

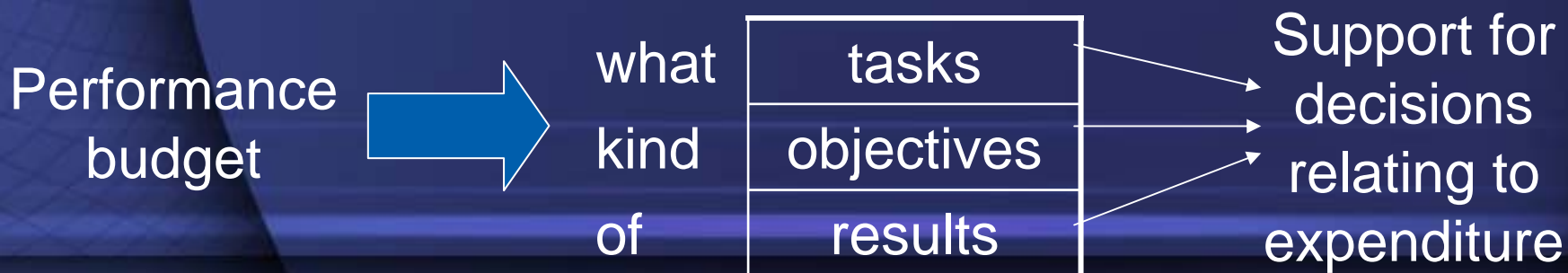
PERFORMANCE BUDGET,  
RESULTS - ORIENTED BUDGET

***From spending to managing  
public funds***

The Chancellery of the Prime Minister and the World Bank  
International Conference  
*Performance-Based Budgeting: Lessons for Poland*

Performance Budget (PB) is broader than the traditional - measurement of results gained from public expenditure

PUBLIC EXPENDITURE			
540 billions PLN = 42,3% GDP			
State budget	Special purpose funds	Government agencies	Other
Of which EU funds			

