

PROJECT:

**MONITORING OF THE PRE-ELECTORAL AND ELECTORAL BUDGET EXPENDITURE AND
POLITICAL FINANCING**

MONTHLY REPORT

DECEMBER 2015

Supported by:

SKOPJE, 14.01.2016



Kingdom of the Netherlands

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1. Introduction

Within the project *“Monitoring of the pre-electoral and electoral budget expenditure and political financing”* during the month of December 2015, the following activities were executed:

- Development of the methodology and toolkits for monitoring of the pre-electoral and electoral budget expenditure and political financing;
- Identification and selection of local monitoring organizations;
- Capacity building of the local monitoring organizations;
- “Bulletin of activities “.

Abbreviations

AFSRD – Agency for Financial Support and Rural Development

PR– Public Roads

LGU- Local governmental units

OE – Owned Enterprises

CEA – Center for Economic Analyses

MW – Macedonian Woods

MLSP – Ministry for Labor and Social Policy

MF – Ministry of Finances

RM – Republic of Macedonia

TM – Transparency Macedonia

2. Activities of TIM

Development of the methodology and toolkits for monitoring of the pre-electoral and electoral budget expenditure and political financing

The team of Transparency International Macedonia has made a specific methodology for monitoring the expenditure of the political parties in the political advertising on local and national level.

In the executing of this methodology many terms were considered: number of residents in the township, the specific area, the number of polling places and the number of voters registered in the electoral list.

The methodology consists two parts:

1. Monitoring of the expenditure of advertising activities of the political parties in the pre-electoral and electoral process on national level;
2. Monitoring of the expenditure of advertising activities of the political parties in the pre-electoral and electoral process on local(regional) level;

According this methodology the following advertising activities of the political parties will be monitored:

National level	Local level
TV Campaign	Local TV Campaign
Radio campaign	Local radio campaign
Campaign in the printed media	Campaign in the local printed media
Internet (online) campaign	External (outdoor) campaign
External (outdoor) advertising	Rallies of the political parties
Gathering of citizens	Gathering of citizens
Rallies of the political parties	Promotional materials
Promotional materials	Leasing of the political parties offices

For developing of the methodology several toolkits were created (documents, data bases, excel tools), questionnaires and forms for monitoring on local and national level, through which will be provided a solid platform for monitoring of the expenditure for the advertising activities of the political parties.

Identification and selection of local monitoring organizations

The announcement for the existing nongovernmental organizations that were interested in monitoring was published on 5.12.2015 by Transparency International Macedonia and CEA and their teams conducted identification and the selection of the local monitoring organizations whereby, 8 local organizations and 16 monitors were selected.

In this manner in each of the 8 planned regions, 8 monitors were selected to be in charged for the monitoring of the budget expenditure.

	Organization	Region (Municipality)
1	ZIP Institute-Skopje	Aerodrom, Gazi baba,Center
2	Focus - Veles	Veles,Kavadarci,Chashka
3	DROM - Kumanovo	Kumanovo,Kriva palanka,Kratovo
4	Eho - Shtip	Shtip,Kochani,Karbinci
5	LDA Struga	Struga,Ohrid,Makedonski brod
6	The female organization –Strumica	Strumica,Gevgelija,Bosilovo
7	CSO - Tetovo	Tetovo,Gostivar,Vrapchishte
8	MKC- Bitola	Bitola,Prilep,Novaci

Capacity building of the local monitoring organizations

In between 22-23 of December a mutual training was executed of all the selected monitors for both subjects covered by the monitoring. The first day 23.12.2015 CEA executed the training of the monitoring of the budget expenditure of the central and local level and the 23.12.2015 TIM conducted the training for the expenditure of the advertising and the other activities of the political parties.

Through these trainings, the local monitors were directly involved in the monitoring process and the method of using the toolkits.

For the purposes of the training were prepared special instructions in order to help the local monitors while using the toolkits in the period foreseen for monitoring.



Bulletin of activities

According the Legal regulation, Electoral Code, for the purposes of the project was prepared a bulletin with the key dates connected to the Parliamentary elections scheduled for 24.04.2016.

