countries of Southwest Europe. Nonetheless, gender budgeting supporters thought there was a need for new tools and approaches for

gender equality improvement and that is why they were interested in gender budgeting as one of the tools for achieving complete gender equality. During that time, even in those countries who had action plans and laws on gender equality, in practice, their implementation remained unnoticed and accompanied by a chronic lack of funding for the related

activities. Precisely because of this practice, the introduction of the gender-sensitive budgeting concept becomes important, and will provide a transition from only agreeing to obligation on paper to de facto implementation of activities, creation of gender-sensitive policies and providing enough funding for its implementation.

In direction of using good practices and experiences from other countries, when developing the gender-sensitive budget in the Republic of Macedonia, we will consider examples from several countries, whose practices can fit in the budget system of our country.

With the budget process reforms from 2002 and the introduction of programme-oriented budgeting in Morocco, the gender concept became an integral part of the programme-oriented budget. Two key documents were developed for that purpose, Directions for users and a Manual on gender-sensitive budget, both available to budget users, in order to serve as directions through the budget process. Starting from 2005, the Gender report that analyses the gender dimension of policies and budgets, and their impact on the population, has become an integral part of budget financial reports. The gender reports are means used by the Moroccan Government to show its efforts for introduction of complete gender parity that demonstrate the achievements, but also the weaknesses in the policies for meeting men's and women's needs. The Gender report is then presented to the Parliament that discusses about it, and the civil sector is included in the whole process, both at local and central level. The Moroccan Government has included the gender concept in all decision-making levels, through creation of gender sensitive planning, developing gender-sensitive indicators for measuring results and all the way to gender-sensitive data.

Since 2001, the ministries and other bodies in France are obliged to include amendments or annexes to the Budget, called Yellow Budget Books, that state:

- Programmes and activities targeting women or girls,
- Activities promoting gender equality,
- Policies created with the purpose of gender equality,
- Indicators to measure the benefits from these policies.

Hence, the Yellow Budget Book provides the tools for monitoring financial effect for promotion of women's rights and gender equality and represents government's platform that shows the results of its policies and the results of those policies are measured. Each ministry needs to identify and elaborate the activities it implements and that will contribute to gender equality, or increase the awareness of this concept. In addition, each department needs to identify gender equality policies, as well as to identify the most relevant indicators on this issue. This document is the most important tool used to include gender in the mainstreams in the society, having in mind the fact that each department needs to analyze its activities from a point of view of how gender equality is included in the budget. The Yellow Budget Book helps analyze activities considered to be gender-neutral and show that they actually have different impact on men and women in the society. Hence, this provides for an analysis of all budget activities and on how they contribute to gender equality (for instance, the budget allocated for fight against unemployment can be compared to the changes in the unemployment rate of men and women).

For the Government of the autonomous community of Andalusia, gender equality is important, not only because of the capital, but also because it represents a foundation for a stable economic development and competitiveness in Europe. The Government of Andalusia is aware of the fact that lots of attention needs to be paid to government policies and their impact on men and women, in order to achieve gender equality. The

Commission for gender assessment of budget impact is a body that depends on the Regional Ministry of Economy and Finance, whose primary goal is to issue a report on the evaluation of the Green Book on Laws and Budgets of the autonomous community. Its function is to promote and support the development of preliminary draft policies, from a point of view of gender in the Regional Ministries, as well as to conduct gender revision in ministries, enterprises and bodies that are a part of the autonomous government of Andalusia. The evaluation model of the assessment of the impact of gender on the Andalusian budget is a part of the budget process that includes general orientation of economic policies, cost assessment, identifying incomes and finally, monitoring of budget policies as a whole. Not all budget programmes have the same sensibility and relevance to gender. In order to determine what programmes can be used to achieve significant improvement, in terms of gender, a classification was established to determine which programmes have direct or indirect impact on people and, depending on gender sensitivity, to which of the following four groups they belong to:

- Capacity to transform – determines the level of relevance of each programme. Based on this criterion, programmes that are completely competent to take actions are considered to be programmes of high relevance.
- Capacity to influence – determines the population covered by the budget programme. This means, the bigger the population covered by the programme, the more gender relevant the programme.
- Functional meaning – determines the consensus made by professionals in terms of reducing gender inequality through the programme.
- Capacity management – covers programmes that influence human capacities management of the administration.

Based on this classification, all budget programs belong to one of the following groups:

| G+ scale - Gender sensitivity |   |  |
|-------------------------------|---|--|
| Relevance                     | Yes   | NO   |
| Low                           | g1<br>Programmes that have an influence on people at basic or auxiliary level.  | g0<br>Programmes that do not have direct influence on people and have low or no indirect effect. |
| Medium                        | G<br>Programmes with low influence, low capacity for transformation or reduced functional meaning.                          |  |
| High                          | G+<br>Programmes of a great interest based on the capacity for transformation, influence and recognized functional meaning. |  |

Depending on the position in the G+ scale, budget programs are obliged to present details on the progress according to the following indicative list:

| G+ conditions |   |
|---------------|---|
| g0            | 1. Gender segregated indicators, if any   |
| g1            | 1. Gender segregated indicators<br>2. Analysis of actions that have different influence on men and women in human resource management in regional ministries and bodies<br>3. Analysis of actions directed towards people: access to resources and information<br>4. Analysis and adjustment of informing instruments so to include gender variables. |

|    |   |
|----|---|
| G  | <ol style="list-style-type: none"> <li>1. Gender segregated indicators</li> <li>2. Establish gender relevant indicators</li> <li>3. Analysis of actions directed towards people: access to resources and information</li> <li>4. Analysis and adjustment of informing instruments so to include gender variables.</li> <li>5. Developing studies that investigate the reasons for unequal coverage of programmes.</li> </ol>  |
| G+ | <ol style="list-style-type: none"> <li>1. Gender segregated indicators</li> <li>2. Establish gender relevant indicators</li> <li>3. Analysis of actions directed towards people: access to resources and information</li> <li>4. Analysis and adjustment of informing instruments so to include gender variables.</li> <li>5. Developing studies that investigate the reasons for unequal scope of work of programmes.</li> <li>6. Defining strategic and operational goals and activities in order to achieve gender equality in programmes scope of work</li> </ol> |

- Gender segregation of indicators is an obligation for all budget programmes, regardless of their sensitivity and gender relevance. Programmes from g0 level are considered to not have identified such indicators. However, if they do appear for some reason, they will have to be taken into account.
- Analysis of actions that have different influence on men and women in human resource management in regional ministries and bodies is a demand that needs to be included in every budget programme, in the part about human resource management, and needs to show why are there differences in the number of people, based on gender, employed in the administrative centers, and what are the obstacles for achieving a balanced proportion, or to explain

why are there different training demands for men and for women.