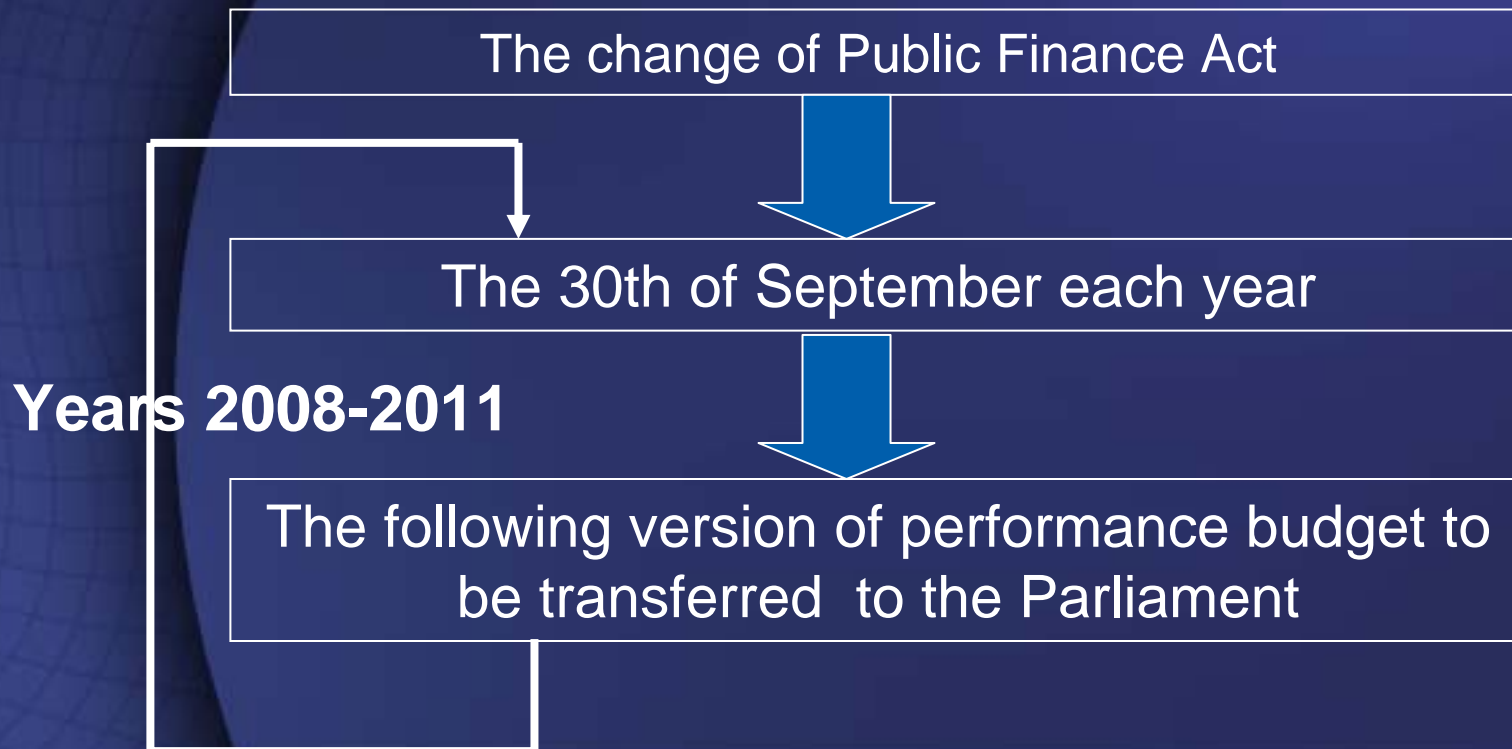


# Methodology of performance budget in Poland based of:

1. Analysis of global achievements and failures in performance budgeting
2. Polish local governments' performance budget experiences
3. Private sector's experiences in management by objectives
4. Audit and accounting experiences
5. Experiences in managing EU funds
6. Lessons from the pilot projects
  - interministerial programme High Technology
  - Ministry of Science and Higher Education
  - Ministry of Education
  - Ministry of Labour and Social Policy

# Fundamental rule of performance budget implementation in Poland

- 4-years implementation cycle



# Performance budget...

## Amendment to the Public Finance Act (from 8th December 2006)

Art. 124. **Justification** to budget act project contains:

9) Specification of **task**, with planned **expenditure** and description of **objectives, indicators** and multi-year expenditure for the tasks

Art. 158. 3. **Report** on execution of budgetary act :

9) information on realization of **tasks, expenditure**, with description of **objectives, indicators**, and multi-year expenditure, and also on funds spent on tasks' execution

# Results of works provided by the 5th of November 2007

1. **Public Finance Act** – creation in the core of performance budget
2. Recording in official documents – **National Reform Programme, Convergence Programme**
3. Financing:
  - Priority V *Good Governance* of Operational Programme *Human Capital*;
  - Priority VII *Construction and development of information community* of Operational Programme *Innovative economy*
4. Interministerial programme – **High Technologies**
5. **Performance budget for 2008**
  - list of tasks and subtasks – 166 tasks and 454 subtasks,
  - list of objectives and indicators – 656 objectives and 957 indicators,
  - consolidation of the expenditure of: state budget, special purpose funds, government agencies
  - Preliminary projection of expenditure for 2009 and 2010

# The scope of disposers covered by performance budget in Poland for 2008

1. All Ministries
2. All central government offices
3. 19 special purpose funds and 7 government agencies
4. Exclusion of 15 disposers, whose financial plans are included in the justification to budget act project – so called ‘*sacred cows*’
5. Simplified performance budget: Ministry of National Defence, Central Anticorruption Bureau, Foreign Intelligence Agency, The Internal Security Agency

## The scope of disposers covered by performance budget in Poland for 2008 – cont.

6. Tasks presented within budgetary parts
7. In case of three disposers tasks of all dependent parts are consolidated because of the lack of precise factual division between particular parts and self-interactions between activities:
  - Maritime Economy Ministry (part 21 and 62),
  - Ministry of Labour and Social Policy (part 31, 44 and 63),
  - Ministry of Agriculture and Rural Development (part 32, 33 and 35).

