

STANDARD TWINNING PROJECT FICHE
Strengthening the medium term budgeting for effective public financial management

List of abbreviations

BC	Beneficiary Country
BC PL	Beneficiary Country Project Leader
BFD	Budget and Funds Department
CV	Curriculum Vitae
CFCD	Central Financing and Contracting Department within Ministry of Finance
EC	European Commission
EPSO	European Personnel Selection Office
ESA	European System of Accounts
EU	European Union
EUD	Delegation of the European Union
GFS	Government Finance Statistics
IMF	International Monetary Fund
IPA	Instrument for Pre- accession Assistance
IPA IR	Commission Regulation (EC) No. 80/2010 of 28 January 2010 amending Regulation (EC) No 718/2007 Implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-accession Assistance (IPA)
MIPD	Multi Annual Indicative Planning Document
MoF	Ministry of Finance
MS	Member State (of the European Union)
MS PL	MS Project Leader
MTBF	Medium-term Budget Framework
MTEF	Medium-term Expenditure Framework
MTFF	Medium-term Fiscal Framework
NPAA	National Programme for Adoption of Acquis
PAO	Programme Authorising Officer
PSC	Project Steering Committee
PSC	Project Steering Committee
RTA	Resident Twinning Adviser
SPO	Senior Programme Officer
STE	Short Term Expert
TAIB	Transition Assistance and Institution Building
TW	Twinning
US	United States

1. Basic information

1.1. Publication reference notice: EuropeAid/ 136-921/IH/ACT/MK

1.2. Programme:

Instrument for Pre-Accession Assistance (IPA) - National Programme for 2011 under the IPA Transition Assistance and Institution Building (TAIB)

1.3. Twinning Number: MK11 IB FI 01

1.4. Title:

Strengthening the medium term budgeting for effective public financial management

1.5. Sector:

Public Administration Reform/ Finance

1.6. Beneficiary country:

The Beneficiary country¹

2. Objectives

2.1 Overall Objective:

The overall objective to which this project contributes is to ensure and maintain sustainable and sound public finances by improving public financial management.

2.2 Project purpose:

The project purpose is to improve the effectiveness of medium-term budget planning, programme budgeting (programme classification) and fiscal reporting, that will contribute to formulating sustainable medium term fiscal projections and strengthening fiscal discipline and credibility.

2.3 Contribution to National Development Plan/Cooperation agreement/Association Agreement/Action Plan

Link with AP

The **Accession Partnership 2007** identifies as a medium term priority in the area of the Economic criteria to raise the quality of public spending by strengthening the public sector's capacity for medium-term planning and improving budgetary execution.

Link with MIPD is in the following:

The MIPD 2011-2013 envisages that it is important to further support the development of strategic planning capacities and improving accountability and transparency of the public sector. Also, the EU aims with its support to raise the quality of public spending, both at central and local level.

Link with NPAA 2014

¹As per Financing Agreement concerning the National Programme under IPA Transition Assistance and Institution Building Component for 2011 (IPA 2011/022-988), entered into force on 20 November 2012

Regarding assessment of progress made towards fulfilling first economic accession criterion, the **Progress Report 2014** states that the country would need to step up its efforts, in line with the Conclusions of the Ministerial Dialogue between the Economic and Finance Ministers of the EU and the Candidate Countries from May 2014, in order to strengthen medium-term budget planning and execution. In particular, EU Ministers with the Conclusions encourage the Beneficiary Country to improve medium-term budget planning and execution; increase fiscal transparency, reporting in accordance with EU accounting standards, notably ESA 2010; and resume the submission of fiscal notifications.

In the **NPAA 2014**, in Chapter 33, the Ministry of Finance has undertaken to continue with improvements in the budget process by strengthening the strategic planning process and the preparation of three-year strategic plans, fully consistent with the planned resources and programs in the budget and in accordance with maximum limits on spending.

Also, the main priority is the improvement of the budget process in terms of establishing medium term budget planning and preparation of medium term budget.

Link with Pre-accession Economic Programme

The beneficiary country as an EU Candidate prepares and submits to the European Commission a medium-term fiscal framework as a part of Pre-accession Economic Programme, in which the relevant authorities, MoF, presents the medium-term fiscal policies and projections. Since the EU accession is a paramount country priority, improving the quality of medium term plans is a key need.

Link with National Development Plan (where applicable)

N/A

Link with national/sectoral investment plans (where applicable)

The project is likewise linked with the following key strategies and action plans in the sector:

- Fiscal Strategy

3. Description

3.1 Background and justification:

The primary task of the Ministry of Finance – the Budget and Funds Department (BFD) is creation of fiscal policy, public finance management and improvement of the budget process. In this regard, the basic responsibility of the BFD is preparation of the draft budget of the country.

The overall public financial management is regulated under the Budget Law which provides sound basis for budget management.

The budget process, according to the Budget Law, starts by adoption of the Government Decision for strategic priorities, which is a basic document for preparation of the medium-term Fiscal Strategy. The Fiscal Strategy defines the medium-term fiscal framework of the public revenues and public expenditures, over a three year period, which sets the grounds for preparation of the ceilings of the budget users. Its main focus is on medium term macroeconomic, fiscal and public debt policies and projections. These policies and projections resemble Government priorities and programmes and are the main part of the fiscal scenario.