- Analysis of actions directed towards people: access to resources and information. The goal of this activity is to determine the value of the inequality between men and women, from a point of view of access to resources provided from the administration to the citizens (finances, offices for counseling, etc.).
- Analysis and adjustment of informing instruments so to include gender variables. In this case, budget programmes have to analyze all IT applications, documents or other information systems used to collect or process personal data, including the gender variable.
- Establishing gender relevant indicators. In a case when programmes are placed in the highest level of the G+ classification, it is not enough just to segregate the indicators by sex. Efforts have to be made for developing indicators that will provide the possibility to detect inequalities and to offer better control in the sensitive areas.
- Developing studies that investigate the reasons for unequal scope of work of programmes. There is a possibility to be impossible to identify the reasons for justified inequalities in some areas or not to know where and how to look for them so to identify the differences in men's and women's behavior. In these cases, one must start with development of a simple analysis that will be based on available data or, ask experts in gender area for a more detailed study.
- Defining strategic and operational goals and activities in order to achieve gender equality in programmes' scope of

work. This is a condition for programmes included in level because they are considered to be the driving force towards changes in terms of equality. According to this, every programme included in the level G+ must identify the goals it wants to achieve in long terms and which are directed towards equality between men and women. These long term goals must be specified in operational or short term goals that will determine the nature of the activities that need to be implemented in order to achieve those goals.

The establishment of the G+ Project consists of three phases: classification of budget programmes, evaluation of programmes with gender perspective and development and implementation of a methodology for monitoring and control. The instrument used in the first phase is a self-evaluation questionnaire that states: data on employees in a work unit, project beneficiaries, training needs, the impact of the budget programme on the existing and potential population, the capacity for transformation or the possibility to assess the impact of the activity from a point of view of gender. The second phase, based on the conditions resulting from the G+ Project and the degree of positioning the budget programme in the G+ scale, defines the strategic goals and indicators related to gender. Project conditions are stated in a Work Plan, reviewed by a Commission for gender assessment of budget impact. The third phase is monitoring and evaluation of the progress, and as more advanced stage, it covers also gender revision.

The Andalusian Government uses indicators, as an important tool in the process of setting policies and an inevitable obligation coming from programme oriented budgeting, to assess the progress made in gender equality. Hence, the administration needs to develop indicators that are coherent with the defined goals and activities from the budget programme.

The biggest step forward towards the principle of equality between men and women was made by Austria, with the changes made to the Constitution that entered into force on the 1st of January 2009, which made

the equality between men and women, in terms of Budget, a category guaranteed by the Constitution and obligatory for all public administration, both at local and central level. The reform of the budget process in Austria is implemented in two phases. The first phase has been implementing since 2009 and it covers introduction of Medium Term Expenditure Framework – MTEF, with an obligatory strategic reporting. The gender equality concept in the budget process, with the introduction of the second phase of the changes in the budget process, which shall enter into force in 2013, based on the changes to the Constitution, encompasses the integral part of the programme oriented budgeting. Articles 13 (3), 51 (8) and 51 (9) make a clear reference to the goal for effective equality between men and women in the process of managing the Budget at federal level, union states level and community level. In the second phase of the budget reform, a new principle of budget allocation is introduced, that is, a lump-sum system of budget allocation is to be introduced, which gives some degree of freedom to budget users when allocating the money. At the same time, the reforms represent a new look for the budget in which, at annual level, a Mission is defined for each separate budget heads (field, user), with a maximum of 5 results, out of which at least one needs to be related to gender, and five activities need to be defined for each of these results, again, out of which, at least one needs to be related to gender. Along with defining the gender sensitive goals/results and activities, the implementation of the gender sensitive budget also means gender analysis, as well as monitoring of accomplishing defined goals and activities. With the Regulation Impact Assessment system, which exists in our system too, it is obligatory to make an assessment of the regulation's impact on equality between men and women. Gender budgeting takes into account the gender aspect as a part of the budget policies, provides information on gender effects on public income and expenditure, takes into account the special needs of men and women, reallocation of public expenditures in order to emphasize equality between men and women, focuses on economic independence and equality of women, gives the women the possibility to equally participate in all areas of social and economic life and decision making.

## VIII. Conclusions

The analysis of the budget process and implemented reforms in the budget policy involved detailed study of the documents and legal regulation which provides guidelines and regulations for the implementation of the budget process as part of the process of strategic planning. In order to get a clear image whether the processes of budgeting and strategic planning are implemented in practice as planned, discussions and consultations were conducted with persons responsible for strategic planning and finance management and budget of the budget users.

After the analysis of the documents and legal regulation and the conversations led with persons responsible for strategic planning and budget management at the budget users, the following conclusions were reached:

As entry points for gender mainstreaming the Strategic Plans, Draft Programs on Development Projects and the Budget Circular have been identified as basic documents, and the government programmes, strategic priorities and objectives as strategic priorities of the Government.

With introduction of the three year Strategic plan, budget users practice mid-term planning which includes programmes and activities for fulfilment of government strategic priorities and the objectives and priorities of the budget user for the period in question.

Separate activities of government programmes, which strategic priority they derive from, what government objective they tend to accomplish and which budget program they are financed from can be seen in the strategic plan.

Unique connection of the activities with the government programs can be found in the Development Part of the Budget where a detailed

description of the activities to be conducted under specific sub-programme is given.

The Plans of Development Programs include projects, which are generally characterized by technical and technological component and are mainly implemented through expenditure categories 42 - goods and services and 48 - capital costs.

From the conversations that were led it seems that despite the directions, the process of strategic planning and budget preparation should take place in parallel; however these two processes are carried out separately with whereby no real connection between the budget and the plans is achieved.

Largest number of amendments to the budget is adopted in the middle of the fiscal year, when high degree of realisation of planned objectives is shown and the planned objectives are soon to be realised, while actually the targets should be set for the entire year. By analysing this event, the following conclusion was reached:

- it is most probably about a weakness in planning and inability to assess the real capacity of the budget users to realise the tasks.
- there is a chronic shortage of funds for the realisation of planned activities and a large outstanding debt from past years, and once paid the outstanding debt, budget users are not able to fully fund current year activities and therefore set smaller targets.
- budget users expect to be amendments to the budget by which the funds for the current year will be further shortened, thus entirely jeopardizing the achievement of planned activities.

Because the definition of several programs complicates the execution of the budget, especially the horizontal costs as salaries, stationary, overhead costs, etc., the practice more programs defined in the

Strategic Plans to be included under one programme in the budget is most commonly found.

Because in most cases the budget programmes of the Strategic Plan and those of the budget do not match, it is difficult to connect the plan to the budget, at a later stage, and monitoring the implementation according to the planned activities is even impossible.

Budget users do not implement real harmonization of the Strategic Plans with the approved funds after the adoption of the Budget by the Assembly.

Budget users do not pay much attention to the process of strategic planning; its real significance and the need of it are not being recognized.

Only the indicators for achieving the programme referring to the number of employees in the budget beneficiary and operational expenditures per employee are listed in part of the budget users, and the output indicators are missing.

Even though the indicators are listed within the Budget, their analysis after the termination of the fiscal year is missing, i.e. there is a lack of consistent monitoring of results and their connection to programs financed by the budget for the relevant year.

The only public data for the realisation of the indicators can be found in the amendments of the budget, referring only to the output indicators which are listed in the budget, and not to all indicators defined in the Strategic Plan.

However, the amendments in the budget show the degree of indicators realisation in terms of the planned ones, and do not provide additional explanation for them.

The monitoring and evaluation of the activities realisation and meeting the results provided for in the Strategic Plans is left completely to the budget users.

The General Secretariat, although coordinator of the strategic planning, only has an advisory role in the entire process and does not deal with the analysis of separate Strategic Plans of the budget users. General Secretariat performs the role of monitoring the realisation of the programmes provided for in the Strategic Plans of the budget users only by monitoring the realisation of the Annual Work Programme of the Government. Namely, the Annual Work Programme of the Government is representing the first year of the Strategic Plans of the budget users, however the Annual Programme covers only the initiatives which should be adopted by the Government of the Republic of Macedonia as laws, strategies, action plans, information etc, and does not cover the programmes / projects related to the field realisation and do not have the form of an initiative.

