

Strategic Planning and Budgeting System Reform in Lithuania



MINISTRY OF FINANCE
of the Republic of Lithuania

*18th Annual Meeting of OECD Central, Eastern, and South Eastern
European Senior Budget Officials Network*

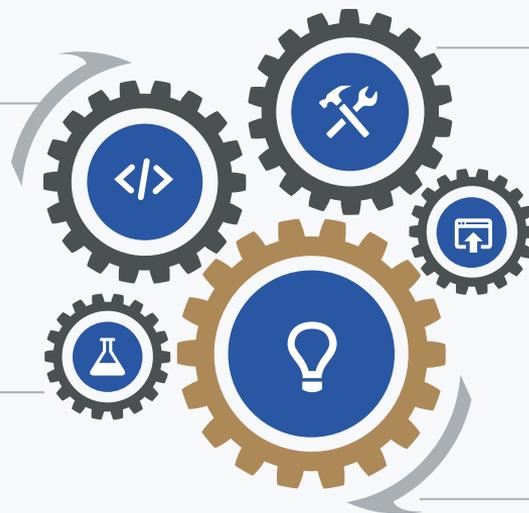
*5-6 December, 2023
Zagreb*

Budget reforms in Lithuania



2008-2011
Budget orientation to results
Monitoring and evaluation tools

1999-2002
Program budgeting and
strategic planning



2012
Monitoring Information
System

2018-2021
**Strategic planning and
budgeting system reform (I):**
Strategic Management System

2022-2025
**Strategic planning and
budgeting system reform (II):**
Medium-term Budgetary
Framework

Problems and challenges of the previous strategic planning system

4 loosely integrated planning systems (strategic, spacial, regional and budget)

Plenty uncoordinated strategies with unrealistic financial demands

Poor orientation to results

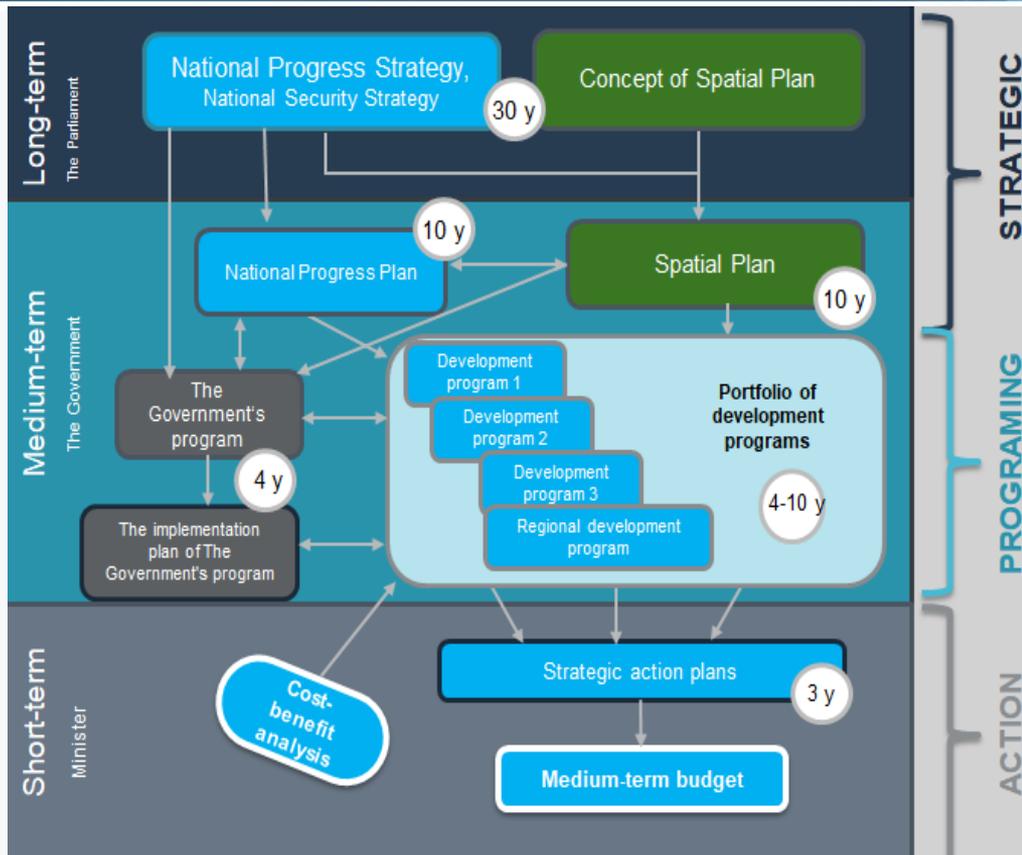
Weak performance monitoring system

Performance information is rarely used for decision making

Lack of connections between budgeting and strategic planning

New programs are funded without strong evidence

New planning system from 2022 integrates strategic, spatial, regional and financial planning



What do we want to achieve with stronger medium-term budgeting?



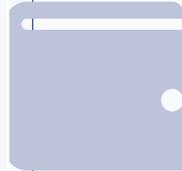
More sustainable state fiscal policy



Evaluation and management of the decisions and commitments and their financial impact for medium-term period



Assurance of appropriations for line ministries and other institutions for medium-term



Reduction of end-year spending problem

Key characteristics of MTBF



| | Current model | New model (from 2025-2027) |
|--|--|--|
| Legislation | Approved by Resolution of the Parliament | Adopted by law |
| Expenditure ceiling | Indicative, on rolling basis for 3 years | Binding (Indicative for municipalities budgets), on rolling basis for 3 years |
| Coverage | 71% of Government sector: <ul style="list-style-type: none"> Consolidated State budget and municipal budgets | 99% of Government sector: <ul style="list-style-type: none"> State budget Consolidated municipal budgets State social funds' budgets |
| Indicators | <ul style="list-style-type: none"> Aggregated State budget and municipal budgets revenue (n, n+1, n+2) Aggregated State budget and municipal budgets expenditure (n, n+1, n+2) | <ul style="list-style-type: none"> Aggregated revenue Aggregated expenditure ceiling Expenditure ceilings detailed for the budgets covered and State budget expenditure ceilings detailed for every appropriation manager Unallocated aggregated expenditure reserve (0,5-1% for year n, ≥ 2 % for year n+1; ≥ 3 % for year n+2) |
| Review | No rules, explanation must be provided | I. Conditions for changing <u>aggregated</u> expenditure ceiling: <ol style="list-style-type: none"> Exceptional circumstances; Decisions by the Parliament to change the income level; Expected change in income exceeding 0.5 percent of GDP according to updated Economic scenario; New Government (during first two years); Additional international financial support. II. Conditions for changing expenditure ceiling of a <u>certain budget</u> (without changing the aggregated ceiling): <ol style="list-style-type: none"> Debt management; Indexation of expenses (set by law); Changes in Government's priorities. |
| Transfer of unused appropriations | Budgetary institutions' income from provided services and from property rent | <ul style="list-style-type: none"> Up to 30% funds for progress (reforms); Up to 3% funds for operational expenditure; EU funds (unlimited); Budgetary institutions' income from provided services and from property rent (unlimited) |



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