Based on the adopted Fiscal Strategy and the ceilings on expenditures for the budget users determined by the Government in the Budget Circular, budget users prepare and submit to the Ministry of Finance the budget proposals, based on which the Ministry of Finance prepares and submits the draft Budget to the Government for approval, and the Government sends it to the Parliament for adoption.

Improvement of the management of public finances, in particular strengthening the medium-term budget planning, will continue to be amongst highest Government priorities. In that respect, there is a need for further improvement of the Budget process in view of the process for EU membership. Namely, the beneficiary country, as an EU candidate, should prepare medium budget framework (MTBF) and medium-term expenditure framework (MTEF) on annual basis, in which the authorities present their medium-term plans and manners of compliance with the economic criteria for EU membership. Currently, the Ministry of Finance prepares only a Medium-Term Fiscal Framework (MTFF), which sets out aggregate fiscal targets and projections.

Also, there is a need to improve programme classification and develop programme indicators to reflect the programmes results and to improve fiscal (expenditures) control and public sector efficiency. Programme budgeting should be aligned with the medium-term budgeting.

The Ministry of Finance currently is using the E-Budget application, which allows electronic sending of the Budget circulars to all budget users, as well as electronic submission of the Budget proposals. This system allows for better analysis, budget planning and monitoring of budget realisation. In order for this system to accommodate to the multi-year budget planning, it is necessary for the application to be upgraded. It is expected that the twinning partner will make an assessment and provide recommendations for upgrading the e-budget application in line with changes introduced in the budget process (new programme classification and medium term budget planning).

In cooperation with the World Bank, the treasury system was upgraded with module for recording of multi-year commitments of the budget users. In order to provide baseline scenario for multi-year budgeting, this database from the treasury system is necessary to be applied in the E-budget application. At the same time, the E-budget should be upgraded with module for control of salaries and number of employees in the budget users. Currently, for this purpose the BFD uses separate program in Microsoft Access.

The Government finance statistics produced by the Ministry of Finance is based on the IMF 1986 manual, the data is recorded on a cash basis and they concern revenue and expenditure, inflows and outflows. Taking into consideration the EU requirements for the budget data to be presented by using the EU accounting standards, there is a need for transition from the GFS (IMF) methodology which is being currently used to the European System of Accounts (ESA) methodology. Therefore, the Ministry of Finance (the BFD, Treasury Department and other relevant departments) and budget users has to develop its capacities for application of the ESA methodology for the purposes of fiscal reporting.

3.2 Linked activities:

The present project is also directly connected and it is a follow up to the following projects:

1. **Title:** “Strengthening the Capacity of the Ministry of Finance for Macroeconomic analysis and Policy Formulation”

Project funded by: EU Programmes - IPA TAIB 2009

Duration: 6 December 2012 - 10 December 2014 (implementation period - 24 months)

Description: The purpose of this twinning project is to improve economic analysis and forecasting skills in the Ministry of Finance (MoF), aiming to design a coherent medium and long-term macro-fiscal framework, through further development of the capacity for macroeconomic and tax revenues modeling, cost-benefit and fiscal analysis and improvement of the process of budget planning in the MoF. The Budget and Fund Department is involved in the project activities for conducting fiscal sector analysis, setting up the basis for introducing programme classification and trainings for using modern budgetary tools. It is expected that this project will provide solid base for further improvement of the capacity of the BFD, for which the assistance from IPA was requested.

Project Cost: EUR 950.000

2. **Title:** Public Administration Reforms and E-Government
Project funded by: EU Programmes - IPA TAIB 2011
Duration: 22-24 months
Description: As part of the same IPA TAIB 2011 Project Fiche, under Sub-component 3.3, the Ministry of Finance shall improve the functioning of the e-budget application. The project will be implemented through supply contract.
Project Cost: The total project cost for component 3 of this sector fiche is EUR 1.000.000 (together with MISA and Inspection Council).
3. **Title:** Technical assistance for supporting the Budget and Funds and Treasury Departments of the Ministry of Finance
Project funded by: US Treasury
Duration: 2001-2006
Description: In the period 2001-2006, in cooperation with the US Treasury there was a technical assistance to the Budget and Funds Department which introduced programme budgeting, established new economic classification and developed indicators (output and outcome indicators).
4. **Title:** Technical mission by the International Monetary Fund (IMF)
Project funded by: IMF
Duration: 21st – 25th September 2009
Description: Conducted technical mission by the IMF on the improvement of budget reform and strengthening budget preparation and public debt management strategy.
5. **Title:** Technical mission by the IMF
Project funded by: IMF
Duration: 26th April – 6th May 2011
Description: Conducted technical mission by the IMF on the improvement and strengthening of medium-term planning and development of programme classification.
6. **Title:** Technical mission by the IMF
Project funded by: IMF
Duration: 27th February – 3rd March 2012
Description: Conducted technical mission by the IMF on the improvement and strengthening of budget commitments control.

3.3 Results:

The Mandatory results to be achieved are:

Component 1: Further improvement of programme budgeting

1. Improved programme classification;

This mandatory result shall be accomplished through the achievement of the following intermediary results:

- Relevant existing strategic and legal documents within the key areas of budget users analysed for the purpose of defining budget programmes;

Measurable indicator:

- Report on analysis of existing strategic and legal documents of budget users with recommendations for programme classification.

- New budget programme classification developed.

Measurable indicators:

- Prepared Guidelines for the MoF and budget users on the process of preparation and revision of programme classification;
- Indicatively 70 persons from the MoF and budget users trained on preparation and application of the new program classification.

