



Ministry
of Finance

Republic
of Poland

CHALLENGES IN PERFORMANCE BUDGETING SYSTEM IMPLEMENTATION – Recent Polish experiences

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GENERAL INTRODUCTION

Conceptual framework: defining performance budgeting

Performance budgeting is the use of performance information to link funding with results (outputs, other) with the purpose of increasing efficiency, effectiveness, transparency and accountability.

The OECD has identified three types of performance budgeting:

- Presentational performance budgeting
- Performance-informed budgeting
- Direct / formula performance budgeting

The approaches to performance budgeting differ...

No consensus on **how and to what extent** performance should be concretely used. „More is not necessarily better”.

- **Position 1:** Tie performance information as closely as possible to the budget process. MoF should monitor all government performance to the widest extent possible.
- **Position 2:** This is overly bureaucratic, distorts incentives for managers, produces a high number of unused reports, overburdens the ministry of finance with information, undermines line ministry ownership.
- **Middle ground?:** Performance assessments necessary; particularly within line ministries for debate about results and good management of policies. Cabinet / MoF should use performance information in targeted ways where relevant (e.g. health, education, new programs).

The most important challenges in implementing Performance Budgeting

- Building **appropriate, effective and efficient** system of assessment of effectiveness and efficiency;
- Constructing system for analysing and studying the performance in context of **financing and allocation solutions**;
- To use performance information in **management decision process (and in allocation – where it is possible...)**

Performance information can be used for a variety of purposes

Performance budgeting objectives

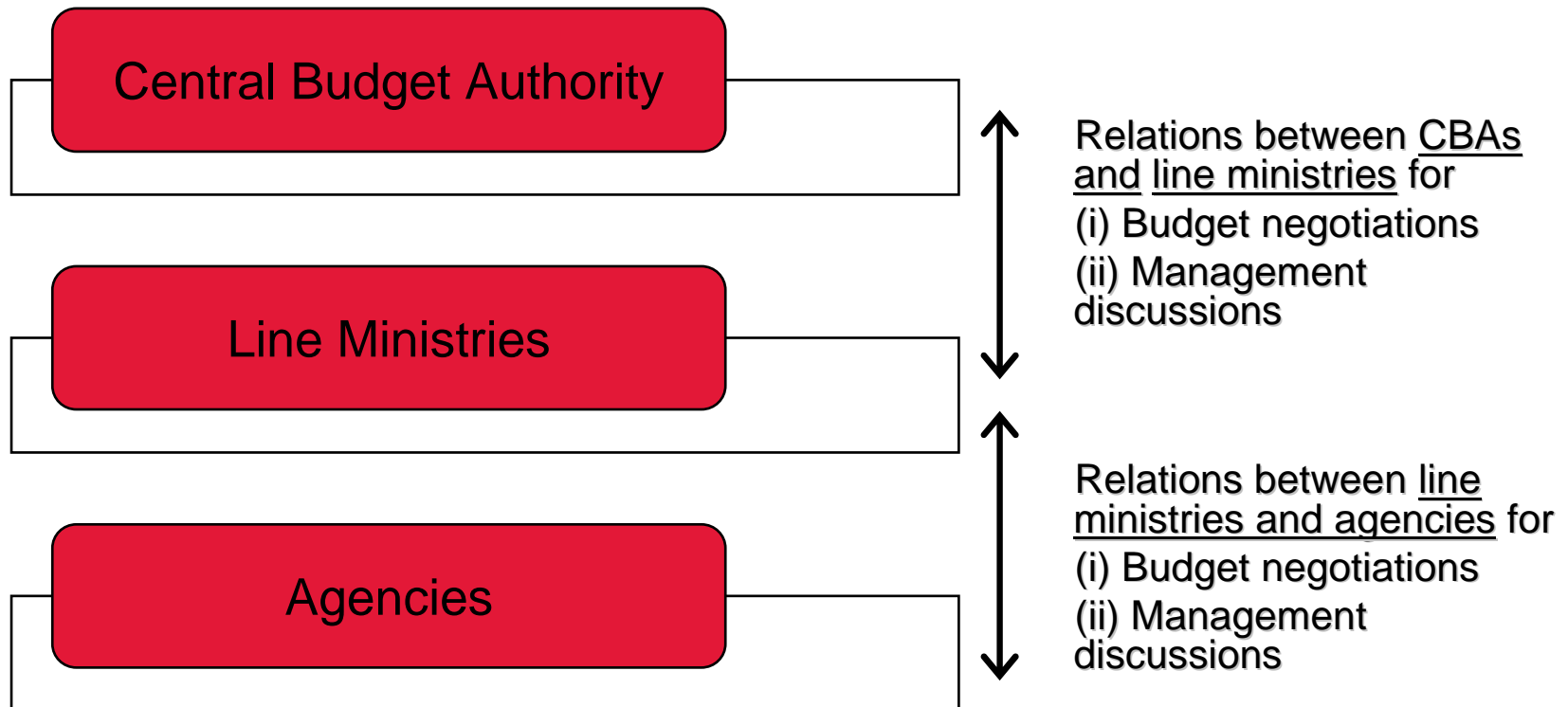


Types of performance in the survey:

