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Macedonia Judicial Reform Improvement Project (JRIP)
Budget and Finance Study
Trip Report

Introduction

From May 19-June 13, 2008, Dr. Deborah Botch, DPK Consultant Expert, traveled to Macedonia to conduct a technical assistance study of the budget and financial management processes in the Macedonia Judiciary. This study was undertaken as a component of the USAID Judicial Reform Implementation Project (JRIP). The study objectives were to evaluate the make recommendations to improve budgeting and financial management processes and practices and identify strategies to improve budget process outcomes for the courts and court of the Macedonia Judiciary. The study evaluated and developed recommendations for improvements in the following key areas:

- The budget preparation, approval and execution process within the Macedonia Judiciary and its Court Budget Council (CBC) and Administrative Office (AO).
- The Judiciary's external relationships with other government institutions regarding strategic planning, budget preparation, budget implementation, and financial management.
- The methods used by the Judiciary and its courts for developing and explaining budget requests including workload and budget expense projections, including data sources and use of automated systems.
- Budget and Financial management, reporting, and accountability methods to ensure court efficiency and the effective use of assets.
- Strategic planning methods used for enhancing the budget process.

During the study fieldwork in Macedonia, the Budget and Finance study expert, with assistance from Judge Joseph J. Traficanti Jr. , Sam Juncker and members the JRIP staff and with interpreting and translation support of Ana Lazarevska, collected information through interviews, a workshop/focus group meeting and review of key laws and documents (see Appendix A).

The bulk of study data came from a series of interviews conducted in May and June 2008 with representatives of the Macedonia Judiciary and Republic of Macedonia (ROM) Ministry of Finance (MOF), including the President Judge of the Court Budget Council (CBC), the Director of the Administrative Office (AO) of the CBC, the MOF State Advisor who is a member of the CBC, the MOF analyst for the Judiciary Budget and MOF Treasury system responsible for budget execution of the government budget. Meetings also were held with representatives of users of the Court Budget including appellate and basic courts, the Republic Judicial Council and the Republic Academy for the Training of Judges. Summaries of findings from these

meetings are provided in the following section of this trip report. Also, as part of the field visit, a power point presentation was prepared and delivered by the study expert at a workshop and focus group session for court budget and fiscal staff members. The presentation and ideas obtained from focus group members are provided in a separate power point document.

Daily Summary of Meeting Findings and Study Activities

Tuesday, May 20, 2008-Briefings and Meetings

1. Briefing conducted with USAID and JRIP representatives on of judicial budget process in ROM. Participants: Antoaneta Skartova (USAID) and JRIP Staff, Sam Juncker, Judge Joseph J, Traficanti, Jr., Nena Ivanoska, Gordana Stojanova-Ribaroski and Deborah Botch, Budget and Finance Study Consultant

Antoaneta Skartova – Provided an historical perspective on development of an independent court budget process including enactment of the New Law on Court Budgets in 2003 and establishment of the Court Budget Council (CBC) and Administrative Office (AO) of the CBC which began operation in January 2004. Progress and difficulties with implementation of in the court budget process under the new law were reviewed. Mission and goals of the consultancy and desired results (short-term and long-term) as well as expectations for the court budget and finance study were discussed.

Ms. Skartova emphasized the goal of stable and sufficient court funding as important to an effective and independent Judiciary. She indicated that the new court budget law was a good first step toward achieving this goal but also that many challenges remain. Challenges include: lack of funds to pay for a high level of previous debt for obligations incurred by the courts prior to the new law; a declining level of court budget funding between 2004 and 2008; especially deep budget cuts in the 2008 budget, limited discretion budget reallocation due to line item controls, and strong executive control of the budget planning and implementation.

Another issue discussed was limited acceptance and implementation by the President Judge of the Supreme Court and the Director of the Administrative Office of a broader vision of administrative responsibilities for the AO. The USAID's Court Modernization Project supported efforts of the Macedonia Judiciary to develop a broader framework for court administrative oversight through technical assistance and by sponsoring study tours for the AO Director and Secretary of the Supreme Court of Macedonia to learn about the central administrative structure and operations of other judicial branches. It is common for administrative offices of the courts in other nations and US states to have responsibilities beyond budget and financial management, such as strategic planning and human resource, technology and records management. Broader AO responsibilities are viewed by USAID/JRIP as important to building central administrative capacity for assuring a truly independent Judiciary. According to meeting participants, even more problematic for judicial independence and effectiveness than the lack of acceptance of this broader vision for the AO within the Judiciary is a recent effort by the executive to revise the court budget law.

In 2007, the government proposed changes in the Court Budget Law that would dilute judicial power and decision making in the budget process and administrative oversight of the courts. The executive proposal amends the law to transfer leadership of the CBC from the President

Judge of the Supreme Court to the President of the Judicial Council. Amendments also would place the AO under the direction of the Judicial Council rather than the CBC. USAID and the JRIP representatives expressed concern that these changes because would reduce the administrative efficiency and effectiveness of the courts and be in conflict with the goal of enhancing judicial branch independence. The Judicial Council includes members not only selected by the Judicial branch but also members selected by other branches of government. The Judicial Council is composed of 15 members, including nine from the judiciary, (the President of the Supreme Court and eight other judicial branch members), the Minister of Justice, three members elected by Parliament and two members nominated by the President and elected by Parliament.

During this meeting other court budget concerns were raised including the inadequacy of fiscal impact analyses when new laws are passed that mandate new court functions or impact on court operations and procedures. This discussion included comments on the need for better ways to estimate the impact of new laws such as cost per case data or detailed estimates for costs of trials or court judgeship. Also considered was the need to develop fiscal estimates for high cost cases, such as those involving war crimes and corruption.

1. Meeting with Dimitar Todevski, Ministry of Finance and member of the CBC. JRIP representatives were Judge Joseph J, Traficanti, Jr., Nena Ivanoska and Deborah Botch, Budget and Finance Study Consultant

In this briefing the representative of the MOF, who also serves as a nonvoting member of the CBC, indicated that conditions of the Judiciary budget were stable. He commented on the need for the Judiciary to establish efficiency standards in several major court cost areas including: (1) postage, (2) expert witnesses (3) interpreters, lay jurors, and (4) ex-officio attorneys. For example, he suggested that alternatives to using the normal postal service and rates be considered for court notifications. Also he indicated that regulations were needed for the courts to follow in determining when to assign experts and ex-officio attorneys. He also thought the courts should be looking into ways to obtain lower daily rates for expert services.