2. Developed system of monitoring and reporting on programme results;

This mandatory result shall be accomplished through the achievement of the following intermediary results:

- Developed methodology/procedure for defining, monitoring and reporting of programme indicators for budget programmes identified in the programme classification.

Measurable indicators:

- Criteria for defining the indicators prepared;
- Produced indicative list of indicators on the basis of the defined criteria;
- Indicatively 70 persons from the MoF and budget users trained on defining, monitoring and reporting of programme indicators;
- Prepared Guidelines for the budget users on defining, monitoring and reporting of programme indicators;
- At least 2 indicator monitoring reports prepared for budget users.

Component 2: Improved medium term fiscal projections

3. Improved capacity of the Budget and Funds Department within MoF and pilot budget users (15 central budget users) for medium-term budget planning;

This mandatory result shall be accomplished through the achievement of the following intermediary results:

- Analysed and assessed current budget process and capacity of the BFD and pilot budget users for medium term budget planning according to EU requirements;

Measurable indicators:

- Assessment report on the current budget process and capacity of the Budget and Funds Department and other designated budget institutions on central level for medium term budget planning.
- Recommendations for future activities for smooth and systematic transition from current system of budget planning to medium-term budget planning according to EU requirements.

- Medium term budget framework (MTBF) and Medium term expenditures framework (MTEF) prepared;

Measurable indicators:

- Format of the MTBF and MTEF designed;
- Prepared draft medium term budget framework (MTBF) and Medium term expenditures framework (MTEF);
- Prepared Guidelines/Manual for the MoF and budget users for MTBF and MTEF preparation;
- Provided recommendations for revision of the budget preparation procedure in line with the MTBF and MTEF procedure. These recommendation should take into account the existing capacities of the MoF and budget users;
- Developed and implemented training plan for MoF and pilot budget users (indicatively 70 persons) for multi-year budget planning;
- Indicatively 70 employees from the MoF and pilot budget users trained for multi-year budget planning;
- Developed training programme for medium term budget planning with plan for its future implementation in all budget users;
- Training of trainers from MoF and pilot budget users (indicatively 20 persons) on delivering training to budget users on medium term budget planning;
- Provided assessment and recommendations for upgrading the e-budget application in line with changes introduced in the budget process (new programme classification and introduction of medium term budget planning);
- Conference on presenting the new MTBF and MTEF and other main guidelines developed under the project to all stakeholders organised and held.

- Legal framework aligned with the new changes introduced in the budget process;

Measurable indicators:

- Conducted review of the existing legal framework and prepared proposal for its amendment in line with the revised budget preparation procedure;
- Prepared new/amendment draft budget legislation and other related acts which is aligned with the new changes introduced in the budget process.

- Ensured compatibility between Treasury and BFD systems.

Measurable indicators:

- The E-budget application upgraded with module for recording of multi-year commitments of the budget users;
- The E-budget application upgraded with module for control of salaries and number of employees in the budget users.

Component 3: Improved fiscal reporting

4. Developed capacity of the Ministry of Finance for fiscal reporting in accordance with EU standards and requirements in the area of public finance.

This mandatory result shall be accomplished through the achievement of the following intermediary results:

- Improved capacity of MoF employees for application of ESA methodology and its linking with GFS (IMF), in cooperation with State Statistical Office (SSO);

Measurable indicators:

- Indicatively 10 employees trained for application of ESA methodology and its linking with GFS (IMF).
- Fiscal reports prepared in accordance with EU standards and requirements in the area of public finance.

Measurable indicators:

- Indicatively 10 employees trained on EU standards and requirements in the area of public finance for preparation of fiscal reports;
- Fiscal report sample prepared in accordance with EU standards and requirements in the area of public finance.

3.4 Activities

Activities within the project will be focused on staff capacity building for programme budgeting, development of Medium-term expenditure framework (MTEF) and Medium-term budget framework (MTBF) and fiscal reporting by sharing the best practices and experiences from the EU in accordance with the specific needs of the Beneficiary Country in the field of public finance management.

The proposal made by the MS should include the activities they propose to achieve the results listed in the fiche without listing necessarily all the possible activities. The proposal should be detailed enough to respond adequately to the Twinning project fiche.

The set of proposed activities will be further developed with the Twinning partner when drafting the Twinning work plan, keeping in mind that the final list of activities will be decided with the Twinning partner. The components are closely interlinked and need to be sequenced accordingly.

The Twinning assistance will be provided in the form of know-how transfer, and will be delivered through:

1. *Advice and coaching sessions:* Coaching and advice activities will be the predominant type of activity. They will help for the fine tuning of the processes related to programme budgeting, medium term budget planning and fiscal reporting per EU standards.
2. *Tailor made training programmes:* This project will include development and implementation of tailor-made training programmes for the Budget and Funds

Department and other budget users. The programme will be based on a training needs assessment of the target groups. The training programme will focus on all aspects of improving the capacity of the BC in the areas outlined above. The BC prefers on-the-job training, where applicable. The project will include training materials and manuals (in both English and *македонски* language), and evaluations of conducted trainings. Also, the twinning partner is expected to provide training of trainers for MoF and pilot budget users, enabling them to deliver training on medium term budget planning.