# Principles of performance budget in Poland

## **1. Proper management principle**

### **I. Government's priorities**

### **II. Multi-year planning**

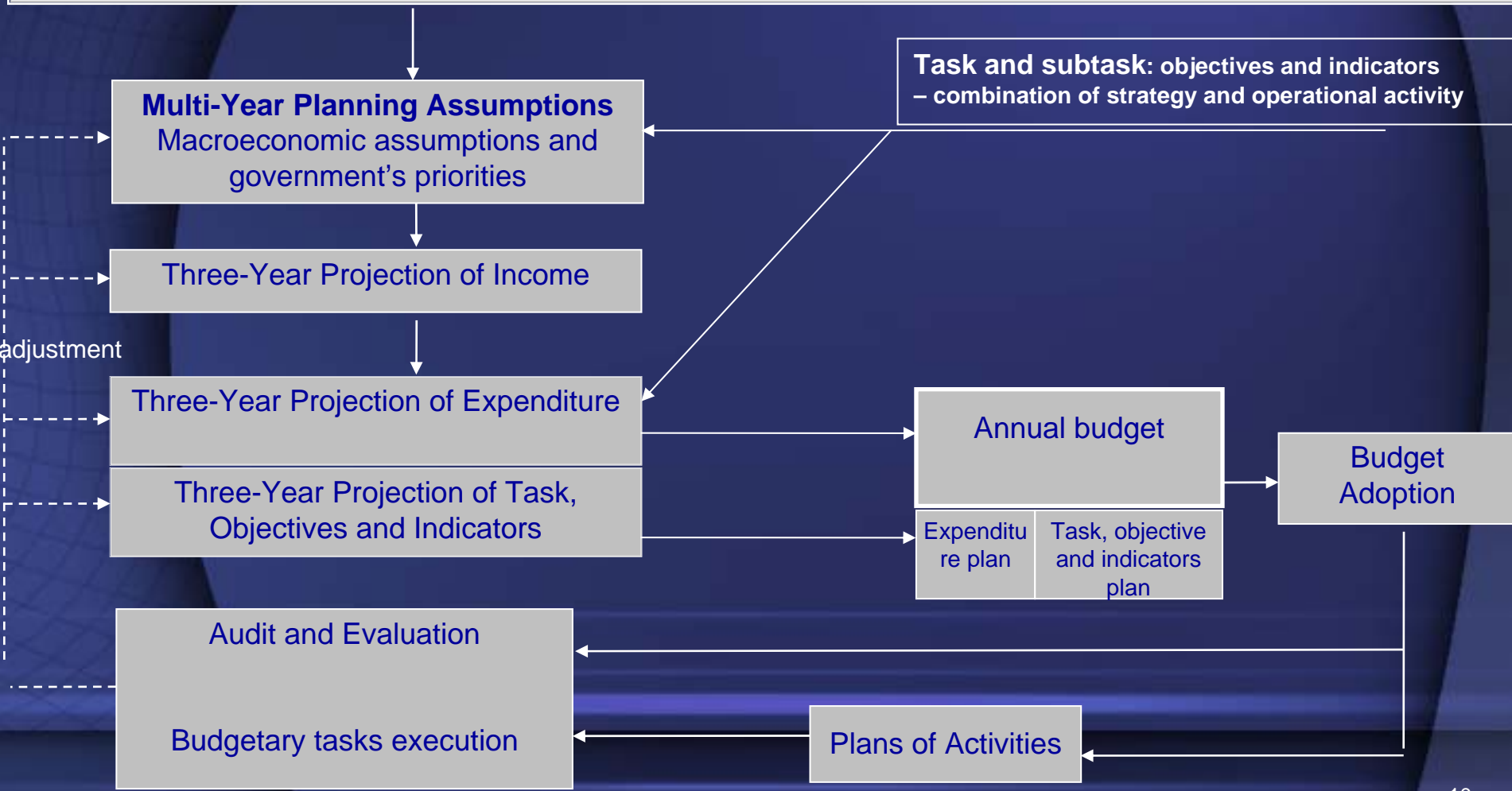
**III. Effectiveness and efficiency** – focus on the measurement of activities, of which the minister has direct influence and information on results, of which he has indirect influence.

**2. Transparency principle** – planning documents in the similar classification structure (budget and justification).

**3. Consolidation principle** – public expenditure allocated to tasks of the minister, financed from: state budget, special purpose funds, government agencies.

# System of planning documents and their connections

**National Development Strategy 2007-2015 – Ministry of Regional Development**  
**National Reform Programme for 2008-2011 to implement the Lisbon Strategy– Ministry of Economy**  
**Convergence Program 2007-2010 – Ministry of Finance**  
**National Cohesion Strategy (NCS) 2007-2013 – Ministry of Regional Development**  
**Sectoral strategies, for example: Strategy of environment protection, Strategy of Rural Development**



TRANSPARENCY...

...IS THE MOST IMPORTANT

... IS A KEY TO  
EFFECTIVENESS AND EFFICIENCY

*Budget act* and *justification* in  
performance structure

# PRINCIPLE OF TRANSPARENCY – implementation of new budgetary classification

Two budgetary parts in one classification – financial part and efficiency part

## Tasks classification levels

- **Part**
- **Tasks** – from 4 to 7 tasks for each part
- **Subtasks**
- **Activities** — executive structure of budgetary expenditure
  - cost expenditure – on a basis of paragraphs of budgetary classification
  - expenditure according to economic groups:
    - grants and subsidies,
    - current expenditure,
    - benefits to natural persons,
    - public debt service,
    - other current expenditure,
    - Investment expenditure.