Date	Activity
At earliest 25.01.2016 – at latest 14.02.2016	Announcing elections
At earliest 27.01.2016 – at latest 04.04.2016	A separate bank account
01.04.2016	Announcing the participants of the list of the candidates
04.04.2016	Start of the election campaign
14.04.2016	Financial report (incomes/outcomes)
22.04.2016	Electoral silence
24.04.2016	Elections
30.04.2016	Financial report (incomes/outcomes)

According the Electoral code, the Agency for the audio and the audiovisual media services notified that, starting the 20.12.2015 at 00:00h the ban for broadcasting paid political advertising on broadcasters, print media and electronic media (internet) enters in power.

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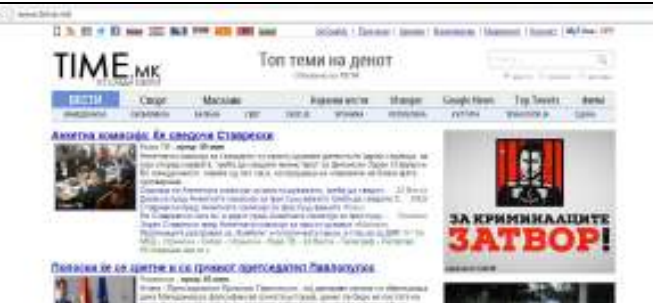

Skopje, 18.12.2015 – The Agency for audio and audiovisual media services informs all the medias that on Sunday, 20 December 2015 at 00:00 h, enters in power the ban for broadcasting paid political advertising of the programs of the broadcasters, printed medias and electronic medias (internet).

The prohibition laid down in Article 82 paragraph 1 of the Law on Amendments to the Electoral Code ("Official Gazette" no. 196/15) and it is valid until the start of an election campaign for Parliamentary elections to be held in 2016.

Registered activities of the political campaign

Previously, until 20th of December it was noticeable an intensive paid political campaign in the form of advertisements and videos by all political entities.

The campaign was presented in several electronical media (television channels)internet and also the social media Facebook.

	<p>Video time.mk</p> <p>16.12.2015</p>
	<p>Video time.mk</p> <p>17.12.2015</p>
	<p>Video facebook.com</p> <p>17.12.2015</p>

3. Activities of CEA

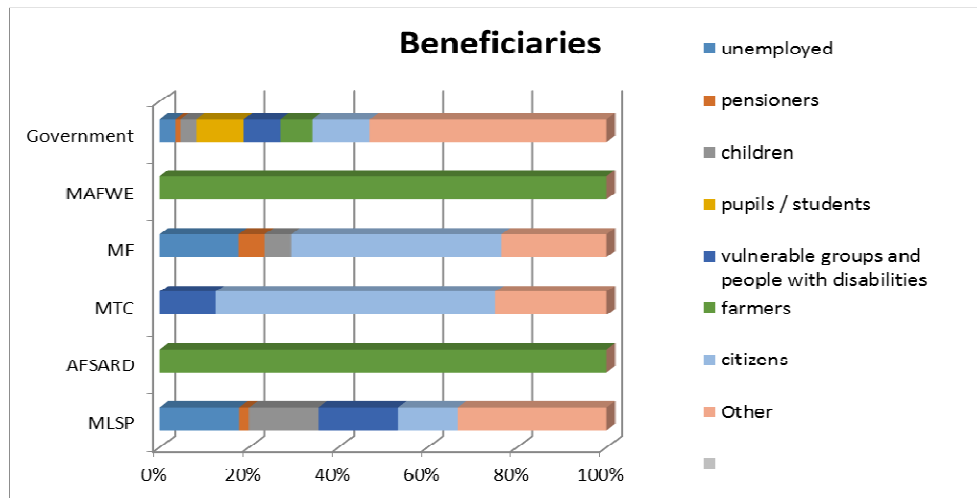
Central Government

- Only few of the total announcements on the web sites of the Government of the Republic of Macedonia (GoM) and the budget users contain financial information on the actual/planned investment or announcements where new investments are announced.

Table. Announcements of the budget users and their characteristics - December 2015.

Budget User	Total number of announcement	Number of announcements that contain financial data	% of contents that contain financial data	% of contents that do not contain financial data
Government	85	23	27%	73%
MLSP	42	19	45%	55%
MTC	8	2	25%	75%
MF	17	4	24%	76%
AFSARD	3	1	33%	67%
MAFWE	5	1	20%	80%
PESR	1	0	0%	100%

- Even fewer of the announcements contain analytic elaboration for the planned/implemented activities.
- A modest part of the announcement contain information on the funding sources and programs/strategies/plans according to which the announcement refers to or the announced project is to be/is implemented.
- The percentage of the budget users' announcements that contain financial data, analytics or specific source of funds, with the exception of the MLSP, is below 30%.
- The monitoring of the structure of the announcements (targets and projects) of the key budget users, shows that the focus are predominantly: the farmers and the socially vulnerable categories (and to a lesser extent: pupils / students and pensioners). See the next graph.