3. *Analysis and drafting of legal acts, guidelines, manuals, procedures and check-lists:* The Twinning partner should review and propose revision of the existing or drafting new legal acts/procedures with respect to all phases of budget cycle, preparation of medium term expenditures framework (MTEF and MTBF), where relevant. This task will be done in close cooperation and consultation with key staff of the involved institutions. The Legal acts, Guidelines, Manuals, procedures and check-lists will be in both English and *македонски* language.
4. *Assessment:* Every activity within the twinning will be assessed through practical tools. The results will be compiled and presented to the Steering Committee, and integrated in the quarterly reports. When it is relevant and possible, the other activities of the twinning project will be evaluated in the most relevant way. Also, the twinning partner will make an assessment and provide recommendations for upgrading the e-budget application in line with changes introduced in the budget process (new programme classification and introduction of medium term budget planning).
5. *Seminars, workshops, conference:* The Twinning project will include the organisation of several seminars, workshops and a conference for transfer of knowledge, using and sharing the expertise of MS experts and the experience of the BC administration. The project will include preparation of materials for the seminars, workshops and a conference (in both English and *македонски* language);
6. *Study visit: Study visits will be* organised for selected representatives of the beneficiaries for exchange of good practices and experience in the areas related to the project. The study visits will be useful for ensuring networking with the representatives of the national institutions of the Twining partners, building mutual trust among the administrations as well as to see how the established systems, procedures and processes work in practice.
7. *Development, testing and adjustment:* The Twinning partner will provide assistance for the development of new modules in the E-budget application and assistance and guidance through the process of testing. In addition, they will provide assistance in making the necessary adjustments in order to ensure that the new modules are functional and operational.

3.5 Means/Input from the MS Partner Administration:

The project will be implemented in the form of a twinning contract between the Beneficiary country and an EU Member State. Details of implementation shall be agreed during the preparation of the work plan. The implementation of the project requires one Project Leader with responsibility for the overall coordination of project activities, one Resident Twinning Adviser responsible for management and implementation of project activities foreseen, and a pool of short-term experts within the limits of the budget. It is essential that the team have sufficiently broad expertise to cover all the areas included in the project description.

The interested Member State institution shall include in its proposal the CVs of the designated Project Leader and Resident Twinning Adviser. The details of implementation of the Twining project will be agreed upon/during the preparation of the work plan.

3.5.1 Profile and tasks of the Project Leader

MS Project Leader (MS PL)

The Project Leader from the Member State must be a high-ranking public servant of a Member State administration or equivalent staff, but preferable the Head of a body engaged in the budget planning within the relevant ministry/institution of the Member State, with relevant working experience of at least 5 years in fiscal area matters.

The MS Project Leader will continue to work at his/her Member State administration but will devote some of his/her time to conceive, supervise and co-ordinate the overall thrust of the Twinning project, and ensure the attainment of the projected outputs. The Project Leader is fully responsible for co-ordination of the work of the experts.

The MS Project Leader must have a broad knowledge of all processes in the area of the project and good leadership skills.

The MS Project Leader will manage the implementation of the project with the Project Leader from the Beneficiary Country and is expected to devote a minimum of 3 days per month to the project in his/her home administration with an on-site visit at least every 3 months. The Project Leader's seniority will ensure his/her ability to mobilize the necessary staff in support of the efficient implementation of the project. In addition, he/she should coordinate, on the Member State side, the Project Steering Committee (PSC), which will meet in Skopje at least every three months.

He/she will be supported by his/her Member State administration for logistic, accounting and administrative affairs.

Qualifications and skills

- At least University degree in economics or similar discipline relevant to the project (Master's degree would be considered an asset);
- At least 5 years of work experience in fiscal area matters
- Fluent knowledge of written and spoken English.

Tasks:

1. Conceive, supervise and coordinate the overall preparation of the project;
2. Coordinate and monitor the overall implementation of the project including coordination and direction of the MS TW partner;
3. Coordinate the MS' experts' work and availability;
4. Communication with the beneficiary, CFCD and EUD;
5. Co-chairing, with the Beneficiary Country Project Leader, the regular project implementation Steering Committee meetings;
6. Guaranteeing from the MS administration side, the successful implementation of the project's Work Plan.
7. Ensure the backstopping functions and financial management;
8. Prepare interim, quarterly and final report.

BC Project Leader

The BC Project Leader will act as the counterpart of the MS PL and will ensure close cooperation in the overall steering, co-ordination and management of the project from the beneficiary side. He/she will support the Twinning project team in organizational and technical

matters and will also coordinate the Project Steering Committee (PSC) on behalf of the BC. The role of the BC PL and the MS PL are complementary.

3.5.2 Profile and tasks of the RTA

One Resident Twinning Adviser (RTA) will be appointed, and he/she will be located in the premises of the Ministry of Finance in the Beneficiary country.

The secondment of the Resident Twinning Adviser will last 24 months, during which he/she will be responsible for the direct implementation of the project under the overall supervision of the MS Project Leader.

He/she will come from an EU Member State to work on a full time and day-to-day basis with the beneficiary administration. The Resident Twinning Adviser will have a key role in the coordination of the inputs required for the successful implementation of the project activities. He/she shall be supported by a pool of short – term experts.

The RTA is bound by the rules on hours of work in force in the host administration. He/she is not authorized to work part-time. Management and control of leave and working time are the responsibility of the MS Project Leaders and their BC counterparts.

Qualifications and skills:

- Be a national of a Member State of the European Union;
- Be a civil servant or equivalent staff seconded to work within departments/units in a Member State institution, on matters related to the assignment of the project;
- At least university degree² in economics or similar discipline relevant to the assignment
- Fluency in written and spoken English language;
- Computer literacy (advanced level);
- At least 5 years of professional experience in fiscal area matters – designing fiscal policy and medium term budget planning;
- Experience in previous EU projects in the area of budget planning/execution is an asset.