Although the Handbook on Strategic Planning gives guidelines and provides for that the budget users should prepare reports on a regular basis and that the preparation of the Strategic Plans should begin with an analysis of the realised from the previous plans, it still appears that these activities are marginalised and special attention is not attached to them.

Currently Internal Audit Protocols are being prepared for the implementation of a performance audit, in which the procedure for monitoring and evaluation of Strategic Plans that will carry out internal audit of budget users will be prescribed.

Performance audit has not been conducted in the past three years, given the insufficient capacities of the internal audit units; they are focused on the basic financial audit of budget users.

The budgets are presented with the technical language, whereupon the citizens can hardly understand what the public money is spent on. The lack of precise information disables the citizens and nongovernment organisations to participate in the discussion for the distribution of the public resources.

After the analysis of the Strategic Plans of budget users it can be concluded that the gender concept has not been met in any program and sub-programme, although large part of the programmes and sub-programs have this opportunity. This statement equally applies to the Strategic Plan of MLSP, which as carrier of the gender concept is expected to be a leader in this process.

## **IX. Recommendations**

In order to overcome the identified system deficiencies the following recommendations have been made:

### **Recommendations to be addressed on Medium term**

Comprehensive, accurate, reliable and understandable budget information referring to the comparison of the promises and implemented activities to be timely communicated to the public, i.e. to see for what purpose and how much of the funds were spent.

The General Secretariat to initiate amendment to the Strategic Plan in order to for the Implementation Plan to show the connection of programs / activities provided by the budget users with the government programmes.

Besides listing the achieved results for the previous period strictly in the Strategic Plan, it is necessary to implement a real analysis of the performance indicators by which the realisation of the programs will be measured.

As identified entry points, appropriate amendments to the Handbook Handbook on Strategic Planning and Budget Circular via the obligatory inclusion of gender responsive activities, outputs and indicators in the Strategic Plan, Program Development Projects and Budget Circular. Gender responsive indicators to be distributed by: gender, ethnicity, age, education, place of residence, etc.

It is necessary to develop a methodology for defining the indicators with which the effects of activities / projects implemented by the budget users will be measured, which will be conducted by all budget users. After the completion of the financial year the indicators and their analysis should be made publicly available in order for, besides the government and budget users, other interested parties to have an insight into the effects of the implemented activities, i.e. whether the objectives set by the definition of activities, i.e. projects have been achieved.

The indicators which will be defined should be SMART:

- S - Specific
- M - Measurable
- A - Achievable
- R - Reliable
- T - Time-based

The efforts of the General Secretariat, as a coordinator of the strategic planning process must continue in order to provide a continuous training of the employees in the budget users, which will increase the knowledge, as well as the awareness of the importance of proper planning from the aspect of appropriate directions setting where certain budget beneficiary will move and the goals which it will want to achieve, but from the aspect of appropriate planning of the funds for support of the activities which it will implement to achieve the planned goals.

In order to improve the strategic planning it is necessary to consistently realise the activities and measures provided for in the Strategy on Public Administration Reform.

MLSP, via the Sector for Equal Opportunities, should act towards raising the awareness and bringing the concept of gender budgeting in the budget users primarily in structures that are responsible for creating

policies, as well as structures in charge of creating the draft budget requests for budget users.

The following programmes and subprogrammes should be chosen as a pilot budget users and programs with which the process of adopting gender responsive budget will be initiated"

- Labour Relations programme of the Ministry of Labour and Social Policy ,
- Rural Development programme of the Ministry of Agriculture, Forestry and Water Economy,
- Primary education subprogramme of the Ministry of Education and Science,
- Construction of Medical Clinics in Rural Areas subprogramme of the Ministry of Health,
- Support of the Development of Small and Medium Enterprises subprogramme of the Ministry of Economy.

Specialised trainings for the internal auditors of the budget users should be organised, at which the gender concept of the budget will be treated paying special attention to the significance of the indicators/performance indicators.

### **Recommendations to be addressed on Long term**

Government programmes, priorities and goals to be redefined in order to incorporate the gender aspect without changing their meaning and purpose, all in order to represent the basis for the definition of gender responsive programs / activities by budget users.

Working group to be formed with representatives from the Ministry of Finance, MLSP and other budget users, as well representatives of the civil sector in order to perceive the gender perspective in the Budget

of the Republic of Macedonia, before its submission for an approval to the Government of the Republic of Macedonia.

The Committee on Gender Equality of the Assembly of the Republic of Macedonia should take active role in the assessment of the influence of the proposed programmes on men and women, boys and girls.

As a method for addressing gender perspective in the budget, positive international practices can be used. Here it can be recommended inclusion of the Gender Budget Report according to the Morocco's practice. Other positive example is introduction of the Yellow Budget Book in France. Once the capacities of the budget users are enhanced, Andalusian practice which comprise of advanced gender report and establishment of Commission for gender assessment of the budget impact.

Capacities of the General Secretariat for gender mainstreaming should be build. Once the capacities of the General Secretariat are build, they will continue with further dissemination of the knowledge for gender mainstreaming to the budget users trough organising specialised training or trough training on strategic planning, presenting the concept of gender mainstreaming as integral part of the strategic planning and budgeting process.

The budget process cannot be managed without including all the stakeholders, namely the parliament, government, citizens, businesses and civil sector. Only by complete integration of all these groups in the budget process, their information on decision making will be enabled for effective allocation of limited resources to those programs and plans which will provide realisation of the objectives most effectively, and by this of the national economy as well. Therefore, it is of utmost interest to the Government and Parliament to include all the stakeholders in this process.

In this respect, the strategic documents on the basis of which the Budget of the Republic of Macedonia is adopted and the Budget of the Republic of Macedonia itself need to be made available to the public prior to their finalisation, i.e. adoption. Thus the stakeholders, especially the civil

sector, can make their contribution by intervening in their content, and will be given an opportunity for the activities for which they stand for, relating to gender mainstreaming, to become part of the government policy and to be included in the Budget of the Republic of Macedonia, as well as to give their perceptions of the already existing government and budget programs.

*The claim that, in large part of the strategic planning process, and to a lesser extent the process of budgeting and budget management is different "on paper" than in practice can be drawn as a final conclusion of the analysis. In order to overcome this situation the Ministry of Finance, as holder of the budgeting process and the General Secretariat, as holder of strategic planning, must work closely in the upcoming period and to join forces to overcome this problem. As long as the processes are carried out in practice differently from what is prescribed by laws, rulebooks, and instructions the introduction of advanced processes, such as gender budgeting and in general the gender mainstreaming cannot be considered.*

*It is evident that the administration of the Republic of Macedonia disposes with professional and competent persons in the area of budgeting, planning and gender equality, which are interested and willing to raise the level of implementation of these processes, but they must be united and work together to achieve the common goal - promoting the welfare of the country and following the modern trends. However, they are unable to realise that without the support of their superiors and directly from the Government. Therefore the Government should be open and ready to detect the disadvantages of the system and to have a will to work on removing these drawbacks by proposing and implementing specific actions. In order to improve the situation, besides the strong administrative machinery, the Government disposes with available donors and civil sector which are ready at any moment to help with the expertise and financial resources.*

*In terms of the entry points for gender mainstreaming, the analysis identified the following documents: Strategic Plans, Draft Programs of Development Projects and Budget Circular as basic documents, and the government programs, strategic priorities and objectives as strategic priorities of the Government.*

*At the end it always comes down to one thing: the citizens of the Republic of Macedonia are the users of the government policies, and they deserve fair treatment and benefit from the government policies; both men and women, boys and girls.*

## **XI. Glossary**

**Budget of the Republic of Macedonia** is an Act for planning annual incomes and other inflows and appropriation means and it includes the central budget and budgets of funds.

