

# **International Conference on Performance-Based Budgeting: Lessons for Poland**

## **PROGRAMME BUDGETING IN BULGARIA**

**WARSAW**

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# PRECONDITIONS FOR INTRODUCTION

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- ❖ Existing solid public expenditure management system:
  - ✓ aggregate fiscal control
  - ✓ solid reporting, monitoring and control of expenditure within appropriations
  - ✓ reasonably accurate budget estimates versus outturns
  - ✓ a well-defined economic classification
  - ✓ some form of strategic planning
  
- ❖ Consensus that PB is needed to enhance efficiency and effectiveness of government spending
  - ✓ within MoF
  - ✓ within Executive
  - ✓ within Legislature

# MAJOR BOTTLENECKS FOR ENSURING EFFECTIVE AND EFFICIENT USE OF RESOURCES

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- ❖ Macro framework gives only limited guidance to the budget cycle
- ❖ Fiscal framework with functional priorities in practice is not translated to expenditure ceilings for the LMs
- ❖ Weak translation of national and LMs policy priorities into the budget
- ❖ LMs' budgets give very limited insight in their policies/priorities due to the currently used budget classification systems
- ❖ Insufficient capacity for analyses of structural/microeconomic issues at MoF and LMs

# REFORM AGENDA ISSUES

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- ❖ Functioning MTRF
- ❖ Adequate time frame for the budget cycle
- ❖ Budget process decentralization
- ❖ Implementation of programme budgeting
- ❖ Capacity building

# KEY ASPECTS OF IMPLEMENTATION

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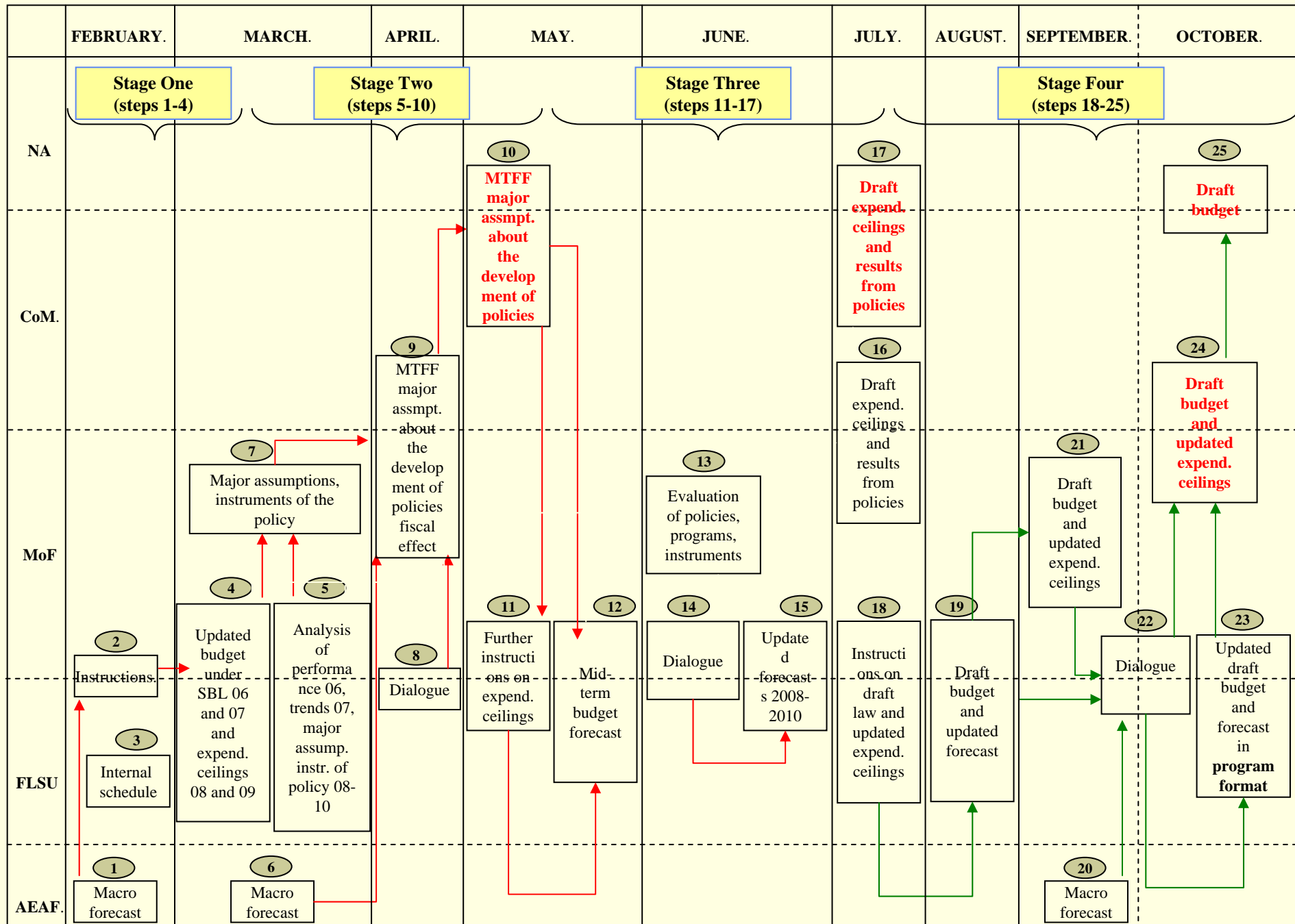
- ❖ Use of trial period and continuous improvement after introduction
- ❖ Broad use of international expertise and experience
- ❖ Conform the methodology with the national PEM environment
- ❖ Communication of the new methodology by means of training
- ❖ Data conversion from the existing systems
- ❖ Cooperation with the National Audit Office
- ❖ Establishment of enabling legal and institutional environment
- ❖ Building consensus for change (especially in the decision making)
- ❖ Striving for political ownership and support