Tasks:

As to the general responsibility of the day-to-day implementation of the Twinning project in the Beneficiary Country, the Resident Twinning Adviser tasks will include:

- Provision of technical advice and assistance to the Budget and Funds Department within the Ministry of Finance in the context of a predetermined work plan;
- Coordination of all project activities and experts' inputs in the country;
- Ensuring day-to-day implementation of the Twinning Project in the Beneficiary Country;
- Ensuring smooth correlation between the activities, deadlines and the envisaged results in the Work Plan;
- Ensuring smooth implementation of the different activities delivered;
- To coordinate and organize training activities;
- To provide advice and assistance in drafting legal, application acts, instructions, manuals etc. for implementation of the new legislation and supporting documents;
- Assess continuously the Twinning Project in all stages and provide link to compare it with the specified benchmarks/results and time-frame;
- Prepare the material for regular monitoring and reporting;
- Preparation of operative side letters;

²

EPSO website-Annex, <http://europa.eu/epso/doc/diplomasfortheweb.pdf>

- Taking corrective actions, if necessary, inside the terms of the signed contract.

RTA Counterpart

An RTA Counterpart will be assigned by the MoF.

3.5.3 Profile and tasks of the short-term experts (STEs)

Other specialist staff will be made available by the Twinning Partner to support the implementation of activities. Specific and technical matters not directly covered by the RTA can be taken over by a pool of short-term experts within the limits of the budget. The detailed expert input shall be established when drawing up the twinning work-plan.

Qualifications and skills:

The STEs will:

- Be civil servants or equivalent staff seconded to work within departments/units/structure responsible for one or more of the following areas: designing fiscal policy/medium term budget planning/programme budgeting/budget preparation/drafting budget legislation/fiscal reporting per ESA methodology, etc, in a Member State;
- Have University level degree³
- Have at least 3 years of practical experience in the project area they will cover;
- Have experience in organisation and implementation of training sessions organised by Member States or by Community institutions directed towards staff members and/or operators in the scope of the project;
- Be fluent in written and oral English and computer literacy.

Tasks:

The tasks of the STE will be to:

- Prepare and implement specific tasks based mainly on practical cases and experience in compliance with their mission description and in accordance with Project activities;
- Assist in key tasks, e.g. in the fields of: programme budgeting, designing fiscal policy and medium term budget planning, budget preparation, budget legislation, application of ESA methodology, linking of GFS (IMF) methodology with ESA and fiscal reporting.
- Contribute to the project reporting, contribute to the draft notes and other documents and report on their missions;
- Address cross-cutting issues.

3.5.4 Profile and tasks of the RTA Assistant

3.5.4.1 RTA Assistant:

The RTA will be provided with a full-time RTA Assistant acting as an assistant for technical and organizational support. The assistant will be contracted according to twinning rules and paid from the Twinning budget. The assistant will be selected through an open call. The role of the RTA Assistant will be to support the RTA in the project management. In addition, the assistant will be responsible for organization of meetings, seminars etc. and their logistics. The RTA assistant will also act as translator/interpreter, when necessary.

³ EPSO website-Annex, <http://europa.eu/epso/doc/diplomasfortheweb.pdf>

3.5.4.2 Full time translator/interpreter:

A full-time translator/interpreter will be selected through an open call and will be contracted according to the Twinning rules and paid from the Twinning budget. The full-time translator/interpreter will be involved in all necessary project activities (training sessions, translation of project documents/reports and materials, organizational activities, etc.). The role of the translator/interpreter will be to provide translation and editing as well as interpretation services to the Twinning project in general.

4. Institutional Framework

The Contracting Authority for this Twinning project is Central Financing and Contracting Department within the Ministry of Finance.

4.1. Beneficiary institution

This project will primarily be focused on capacity building of the Budget and Funds Department and the Treasury Department in the Ministry of Finance as main beneficiaries. Also, the assistance will be spread to indicatively 15 pilot central Budget institutions, which will be included in the project activities related to programme budgeting and medium term budget planning.

Budget and Funds Department is responsible for creation of a coherent medium term fiscal framework. This framework is based on inputs provided by several departments in the MoF, mainly the Tax Department, Treasury Department, International Financial Relations and Public Debt Management Department, Macroeconomic Policy Department and other institutions.

The primary task of the Budget and Funds Department is creation of fiscal policy, public finance management and improvement of the budgetary process. In this regard, the basic responsibility of the Budget and Funds Department is preparation of the Draft Budget as a whole and its submission to the Government.

In addition, Budget and Funds Department performs other important matters pertaining to:

- Laws governing the procedure for preparation, adoption and execution of the Budget of;
- Medium-Term Fiscal Strategy (three years) that outlines the guidelines and objectives of the fiscal policy and the amounts of the major categories of estimated revenues and appropriations;
- Budget Circular that includes instructions and guidance for preparation of budget requests;
- Annual Report of the Budget which presents the realized revenues and expenditures of all budget accounts, compared with the projected revenues and approved expenditures;
- Opinions, information and reports on programs, materials and decisions concerning the Budget and Budget policy;
- Analysis of budget revenues and expenditures and studying the effects of the proposed legislation in the area of budgetary policy;
- Approval of budget relocations and extensions of budget users pursuant to the principles of efficiency and effectiveness;
- Monitoring of the payment of salaries by budget users;
- Analysis and information on public investment;
- Processing and analysis of revenues and expenditures of local authorities, as well as preparation of legislation for financing Local Self-Government Units;

- Monitoring of the performance of public enterprises, agencies and trading companies established by the state regarding the proper use of their funds.