**Budget requests** give a detailed overview of the ways budget users can allocate resources by programmes and projects covered in the Strategic plans.

**Budgeted balance sheet** is a complete overview of revenues and expenditures of budget users.

**Budget deficit** is a negative difference between planned, that is, paid incomes and appropriation, that is expenditures and it is financed by means provided from the inflows.

**Budget users** are first line users in the field of legislative, executive and judicial power, funds, and users of municipalities' budgets and users established by law, who are entrusted with executing public authority.

**Budget classification** is a hierarchical overview of codes used for classification of functions, organizational units, activities and economic transactions in a unique and consistent manner.

**Budget limits** are maximal approved amounts budget users can spend, proposed by the Ministry of Finances based on a fiscal strategy and approved by the Government of the RM.

**Budget programmes** are main activities, or group of activities, implemented according to obligations determined by law and other legal regulation.

**Budget resources** are means in the Budget used to finance activities planned by budget beneficiaries.

**Fund budget** is an annual plan of incomes, inflows and appropriations for financing the activities of the Fund determined by law.

**Gross domestic product** is defined as the total market value of all officially recognized final goods and services produced within a country in a given period (usually one year).

**Government programmes** represent a pool of activities used to present the priorities of the Government of the Republic of Macedonia that budget users operationalize according to their competencies.

**Annual Programme** for the Work of the Government is a document containing the specific government policies directed towards achieving the strategic priorities and priority goals for the current year, as well measures and activities that the Government will decide /debate upon or inform itself about.

**Public debt** is a pool of financial liabilities created by Republic of Macedonia's borrowing, including public establishments established by the RM and the municipalities, the municipalities of the City of Skopje and the City of Skopje, excluding the debts of public enterprises and trade companies in complete or state-dominant-ownership, municipalities, the

municipalities of the City of Skopje and the City of Skopje and the National Bank of the RM.

**Other inflows** are inflows coming from loans, selling of capital assets, issued state securities and other.

**Individual budget users** are second line users, financed through a relevant budget user.

**Economic classification of the Budget of the RM** is a structure of codes for classification of planned and realized incomes and inflows, budget appropriations, spending rights, undertaken obligations and realized expenditures and outflows.

**Economically** means minimizing resources used to achieve planned goals or results related to some activity, taking into account certain quality of those effects or results.

**Effectiveness** is the degree of achievement of goals or an activity, or the relation between the planned effects and real effects from some activity.

**Efficiency** means maximizing effects or results from an activity, proportionally to the invested means.

**Execution** is a way, stipulated by law, of collecting incomes and spending expenditures.

**Indicators** of achievements are input, output, indicators of efficiency and indicators of results. Input indicators are used to measure the means needed for implementing the programmes. Output indicators are used to measure the amounts of goods or services received by implementation of activities of a programme. Indicators of efficiency are measures for means spent by budget users on activities implemented with budget programmes. Indicators of results measure the effectiveness in achieving the desired result.

**Inflation** is a constant rise in the general level of prizes over a period of time.

**Public debt** of the Republic of Macedonia is the state debt and the debt of public enterprises and trade companies in complete or state-dominant-ownership, municipalities, the municipalities of the City of Skopje and the City of Skopje and the National Bank of the RM.

**Capital projects** are projects implemented over a long period of time (schools, hospitals, roads, bridges) and cost a significant amount of money.

**Chart of accounts** is a unique system of accounts based on which budget users do accounting and classify data in accounting ledgers.

**Line budgeting** means showing the budget by expenditure items, that is, expenditures grouped by expenditures centers, as salaries and social transfers, goods, services, etc.

**Macroeconomics** is a part of the economics that studies the whole economy, deals with international economic relations and is the best tool for analyzing how to influence the prizes policies.

**Macroeconomic aggregates** are the Gross Domestic Product (GDP), the budget deficit, the deficit of the current account of the balance of payments, participation of investments, individual and public expenditures in the GDP, aggregate demand and aggregate supply, inflation, unemployment rate, structure of incomes and expenditures, exchange rate, export and import amount, foreign exchange reserves.

**Appropriations** are the annual maximum amount that the budget user is allowed to spend for the intended purpose.

**The General part of the Budget of the Republic of Macedonia** contains total income and other inflows, total expenditures and other outflows from the budget for the fiscal year, as well as global projections

for incomes, inflows, expenditures and outflows for the following two years.

**Organizational Units**, for the purposes of this analysis, are departments and units as organizational forms within the frames of budget users.

**Basic Indicators**, for the purposes of this analysis, are movements in the economy, projections for collecting public incomes, assessment of public charges and public debts, unemployment rate movements, Gross Domestic Product Growth.

**Organizational Classification of the Budget of the Republic of Macedonia** is a structure of classification codes for budget users and their structurally subordinated units in the hierarchical organizational structure of the State.

**Special Part of the Budget of the Republic of Macedonia** contains a plan of budget users' appropriations and funds, arranged by programmes, sub-programmes and fiscal year items.

**Programme** is a collection of related activities and projects, directed towards achieving a common goal(s). It can be vertical and horizontal. Vertical programmes are programmes implemented in one department/ministry. Horizontal programmes are much more complex and entail planning and implementation of more than one sub-programmes and/or projects by more than one department/ministry and state administrative body, in order to achieve one common goal or programme.

**Sub-programme** is an activity or a project which is a part of a programme.

**Programme budgeting** is an overview of budget information, in a way that clearly relates budget resources to end results of policies that want to be achieved.

**Programme classification of the Budget of the Republic of Macedonia** is a structure of classification codes for programmes and sub-programmes determined with the Budget.

**Implementation plan** is part of the Strategic plan and is a detailed overview of budget users programmes.

**Incomes** are taxes and the mandatory payment regulated by law, inflows coming from ownership of assets (interest, dividend, rent etc.), compensations for provided goods or services, gifts, donations, subsidies and transfers.

**Assumption** is an expected turnout of an activity, in the following period.

**Productivity** is a measure that shows the efficiency, that is, measures the achieved in contrast to invested resources.

**Development part of the Budget of the Republic of Macedonia** contains the Plans for programmes for budget users' development.

**Development programmes** show the special means intended for development of new technologies, infrastructure improvements, telecommunication systems improvements, building and renovating roads, buildings, software procurements etc.

**Expenditures** are all payments (outflows) from the budgets for appropriations, excluding the payment for the principal of loans.

**Expenditures item** is the type of outflow of means (goods, services, transfers).

**Revision of the successfulness of the work (execution)** is an estimate of the cost-effectiveness, efficiency and effectiveness in the work and use of means in a defined field of activities or programmes.

**Risk** is a probability of occurrence of an event that can have a negative impact of achieving the set goals.

**Strategic planning**, that is, mid-term planning, is a process used to identify priorities and goals considered to be the most important ones, to define programmes, projects and activities that can be used to achieve the defined priorities and to identify the means necessary for realizing the priorities through the budget process.