Graph. Announcements of the budget users categorized by end user/beneficiary

- During the monitoring period, CEA and TM sent 12 requests for access to public information to the following budget users: Government of Macedonia (6), Ministry of Finance (2), Ministry of Transport and Communications (1), Ministry of Agriculture, Forestry and Water Management (2), Agency for financial Support of Agriculture and Rural development (1).
- By the time of preparation of this report for two of the requests official answers were received:
 - The first response is from the Government (Legislative Secretariat) responded that they do not have the required information and that the request was forwarded to the Ministry of Health, by them.
 - The second response was received from the Agency for Financial Support of Agriculture and Rural Development. The response provided by the information holder was that the requested information on the specific announcement in December, was that the response was that that the subject of the announcement is related to payment of agriculture subsidies - tobacco, paid out in the months of May 2015. The response also contained the program and the value of the payment according to the submitted request. Taking into account the final users i.e. the number of subsidy users is almost 29 thousand farmers, this announcement is a deemed as a reminder for the target group regarding the payment, seven months later.
- The content of the submitted requests refer to whether the announcements that are containing a particular investment is in line with the strategic documents of the Government; are there any prior needs' analyses for such an investment; and what would be the effects of the new investment. Also, the requests contain questions on whether the investments are planned in the budget of RM.

Local Government

- Still in a process of development of a data base.
- Implemented training for local monitors.
- Expected findings in the following reporting period.

4. Methodology of CEA

During the period from November to December, Center for Economic Analysis (CEA) developed a monitoring methodology for budget spending at a central and at a local level in the pre-election and election period for early elections announced for April 2016 in Macedonia. The development of the methodology is of particular interest for RM, considering that these type of activities have not been conducted in the country so far.

The methodology consists of two parts:

1. Monitoring of the budget spending at a central level (budget execution and monitoring of the official budget users' announcements).
2. Monitoring of the budget spending at a local level (monitoring of the quarterly budget execution reports and monitoring of the capital/operating expenditures).
 - The monitoring at a local level also contains a section monitoring the budget spending of the local self-governments units, budget sub-units and public utility companies (PUC), which will be implemented by the trained local monitors.

The methodology used for monitoring of the budget spending as well as the announced spending by the GoM, the budget users, their representatives, the local governments (selected sample), PUCs (selected sample) and their representatives is implemented by TIM, CEA and the partner organizations - local monitors.

In the previous period, for the purpose of development of the methodology, several tools were created (Google forms, excel tools, database) questionnaires and forms, which provide a platform for monitoring of the public expenditures in the forthcoming period by the local monitors, CEA and TIM.

During the same month, a guide that will help the local monitors to use the tools was developed. Prior the initiation of the monitoring of the local budget spending, one day training (22.12.2015) was conducted by CEA and one-day training by TIM (12.23.2015) where the developed methodology and tools were presented to the monitors and through hands on exercise were guided how to use them in the process of collecting field information.

Given that this initial project period (the month of December) was focused on the methodology development, setting up of infrastructure for the implementation of the activities, development for the tools, selection and training of the local monitors and compiling financial databases, initial results of certain parts of the report cannot be presented. The complete contents of the reports in its planned volume will be presented in the next monthly report.

In this specific monthly report the structure of the planned content will be presented, as well as a detailed report of the monitoring of budget users'¹ announcements, during the month of December.

5. Budget Spending

Central Budget Spending

Central level budget spending monitoring methodology - monitoring and analysis of the reports published by the Ministry of Finance on the budget execution

In this section we created a database (data from the budget execution for the period 2008-2015.) that will enable determination of the main trends and seasonal effects in the political and economic cycles and the differences in budget spending not only in the current period, but their comparison to the previous period (election /nonelection period etc.). Moreover, a set of tools and indicators were defined, enabling tracking of the most important positions/budget lines of the monthly reports in the pre-election period.

Monitoring indicators that will help in the budget spending monitoring:

I1. % Budget execution for the period.