Currently, there are 40 employees (out of which 20 are budget analysts). The Budget and Funds Department is composed of nine units:

1. Budget and Budget Policy Unit;
2. Unit for Funds' Budgets;
3. Unit for Budgets of Local Self-Government ;
4. Unit for Control of Payment of Salaries to Budget Users;
5. Analysis Unit;
6. Unit for Development Budget;
7. Unit for Public Enterprises and Agencies;
8. Unit for Projections of Budget Users Salaries and Employments;
9. Unit for Projections and Monitoring Public Investments.

4.2. Co-ordination mechanisms between institutions

A Project Steering Committee (PSC) will be established at the beginning of the project comprising senior representatives of the Beneficiary Institution, the Delegation of the European Union, the Secretariat for European affairs and the Central Financing and Contracting Department within the Ministry of Finance, and will be co-chaired by the MS PL and BC PL.

The PSC will monitor, supervise and co-ordinate the overall progress and implementation of the project. The PSC will provide guidance for the different components of the project, will define priorities, approve and monitor budgets and approve the results.

4.3 Reporting requirements as per Art 6.4 of the Twinning Manual

Reports will follow the templates of Annex C4 of the Common Twinning Manual. In addition to these formal reporting stages, the twinning partners are obliged to inform in writing the Contracting Authority as well as the final beneficiary of the action of any critical aspects or conditions of project implementation, or any amendments/modifications necessary within the budget.

All reports must be produced in the English in electronic and hard copy. These reports shall be signed by both Project Leaders. Each report must be presented in electronic format one week prior to the Steering Committee meetings and in two hard copies to the following addresses:

Central Financing and Contracting Department

Ministry of Finance

Dame Gruev 12, 1000 Skopje

The final versions should incorporate any comments and discussions during the Steering Committee meetings.

In addition, the RTA in cooperation with the RTA counterpart shall submit Monthly Progress Briefs to the SPO no later than 3 working days after the end of each month. The Monthly Progress Briefs (short report 2-3 pages) should summarize the current status of the project against benchmarks for mandatory results (defined in the Twinning workplan), major activities undertaken during the period of the report compared to the implementation schedule, deviations and delays in activities, problems and constraints encountered and corrective/ remedial actions proposed or planned, and major activities planned for the next period (schedule). Achievements with respect to the benchmarks should be assessed and documented in each Monthly Progress Brief to the extent possible. The structure of the report will be agreed with the SPO.

5. Budget

The project will be implemented through a Twinning Contract estimated at a maximum of EUR 1.100.000 (out of which 95% IPA funds and 5% National co-financing).

Twinning Contract	Total (EUR)	IPA Community contribution		National Public contribution	
	1.100,000	EUR	%	EUR	%
		1.045,000	95	55,000	5

The co-financing requirement foreseen under IPA will be considered fulfilled according to the provision of the relevant Financing Agreement.

Apart from the National co-financing, as part of the Twinning Contract amount, all twinning contracts as a rule must provide Beneficiary co-financing on the side of the beneficiary institution (Ministry of Finance), for the purpose of covering costs not covered by the EU as per Twinning manual, point 5.13, as follows:

- Direct and indirect cost of the Beneficiary administration, civil servants and national private experts working for the project;
- Travel by the beneficiary officials from their capitals to a MS or between MS.
- Organisation of seminars (incl. hall rental, provision of refreshments, printing seminar materials, transport of employees and other logistical support);
- Facilities for the Member State experts: adequately equipped office space, telephone, e-mail services, fax, photocopiers, computer, internet access, secretarial support and access to information.

The following expenses are to be covered with the project funds:

- Visibility Cost;
- Audit certificate cost.

The location of the project will be at the premises of the Ministry of Finance.

6. Implementation Arrangements

6.1. Implementing Agency responsible for tendering, contracting and accounting

The Central Financing and Contracting Department (CFCD) within the MoF will be the Contracting Authority responsible for all administrative and procedural aspects of the tendering process, contracting matters and financial management including payment of project activities. The Head of CFCD will act as the Programme Authorising Officer (PAO).

Ms. Radica Koceva

Programme Authorising Officer

Ministry of Finance/ Central Financing and Contracting Department

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6.2. Main counterpart in the BC

Contact persons and contact details

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6.3. Contracts

One (1) Twinning contract is foreseen for building up the capacity within the department dealing with central government budget and strengthening medium term policy making capacity.

7. Implementation Schedule (indicative)

7.1. Launching of the call for proposals

The date for the launching of the call for proposals is: February 2015.

7.2. Start of project activities

The start of project activities is tentatively scheduled for: September 2015.

7.3. Project completion (date)

The project implementation period (duration of the work plan) is 24 months after the commencement date of the Project.

7.4. Duration of the execution period

The overall execution period of the Twinning project is 27 months with an implementation period of 24 months. (The execution period of the contract shall enter into force upon the date of notification by the Contracting Authority of the contract signed by all parties, whereas it shall end 3 months after the implementation period of the Action).

8. Sustainability

The Budget and Funds Department within the Ministry of Finance currently has a capacity of a total of 40 employees.