**Strategic priorities** are huge changes in certain issues that the Government plans to achieve on a midterm or long-term basis, and the expected result to be achieved in 3-5 years.

**Strategy for public administration reform in the Republic of Macedonia** is a selection of precisely defined activities and changes that will be defined having in mind the current needs and the current level of development in the Republic of Macedonia.

**Current year** is the fiscal year, which also overlaps with the calendar year, more precisely from the 1st of January to the 31st of December, and it is the period when activities are implemented.

**Financing a deficit** means to cover the lack of means with foreign resources (favorable loans from international financial institutions, credit lines for funding projects, Eurobonds) and to issue government bills, bonds.

**Fiscal policy** shows the use of public incomes and expenditures and their impact on the economy.

**Fiscal strategy** is a strategic document that defines the directions in the macroeconomic and fiscal policy for the following three years.

**Funds**, for the purpose of this analysis are: the Fund of Pension and Disability Insurance of Macedonia, the Health Insurance Fund of Macedonia, the Agency for motorways and regional roads and the Agency for Employment of Macedonia.

**Functional Classification of the Budget of RM** is a classification of the functions of the central government and the municipalities, based on the internationally accepted classification, regulated by the United Nations.

**Central Budget** is an annual plan for incomes, other inflows and appropriations, and refers to budget users of the central government and includes the basic budget, the donations budget, the loans budget and the budget of self-funding activities.

## **Annex 1**

Based on Article 15, paragraph 1 from the Law on budgets (Official Gazette of the Republic of Macedonia Nos. 64/05, 4/08, 103/08, 156/09 and 95/100 and Article 27-a, paragraph 3 from the Rules of Procedures of the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia Nos. 38/01, 98/02, 9/03, 47/03, 64/03, 67/03, 51/06, 5/07, 15/07, 26/07, 30/07, 58/07, 105/07, 116/07, 129/07, 157/07, 29/08, 51/08, 86/08, 144/08, 42/09, 62/09, 141/09, 162/09, 40/10, 83/10, 166/10 and 172/10), the Government of the Republic of Macedonia, on its meeting held on the \_\_\_\_\_ 2011, has taken a

### **DECISION**

#### **To identify the strategic priorities of the Government of the Republic of Macedonia for 2012**

##### **Article 1**

Strategic priorities for 2012 shall be the following:

- Increase in economic growth and competitiveness on permanent basis, higher employment rate, increase of living standard and quality of life;
- NATO and EU integration, based on accomplishing all reforms and criteria and solving the dispute with Greece, based on the principle of non-jeopardizing the national identity;
- Continue the fight against crime and corruption and efficient enforcement of the law;
- Maintaining good inter-ethnic relations and equal enforcement of the law and cohabitation, based on the principles of mutual tolerance and respect, as well as finalizing the implementation of the Framework Agreement;

- Investments in education as the safest way to creation of strong individuals and strong country;

All priorities from Article 1 are equally important.

## **Article 2**

In order to achieve the strategic priorities from Article 1, paragraph 1 from this Decision, the following priority goals were identified:

- Strengthen Republic of Macedonia's position within the international community and improve regional cooperation and good relationships with the neighboring countries;
- Improve the business climate and create equal opportunities for economic growth and development of all participants in the economic processes;
- Reach positive economic development rates;
- Maintain the macroeconomic stability and the stability of the denar exchange rate;
- Implementation of fiscal policies in function of support to the economic growth;
- Establish a sustainable level of public debt by maintaining a moderate level of budget deficit;
- Increase foreign and domestic investments;
- Implement active employment policies that can impact on the knowledge and the qualifications of the workforce demand;
- Use renewable sources of energy and increase the energy efficiency;

- Implement the policy for balanced regional development;
- Further support to development of agriculture and development of the rural areas;
- Strengthen foreign, security and defense politics;
- Implement the Long-term Defense Development Plan (2010-2020);
- Increase participation in EU policies in the field of foreign relations, especially in the development policy and humanitarian aid;
- Continue with public administration reform;
- Strengthen Internal Financial Control of the public sector;
- Increase the effectiveness, efficiency and accountability of the public administration;
- Strengthen the administrative capacities at central and local level;
- Better use of the potentials of the Information Society so to increase the literacy level, increase creativity and innovation and access to education and training;
- Strengthen the administrative capacities and coordination structures for EU negotiations and use of EU pre-accession funds;
- Reach a higher level of harmonization of the national legislation with the EU legislation;
- Strengthen the capacities for implementation of the EU legislation, based on the priorities identified in the National Programme for the Adoption of the Acquis (NPAA);
- Improve protection of fundamental human rights;

- Strengthen transparency, independent and heterogeneous media environment;
- Promote cultural identity in order to achieve visibility of the Republic of Macedonia internationally and develop the tourism;
- Protect and adequately manage cultural inheritance and revitalize it in order to motivate socio-economic development at national and local level;
- Strengthen the faith in the police force in all communities;
- Strengthen the fight against terrorism and organized crime;
- Strengthen the administrative capacities for fight against cross-border crime and corruption;
- Strengthen democracy and rule of law;
- Finalize judicial reform;
- Increase the participation of the civil sector in the process of policy creation;
- Strengthen the inter-ethnic trust and finalize the implementation of the Framework Agreement;
- **Finalize the decentralization process, strengthen the decentralized system and the fiscal capacity of the Local Self-government Units;**
- Modernization and improvement of the health care department and establish a sustainable, integrated and efficient health care information system;
- Improve the quality of education and science by implementing the strategies and reforms in education and science;

- Modernize the system of education and science so it can provide competencies needed for the Labor Market and economy development;
- Invest in building infrastructural buildings;
- Sustainable management of natural resources, environment protection and landscaping;
- Increase industrial pollution control;
- Increase investments in the environment;

### **Article 3**

The means needed for funding the strategic priorities from Article 1 of this decision shall be planned in the Fiscal strategy for 2012-2014.

### **Article 4**

Within the frames of the budget process for 2012, the ministries, and other state administrative bodies, define the programmes for achieving the priorities and the priority goals stated in Articles 1 and 2 of this Decision, and the means for their funding they will include in the maximum allowed expenditures for each budget user separately, as determined in the budget instructions for 2012.

### **Article 5**

This Decision shall enter into force on the next day following its publication in the Official Gazette of the Republic of Macedonia.