In the area of justifying the budget he believes the Judiciary should provide more information and analysis to explain its budget needs. A more elaborated budget narrative was suggested to support proposed budget needs and changes. Providing a more extensive narrative, including goals and objective, would help better explain the Judiciary budget and could provide a rationale for greater cooperation and support of the Judiciary budget from the MOF and government. Finally, the issue of the burden of old debts that became the obligation of the courts after establishment of a separate Judiciary budget in 2004 was raised. The old debts, according the MOF representative, have been reduced to about 40% from the original amount. He recommended that funds be sought in the 2008 budget rebalance to fully cover the remaining debt and the Judiciary find a way to present this need, show the amount of funds required and explain the reasons why these old debts could not be paid on time.

2. Meeting with Director and staff of the Administrative Office (AO) of the Court Budget Council Participants Zanina Kirovska, AO Director and Sylvia Kanceva, AO staff , AO Staff and representatives from JRIP study group Sam Juncker, Judge Joseph J, Traficanti, Jr., Nena Ivanoska and Deborah Botch, Budget and Finance (B & F) study expert)

An initial meeting was held with the Director of the Administrative Office (AO) and financial staff of the Court Budget Council (CBC). This meeting helped the B&F study team of the JRIP better understand the work, accomplishments, problems and concerns of the central administrative office of the Macedonia Judiciary. The exchange provided an overview of the Law on Court Budgets and its implementation through the budget process. The annual budget cycle and timetable were reviewed. The point was made that budgets are prepared by the courts based on realistic fiscal needs and Judiciary priorities but that formulation and adoption of the proposed budget by the CBC is strongly controlled by the national Law on Budgets and related macroeconomic policies and regulations of the Ministry of Finance (MOF) and governmental priorities. The MOF, for example issues the inflation factors that must be adhered to in budget projections as well as the forms, procedures and automated systems that must be utilized by budget users.

Another budget preparation issue, according to the AO, is the timing of the MOF's annual budget circular memo, which provides macroeconomic parameters and directions for preparation of budget proposals for all government institutions and ministries, including the Macedonia Judiciary. The AO receives this information annually in mid-June and the court budget must prepare and submitted to the MOF using a recently developed government-wide e-budget system by August 31st. According to the AO, receiving the MOF budget circular in mid-June makes it challenging to prepare a timely budget request. This short timeframe problem is compounded by the fact that the MOF e-budget system is not integrated with the Judiciary's financial and budget preparation modules of the new ABMS. Fortunately, these modules do supply information for budget plan and implementation reports that must be submitted to the Treasury on a monthly, quarterly and annual basis.

The AO explained the process used by the courts to prepare their annual budget requests. The courts estimate their needs based on detailed actual previous year expenditure data and current year expenditure estimates as well as cost information and inflation estimates related to the budget line items for supplies, materials, services and equipment. The AO advised that initial court requests are realistic amounts necessary for the basic operation of the courts. These realistic amounts, however, must be modified to stay within the MOF economic parameters. The modified amounts are not considered by the AO to reflect the realistic needs of the courts. The court budgets as finalized by the AO and approved by the CBC contain requests for the coming year and budget estimates for the two following fiscal years, is submitted to the MOF.

The MOF revises these amounts based on analysis, economic conditions and the priorities of the government. The approved government budget is submitted to Parliament for review and enactment into law. The AO indicated that the President Judge of the Judicial Council and CBC

is present at the budget approval meetings of the government. After the State budget is enacted, the Judiciary budget is allocated, in accordance with the MOF criteria and methodology for budget allocation and CBC criteria and guidelines to the court budget users.

The general problem of underfunding of the court budget was discussed. Serious operational problems have occurred in the courts due to lack of sufficient funds, No new funds were provided to address old debts incurred prior to the Judiciary takeover of court budgeting, funds have not been provided for implementation of new laws. Court funding also has been persistently insufficient for variable costs associated with trials and court hearings, such as expert witness fees. Discussions noted that 2008 budget shortages may cause serious operational problems because of the severity of reductions in nonpersonal service budget line items.

Review of annual plans for total incomes and expenditures of the Judiciary and various budget reports of the CBC confirm the serious nature of current year budget problems. They show that, although the Judiciary Budget increased slightly in 2008, based on a comparison to the 2007 rebalanced budget, funding growth was entirely for mandated changes in salaries and benefits. These increases were necessitated by mandated changes in law and policy, including the new law on Judges Salaries which authorizes a 38% increase in judicial compensation. Salary and benefit increases also were required to implement a decision by the government to adjust and correct employee salaries and to provide funds to fill positions required for the newly created Appellate Court in Gostivar and the Administrative Court.

It is important to recognize that the overall amount in the approved 2008 Judiciary Budget did not provide sufficient funds to implement these changes in law, policy and court structure. Rather, these costs were funded through reductions in funding for goods and services, which were cut by 34.07 % compared to the rebalanced 2007 budget. These deep cuts are reflected in the budget allocations for 2008, as shown in the Annual Plan for Total Income and Expenditures. The severity of these reductions was confirmed through a comparison of budget 2007 and 2008 budget allocations for key line items as follows:

Expense Category	<u>2007 (M dnr)</u>	<u>2008 (M dnr)</u>	<u>% CH</u>
420 Travel and daily expenses	2.967	2.252	- 24.1
421 Utilities, heating, communication & transport	102.284	66.885	- 34.6
423 Small inventory, tools & other materials for repair	21.934	14.365	-34.5
424 Repairs and current maintenance	11.162	7.430	-33.4
425 Contractual services	98.260	62.636	-36.2

When the AO Director was asked if she expected that critical nonpersonal service funds would be restored to the Judiciary budget through the rebalance process, she could not answer this question with any certainty. Because new elections will be held on June 1st, it will be up to the

new government to decide if there will be a budget rebalance process in 2008 and, if so, the MOF and government will decide what the priorities will be funded in the rebalance.