I2: Monthly budget execution, only for the current month (last month t-1).

I3: Execution of certain budget items in the budget reports:

- Tax revenue trend (potential presentation of VAT, income tax and income tax).
- Non-tax revenues trends (potential presentation of court fees and fines).
 - - Incurred expenditures (depending on the particular movements can vary):
 - Movement (percentage execution, etc.): Total expenditure: Current expenditure; Salaries and benefits; Goods and services; Social transfers; Social care (depending on fluctuations the unemployment compensation and health care); Interest (domestic/foreign - depending on the variables movement); Capital expenditures.
- Budget deficit - movement.

I4: Graph showing the comparison of the absolute execution, the average execution per month, and removing the seasonal effects.

¹Budget users are users of the first line from the central state budget and extra-budgetary funds. It is not budgetary units (schools, kindergartens, etc.) covered by the public finances of the local government. The communal enterprises are special expenditure units that are owned by the local authority but their finances are not consolidated in the public finances of the local governments and will be monitored by the local monitors.

Public announcements on the websites of the Government and the selected budget users

Monitoring of the announcements of the selected budget users and the public enterprises, which have a direct relation with the citizens.

Within this methodology all announced measures / actions / policies that directly or indirectly are related to the fiscal implications, and their quality in terms of information provided by the budget users for planned / implemented activity are monitored.

Despite the official quantitative data that can be obtained from the monthly treasury reports on the budget execution, provided by the MoF, the monitoring includes monitoring of the official announcements on the websites of the key budget users with a direct link with the citizens and which are indirect indicator for the policies and the planned / implemented activities. These are the:

- Government of the Republic of Macedonia
- Ministry of Labor and Social Policy
- Ministry for Transport and Communication
- Ministry of Finance
- Ministry of Economy
- Ministry of Agriculture, Forestry and Water Economy
- Agency for Electronic Communications
- Agency for Financial Support of Agriculture and Rural Development
- Public Enterprise for State Roads

Within this methodology we are monitoring all announced measures / actions / policies that are directly or indirectly have fiscal implications (see more in Annex 1).

This monitoring includes regular screening of the budget users' websites, recording of all of the announcements, and recording of the specific content of the announcements on:

- Financial data for the planned / announced / published investment;
- Whether the announcements contain analytical information and information on the program that incorporates the activity or spending;
- Whether the announcements related to any legal amendments have RIA (Regulatory impact assessment);
- Whether the announcements have information on the sources for funding of the announced / implemented activity / project;
- Who is the target - the final beneficiary of the published investment / project;
- The final step of the monitoring – the methodology includes preparation and sending a request for access to public information regarding the projects / activities that have significant fiscal implications and are of particular importance for the citizens.

The process of monitoring is presented in the following illustration.

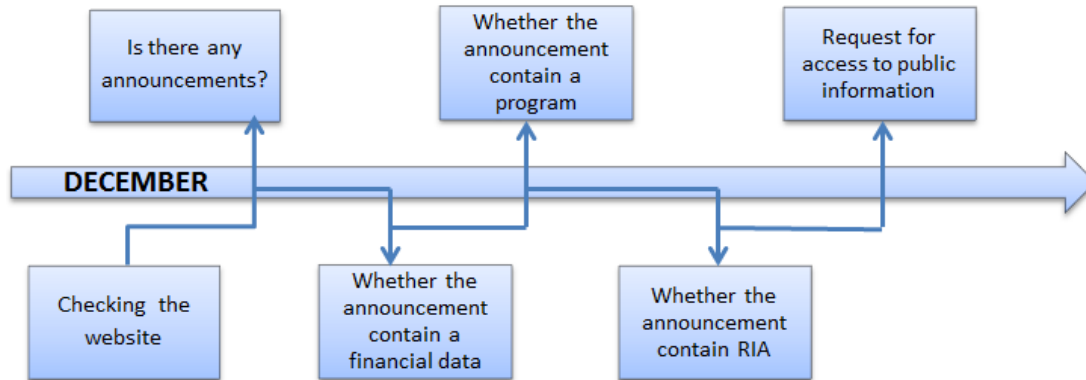
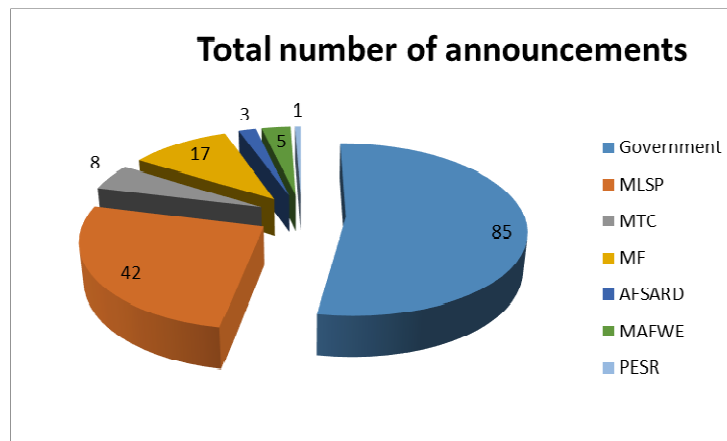


