



Republic of North Macedonia

Ministry of Finance

Fiscal Rules in North Macedonia

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Content:

- I. PFM Reforms
- II. Fiscal Rules
- III. Public Debt Management
- IV. Fiscal Indicators



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I. Public Finance Management Reforms

□ Recent public finance challenges

- Consecutive crises mounting public debt;
- Debt financing in an era of high interest rates.

□ Key aims for the public finances in medium term*

- ✓ Fiscal consolidation by gradual reduction of budget deficit;
- ✓ Redesigning the structure of public expenditures.



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I. Public Finance Management Reforms

□ **New Organic Budget Law***

Goals:

- ✓ Facilitate public finance reforms
- ✓ Advance fiscal discipline
- ✓ Improve medium-term fiscal projections
- ✓ Increase transparency
- ✓ Advance management of fiscal risks, PIM and debt

*Organic Budget Law (Official Gazette No.203/22)



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II. Fiscal Rules

➤ **Fiscal rules***

- ✓ General government deficit $\leq 3\%$ of nominal GDP
- ✓ Total debt of general government $\leq 60\%$ of nominal GDP
- ✓ Guaranteed public debt $\leq 15\%$ of nominal GDP

➤ **Strategy for adhering to the fiscal rules**

- ✓ Specific measures for aligning public debt ratio w/ fiscal rules (adjustment period of up to 5 years)



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II. Fiscal Rules

➤ **‘General escape clause’** applied in:

Exceptional circumstances:*

- Natural disasters and external shocks jeopardizing national security or lives and health of people;
- State of emergency and/or crisis situation;
- Sharp financial or economic shocks, resulting in a negative or a very low annual real GDP growth close to zero, the overcoming of which requires a significant support from the fiscal policy.



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II. Fiscal Rules

➤ **‘General escape clause’** applying also for:

Large Infrastructural Projects:*

- Implementation of investment projects with a positive impact on GDP (deviations of max 0.5% of GDP, annually & on cumulative basis over a period of five years).
- ✓ Government obliged to report to the Parliament any deviation from fiscal rules, in the first subsequent Budget/Revised budget/ Fiscal Strategy.



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III. Debt Management

Organic Budget Law

- ✓ GG debt in line with Maastricht Criteria (Article 2)
- ✓ Maximum amount of borrowing (Article 88)

Public Debt Law (Official Gazette No.62/05 ... and 151/21)

- ✓ scope of public debt
- ✓ purposes of government debt & procedure and manner of borrowing
- ✓ procedure of issuance, servicing & termination of sovereign guarantees
- ✓ reporting on public debt

Public Debt Management Strategy (PDMS)

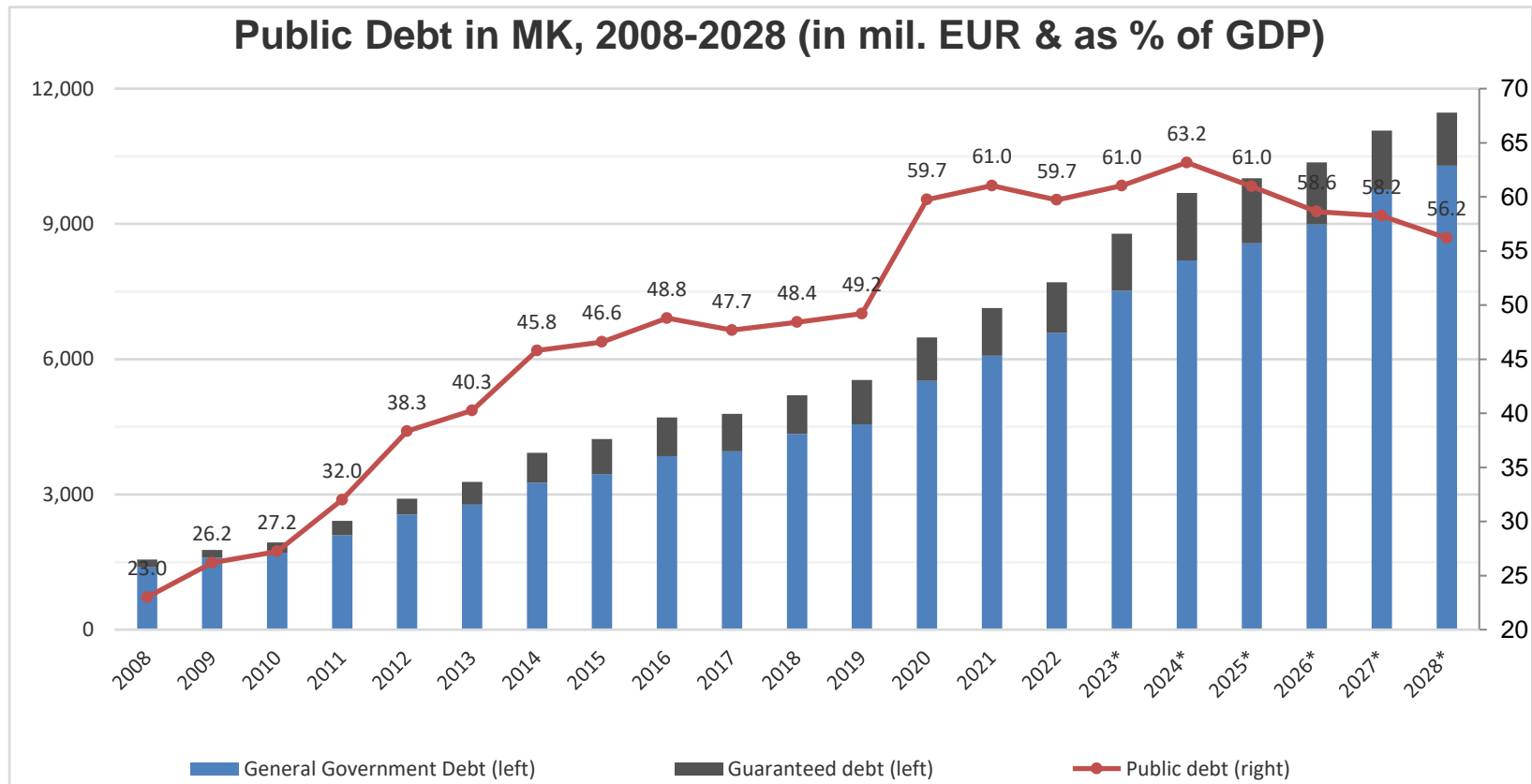
Law on financing LSGs Units (Official Gazette No. 61/04, ... and173/22)