Wednesday, May 21, 2008 Meetings and Briefings

1. Meeting with President Judge, Appellate Court Skopje, Jordan Mitrovski; interview of financial staff of Appellate Court Skopje, Cveta Stefanovska. JRIP study team representatives were Judge Joseph J. Traficanti, Jr., Gordana Stojanova-Ribaroski and Deborah Botch

The President Judge welcomed the JRIP study team and explained the work of the Appellate Court Skopje, which has the largest caseload and covers the largest portion of the national population. The President Judge had extensive involvement in the efforts to separate the Judiciary's budget from the executive budget to assure judicial branch independence and autonomy. He is a current member of the CBC. The judge discussed both broad issues related to the Judiciary Budget process and specific budget problems in his own court. One broad concern raised is the possibility that the legal requirement that 50% of court fees collected be allocated to court system capital investments is not being met.

In terms of the Appellate Court Skopje budget situation, serious current year (2008) budget shortfalls (budgets for goods and services were reduced by 1/3 as compared to the prior year) are hampering the work of the court. Shortages of funds for basic equipment, such as photocopiers, are hampering timely case processing. Funds for utilities costs in the current year budget are well below what is needed and for the first time, the court has unpaid utility bills that are more than two months old. Beyond inadequate funding for goods and services, the judge indicated the Appellate Court is not able to fund existing legal assistant and other positions needed to support timely judicial decision making. He indicated employment levels for legal assistants are well below standards, now standing at approximately one per every five judge. The court's accountant confirmed the judge's views on funding and operational problems in the court and she urged more opportunities for exchanges between court financial staff and more training as a means of improving budget planning and financial management.

The judge stated there is a need for equal respect for the Judiciary in the budget process. He urged equal participation of the Judiciary in every aspect of the state budget process to ensure that the basic needs of the courts are met. Rather than budgeting based on the ideas of other institutions, budgets should be realistic and be based on the justifications provided by the courts. Also he noted that decisions on the mid-year rebalance budget, to address underfunded areas of the government, should be based on the additional funding needs as presented by the Judiciary.

2. Meeting with Chief Judge and President of the Judicial Council and Court Budget Council Dane Iliev and Head of Cabinet of the Chief Justice, Lidija Tanevska Jadanovska. Consultation also included Zanina Kirovska, AO Director and JRIP team

representatives Judge Joseph J. Traficanti, Jr., Gordana Stojanova-Ribaroski and Deborah Botch.

At this meeting the Chief Judge discussed the Judiciary budget process and the obstacles preventing adequate court budget funding and judicial branch independence. He indicated judicial independence is a huge issue and that financial independence is essential to Independence. The funding of the courts is not adequate and the conditions under which the courts are funded and administered do not support independence. He noted that in the area of employment, the courts have little control because the MOF and government Civil Service must approve all hiring. Also all key decisions on the court budget are made by the MOF and nothing is done in writing to help build understanding and communications. The Chief Judge is deeply concerned about the court budget situation but was not optimistic about the possibility of achieving true independence in Judiciary funding and court administration. Even so, the courts keep working under difficult circumstances and they are making every effort to be more efficient and to simplify procedures and streamline operations. He hoped that standards could be developed that would benefit the courts and demonstrate their needs in the budget process.

3. Demonstration of integrated automated budget planning, financial management, accounting, personal & payroll and asset and inventory system, (ABMS) with AO staff for Deborah Botch, B & F study expert

AO fiscal staff demonstrated the management and accounting system (ABMS) developed in cooperation with USAID to support court budgeting, financial management and court system administration. This is a full featured administrative management information system consisting of six modules. ABMS has modules for budget planning and accounting and it provides summary and detail information and reports on personnel qualifications and employment history, salary, benefits and payroll amounts and expenditures, supplies and materials inventories and costs and equipment and other asset inventories. The ABMS became operational in the Supreme Court in 2007 and in all the courts in 2008. The system is full featured and is easy to use and maintain. The information and reports available offer an excellent resource for budget and fiscal analysis as well as financial and personnel administration. As Judiciary officials and court managers become more familiar with the capabilities of the ABMS applications and obtain needed modern computer equipment to access and share application information, they should be able to generate reports to support better financial administration and accurate budget planning.

It is the view of the B & F study expert that this is and comprehensive, informative and easy to use system for budget and financial management. Modules contain detail and summary information and reports that support court internal controls, financial analysis and reporting and budget preparation. Once this system contains several years of data, it will be an excellent resource for expenditures trend analysis and comparative analysis that will support improvements in the efficiency of court operations.

Thursday, May 22, 2008 Meetings and Briefings

1. Meeting with representatives of the Ministry of Justice Nada Penova, and Valentina Saurek to discuss general issues related to the court budget and possible revisions to Law on Court Fees and general budget issues. JRIP representatives at the meeting were Judge Joseph J, Traficanti, Jr, Nena Ivanoska and Deborah Botch.

The meeting included a discussion of ways to gain greater support for the funding needs of the Judiciary and ideas for changes to the Law on Court Fees. Ministry of Justice representatives were sympathetic toward the need for better funding of the courts and described some of their ministry's difficulties in obtaining sufficient funding for basic operations and key initiatives. Concerning the revisions to the law on court fees, the Justice Ministry representative indicated they would like to apply standards of the European Union. They asked for assistance in revising the Law on Court Fees. The intention is to prepare a well-structured completely new law. As part of this effort they are looking for a way to address old cases where fees have not been paid.

Timely payment of civil case fees is a serious issue and some courts allow cases to proceed without payment, while others do not, due to conflicting case law on the issue. There is concern to find a way to assure access to justice and while ensuring fees for civil law suits are paid in a timely manner. The possibility of changing the law to allow time limits for payment, 30 days was suggested, after which cases with unpaid fees would be considered withdrawn. The suggestion of a 30 day time limit for payment of fees was not supported by JRIP representatives because of the additional workload burden this would place on the courts and because it might create a sense that the 30 days was allowed in all situations, not just when special conditions are present. The budget and finance study expert indicated that in the USA, courts generally require payment of a fixed fee upon filing of cases. All agreed this issue requires more research.