Illustration: Monitoring process of the announced budget spending

Monitoring of the announcements on budget spending in the reporting period

The following graph presents the total number of announcements published on the web pages of the monitored budget users in the concerned reporting period:

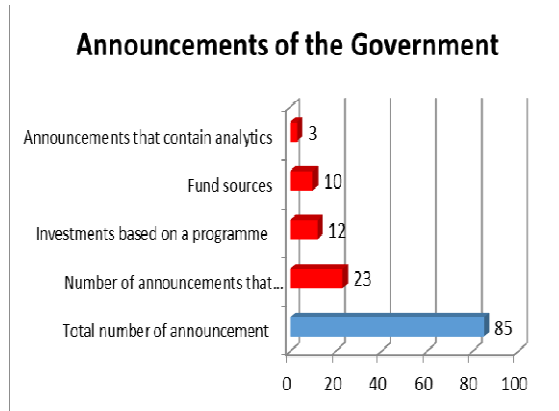


Graph. Number of announcements by budget users in the reporting period

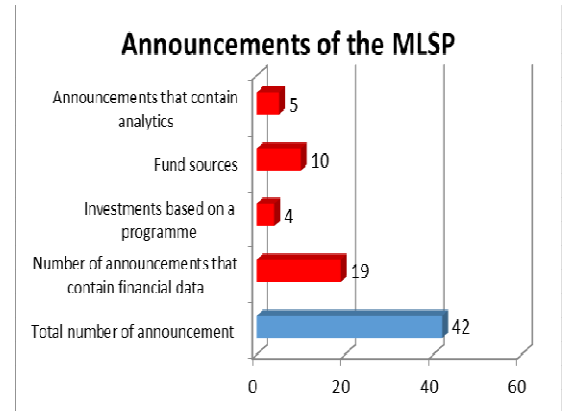
The graph shows that the predominant number of the announcement are provided by the Government and the Ministry of Labor and Social Policy

The following graphs illustrate the content of the announced / implemented activities / investments that the budget users published in December, 2015.

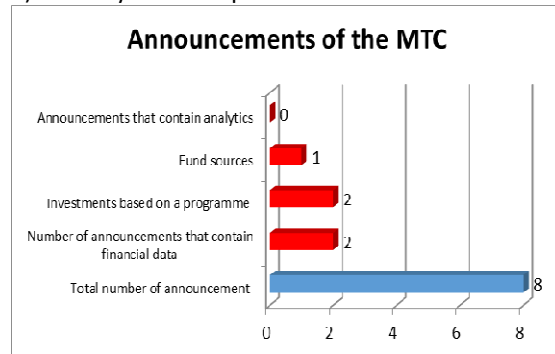
1) Government of the Republic of Macedonia