No. \_\_\_\_\_ 2011, Skopje \_\_\_\_\_ PRESIDENT OF THE  
GOVERNMENT  
OF THE REPUBLIC  
OF MACEDONIA  
M.A. Nikola Gruevski

## Annex 2

Overview of the programmes of the Ministry of Labor and Social Affairs based on the Budget of the Republic of Macedonia for 2011.

|  |                              |   |
|--|------------------------------|---|
| <b>1</b>   | <b><i>ADMINISTRATION</i></b> | This programme covers the means for the activities of the departments and the special units in the Ministry of Labor and Social Policy (Coordination and technical support to the minister department, Work relations department, Pensions and disability insurance department, Social protection department, Social inspection department, Child protection department, European integrations department, Equal opportunities department, Budget finances and internal control department and Legal, general and normative issues department, and Human resources unit, Internal audit unit, Strategic planning unit) and other expenses related to activities and policies of the MLSP. |
| <p><b>This programme has only one sub-programme:</b></p> <p><b>10-ADMINISTRATION</b></p> |                              |   |

|   |  |   |
|---|--|---|
| <b>2</b>  | <b><i>BODIES<br/>WITHIN AND<br/>AGENCIES</i></b> | This programme covers the means for salaries and compensations and other personal incomes for the activities of the State Labor Inspectorate. |
| <p><b>This programme has only one sub-programme:</b></p> <p><b>20-STATE LABOUR INSPECTORATE</b></p> |  |   |

|   |                                    |   |
|---|------------------------------------|---|
| <b>3</b>  | <b><i>CHILD<br/>PROTECTION</i></b> | <p>This programme covers the activity of kindergartens, finances needed for salaries and benefits of the employees of the kindergartens of the municipalities that are in the first phase of fiscal decentralization, and summer camps for children. This programme covers also the means for building, equipping and maintaining child protection buildings.</p> |
| <p><b>This programme has 2 sub-programmes:</b></p> <p><b>30-CHILD PROTECTION ESTABLISHMENTS 3A-BUILDING, EQUIPPING AND MAINTAINING CHILD PROTECTION BUILDINGS – DEVELOPMENT PROGRAMME</b></p> |                                    |   |

|   |                                     |  |
|---|-------------------------------------|--|
| <b>4</b>  | <b><i>SOCIAL<br/>PROTECTION</i></b> | <p>The programme covers budget means for the activities of the basic carriers of social protection – the social work centers, the Social Activities Bureau, Day-centers and shelters for extra-institutional social protection, as well as the establishments for institutional social protection. This programme also make plans for means for activities related to support of the implementation of the Roma decade and the Roma Strategy, the means for activities related to the programme for conditional cash transfer, as well as the means necessary for implementation of activities that result from the programme for reform of the social protection system .</p> |
| <p><b>This programme has 7 sub-programmes:</b></p> <p><b>40 SOCIAL WORK CENTRES AND THE SOCIAL ACTIVITIES BUREAU</b></p> <p><b>41 DAY-CENTRES AND SHELTERS FOR EXTRA-INSTITUTIONAL SOCIAL PROTECTION</b></p> <p><b>42 INSTITUTIONAL SOCIAL PROTECTION ESTABLISHMENTS</b></p> <p><b>43 SUPPORT TO THE IMPLEMENTATION OF ROMA DECADE AND ROMA STRATEGY</b></p> <p><b>44 PROGRAMME FOR CONDITIONAL CASH TRANSFERS</b></p> <p><b>45 REFORM OF THE SOCIAL PROTECTION SYSTEM</b></p> <p><b>4A BUILDING, EQUIPPING AND MAINTAINING SOCIAL PROTECTION BUILDINGS</b></p> |                                     |  |

|   |   |   |
|---|---|---|
| <b>5</b>  | <b><i>COMPENSATIONS<br/>AND RIGHTS IN<br/>THE SOCIAL<br/>AREA</i></b> | This programme covers means for achieving legal rights to social compensation |
| <p><b>This programme has 5 sub-programmes:</b></p> <p><b>50- SOCIAL PROTECTION COMPENSATION</b></p> <p><b>51-COMPENSATION FOR DISABLED CIVILIANS</b></p> <p><b>52-CHILD PROTECTION COMPENSATION</b></p> <p><b>53-COMPENSATIONS FOR WARFIGHTERS AND DISABLED MILITARY</b></p> <p><b>54-COMPENSATIONS FOR PROTECTION OF REFUGEES, ASYLUM HOLDERS AND INTERNALLY DISPLACED PERSONS</b></p> |   |   |

|   |   |   |
|---|---|---|
| <b>6</b>  | <b><i>SUPPORT TO<br/>SOCIAL<br/>FUNDS</i></b> | This programme covers transfers to the Fund of Pension and Disability insurance of Macedonia and the Employment Agency. |
| <p><b>This programme has 2 sub-programmes:</b></p> <p><b>60 – SUPPORT TO SOCIAL FUNDS (TRANSFERS TO THE FUND OF PENSION AND DISABILITY INSURANCE OF MACEDONIA AND THE EMPLOYMENT AGENCY OF MACEDONIA)</b></p> <p><b>61 – TRANSITIONAL EXPENDITURES ON THE BASIS OF PENSION REFORM</b></p> |   |   |

|          |                         |   |
|----------|-------------------------|---|
| <i>A</i> | <i>DECENTRALIZATION</i> | The competencies for societal protection of children and social protection are financed for the transferred competencies in these activities, with earmarked grants and block subsidies, based on criteria determined in decrees passed by the Government of the Republic of Macedonia. |
|----------|-------------------------|---|

**This programme has only one sub-programme:**

**A2-TRANSFER OF COMPETENCIES TO LOCAL SELF-GOVERNMENT UNITS (government sub-programme)**

|          |  |  |
|----------|--|--|
| <i>B</i> | <i>MEASURES FOR DECREASING POVERTY</i> | This programme covers means from the budget needed for implementation of the Operational plan for active employment measures for 2010. |
|----------|--|--|

**This programme has one sub-programme:**

**BA-EMPLOYMENT INCENTIVES (government and development programme)**

|          |                                      |  |
|----------|--------------------------------------|--|
| <i>D</i> | <i>STRENGTHENING THE RULE OF LAW</i> | The goal of this government programme is to implement the anti-corruption government initiatives; to deepen the cooperation with the International Criminal Court; fight against organized crime and continue with judicial reforms. |
|----------|--------------------------------------|--|

**This programme has one sub-programme:**

**D1 FIGHT AGAINST CORRUPTION AND ORGANISED CRIME – GOVERNMENT SUB-PROGRAMME**

|   |  |  |
|---|--|--|
| <i>M</i>  | <b><i>PUBLIC<br/>ADMINISTRATION<br/>REFORM</i></b> | The goal of this programme is to strengthen public administration activities in direction of improvement of management in budget institutions, decrease total expenditures for salaries in public administration, implement efficient control mechanisms in management, improve financial management of funds established by law, as well as further professional improvement of employees in public administration. |
| <p><b>This programme has only one sub-programme:</b></p> <p><b>M2-VOCATIONAL TRAINING AND PROFESSIONAL IMPROVEMENT – GOVERNMENT PROGRAMME</b></p> |  |  |

|  |                                  |   |
|--|----------------------------------|---|
| <i>P</i>   | <b><i>EU<br/>INTEGRATION</i></b> | The Ministry of Labor and Social Affairs is the carrier for the Programme for employment and social solidarity (PROGRES) opened to organizations active in the fight against discrimination, organizations that promote gender equality and integration of disabled people in the society. The means planned within this programme are intended for payment of an entry ticket in the Budget of RM. |
| <p><b>This programme has 2 sub-programmes:</b></p> <p><b>PA-ASSISTENCE IN TRANSITION AND IN INSTITUTIONAL UPGRADE - GOVERNMENT SUB-PROGRAMME</b></p> |                                  |   |