- ✓ Borrowing of the LSG's Units



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IV. Debt Indicators

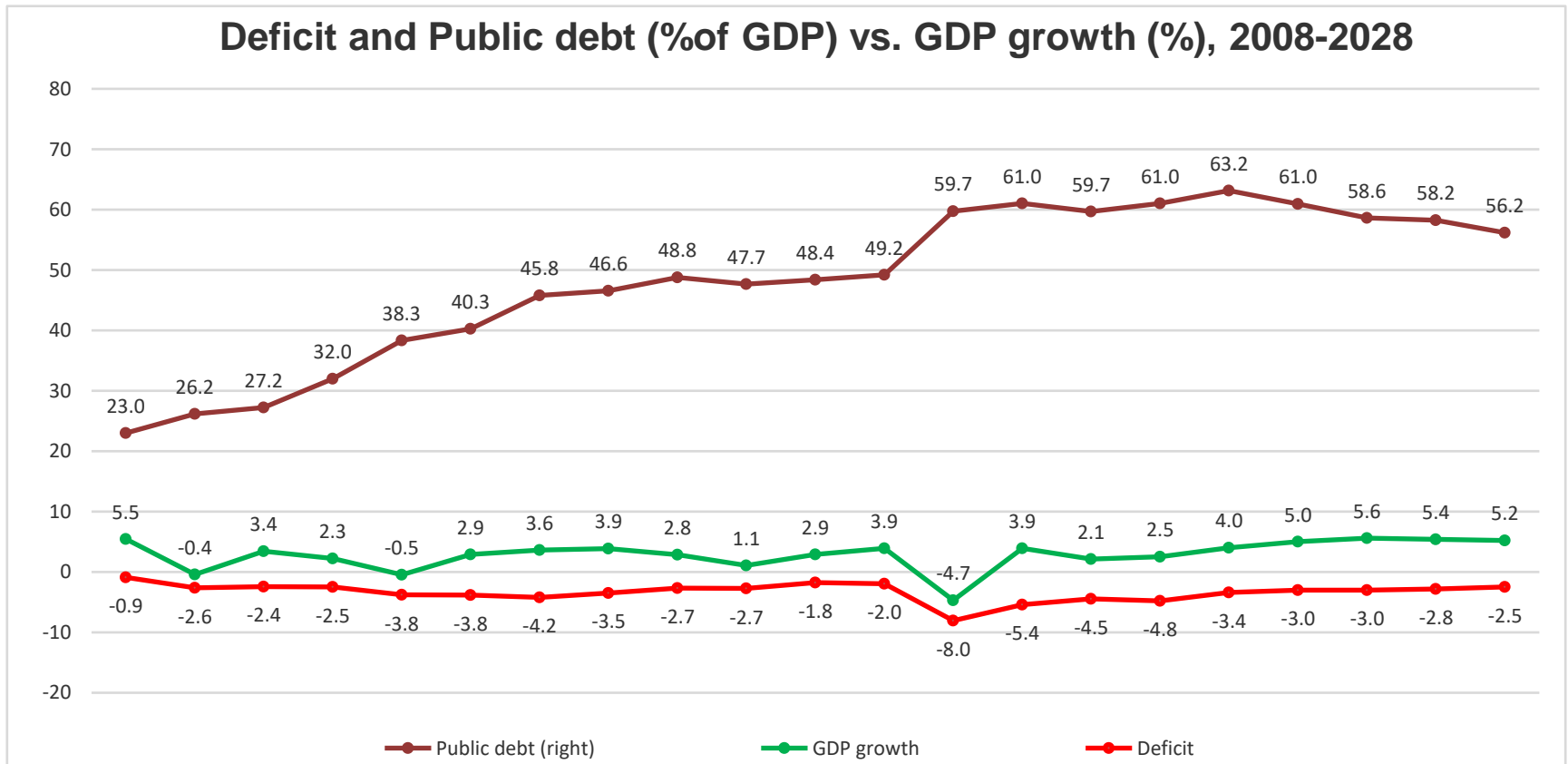


Source: Ministry of Finance and forecasts of the Ministry of Finance(*) with SPDM 2024-2026 (with prospects until 2028)



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IV. Debt Indicators



Source: Ministry of Finance and forecasts of the Ministry of Finance(*) with the Budget for 2024, SPDM 2024-2026 (with prospects until 2028) & Fiscal Strategy 2024-2028



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Thank you for the attention!

Q & A