- 2 Meeting with Internal Auditor of CBC/AO Sanja Juran Kacarova Consultation also included Zanina Kirovska, AO Director and JRIP representative Gordana Ribaroska Stojanova

At the meeting the internal auditor clarified the independent functions and role of the internal auditor. As explained, internal audits are conducted in accordance with The Law on Internal Audits. The internal auditor works within the client agency, in this case, the judiciary and performs internal audits based on professional EU standards; Audits are conducted in accordance with an annual plan, which is approved by head of the Court Budget Council. The auditor advised she had excellent relations and good communications and cooperation with the AO. Since 2004, only one internal auditor has been assigned to handle the courts. This year, however, 2 new positions were added to conduct internal audits in the Judiciary. The focus of internal auditing is on helping to assure effective controls and risk management of processes within the assigned unit. The auditor has helped the Judiciary develop methods for risk management and internal controls to improve operations.

The point was made that internal audits are conducted with the idea of helping clients improve effectiveness. Reports are prepared on completion of an audit which includes proposals for improvements and corrections and agreements are reached with audited unit and judiciary officials regarding a plan of action to correct agreed upon problems. Follow-up reviews are conducted by the internal auditor to ensure that agreements for improvements and corrections are implemented. The quality of the cooperation between the courts and internal auditor were confirmed by the fact that courts are now seeking advice on best practices from the internal auditor. The differences between the internal and external audits were also discussed. The JRIP study expert asked if a sample of an annual internal audit plan could be provided as background information. The internal auditor indicated she was not sure if the plan could be given out as public information, but that she would look into the matter.

- 3 Meeting, Ministry of Finance Elena Stamenovska, Ministry of Finance (MOF) Analyst for Judiciary Budget. Consultation included JRIP representatives Judge Joseph J, Traficanti, Jr, Nena Ivanoska and Deborah Botch.

The MOF is responsible for the budget preparation and execution system for the Republic of Macedonia. The JRIP team met with MOF representative, Elena Stamenovska, who is the analyst who reviews and analyzes the Judiciary's budget for accuracy, completeness and consistency with MOF parameters. She coordinates her work with the AO of the CBC. The analyst indicated she has an excellent working relationship with the AO.

In the meeting, the government budget preparation process was explained. It begins when the MOF issues the annual Budget Circular memo. The Budget Circular regulates budget preparation by all budget users, including the Judiciary. The circular includes the maximum limits for budgets and provides information on the strategic priorities of the government and budget forms and procedures. In 2008 the MOF implemented an e-budget preparation and submission process for all budget users, including the Judiciary. This circular and related forms and procedures are issued in mid-June, each year. Budget users have until August 31st to complete and submit the e-budget request data and narratives to the MOF. Shortly after submission, the MOF analyst meets with the AO to discuss technical aspects of the budget submission. Since 2004, when the Judiciary began submitting a separate budget, requests generally, have fulfilled the requirements of the MOF Budget Circular.

Two concerns were raised during the meeting about the Judiciary budget. The point was made, through year end 2004-2007 budget reports, that the courts have not been spending all the funds authorized, most especially in goods and services categories. These unspent funds have contributed to MOF decisions to recommend reductions to court budget requests.

The other concern raised was that the Judiciary does not submit a strategic plan report to support its budget. The government ministries have a strategic planning process and the three year plan updates, developed each year by the ministry, are used by the MOF in budget review and analysis. Strategic Plans play an important role in the ROM ministries for determining short

and long term goals and objectives and expected results and for estimating funding requirements of plan elements. According to the analyst, the MOF relies on strategic plan report details to guide formulation of budget recommendations. The analyst indicated that having a strategic plan for the Judiciary would enhance the ability of the MOF to understand the budget goals and requirements of the courts and that having a strategic plan report from the Judiciary would be helpful to her budget analysis. She shared an example of the Cultural Ministry's strategic plan to show the presentation format and the type of information these plans contain.

- 4 Meeting with PJ Skopje 2; interview conducted with President Judge Bekirseni and financial staff and financial staff. Consultation included JRIP representatives Judge Joseph J. Traficanti, Jr and Gordana Ribaroska Stojanova

At this meeting the President Judge explained the operations of Skopje 2, which has jurisdiction over civil cases. He welcomed this budget and finance study and hoped that ideas to address specific budget shortfall problems in his own court would be forthcoming. Like other courts, persistent lack of funding has led to court operations and case processing problems and the court is doing its best to protect the rights of citizens in spite of tight budget controls. This year, the funding shortfalls are especially severe and the Judge wrote a letter to the MOF to point out the serious problems caused by cancelation of personal accounts and budget reductions for goods and services essential for basic court operations. The judge thinks there is a misunderstanding on the part of the MOF regarding the importance of personal account funds to basic court operations.

Major budget shortfalls are causing problems in meeting payments for utilities and for contractual services, such as expert witnesses, necessary for hearings and trials. The court also suffers from lack of funds to upgrade computers to modernize case management and for records management projects necessary now that the state archives is no longer able to receive old case files for storage. Lack of sufficient funds is limiting the ability of the courts to improve efficiency. The issue of the need for funds to pay for old debts associated with the courts prior jurisdiction over criminal cases also was mentioned. The judge indicated his court has a very good relationship with the AO and that he will continue to seek the funds needed to meet basic needs and to improve the operations of his court, which is one of the largest and busiest courts in Macedonia.

Friday, May 23, 2008 Meeting

Meeting with USAID Business Environment Activity Project representative Tatjana Lukanovska. JRIP study team representatives were Judge Joseph J. Traficanti, Jr. and Deborah Botch

The JRIP team met with Tatjana Lukanovska, Senior Financial Advisor. The project works on improving trade, corporate governance and building local government and private business capacity. Discussions focused on the project's capacity building for budget and financial management of Macedonia's 84 local governments. New laws have been enacted to decentralize local budgeting, including capital budgeting, which allow for local government

borrowing. Local governments will be allowed starting in 2009 to borrow funds for short term operations and long term capital investments. Borrowing plans will be reviewed and require the approval of the MOF. Annual borrowings will be capped, based on a percentage of previous annual budget amounts.