## Annex 3

### PROPOSED GOVERNMENT PROGRAMMES FOR 2012

| Programme | Sub-programme | Title   |
|-----------|---------------|---|
| <b>A</b>  |               | <b>Decentralization</b>                                       |
|           | A0            | Decentralization  |
|           | A2            | Transfer of competencies of the Local Self-Government Units   |
| <b>B</b>  |               | <b>Measures for increasing employment and living standard</b> |
|           | BA            | Employment incentives   |
|           | BB            | Revitalization of villages                                    |
|           | BC            | Electrification of villages                                   |
| <b>C</b>  |               | <b>Improving defense and security</b>                         |
|           | CA            | Integration into NATO   |
| <b>D</b>  |               | <b>Strengthen the rule of law</b>                             |
|           | D1            | Fight against corruption and organized crime                  |
|           | D2            | Fight against human trafficking and illegal migration         |
|           | DA            | Judicial reform   |
| <b>E</b>  |               | <b>Economic development</b>                                   |
|           | E4            | Economic promotion  |
|           | E7            | Improvement of business activities                            |

|          |    |  |
|----------|----|--|
|          | EA | Investments in railway infrastructure              |
|          | EB | Technological industrial development zones         |
|          | EC | Support to small and medium enterprises            |
|          | ED | Support to investments                             |
| <b>F</b> |    | <b>Health care reforms</b>                         |
|          | FA | Health care reforms                                |
| <b>G</b> |    | <b>Public administration reforms</b>               |
|          | G2 | Vocational training and professional improvement   |
|          | G5 | Adequate and just representation of communities    |
| <b>H</b> |    | <b>EU integration</b>                              |
|          | HA | Assistance in transition and institutional upgrade |
|          | HB | Cross-border cooperation                           |
|          | HC | Regional development                               |
|          | HD | Human resource development                         |
|          | HE | Rural development                                  |
| <b>I</b> |    | <b>Information and communication technologies</b>  |
|          | IA | Development and implementation of ICT              |
| <b>J</b> |    | <b>Regional development</b>                        |
|          | JA | Balanced regional development                      |
| <b>K</b> |    | <b>Environmental improvement</b>                   |

|          |    |   |
|----------|----|---|
|          | K1 | Environmental improvement                                     |
| <b>L</b> |    | <b>Investments in education</b>                               |
|          | L1 | Modernization of primary education                            |
|          | L2 | Modernization of secondary education                          |
|          | LA | Build primary schools   |
|          | LB | Reconstruct primary schools                                   |
|          | LC | Build sports halls in primary schools                         |
|          | LD | Build secondary schools                                       |
|          | LE | Reconstruct secondary schools                                 |
|          | LF | Build sports halls in secondary schools                       |
|          | LG | Reconstruct student dormitories for secondary school students |
|          | LH | Reconstruct student dormitories for university students       |

**Table 1. Classification of Ministry of Labor and Social Policy's programmes, financed by the Budget of the RM for 2011**

| Programme                                     | Sub-programme   | Government (sub)programme | Budget (sub)programme | Development programme    |                      | Template A2 | Template A3 | Template B1 | Template B2 |
|---|---|---------------------------|-----------------------|--------------------------|----------------------|-------------|-------------|-------------|-------------|
|   |   |                           |                       | Government sub-programme | Budget sub-programme |             |             |             |             |
| 1 Administration                              | 10 Administration   |                           | X                     |                          |                      | X           |             |             |             |
| 2 Body within and agencies                    |   |                           | X                     |                          |                      |             |             |             |             |
| 3 Child protection                            | 20 State Labor Inspectorate   |                           | X                     |                          |                      | X           |             |             |             |
|   | 30 Establishments for child protection                                |                           | X                     |                          |                      | X           |             |             |             |
|   | 3A Building, equipping and maintaining child protection buildings     |                           |                       |                          | X                    |             |             | X           |             |
| 4 Social protection                           | 40 Social Work Centers and Social Activities Bureau                   |                           | X                     |                          |                      |             | X           |             |             |
|   | 41 Day-centers and shelters for extra-institutional social protection |                           | X                     |                          |                      |             | X           |             |             |
|   | 42 Establishments for institutional social protection                 |                           | X                     |                          |                      |             | X           |             |             |
|   | 43 Support to implementation of Roma Decade and Strategy              |                           | X                     |                          |                      |             | X           |             |             |
|   | 44 Programme for conditional cash transfers                           |                           | X                     |                          |                      |             | X           |             |             |
|   | 45 Social protection system reform                                    |                           | X                     |                          |                      |             | X           |             |             |
|   | 4A Building, equipping and maintaining child protection buildings     |                           |                       |                          | X                    |             |             | X           |             |
| 5 Compensations and rights in the social area |   |                           | X                     |                          |                      |             |             |             |             |

ASSESSMENT ANALYSIS OF THE BUDGETARY PROCESSES AND REFORMS IN THE BUDGET POLICIES FROM THE ASPECT OF GENDER EQUALITY

| Programme                         | Sub-programme   | Government (sub)programme | Budget (sub)programme | Development programme    |                      | Template A2 | Template A3 | Template B1 | Template B2 |
|-----------------------------------|---|---------------------------|-----------------------|--------------------------|----------------------|-------------|-------------|-------------|-------------|
|                                   |   |                           |                       | Government sub-programme | Budget sub-programme |             |             |             |             |
|                                   | 50 Social protection compensations                          |                           | X                     |                          |                      | X           |             |             |             |
|                                   | 51 Compensations for civilian disabled in the war           |                           | X                     |                          |                      | X           |             |             |             |
|                                   | 52 Compensation for social protection                       |                           | X                     |                          |                      | X           |             |             |             |
|                                   | 53 Compensations for warfighters and war invalids           |                           | X                     |                          |                      | X           |             |             |             |
|                                   | 54 Compensation for refugees and asylum holders protection  |                           | X                     |                          |                      | X           |             |             |             |
| 6 Support to social funds         |   |                           | X                     |                          |                      |             |             |             |             |
|                                   | 60 Support to social funds                                  |                           |                       |                          |                      |             |             |             |             |
|                                   | 61 Transition costs on the basis of pension reforms         |                           | X                     |                          |                      | X           |             |             |             |
| A Decentralization                |   | X                         |                       |                          |                      |             |             |             |             |
|                                   | A2 Transferring the competences to the Self-governing Units | X                         |                       |                          |                      |             | X           |             |             |
| B Measures for decreasing poverty |   | X                         |                       |                          |                      |             |             |             |             |
| D Strengthening the rule of law   |   | X                         |                       |                          |                      |             |             | X           |             |
| M Public administration reform    |   | X                         |                       |                          |                      |             |             |             |             |
|                                   | D1 Fight against corruption and organized crime             | X                         |                       |                          |                      |             |             | X           |             |
|                                   | M2 Vocational training and professional improvement         | X                         |                       |                          |                      |             |             |             | X           |
| P EU integration                  |   | X                         |                       |                          |                      |             |             |             |             |
|                                   | PA Assistance in transition and institutional upgrade       |                           |                       |                          | X                    |             |             |             | X           |