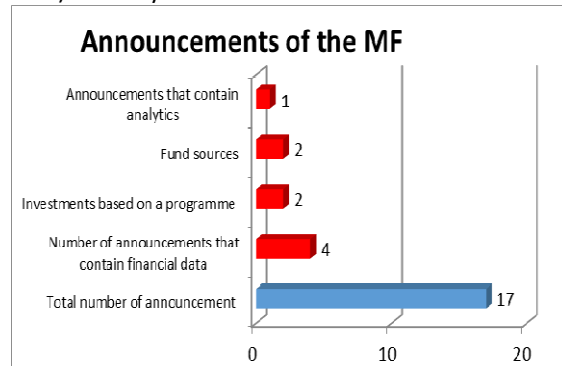
2) Ministry of Labor and Social Policy



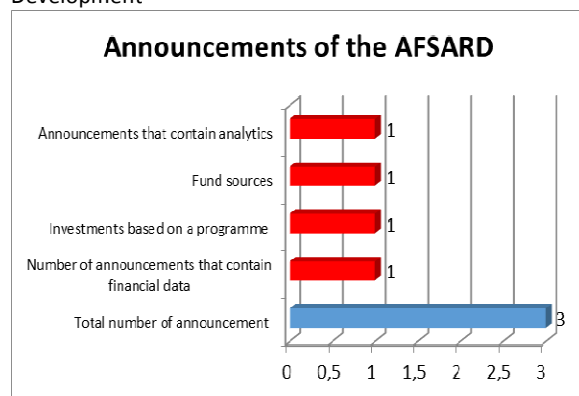
3) Ministry for Transport and Communication



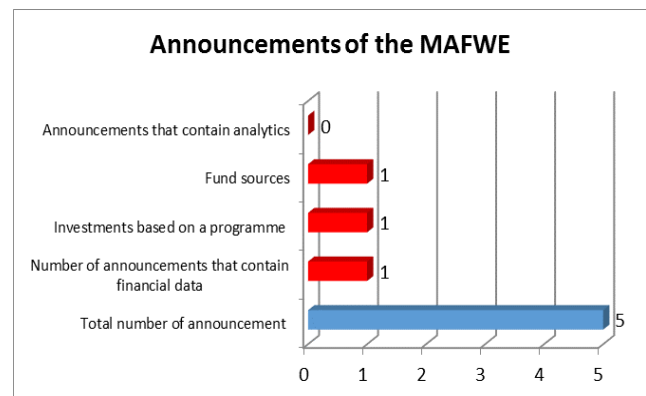
4) Ministry of Finance



5) Agency for Financial Support of Agriculture and Rural Development



6) Ministry of Agriculture, Forestry and Water Economy



The table and the graphs per budget user indicate that:

- Only few of the total announcements on the web sites of the Government of the Republic of Macedonia (RM) and the budget users contain financial information concerning the actual / planned investment or announcements on a new investment.

- Even fewer of the announcements contain analytic elaboration for the planned / implemented activities.
- A modest part of the announcements contain information on the funding sources and programs / strategies / plans where the announced or implement activities are planned.

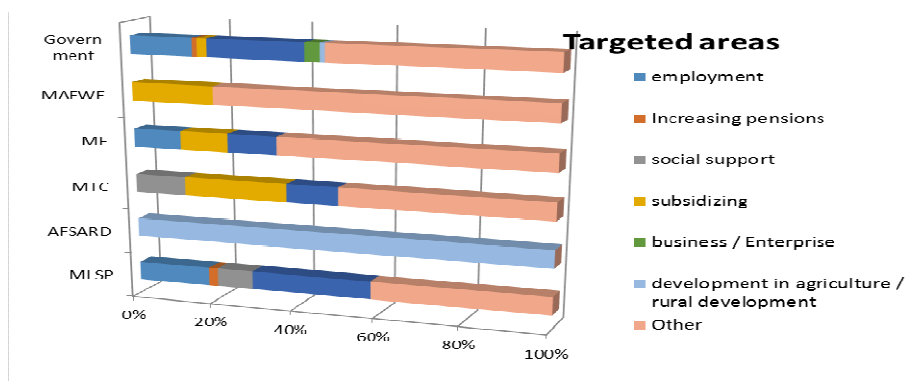
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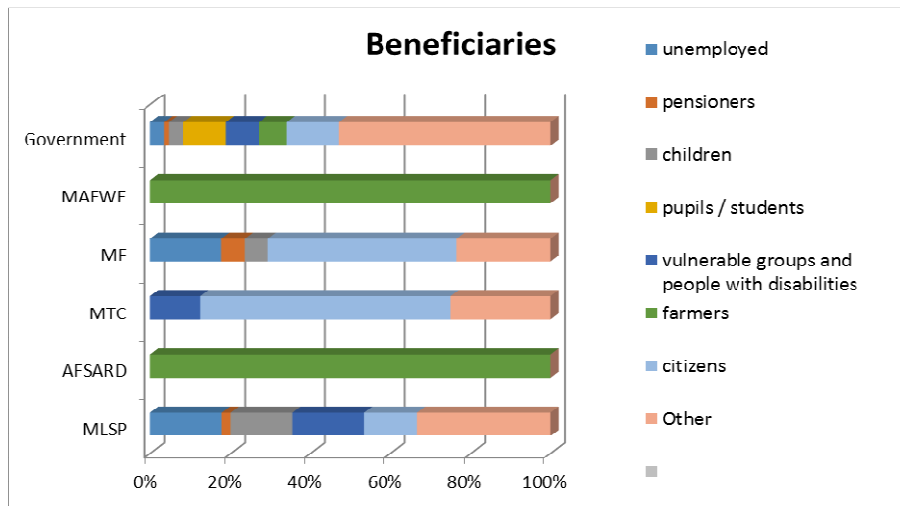
Table. Characteristics of the budget users' announcements - December 2015