The team learned that the local government budgets are moving toward a decentralized budgeting and financial management model that will depend more extensively on local revenues, rather than the national budget. Progress has been made by localities (some more than others) on improving revenue collections. This has been accomplished through updating outdated information in databases used for local government revenue collections, such as property taxes. Also, trainings and procedures manuals have been provided through the USAID project to local government managers to improve their ability to collect and manage revenues and prepare sound annual budget plans for operations and investments. Material from these trainings and procedures manuals have been passed on to USAID Local Government Project Activities team which now is working to improve local governments in a variety of areas including fiscal and budget management.

Tuesday, May 27, 2008 Meeting

Meeting with Academy for Training of Judges and Prosecutors of the ROM, Director Judge Aneta Arnaudovska and staff. The JRIP study team representatives were Judge Joseph J. Traficanti, Jr., Gordana Stojanova-Ribaroski and Deborah Botch

Judge Arnaudovska explained the work of the recently established Academy for Training of Judges and Prosecutors. Under the Law, the Academy was established to train future judges and prosecutors and to provide continuing training for existing judges, prosecutors and staff of the courts and prosecutors. The Academy began operations in 2007 and its first full year of operations is 2008. Training is provided consistent with an annual plan developed by Academy staff and approved by the academy's managing board. The academy is currently training 27 candidates through education, training and mentoring programs and is providing training and continuing education for 600 judges, 250 prosecutors and 1500 court and prosecutor staff members. She explained that annual training programs are developed based on an assessment of responses to letters of interest sent to all target groups.

After explaining the responsibilities and programs of the Academy the discussion shifted to concerns about current year budget problems. The Academy budget is part of the Judiciary budget and like other units of the judiciary severe cuts were taken from budget requests in 2008. Budget reductions were so severe that on receipt of its allocations from the CBC the managing board wrote a letter to the CBC expressing deep concerns about insufficient funding for operations in 2008. The managing board indicated that it funding is necessary to avoid a shutdown of Academy operations. When asked about the CBC's response the Director of the Academy indicated that no formal response was received. Informally, the academy has been assured that the funding problems will be addressed in the budget rebalance, after the upcoming national elections.

The Director also explained that the CBC represents the Academy in the government budget formulation process. The Academy budget is prepared and explained in a separate program budget which is submitted and reviewed by the CBC and then evaluated by the government through the MOF. The Director is concerned that the CBC and its leadership have not been aggressive in explaining and advocating for the Academy's budget. When asked if Academy representatives were given an opportunity to formally present and explain the budget to the CBC, the director indicated they were not given such an opportunity. The AO, which she indicated had good relations with the Academy, did ask technical questions about the budget, but no formal presentation was made to the CBC. Also after the budget was adopted, and the CBC made budget allocations the reasons for the budget cuts were not explained to the Academy Director or Board.

The Director indicated she was not sure why the 2008 budget was reduced by the government. She thought perhaps unspent allocations in the first year of operations may have contributed to budget cuts. In the first year, Academy programs got started later than expected and funds for programs not implemented were not spent. The director is not clear on why the government did not approve the budget and would appreciate feedback to help her and her staff prepare better budget justifications, if they are needed. She also noted that the academy has made significant efforts to reduce the costs by providing regional training within court buildings to avoid expenses associated with travel and space rentals.

Also discussed were funds that the Academy has obtained for targeted training from various donors. She indicated that donations play an important role in Academy program funding and that donor support will continue to be sought for programs to build the capacity of the Judiciary and improve justice administration. She also noted that she and academy staff are open to learning more about good budgeting and planning strategies. She noted that technical support providers from the European Union indicated the Academy needs to undertake a long term strategic planning process to improve its operational and budget planning. While the Director agreed that this would be very helpful, she indicated that the estimating the number of judges and prosecutors who must be trained for future vacancies must be done in close cooperation with the Judicial Council, which is responsible for filling ½ of these vacancies.

In closing, the Director emphasized the need for a more aggressive campaign by the CBC to support the Judiciary's budget which includes the budget of the Academy and for better communications among all participants involved in budgetary decisions.

Wednesday, May 28, 2008

1. Meeting President Judge Kice Juzevski, and Court Secretary Olivera Bendevska, Bitola Basic Court and JRIP study team representatives Judge Joseph J. Traficanti, Jr. and Deborah Botch

The President Judge thought when the Judiciary became a separate and ongoing part of the State budget that court funding would be sufficient but this has not been the case. There have been budget problems ever since the first year and in 2008 budget problems have become even worse. He indicated that dealing with fiscal problems in the courts is a daily issue, leaving him little time to deal with other important issues related to court operations. The Court Secretary indicated that the goods and services part of the Bitola Basic Court budget had been cut by 40% as compared to last year. When they were received their 2008 budget allocations they wrote a letter to the CBC about the severe problems caused by the budget cut but were told they would have to wait for the rebalance to get additional funds. Another concern was that they were notified by the AO that they should reduce TS line spending due to shortages but these lines, 5 typists and 2 janitors are considered essential to court operations. It was explained that the temporary service funding shortfall is much lower than the shortfalls in other categories such as expert witnesses, supplies and heating and utilities. The budget process also was discussed. The court's budget request is based on past expenditure history, according to the Court Secretary and it reflects the realistic needs of the court as much as possible. The court also seeks ways to save money in preparing the budget and includes savings in budget request, where possible

The Court Secretary was asked if ABMS financial data was being used for budget analysis and preparation, she indicated not yet but thinks once they have a full year of data it will the system data will be helpful for court budgeting. The Judge and court secretary also were asked if they have a chance to make a face to face case for their budget to the AO or CBC and they indicated they have not had such an opportunity. The court also was asked if they have written fiscal administration and budgeting procedures and they advised they had been asked to develop their own written procedures by the AO. When asked if the AO was providing any technical assistance or guidance to follow for the written procedures, the court secretary replied that they would like help from the AO and that samples to follow were expected but they have not yet been provided. The court was asked if they had been recently audited by the internal or external auditor and indicated that only an external audit had been done and that audit results were very good.

The judge also brought up of court costs related to lawsuits against the court and the issue of dealing with enforcement of decisions in old cases. He indicated the court is doing everything possible to complete and close old enforcement cases. Finally the judge again expressed his concern that so much time is spent by his office on budget and fiscal problems and indicated that he is hopeful that something can be done to correct this situation to allow him to give needed attention to case processing and other aspects of court operations.