**Table 2. Link between Strategic plan and budget of MLSP Programs for 2011**

| Programme  | Sub-programme               | Programme coverage based on the SP   | Type of programme |          |   |
|--|-----------------------------|--|-------------------|----------|---|
|  |                             |  | Horizontal        | Vertical |   |
| 1 Administration   | 10 Administration           | European integration   |                   | X        |   |
|  |                             | - Sub-programme European integration (department programme)  |                   |          |   |
|  |                             | - Sub-programme Human resource development (IPA Component IV)  |                   | X        |   |
|  |                             | Working relations  |                   | X        |   |
|  |                             | - Sub-programme Labor Law  |                   |          |   |
|  |                             | - Sub-programme Social Dialogue  |                   |          |   |
|  |                             | Inspection oversight in the field of working relations and health and safety issues (State Inspectorate for Labour – department programme) |                   |          | X |
|  |                             | Pension and disability insurance (department programme)  |                   |          | X |
|  |                             | Social protection  |                   | X        |   |
|  |                             | - Sub-programme Administrative capacity-human and material resources for development of social protection policies                         |                   |          |   |
|  |                             | Social inspection  |                   |          | X |
|  |                             | Child protection (department programme)  |                   |          | X |
|  |                             | War-fighters and war-invalids protection (department programme)  |                   |          | X |
|  |                             | Equal opportunities  |                   | X        |   |
|  |                             | Human resource management  |                   |          | X |
|  |                             | - Sub-programme Unit for human resource management   |                   |          |   |
|  |                             | Strategic planning   |                   | X        |   |
| Legal, normative, general and common affairs   |                             | X  |                   |          |   |
| - Sub-programme Legal and transparent implementation of Ministry's of Labor and Social Policy competencies |                             |  |                   |          |   |
| - Sub-programme II development   |                             |  |                   |          |   |
| Financial issues   |                             |  | X <sup>3)</sup>   |          |   |
| Coordination and technical support to the Minister   |                             |  |                   |          |   |
| - Sub-programme Coordination and technical support to the Minister (department programme)                  |                             |  | X                 |          |   |
| Internal audit   |                             |  |                   |          |   |
|  |                             | X  |                   |          |   |
| 2 Bodies within and agencies   | 20 State Labor Inspectorate | Inspection oversight in the field of working relations and health and safety issues  |                   | X        |   |
|  |                             |  |                   |          |   |

<sup>3)</sup>The sub-programme T1 is an exception, Development and preparation of Budget proposal to the Ministry of Finance, which is horizontal

ASSESSMENT ANALYSIS OF THE BUDGETARY PROCESSES AND REFORMS IN THE BUDGET POLICIES FROM THE ASPECT OF GENDER EQUALITY

| Programme           | Sub-programme   | Programme coverage based on the SP  | Type of programme   |          |   |
|---------------------|---|---|---|----------|---|
|                     |   |   | Horizontal  | Vertical |   |
| 3 Child protection  |   |   |   |          |   |
|                     | 30 Child protection establishment                                     | Child protection<br>- Sub-programme Activity of child protection establishments (kindergartens and children summer camps) and decentralization                |   | X        |   |
|                     | 3A Building, equipping and maintaining child protection buildings     | Legal, normative, general and common affairs<br>- Sub-programme Building and equipping buildings for child and social protection                              |   | X        |   |
| 4 Social protection |   |   |   |          |   |
|                     | 40 Social Work Centers and Social Activities Bureau                   | Social Work Centers' activities<br>Sub-programme The activity of the social work centers and the Social Activities Bureau                                     |   | X        |   |
|                     | 41 Day-centers and shelters for extra-institutional social protection | The activity of the social work centers<br>- Sub-programme Extra-institutional social protection<br>Equal opportunities<br>- Human trafficking victims center |   | X        |   |
|                     | 42 Establishments for institutional social protection                 | The activity of the social work centers<br>- Sub-programme Institutional social protection  | X   |          |   |
|                     | 43 Support to implementation of Roma Decade and Strategy              | Coordination and technical support to the Minister<br>- Sub-programme Support to Roma development   | X   |          |   |
|                     | 44 Programme for conditional cash transfers                           |   |   |          |   |
|                     | 45 Social protection system reform                                    | Social protection system reforms – SPIL – Social protection implementation project  |   | X        |   |
|                     | 5 Compensations and rights in the social area                         | 4A Building, equipping and maintaining child protection buildings   | Legal, normative, general and common affairs<br>- Sub-programme Building and equipping buildings for child and social protection  | X        |   |
|                     |   | 50 Social protection compensations  | The activity of the social work centers<br>- Sub-programme Compensations on the basis of the rights to social protection, disability benefits for civilians and compensation for refugees and asylum holders. |          | X |
|                     |   | 51 Compensations for civilians disabled in the  | The activity of the social work centers<br>- Sub-programme Compensations on the basis of the rights to social protection, disability benefits for civilians and compensation for                              | X        |   |

| Programme                         | Sub-programme  | Programme coverage based on the SP  | Type of programme |          |
|-----------------------------------|--|---|-------------------|----------|
|                                   |  |   | Horizontal        | Vertical |
|                                   | war  | refugees and asylum holders   |                   |          |
|                                   | 52 Compensation for social protection                            | Child protection<br>- Sub-programme Compensations on the basis of the right to child protection   | X                 |          |
|                                   | 53 Compensations for warfighters and war invalids                | War-fighters and war-invalids protection  |                   |          |
|                                   | 54 Compensation for refugees and asylum holders protection       | The activity of the social work centers<br>- Sub-programme Compensations on the basis of the rights to social protection, disability benefits for civilians and compensation for refugees and asylum holders  | X                 |          |
| 6 Support to social funds         |  |   |                   |          |
|                                   | 60 Support to social funds                                       | Pension and disability insurance<br>- Sub-programme Exercising rights to pension and disability insurance, regulation of payment of pension from the mandatory and voluntary fully-funded pension insurance and concluding bilateral agreements in the area of social insurance | X                 |          |
|                                   | 61 Transition costs on the basis of pension reforms              | Pension and disability insurance<br>- Sub-programme Providing sustainable Pension and disability insurance system by supporting the Pension and disability insurance fund and supervising the fully-funded pension insurance  | X                 |          |
| A Decentralization                |  |   |                   |          |
|                                   | A2 Transferring the competencies to the Self-governing Units EJC | Child protection<br>- Sub-programme The activity of child protection establishments (kindergartens and children summer camps) and decentralization  |                   | X        |
| B Measures for decreasing poverty |  |   |                   |          |
|                                   | BA Employment incentives   | Working relations<br>- Sub-programme Employment policies  | X                 |          |
| D Strengthening the rule of law   |  |   |                   |          |
|                                   | DI fight against corruption and organized crime                  | Coordination and technical support to the Minister  | X                 |          |

| Programme                      | Sub-programme   | Programme coverage based on the SP  | Type of programme |          |
|--------------------------------|---|---|-------------------|----------|
|                                |   |   | Horizontal        | Vertical |
| M Public administration reform |   |   |                   |          |
|                                | M2 Vocational training and professional improvement   | Human resource management<br>- Sub-programme Human resource development                                     | X                 |          |
| P EU integration               |   |   |                   |          |
|                                | PA Assistance in transition and institutional upgrade | European integration<br>- Sub-programme Transitional assistance and institutional upgrade (IPA Component I) | X                 |          |

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CIP - Каталогизација во публикација

Национална и универзитетска библиотека "Св. Климент Охридски", Скопје

305:[336.12:354(497.7)](047.31)

SIMJANOVSKA, Aleksandra

Assesment analysis of the budgetary processes and reforms in the budget policies from the aspect of gender equality / [author Aleksandra Simjanovska]. - Skopje : Ministry of labour and social policy, 2013. - 90 стр. : табели ; 30 см

Фусноти кон текстот. - Библиографија: стр. 86-90. - Содржи и: Annex 1-3

ISBN 978-608-4595-31-1

а) Буџет - Родова застапеност - Македонија - Истражувања  
COBISS.MK-ID 93781258



REPUBLIC OF MACEDONIA  
MINISTRY OF LABOUR AND SOCIAL POLICY