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AFSARD	3	1	33%	67%
MAFWE	5	1	20%	80%
PESR	1	0	0%	100%

The following graph shows the areas the budget users provide information on, to the citizens. It also provided information on the final beneficiary spending.



Graph. Areas targeted in the announcements for increased spending



Graph. Beneficiaries/ End users targeted in the announcements for increased spending

During the monitoring in the month of December, CEA and TM sent 12 requests for access to public information to the following budget users:

- Government of Macedonia (6),
- Ministry of Finance (2),
- Ministry of Transport and Communications (1),
- Ministry of Agriculture, Forestry and Water Management (2),
- Agency for financial Support of Agriculture and Rural development (1).

- Up to the preparation of this report there are two response received based on the total requests sent:

- The first response is from the Government (Legislative Secretariat) which responded that they do not have the required information and that the request was forwarded to the Ministry of Health.

- The second response was from the Agency for Financial Support of Agriculture and Rural Development and it was concerning the request for announcement in December, but the response indicated that the subject of the announcement is related to a payment of agriculture subsidies - tobacco, and paid out in May 2015. The response also contained the program and the value of the payment according to the submitted request. Taking into account the final users i.e. the number of subsidy users which is almost 29 thousand farmers, this announcement is a reminder for the target group regarding the payment, seven months later.

The content of the submitted requests refer to whether the announcements that are containing a particular investment is in line with the strategic documents of the Government; are there any prior needs analysis for the specific investment and what would be the effects of the new investment. In addition the requests contain a questions on whether the investments are planned in the budget of RM.

LSGU budget spending

The local monitors will have a significant role in the monitoring of the spending at a local government level and the first results are expected in the report for January 2016. We are presenting the indicative indicators that will be monitored and calculated:

Quarterly budget execution of the local self-governments

I1: budget execution rate per quarter - expenditures (24 LSGU)

I2: capital expenditure realization -24 LSGU per quarter

Selected items I3: operational expenditure realization - 24 LSGU per quarter

Selected items: I4: Rate of change of major budget items of revised budgets compared to the budget, (% of increasing or % of decrease)

I3. Rate of change of liabilities - 24 LSGU per quarter

Selected capital / operational expenditures and monitoring the local government units and the spending of the PE, established by the LSGU (City of Skopje)

In the next reporting period.

6. Legal regulation

While executing the project, the positive law regulations were considered in the Republic of Macedonia, with special emphasis on:

- **Election Code**
- **The provisions in the Law on amendments to the Electoral Code in terms of an election campaign, media coverage and financing of elections** (Fig. Gazette of the Republic of Macedonia, br.196 year from 10.11.2015)
- **Law for Audio and Audiovisual Media Services** ("Official Gazette" no. 184/2013, 13/2014, 44/2014, 101/2014 and 132/2014).

7. Resources and external collaborators

In execution of the project, the teams of TIM and CEA also included an external collaborators:

- Press Clipping MKD

An agency that provides services in the field of press clipping and submits a report on a daily basis according to previously defined keywords which are presented in the media.

- Zaneta Popeska Phd,

Professor at the Faculty of Computer Science and Engineering (FCSE)

Agency for monitoring and measurement of the broadcasting of the propaganda materials. Also, the reports from the Agency for audio and audiovisual media services will be used.

8. Further activities

The monitoring has started on 01.01.2016.

-According the foreseen activities in the project the following actions are resulting:

- - Bulletin (weekly report from the monitoring);
- – Monthly report;
- – Press conferences.

- Collaboration and reporting letters that will be to:

- LGUs;
- SAO (State Audit Office);
- SEC (State Election Commission);
- SACC (State Anti-Corruption Commission);
- Political parties.