2. Meetings with President Judge Jordan Vrbovski, Appellate Court Bitola and JRIP study team representatives Judge Joseph J. Traficanti, Jr. and Deborah Botch

The President Judge explained that he is a member of the CBC and discussed the Law on Court Budget. He indicated that the government has been unwilling to listen to the courts and to address their funding needs. The Executive did not provide funds in the 2008 budget for two

new courts established under the New Law of Courts. Because funding has been inadequate for the Judiciary it has been very difficult to provide good working conditions in the courts. Also lower funding has been supplied for essential areas such as heating oil. In this area funds were cut in 2008 from 2007 amounts, even as the cost of oil has risen sharply. Lack of funds to heat the court may result in a reduction of court operating hours later in the year. The judge also discussed his own efforts at controlling costs and management oversight within the court. He believes that the President Judge must not only be responsible for effective case processing but also for good court and fiscal administration. In his court he requires judges and staff to be prudent with court funds and has asked that they find ways to save energy and reduce spending in areas such as heating, lighting and use of water. He also raised concerns about costs of sending judges to training at the Academy in Skopje. He indicated attending training and other functions is very expensive because of the distance from Bitola to Skopje.

When asked what ideas he had to improve court funding, he suggested that the court should be allowed to use more of the fees and fines it collects for operations in order to allow them greater independence from the executive and MOF in budget matters. The judge also indicated that the Judiciary needs to be given more flexibility in using the approved budget funds and that it should be able to interchange funds, as the need arises, from one line item to another. Presently moving funds between line items requires MOF approval which is cumbersome and time consuming. It also is a problem because the executive does not understand court operations or the funding situation of the courts. He also suggested that courts be allowed to use seized assets, such as vehicles and computers, as a way to help with the courts budget problems. In closing he indicated the greatest problem for the Judiciary's budget is that the executive doesn't want to listen to their needs because it has other priorities and that the current budget process for the courts is limited by this lack of attention from the MOF in the government budget process.

Thursday, May 29, 2008

1. Meeting of JRIP Study team members Nena Ivanoska and Deborah Botch with representative of the US Department of the Treasury, Sheila Becket

The budget process for Macedonia was discussed and the point was made that, even as the elections are being completed the government, government ministries are moving forward to develop their rebalance plans for this year and the budget estimates and related Macro-economic indicators for next year's budget. She highlighted the importance of being proactive in the estimating and advocating for budget needs even under the current uncertain conditions. Also discussed was the importance of proactive judiciary work on estimating fiscal impacts of new legislation. She indicated it is Judiciary's responsibility, as an expert on the operation of the courts and judicial branch responsibilities to provide fiscal estimates and analyses on the impact of proposed and new legislation. Another topic discussed was the importance of a strategic planning process and updated strategic plans to the MOF to support budget requests. The JRIP team explained the Judiciary does not currently have a strategic planning process and she indicated that one is needed and that

she would send strategic planning guidelines and information used by the government ministries for strategic planning. The last topic considered was the current year severe budget cuts for goods and services in the Judiciary. Ms. Becket recommended that the Judiciary develop a report documenting the current year fiscal problems and budget needs. Also she suggested this report be shared with her and the acting budget director of the MOF, even before the rebalance guidelines are issued. Also the point was made that to ensure that additional funds are made available to government units in a timely fashion, only one rebalance will take place this year sometime in September.

2. Meeting with External Auditor for the Courts, Dobrinna Vesnovska and audit team

The head of the external audit team explained the organization of and functions of the external audit department and that their team had assignments in areas where significant reforms have been adopted, including Health and the Judiciary. The team conducts annual financial activity audits of the CBC and the court budget users to ensure they conform to the approved budget and approved laws. They are currently auditing 2007 fiscal year activities. The process for conducting the audits, reviewing audit findings and preparing preliminary and final reports was reviewed. The audit findings are reviewed and commented on by the President Judge and court staff within a specified timeframe, prior to preparation of final reports. Objections raised to findings are reviewed and if accepted by the audit team leader the findings are revised. Once the report is finalized court prepare an action plan to remedy deficiencies and irregularities identified. Final audit reports are published and can be publically viewed on the Web.

The auditors were asked, to share their viewpoint on the general conditions found during court audits. Various issues identified in the audits were discussed as well some of the improvements that have resulted from the external audits findings. For example, the CBC adopted an Internal Act for Controls and issued a circular letter explaining to the courts how they should incorporate this act into their financial management activities. Other changes made based on external auditor proposals were the addition of staff to the internal auditor office assigned to the Judiciary. This year two positions were added and a total of 7 internal audit staff members will be assigned. The auditor also is urging the AO to develop procedures to verify that the duties of AO staff specified in job descriptions are being carried out. The external audits also have been recommending the filling of employment vacancies to improve the operations of the courts. The auditor also raised concerns from a financial controls perspective about the recent cancellation of the courts personal accounts.

3. Meeting with President Judge Sefset Ademi, Velles Basic Court and JRIP study team representatives Judge Joseph J. Traficanti, Jr., Gordana Stojanova-Ribaroski and Deborah Botch

The President Judge briefly described the Judiciary budget preparation and allocation process under the Law on Courts and the role of the Velles Court in the overall budget process. He noted that he is a member of the CBC and that his area of judicial responsibility is criminal matters. The judge discussed the current year budget problems caused by severe cuts in funding allocations for good and services. He indicated his court is trying to make ends meet

but cannot cover costs for operations due to the budget cuts. He also brought up the problems of meeting costs in unpredictable expenses for major criminal cases, such as costs for services of the Forensic Institute and to a lesser extent costs for ex-officio attorneys. Costs for utilities are another problem area. He suggested to the Ministry of Justice that the forensic services costs be removed from the judiciary budget and become a separate part of the government but the MOJ has been silent on his proposal. The judge was asked if he thought the CBC should make such a request regarding Forensic Services funding and he thought that would be helpful. He also described the needs of his court for additional funds for travel and expenses because it is now an extended jurisdiction court and noted that no new funds were provided to address that change. He also was asked if he thought it would be helpful if the courts could make a face to face case for their budget needs to the CBC and he agreed it would be good to have an opportunity to meet with the CBC and discuss budget needs and concerns.