# Principle of proper management

## I. Government's priorities

## II. Multi-year planning

**1. Indicators of ministries PB tasks coherent with indicators and values of strategic government documents**

**2. Interministerial task programmes:**

- Most of ministries tasks have strictly **horizontal relations** (mostly by subtasks)
- Interministerial task programme 'High Technology'



**Three-Year Projection of Expenditure in performance structure will be merged with government priorities – for the first time for 2009**

# Principle of proper management

## III. Effectiveness and efficiency

### PUBLIC SECTOR - indicators

Measuring objectives as it is possible

Measuring efficiency as it is possible

Indicators – instruments necessary for supporting the Prime Minister and line ministries – direction of government policy and assessment of results

#### Important guidelines

1. Cautious in indicators aggregation resulting from not-deterministic relations
2. Not-deterministic relation between expenditure and indicators' values
3. Number of indicators – reasonable
4. Cause-effect approach
5. Multi-year process of gathering data

# SUPREME CHAMBER OF CONTROL

Important role of Supreme Chamber of Control as institution supporting increase of management quality in public sector and quality of policies

# Principle of public expenditure consolidation

- Performance budget consolidates expenditures of the minister's tasks, financed from:
  - *public budgetary units,*
  - *public special purpose funds*
  - *public legal persons,* referred to in Article 4 paragraph 1 subparagraphs 12 of the Public Finance Act – government agencies

## Future key works relating to performance budget

1. Public Finance Act in the scope of performance budget
2. New budgetary classification
3. Interministerial task programmes
4. Three-Year Projection Expenditure and government priorities relations
5. Creation of the evaluation system – indicators database – Supreme Chamber of Control (NIK), Central Statistical Office (GUS)
6. IT and accountancy system
7. Organizational changes in ministries

# Traditional budget – performance budget

Traditional budget		Performance budget	
<b>First classification level</b>			
<b>Part 28. Science</b>	<b>3 755 588</b>	<b>Part: Science</b>	<b>3 755 588</b>
<b>Second classification level</b>			
<b>Section 730. Science</b>	<b>3 688 583</b>	<b>Task 1. Development of polish science</b>	<b>2 867 203</b>
<b>Section 750. Public administration</b>	<b>38 756</b>	<b>Task 2. Intensification of scientific research that serves practical purposes</b>	<b>394 715</b>
<b>Section 752. National defence</b>	<b>15</b>	<b>Task 3. Infrastructure of polish science</b>	<b>388 764</b>
<b>Section 921. Culture and national heritage</b>	<b>28 234</b>	<b>Task 4. Science dissemination and promotion</b>	<b>82 677</b>
		<b>Task 5. Creation and coordination of policy</b>	<b>22 229</b>

<b>Task 2. Intensification of scientific research that serves practical purposes</b>	<b>To increase the impact of scientific research on the country's socio-economic development</b>	<b>Share of Business Expenditure on Research and Development in GDP (BERD)</b>
		<b>Number of patent applications submitted to EPO, USPTO, JPO</b>
<b>Subtask 2.1. Support for research fields preferred for socio-economic development</b>	To increase the number of scientific research applications in the preferred fields of economic practice	Share of funds earmarked for development projects in budget expenditure on science
		Number of specific-purpose projects generated as a result of the implementation of development projects
<b>Subtask 2.2. Support for applied research and development work for entrepreneurs</b>	To increase the possibility of use of R+D work results by entrepreneurs	Increase in the revenue of enterprises participating in the implementation of specific-purpose and development projects
		Number of jobs created as a result of implementing the Ministry's specific-purpose projects
		Enterprise share in financing scientific research conducted within the framework of the Ministry's projects
		Number of patent applications submitted by Polish residents to EPO, USPTO, JPO resulting from the implementation of projects financed by the Ministry
<b>Subtask 2.3. Development of business support institutions facilitating cooperation between science and economy, and scientific research marketing</b>	To arouse more interest in scientific research among entrepreneurs and promote innovative projects	Number of enterprises applying for participation in specific-purpose projects
<b>Subtask 2.4. Technological initiative</b>	To make the use of research and development work in Polish enterprises more intensive and to intensify research to improve competitiveness of the economy	Annual increase in the private sector's expenditure on R+D activities (in billions PLN)
		Number of patent applications submitted to EPO, USPTO, JPO as a result of the project

Thank you  
for your attention!