The achievement of a Twinning project (mandatory results) will be maintained as a permanent asset to the Beneficiary administration even after the end of the Twinning implementation. This presupposes inter alia that effective mechanisms are put in place by the Beneficiary administration to disseminate and consolidate the results of the project.

As a result of the Twinning and the assistance given, the Departments and the Ministry will work to ensure that all knowledge gained through the project will be systematically transferred to all new employees by on the job training delivered through everyday work and manuals developed.

Furthermore as outlined in the mandatory results, the project results will go on and create numerous and varied benefits due to the improvement of fiscal policy proposals, the general improvement of the fiscal framework and fiscal modeling in general.

9. Cross cutting issues

The cross-cutting issues will be addressed throughout the project. The mainstreaming of the cross cutting issues is regarded on two different levels:

- Ensuring that the internal policies, structure or operating procedures of the beneficiary institution will conform to and promote the relevant principles outlined per section below.
- Ensuring that the products, outputs produced within the project by the beneficiaries (primary and secondary legislation, analysis, plans and programmes) will conform to and promote the relevant principles outlined per section below.

9.1 Civil Society development and dialogue

Civil society issues will be taken into consideration of such issues where relevant and appropriate in the project.

9.2 Environmental considerations

Any ecological friendly initiative which can be taken will have to be implemented.

9.3 Equal Opportunity and non-discrimination

Equal opportunity principles and practices in ensuring equal gender participation in the Project will be guaranteed. The competent institutions involved in the project execution will observe equal opportunity of women and men in the human resources development and capacity building activities. The beneficiary will ensure equal access of men and women to the project activities and results and all other forms of discrimination will be eliminated.

9.4 Minority and vulnerable groups'

Minority and vulnerable groups' concerns will be reflected in activities programmed under this project.

Furthermore, improved forecasting and budget planning should lead to higher efficiency of social spending and assistance and hence improve the socio-economic position of the vulnerable groups.

9.5 Good governance, with particular attention to fight against corruption

All relevant requirements to insure a sound financial management of the project will be fulfilled in accordance with the principle of good governance.

The Government is strongly determined to fulfil all the criteria needed for EU accession and membership, and all the necessary actions are being taken to reach the aim. Through transparent policies and involvement of different stakeholders in the process of policy design the accountability and responsiveness vis-a-vis the citizens will be being strengthened.

9.6. Communication and publicity

All requirements to ensure the visibility of EU financing will be fulfilled in accordance with R. (EC). N. 718/200714.

10. Conditionality and sequencing:

10.1 Conditionality

The project includes the following conditions:

- Appointment of counterpart personnel by the beneficiaries before contract signature;
- Allocation of working space and facilities within the premises of the beneficiaries before contract signatory;
- Participation by the beneficiaries in the selection process as per EU regulations;
- Organisation, selection, appointment and participation of members of working groups, steering and coordination committees, seminars by the beneficiaries/stakeholders as per work plan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- Sufficient managerial, technical and human resources allocated to the relevant Departments;
- EU procedures to be followed in all tender procedure.

In the event that conditions are not met, suspension or cancellation of the project will be considered.

10.2 Sequencing

Key milestones will be:

1. Approval of the Twinning project fiche;
2. Completion of the selection of the twinning partner;
3. Signature of the Twinning Contract, including the Twinning Work Plan;
4. Commencement of the implementation of the twinning (inter alia, the arrival in the country of the Resident Twinning Adviser);
5. End of the implementation period;
6. Submission of the final report.

ANNEXES

- 1- Logical framework matrix in standard format

⁴ _ See. Article 62 and 63. of R. (EC). N. 718/2007

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number Strengthening the medium term budgeting for effective public financial management		
		Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts
		Total budget : 1.100.000		IPA budget: 1.045.000
Overall objective				
The overall objective to which this project contributes is to ensure and maintain sustainable and sound public finances by improving public financial management.		Objectively verifiable indicators Progress made toward fulfillment of EU accession economic criteria		Sources of Verification EC Progress Report and other reports
Project purpose				
The project purpose is to improve the effectiveness of medium-term budget planning, programme budgeting (programme classification) and fiscal reporting, that will contribute to formulating sustainable medium term fiscal projections and strengthening fiscal discipline and credibility.		Objectively verifiable indicators Improvement of the accuracy of the fiscal projections (% of realization of projections) made by the MoF.		Sources of Verification Data from the analysis made by the Budget and Funds Department
Assumptions Economic and fiscal stability Prudent fiscal discipline Continuing adherence to agreed policy objectives				
Results				
Component 1: Further improvement of programme budgeting		Objectively verifiable indicators		Sources of Verification
1. Improved programme classification; Intermediary results: 1.1 Relevant existing strategic and legal documents within the key areas of budget users analysed for the purpose of defining budget programmes; 1.2 New budget programme classification developed. 2. Developed system of monitoring and reporting on programme results;		1.1 • Report on analysis of existing strategic and legal documents of budget users with recommendations for programme classification. 1.2 • Prepared Guidelines for the MoF and budget users on the process of preparation and revision of programme classification. • Indicatively 70 persons from the MoF and budget users trained on preparation and application of the new program classification. 2.1		Documents produced Report on the realisation of the Action plan Archive and web site of MoF Adopted guidelines/instructions Information by the Budget and Funds Department, IT system, web site MoF Training materials, attendance list
Assumptions Continuing adherence to agreed policy objectives Good and continuous interaction between the stakeholders relevant to the economic sector				