4. Meeting of JRIP Study team members Nena Ivanoska and Deborah Botch with Nickola Prokopenko, Ministry of Justice, Head of Sector

At this meeting Mr. Prokopenko described his extensive work with the Judiciary on developing new laws. He also mentioned several reports available which compare judicial branch funding including reports issued by the Members of the Council of Europe in 2004 and 2006. An updated report with data through 2006 is expected to be issued in 2008. He discussed several issues related to the Judiciary Budget and financial management. He urged stronger use of formal legal mechanisms for budget advocacy, including greater formal participation by the Judiciary in meetings and negotiations on the budget with the MOF and the government. He is concerned that the Judiciary has authority in the budget process that it does not use. Better elaboration on the Judiciary also was suggested. He also raised issues about financing the courts related to excessive numbers of judges as indicated by judge to caseload comparisons with other nations. He also thinks the judiciary, through its CBC and AO needs to develop criteria to support its budget such as cost per case data and that the CBC and AO should make be more cooperative in providing fiscal impact estimates on proposed legal changes.

Friday, May 30, 2008

Briefing of USAID on JRIP Budget and Finance Study of the Macedonia Judiciary preliminary findings and recommendations. Participants: Antoaneta Skartova (USAID) and JRIP Staff, Sam Juncker, Judge Joseph J, Traficanti, Jr., Gordana Stojanova-Ribaroski and Deborah Botch, Budget and Finance Study Consultant. At the meeting, study interview findings were reviewed and preliminary recommendations were presented and discussed for improving the budget and financial management process in 10 key areas. Also the fiscal and operational impact severe 2008 budget cuts in goods and services categories and unfunded new laws and mandates also were considered. Feedback from USAID on the recommendations was positive.

Monday, June 2, 2008

1. Meeting with IMF representative on ROM macro-economic policies and fiscal conditions. Participants were JRIP Study team members Nena Ivanoska and Deborah Botch and IMF Resident Representative Bert Van Selm.

At this meeting Mr. Van Selm described macro-economic fiscal policy targets being used by the ROM to stabilize the economy. He indicated the IMF's work was related to a three year mandate 2005-2008. He explained that a fiscal policy maximum deficit target of 1.5% had been set for 2008. This year, so far, ROM spending is well within this target and, in fact, the budget is in surplus. Revenues currently are ahead of expenditures because price inflation has led to higher than expected collections in VAT taxes and because of positive changes in public revenue enforcements. He is not certain if a budget surplus will continue through the end of this fiscal year or in future fiscal years, since parties proposed deficit targets of 2% during the recent election campaign. Also for the current year budget condition (surplus or deficit) will depend on spending authorized in the 2008 rebalance, if one is approved and future revenue and expenditure trends. He also noted a 10% current year-to-year inflation for Macedonia is much higher than the 1-2% rate of recent years. Regarding the national debt, when asked if the current level could be an economic problem for the ROM, he explained the debt levels are manageable and not particularly worrisome.

2. Meeting with Republic Judicial Council Deputy President Vasil Grchev. JRIP Meeting participants were Sam Juncker, Judge Joseph J, Traficanti, Jr., Gordana Stojanova-Ribaroski and Deborah Botch

At this meeting the role of the Judicial Council in budget and fiscal matters was explained. The Judicial Council is a budget user of the Judiciary Budget and The President of the Judicial Council is a member of the CBC. The council itself, however, has minimal involvement in the Judiciary budget and financial management process. The current budget conditions of the Judiciary also were discussed.

3. Briefing of AO on JRIP Budget and Finance Study of the Macedonia Judiciary Preliminary Findings and Recommendations. Meeting participants were Zanina Kirovska, AO Director and JRIP study team representatives Sam Juncker and Deborah Botch

At the meeting, study findings to date were reviewed and preliminary recommendations were presented and discussed for improving the budget and financial management process in eleven key areas. The meeting opened with a discussion of the budget cuts in goods and services for all budget users. The AO Director confirmed that these budget cuts were severe, approximately 38% from the prior year level. This situation has created urgent need for additional funding. The AO Director advised she has detailed information about the supplemental budget needs of the courts. She also indicated that a formal circular to all courts seeking a rebalance budget request is not planned. The JRIP team urged that all courts be given an opportunity to fully present current year funding needs. Also, it was suggested that in view of the ROM's current budget

surplus situation, the rebalance request not only be sufficient to meet all court budget user needs, but also seek funds to cover the costs of old debts. The old debt funding request should also explain the source of the debt and why the debt could not be paid in previous years. Longer-range preliminary recommendations in 10 key areas also were reviewed. Feedback from the AO Director on preliminary recommendations was positive.

Tuesday, June 3, 2008

1. Follow-up Meeting with Dimitar Todevski, State Advisor, Ministry of Finance and member of the CBC. JRIP representatives were Nena Ivanoska and Deborah Botch

At this meeting Mr. Todevski explained that the MOF is moving forward to prepare and issue the Budget Circular for the 2009 Budget Process (2009-2011). He does not expect any important changes in income or government priorities for this budget planning period, rather these will be similar to those of last year.

He also discussed the rebalance and could not confirm if the government will have a 2008 budget rebalance. The Judiciary's serious current year budget problems, due to the approximately 40% budget reduction in goods and service categories, was discussed. Mr. Todevski indicated that the MOF had not been advised by Judiciary officials or the CBC/AO of its serious 2008 budget problems. He believes there needs to be much better communication about conditions with staff of the MOF. His view is that the Judiciary should not be silent and that sharing and explaining its problems with the MOF is not in conflict with Judicial Branch independence.

Also, the importance of regular exchanges between the MOF and the justice units and judiciary was emphasized. One suggestion offered was that an annual workshop be held with the MOF and President Judges other people in the Judiciary, and perhaps also the Justice Ministry who can make a contribution to improving budget and financial management. In addition budget and fiscal managers in all government ministries and the judiciary need regular training to upgrade their skills and practices.