# MILESTONES IN INTRODUCING PROGRAMME BUDGETING

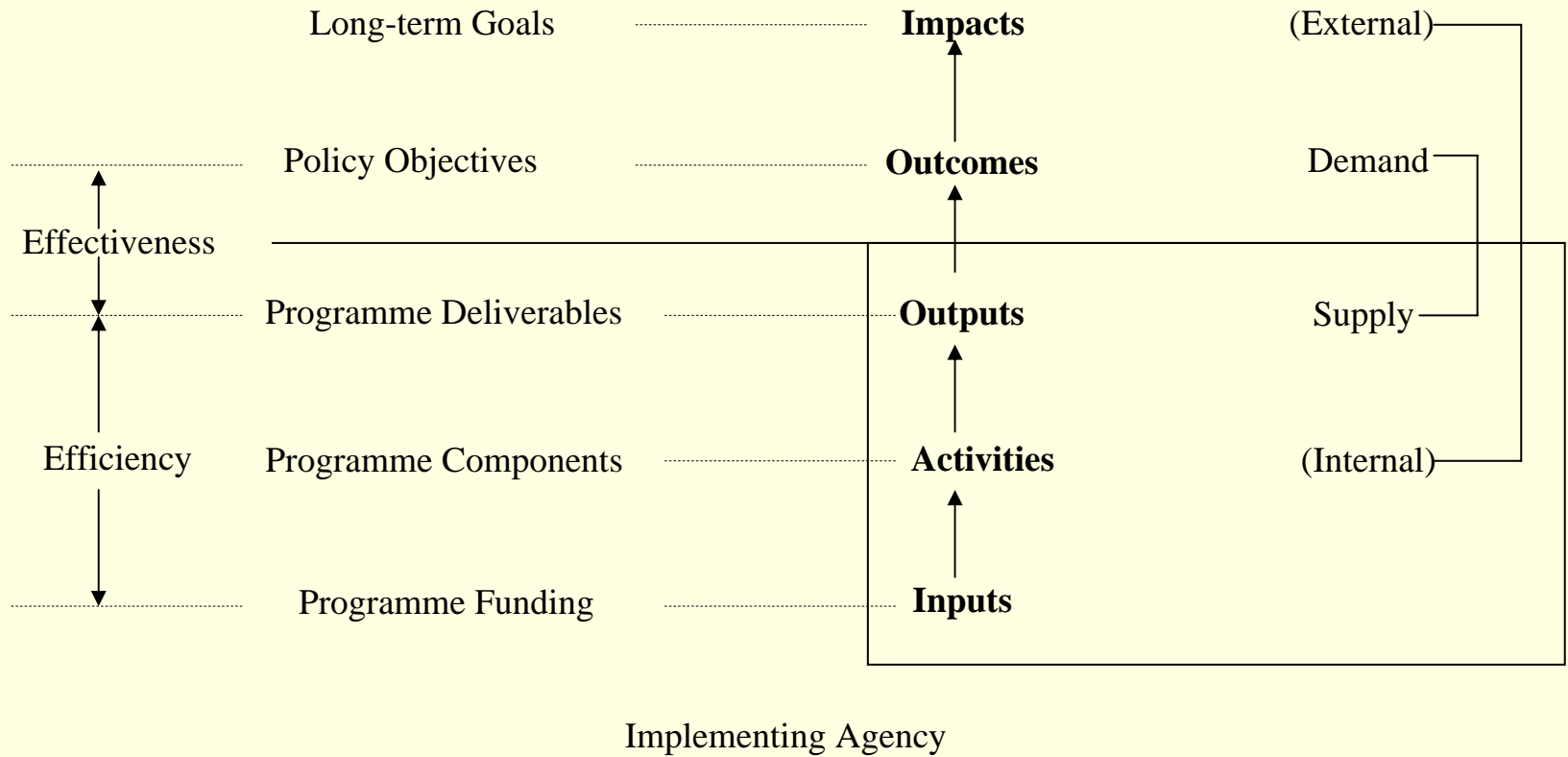
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- 2002** *First pilot* programme budget of the Ministry of environment and waters (MoEW) for 2003
- 2004** *First pilot* execution report of the MoEW programme budget for 2003
- 2005** *Nine pilot* ministries with programme budgets for 2006  
*Parliament votes* MoEW programme budget for 2006 by policies  
*CoM approves* the implementation plan of MoEW's 2006 budget by programmes
- 2006** *All ministries* have programme budgets for 2007
- 2007** *Parliament* will vote all ministries' programme budgets for 2008 by policies

# BUDGET PROCEDURE 2008



# LOGICAL FRAMEWORK HIERARCHY



## POTENTIAL THREATS AT THE DECISION-MAKING CENTER

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- ❖ Still low level of commitment by legislators
- ❖ Central leadership of the reform process still at MoF
- ❖ Time consuming implementation requiring strong administrative support and capacity
- ❖ Still high level of resistance towards accountability on the level of programmes and outputs

# POTENTIAL TECHNICAL PROBLEMS

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- ❖ Inadequate accounting systems to identify the full costs of the implemented government activities
- ❖ Equally constraining problem of developing and identifying performance indicators
- ❖ Budgeters find more comfortable with detail line item controls rather than providing lump-sum appropriations in return for specific level of performance
- ❖ Bad information and management system (IT systems are always problematic)

## LESSONS LEARNED (I)

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- ❖ Programme budgeting reforms should be based on *solid PEM platform*, sustained by stable, credible institutions
- ❖ Programme budgeting is a major investment requiring *substantial human and financial resources*
- ❖ Successful implementation requires *careful planning* on the supply and demand side (large implementation and maintenance costs, **BUT** traction and benefits are long-term)
  - On the supply side - need for teams of *dedicated* technical specialists
  - On the demand side – need to cultivate *demand for reform* by major stakeholders
- ❖ Appropriate pace and sequence depends on the *specific country environment*

## LESSONS LEARNED (II)

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- ❖ Develop carefully planned *implementation strategy* that takes into account cultural change (staff have limited capacity to absorb change)
- ❖ A key feature of the programme budgeting approach is to *let managers to manage*
- ❖ Ensure an *agreement* on identification of relevant performance measures (outputs, outcomes)
- ❖ Observe that all major institutional *reform programmes meet resistance*
- ❖ Ensure visible *political support*



**THANK YOU!**