

Comments on the Budget proposal for 2025

Short analyses based on discussion Budget Day, held in Marriot Hotel Skopje 22nd November 2024

Budget Proposal for 2025 is first programme budget of the state. Budget Proposal has defined objectives and indicators for succeeding the required results. Therefore, the new budget moves forward the good governance in public finances which supports increase in Governmental responsibility. This programme budget 15 years later is fulfilling the European Union's requirement that all member states and candidate countries have programme budget to 2009. The review of the budget proposal notes that not always the set budget objectives reflect the strategic plans of the Ministries or the national strategies. That's why there is recommendation for improved coordination of the budget process and its linkage with the process of strategic planning and preparation of the Government's programme.

Budget process hasn't contributed to the increased transparency and public participation. The middle of the budget process was interrupted by the elections and establishment of the Government which caused delay of the delivery of fiscal strategy. Discussion for fiscal discipline is in parallel with the discussion of the Budget proposal which is not recommended according to the Codex of good practices on fiscal transparency of IMF. Again the moment for making the budget public with the pre-budget statement in the summer period was missed and the debate hasn't started prior to the proposal entry into Assembly. The Government has submitted the Budget Proposal late in the Assembly, only two weeks prior to the deadline for completion of the debates (which is defined in the Book of procedures of the Assembly on 30th November)¹ leaving professional and expert community with little time to participate with own inputs and stakeholders to make budget impact assessment. That's why there is recommendation that the process should contain enough time for debate so the members of parliament can be informed when submitting amendments to proposed framework for public finance.

The Budget Proposal 2025 enables balance between economic growth and fiscal responsibility. With the budget there are higher amounts for capital expenditures, in 14% more than in 2024, there is support for small and medium enterprises, but also for development and infrastructure projects in municipalities, combating grey economy, and increase of incomes through reform processes such as electronic invoice for decreasing fiscal evasion, reform in customs system, etc. At the same time there are secured assets for servicing the public debt which is higher and contributes to budget deficit which is higher than 3%. The debts' financing will depend on the amount of incomes and effectiveness of tax collection from the Public Revenue Office. Within the budget proposal for 2025, it is predicted the budget incomes to reach 358,8 billion, which means

¹ Government has adopted the Budget Proposal on 29th of October and has submitted to the Assembly one week later. The public has accessed the Budget proposal after the public debate started which is two weeks later on 13th November 2024.

approximately 13 % increase comparing with adopted Revised rebalanced budget for 2024 and the same would be 40,7 billion denars more. Largest Component, tax incomes and contributions is planned to be increased for almost 35 billion denars from which there would be increased payment of tax incomes for 23, 1 billion denars compared to budget planning from this year. Its expected increased realisation of social contributions in amount of 11,9 billion denars. The expenditure side of the budget planning for 2025 is 37,4 billion denars, which is 10% growth of all expenditure categories together, bringing all planned amounts to 400,2 billion denars. The planned amount is projected to be increased with parallel increase of the planned budgeted assets for the social component and the budget dedicated to capital investments. Current expenses of the state for the next fiscal year are planned to reach 349,7 billion denars, which would be increase of 31,9 billion denars which evident planned increase in each category.

The proposed budget for 2025 is social budget. The social component has the largest structural part at the current expenses planed with the Budget proposal for 2025. Nevertheless, the percentage of the budget for social policy that goes into filling the gap for pension payments is increased. This is case and in other countries in the world due to ageing of the population, but in Macedonia the dependency of payments for pensions is two times higher than in OECD countries. That's why an assessment of the demographic dynamics, migration and policies of the labor market are recommended, with aim promotion of the sustainability of social protection financing.

Largest changes in the planning for 2025 are made in social policy where the focus is on retired persons but not the youth. The budget curricular does not anticipate the youth programme and as a result of this the Budget proposal does not include the required 0.3% of the budget for youth. These 0,3% need to be allocated according the Law for youth participation and youth policies on annual level. The responsibilities from youth laws and strategies are not budgeted, but only the salaries for the employed in the sector for youth in the Ministry.

Budget proposal for 2025 will influence on the improvement of life quality in the country. Increased investments in the education and health as well and the increase of salaries and contributions in the frame of the planned increase of the budget assets for 3.7 billion denars, can announce improvement of the quality of public services. At the same time with increase of transfers to Units of Local Self Governments in total amount of 2,5 billion denars at all categories: for goods and services and subventions and transfers, it's expected to influence to balanced development. Budget assets for goods and services for the next fiscal year are planned to have 2,6% part from the projected annual GDP and to participate with 6,5% in the structure of the total expenditures, which would be 0,5% decrease in relation to the budget planning this year. However it's a question if enough assets are secured for the most vulnerable, because the budget proposal is not providing clear picture how many management agreements for service delivery are planned to be delivered in the community of persons with disabilities, victims of family violence, children and parents, decrease of drugs abuse, homeless, services for care of elderly.

Budget proposal for 2025 does not have gender dimension.

Proposed budget doesn't not fully respond to the requirement set in the Article 35 from the new Budget Law, it does not include summarized overview of the gender budget statements of the budget users which are regulated in bullet 2, sub bullet 5 as part of the budget documentation and are

delivered alongside Budget proposal. In spite of the fact that the article 31 from the Law on Budgets requires that each budget user defines at least one gender objective, only the Assembly, Secretariat for legislation, Ministry for labor and social policy demography and youth and Ministry of sports have made that, while only two institutions have gender indicators: Ministry for health and Ministry for sports. The assets for gender equality are decreased to 45% in the key year for implementation of the action plan of the current National Strategy for Gender Equality. That's why it's recommended the assets for implementation of gender equality policy to be increased; to include gender objectives at all budget users according to Article 31 from the Budget Law; to introduce measurable gender indicators for monitoring of effectiveness of the budget programs again in line with the Article 31 from the Budget Law.

Budget proposal for 2025 is not reflecting the anticorruption strategy of the Government. In the budget allocated for the independent institutions there is decrease of the budget for State commission for fighting corruption and Ombudsman and there is slight increase in the budget for State Audit Office. Most important institutions for fight against corruption are Judiciary, public prosecution where there aren't increases of the budget and there is slight increase in the budget of Constitutional Court and Public Prosecutors Council. This will lead that public prosecution and State Commission for fight against corruption to be dependent on foreign aid and not the state financing.

Budget proposal for 2025 is not following the new Development Strategy which puts in the focus the human and an alignment with this document is necessary. At the same time there is foreseen decrease of the budget of two independent key bodies which are focused on human rights and prevention from discrimination such as Ombudsman and the Commission for protection and prevention of discrimination, which anyway are not capacitated to respond to the needs in line with the legal requirements.

Budget proposal for 2025 is predicting increase of the expenses for protection of environment, but not enough assets for implementation of the Strategy for clean air. In spite of the fact that the energy transition is the priority in the Budget for 2025, there are not many assets for modernization of the electric grid which will limit the possibilities of the citizens to participate in the production of energy from renewable sources. The budget predicts assets for research and utilization of mining, but not utilization and usage of the hydro potentials of the country.

The Discussion "Budget Day" was organized by the Center for Research and Policy Making, member of the International Budget Partnership (organization that prepares Open budget global index) and leader of Network for Gender watchdog of budgeting process each year. This year participants of the the Budget Day included: Transparency International Macedonia, Youth Can, Reactor – research in action, Journalists for Human Rights, Center for Change Management, University Goce Delchev Shtip, Foundation Open Institute. Aim of the event is to provide ground for expert and academic society as well and civil society organizations to express their opinions and assessments for the budget proposal and to contribute to the public debate for the new framework for public finances.