2. Meeting with Skopje 1 Basic Court President Judge Kacarska and financial staff, Daniela Gurchinovska. JRIP representatives were Sam Juncker and Deborah Botch

The judge explained the important work of Skopje which is the largest criminal court in Macedonia. In addition to lesser and complicated major criminal cases, the court also has exclusive jurisdiction over organized crime cases. The judge explained that unlike civil cases where litigants cover costs, all the costs of criminal court proceedings must be paid through the court budget. This includes, for major crimes, very high expenses for expert witnesses, forensic services and ex-officio attorneys. Expenses also are high for costs related to proceedings involving the prisons and hospitals. Serious budget cuts in the current year were discussed. The budget allocations for goods and services are far below the level needed for basic operations of the courts and lack of funds in the current year could jeopardize court operations, if not addressed through additional funding before the end of the fiscal year.

Difficulties in obtaining resources and assistance through the CBC budget process and AO also were described. The relationship with the CBC/AO is not a good one. Skopje 1 has not been allowed to make its case for needed resources. In one instance a memo detailing budget problems and objections to budget allocation levels sent by the President Judge to the CBC was returned without a response. Also, the President Judge has never been given an opportunity to explain the court funding needs and problems in a face to face meeting with the CBC or AO. There is a concern also that budget allocations tend to favor smaller courts and may be based on certain biases and personal preferences, rather than the work and documented funding needs of the courts.

Regarding relations with outside institutions, the President Judge indicated that the Judiciary needs to fight for its needs in the government budget adoption process and that head of the Supreme Court and CBC and the AO Director needs to present a case for the Judiciary at the ministers meeting and, if the government's budget for the Judiciary is not sufficient, before the MPs in Parliament. When the New Supreme Court President Judge is selected, it was recommended that addressing the budget problems of the Judiciary be given top priority.

3. Meeting with MOF, Treasury representative Petar Esmerov. JRIP representatives were Judge Joseph J. Traficanti, Jr., Nena Ivanoska and Deborah Botch

The MOF/Treasury representative described the government budget execution process. The Judiciary, as a budget user is required to submit quarterly allocation and monthly spending plans once the budget is enacted. These plans control use of government fund expenditures. Spending cannot exceed monthly plans, but within quarter adjustments to plans can be made with a valid explanation. The Treasury also keeps track of unpaid obligations (arrears) and encourages prompt payment of invoices for goods and services. The arrears problem is a general one for government units and the Judiciary, but the courts do not appear to be more in arrears than other units. The only other concern is that fiscal staffs need financial management training to enhance effectiveness. A new paperless online accounting and payment system is being developed to improve financial management for all ROM budget users. Licenses and training for use of the system will be provided by the MOF.

Thursday, June 5, 2008

On June 5, 2008 a workshop and focus group meeting was conducted by Deborah Botch, Budget and Finance Study Expert for Court Budget and Finance staff on modern court budgeting practices and ways to improve budget and fiscal management practices in the Macedonia Judiciary. A power point presentation, prepared for this session by the study expert, is provided as a separated document as part of this trip report.

Friday, June 6, 2008

Briefing and Update by study expert Deborah Botch of Antoaneta Skartova (USAID) on JRIP Budget and Finance Study of the Macedonia Judiciary preliminary findings and recommendations.

Tuesday, June 10, 2008

Meeting with Basic Court Gevgelija, President Judge Marica Avrmaceva-Zafirova. JRIP team meeting participants Judge Joseph J. Traficanti, Jr. and Deborah Botch

Thursday, June 12, 2008

Final briefing of AO Director on JRIP Budget and Finance Study of the Macedonia Judiciary findings and recommendations. Meeting participants were Zanina Kirovska, AO Director and JRIP study team representatives, Sam Juncker and Deborah Botch

Final briefing by study expert Deborah Botch of JRIP Chief of Party, Sam Juncker on Budget and Finance study findings and recommendations.

June 12, 2008

Appendix A

Documents Reviewed by Deborah Botch–Budget and Finance Study 2008

Date Rec'd	Document Name
March 28	<ul style="list-style-type: none">• Law On Budget• Directions For Preparation of Budget• Directions for Deposit of fines, Surcharges etc.• Court Budget as percent of National Budget• Criteria and Methodology for Budget Allocation• Changes and Amendments to Criteria
April 1	<ul style="list-style-type: none">• Structure of Macedonian Courts (MCMP Newsletter)
April 8	<ul style="list-style-type: none">• Law on Courts with Amendments• Law on Court Budget• Budget Cycle (prepared by JJT)• Budget Proposal for BC Skopje 2• Budget Proposal for BC Veles
April 10	<ul style="list-style-type: none">• Budget Cycle from Dr. Kirovska
April 14	<ul style="list-style-type: none">• Annual Plans for Income and Expenditure• Annex Form (3)• Annual Plan –Court Administration 2006• Annual Plan –Court Administration 2007• Elaboration of Proposed Budget (from CBC to MOF)• Budget Circular by MOF• Judicial Budget as appears in National Budget
April 17	<ul style="list-style-type: none">• Budget process and time line slides prepared by RM

	<ul style="list-style-type: none"> • Internal Act for Controls of in Enforcement of Budget • Draft Budget 2008 • Projected Budget 2009 and 2010 • Form G (donations) • Form V (Income & Expenditures for Certain Programs) • Forms B1, B2 & B3 (for projects of income and expenditures) • Call Letter for Future Investment Activities
April 24	<ul style="list-style-type: none"> • Budget Requests and Proposals –System-wide 2008 • Law on State Audits • Law on Internal Audits • Constitution of the ROM –Judiciary excerpts • Court Book of Rules –Financial excerpts
April 29	<ul style="list-style-type: none"> • Law on Court Fees • Law on Execution of the Budget • Maximum Determined Amounts by Budget Function (3) 2008, 2009, 2010)
May 02	<ul style="list-style-type: none"> • Request for Information from the Courts • ROM Budget Circular 2008
May 15	<ul style="list-style-type: none"> • Court Budget Republic of Macedonia 2004 - 2007
May 22	<ul style="list-style-type: none"> • 2008 Republic of Macedonia (ROM) Draft Budget and Program Descriptions, November 2007
June 4	<ul style="list-style-type: none"> • EU Report Assessment Mission ROM Judiciary
June 5	<ul style="list-style-type: none"> • ROM Strategic Planning Manual