<p>Intermediary result:</p> <p>2.1 Developed methodology/procedure for defining, monitoring and reporting of programme indicators for budget programmes identified in the programme classification;</p> <p>Component 2: Improved medium term fiscal projections</p> <p>3. Improved capacity of the Budget and Funds Department within MoF and pilot budget users (15 central budget users) for medium-term budget planning;</p> <p>Intermediary results:</p> <p>3.1 Analysed and assessed current budget process and capacity of the BFD and pilot budget users for medium term budget planning according to EU requirements;</p> <p>3.2 Medium term budget framework (MTBF) and Medium term expenditures framework (MTEF) prepared;</p> <p>3.3 Legal framework aligned with the new changes introduced in the budget process;</p> <p>3.4 Ensured compatability between Treasury and BFD systems.</p> <p>Component 3: Improved fiscal reporting</p> <p>4. Developed capacity of the Ministry of Finance for fiscal reporting in accordance with EU standards and requirements in the area of public finance.</p> <p>Intermediary results:</p> <p>4.1 Improved capacity of MoF employees for application of ESA methodology and its linking</p>	<ul style="list-style-type: none"> • Criteria for defining the indicators prepared; • Produced indicative list of indicators on the basis of the defined criteria; • Indicatively 70 persons from the MoF and budget users trained on defining, monitoring and reporting of programme indicators. • Prepared Guidelines for the budget users on defining, monitoring and reporting of programme indicators; • At least 2 indicator monitoring reports prepared for budget users; <p>3.1</p> <ul style="list-style-type: none"> • Assessment report on the current budget process and capacity of the Budget and Funds Department and other designated budget institutions on central level for medium term budget planning. The report should give recommendations for future activities for smooth and systematic transition from current system of budget planning to medium-term budget planning according to EU requirements. The recommendation should take into account the existing capacities of the MoF. <p>3.2</p> <ul style="list-style-type: none"> • Format of the MTBF and MTEF designed; • Prepared draft medium term budget framework (MTBF) and Medium term expenditures framework (MTEF); • Prepared Guidelines/Manual for the MoF and budget users for MTBF and MTEF preparation; • Provided recommendations for revision of the budget preparation procedure in line with the MTBF and MTEF procedure. These recommendation should take into account the existing capacities of the MoF and budget users; • Developed and implemented training plan for MoF and pilot budget users (indicatively 		
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<p>with GFS (IMF);</p> <p>4.2 Fiscal reports prepared in accordance with EU standards and requirements in the area of public finance.</p>	<p>70 persons) for multi-year budget planning;</p> <ul style="list-style-type: none"> • Indicatively 70 employees from the MoF and pilot budget users trained for multi-year budget planning; • Developed training programme for medium term budget planning with plan for its future implementation in all budget users; • Training of trainers from MoF and pilot budget users (indicatively 20 persons) on delivering training to budget users on medium term budget planning; • Provided assessment and recommendations for upgrading the e-budget application in line with changes introduced in the budget process (new programme classification and introduction of medium term budget planning). • Conference on presenting the new MTBF and MTEF and other main guidelines developed under the project to all stakeholders organised and held. <p>3.3</p> <ul style="list-style-type: none"> • Conducted review of the existing legal framework and prepared proposal for its amendment in line with the revised budget preparation procedure; • Prepared new draft budget legislation/amendment and other related acts which is aligned with the new changes introduced in the budget process. <p>3.4</p> <ul style="list-style-type: none"> • The E-budget application upgraded with module for recording of multi-year commitments of the budget users; • The E-budget application upgraded with module for control of salaries and number of employees in the budget users. <p>4.1</p> <ul style="list-style-type: none"> • Indicatively 10 employees trained for application of ESA methodology and its 		
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	<p>linking with GFS (IMF), in cooperation with State Statistical Office (SSO).</p> <p>4.2</p> <ul style="list-style-type: none"> • Indicatively 10 employees trained on EU standards and requirements in the area of public finance for preparation of fiscal reports; • Fiscal report sample prepared in accordance with EU standards and requirements in the area of public finance. 		
Activities	Means	Costs	Assumptions
<p>The proposal made by the MS should mention the activities they propose to achieve the mandatory results listed of the project. The Twinning assistance will be provided in the form of know-how transfer, and will be delivered through:</p> <ul style="list-style-type: none"> - Advice and coaching sessions; - Tailor made training programme; - Analysis and drafting of legal acts, guidelines, manuals, procedures and check-lists ; - Assistance; - Assessment; - Seminars, workshops and conference; - Study visit; - Development, testing and adjustment. 	<p>Twinning arrangement</p> <p>One (1) Project Leader</p> <p>One (1) RTA</p> <p>A pool of STE</p>	<p>Total budget for component 1 : EUR 1.100.000</p> <p>IPA budget: EUR 1.045.000</p>	<p>Input from EU MS partner</p> <p>Continuing commitment of staff and management</p>

Pre conditions:

- Appointment of counterpart personnel by the beneficiaries before contract signatory;
- Allocation of working space and facilities within the premises of the beneficiaries before contract signatory;
- Participation by the beneficiaries in the tender process as per EU regulations;
- Organisation, selection, appointment and participation of members of working groups, Steering and coordination committees, seminars by the beneficiaries/stakeholders as per work plan of the project;
- Appointing the relevant staff by the beneficiaries to participate in training activities as per work plan;
- Sufficient managerial, technical and human resources allocated to the relevant Departments;
- EU procedures to be followed in all tender procedure.