- Ministries'/Agencies' financial data
- Ministries'/Agencies' operational data & performance reports
- Ministries'/Agencies' performance evaluations
- Spending reviews
- Independent performance information
- Statistical information (government and international organisations)

Conceptual framework: who uses performance information in the budgeting process?

Scope of Central Government covered in Questionnaire



Preliminary results

- **Preliminary results:** currently being checked for consistency with respondents, data may change slightly as a result. Big externality: the crisis and austerity measures impact time-series analysis.
- **Some initial findings are emerging:**
 - Performance budgeting practices widely implemented, but varied;
 - Performance information more commonly used for management and accountability purposes, than for allocation of resources.
 - Performance budgeting generally decentralised within the central government (to line ministries and agencies), with the exception of spending reviews.
 - Only half of OECD member countries reported conducting spending reviews.

Preliminary results: Spending Reviews

Spending Reviews: A specific kind of government evaluation, commissioned ex ante with the specific objective to identify budgetary savings across government.

Spending Reviews have three main characteristics:

- They not only look at programme effectiveness and efficiency under current funding levels, but also **examine the consequences for outputs and outcomes of alternative funding levels.**
- It is carried out under the responsibility of either the **Ministry of Finance or the Prime Minister`s Office with the participation of the line ministry.**
- The follow-up of spending reviews is **decided in the budget process.**

Spending reviews may also be functional in nature and / or strategic.

Source: OECD

Polish Experiences

Public finance law

The legal basis of public finance system in Poland:

- The Constitution of the Republic of Poland,
- European Union provisions (treaties, directives, decrees),
- Act on Public Finance,
- Act on Revenues of Territorial Self-Governments Units
- The Budget Act,
- Multiannual State Financial Plan
- Resolutions of the Council of Ministers / Minister of Finance,
- Other acts (i. a. budget resolutions of local governments units) and administrative regulations.

Public finance law, and financing of local government

1) The Constitution of the Republic of Poland – state budget also as a source of revenues of local governments

Article 167 - The Constitution of the Republic of Poland

- “Units of local government shall be assured public funds adequate for the performance of the duties assigned to them.
- The revenues of units of local government shall consist of their own revenues as well as general subsidies and specific grants from the State Budget.
- The sources of revenues for units of local government shall be specified by statute.
- Alterations to the scope of duties and authorities of units of local government shall be made in conjunction with appropriate alterations to their share of public revenues.”
(www.sejm.gov.pl)
- **GENERAL (PURPOSE) SUBSIDIES (subwencja) AND SPECIFIC GRANTS (dotacja) FROM THE STATE BUDGET - general characteristics**

2) Act on Revenues of Territorial Self-Governments Units

Performance Budgeting in Poland (I)

LEGAL BASIS FOR FUNCTIONING AND DEVELOPMENT OF BP SYSTEM:

Act on Public Finance – art. 124.10-11

Article 142. “The Budget Bill shall be submitted together with the reasons thereof including in particular:

- 10)** a statement of priority tasks and objectives for the relevant budget year;
- 11)** a consolidated performance-based plan of expenditures for the budget year and two subsequent years of state budgetary units, state special-purpose funds, executive agencies, budget institutions and state legal persons as referred to in Article 9 Subsection, prepared in structure of budgetary tasks, mentioned in art 2.3, with objectives and indicators measuring level of objectives` achievement” .

Other legal acts:

- MoF annual budget circular (methodological guidelines)
- MoF regulations on accounting (incl. PB accounting) and PB reporting

Performance Budgeting in Poland (II)

METHODOLOGICAL AND SYSTEMIC APPROACH:

1. Introduction of **MTEF (WFPF)** with i.a. presentation of expenditures in structure functions of state corresponding to PB structure (MTEF “*determines goals with indicators measuring level of their achievement, in framework of main functions of state*” – art. 107, Act on Public Finance)
2. Comprehensive, consolidated, **3-year Performance Budgeting system** (n+2), as a (non-binding) plan enclosed to justification to the budgetary act (art 142.10-11, Act of Public Finance):
 - presented in a **programmatic, functional, hierarchical structure of 16 functions of state**, and about 90 budgetary tasks (including 140 objectives and 300 indicators on this main PB level; objectives and indicators for all 16. voievodship offices have been unified); and afterwards on **operational level... - subtasks, activities** - according to the catalogue of PB structure fixed in appendix to annual budget circular; objectives are coherent with government strategies, structure adequate to ministries responsibilities for executing particular public policies;
 - **presentational type PB system**, strategic and management tool, used for more transparent justification, and as an assistance in analysing (assessment/evaluation) allocation solutions and results achieved for particular tasks/activities.
3. **Multi-annual programs expenditures** (n+2) presented **strictly within the framework of the Budget Act** with targets and indicators according to PB structure
4. **Executive (operational) financial plans**, also prepared in PB structure (so also... subtasks, activities), as a tool for executing budget... .

Performance Budgeting in Poland (III)

Schedule of implementation of Performance Budgeting in Poland

2007-2015 (1st stage)

– implementation of all mechanisms and features of PB system, i. a:

- establishing legal provisions;
- procedures and methodological guidelines for BP formulation;
- implementing system of strategic PB targets setting;
- development of the PB measurement system, and introduction of the procedure of its verification;
- catalogue / base of indicators elaboration;
- training and education of budgetary holders' staff;
- developing IT solutions (integration of PB and traditional classification budgeting in the framework of one IT system);
- comprehensive connection of traditional and PB classification;
- implementing system of assessment of effectiveness; and efficiency (i. a. evaluation ex-post from executing of PB for budgetary year);

The most important challenge in implementing PB system - evaluation system



Art. 175.1.4. Act on Public Finance (New provision binding from 1st January 2013)



„Budgetary holders (of budget parts) shall exercise supervision/monitoring and control over: (i. a.) efficiency and effectiveness of executing plans in PB structure on the basis indicators measuring level of objectives achievement”.


„Road map” for implementing PB evaluation system – next steps:

- review of decentralised (and also highly specialised) practices of assessment of particular public policies and budgetary tasks, and integration them within the framework of PB evaluation system ;
- preparation of methodological guidelines and best practices base for budgetary holders concerning efficiency and effectiveness assessment/evaluation;
- elaboration of first evaluation ex-post for 2013 fiscal year on the basis i. a. of PI and financial data from BP system;
- In future – possibility of developing of spending reviews methodology on the basis of MTEF and PB performance evaluations.

LUBLIN VOIVODESHIP OFFICE – EXAMPLE FROM PB PRACTICAL SOLUTIONS REVIEW

Witaj Adam Nowak Administrator systemu Budżet24 [Wyloguj](#)  


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BUDŻET KLASYFIKACYJNY
ZOBOWIĄZANIA I NALEŻNOŚCI
ZADANIA POMOCNICZE
PW
WPF
UŻYTKOWNICY
SŁOWNIKI


Plan 2013  2 3 4 5 6 7 8

| | Rok budżetowy | 2012 | Plan 2013 | Limity 2013 | Prognoza 2014 | Prognoza 2015 |
|--|---------------|------|------------------|-------------|----------------|---------------|
| Budżet zadaniowy | | | | | | |
| Lubelski Urząd Wojewódzki | | | 1 360 029 527,26 | 0,00 | 191 740 000,00 | 0,00 |
| Wydział Polityki Społecznej | | | 951 389 616,13 | 0,00 | 190 382 000,00 | 0,00 |
| 13 - Zabezpieczenie społeczne i wspieranie rodziny | | | 863 218 506,79 | 0,00 | 190 382 000,00 | 0,00 |
| 13.1.W - Pomoc i integracja społeczna | | | 216 793 887,99 | 0,00 | 190 382 000,00 | 0,00 |
| 13.1.1.W - Wspieranie osób zagrożonych wykluczeniem społecznym | | | 210 498 870,70 | 0,00 | 183 917 000,00 | 0,00 |
| 13.1.1.8.W - Program wieloletni "Pomoc państwa w zakresie dożywiania" | | | 24 016 722,16 | 0,00 | N 59 000,00 | |
| Dofinansowanie zadania w formie posiłku, świadczenia pieniężnego na zakup posiłku lub żywności albo świadczenia rzeczowego w postaci produktów żywnościowych | | | 23 971 000,00 | 0,00 | | |
| <u>Wydatki bezpośrednie - dotacje</u> | | 0,00 | 23 971 000,00 | | 0,00 | 0,00 |
| 1. UG Abramów | | | | | | |
| <i>852 - 85295 - 2030 - Dotacje celowe przekazane z budżetu państwa na realizację własnych zadań bieżących gmin (związków gmin)</i> | | | | | | |
| | | | N 15 000,00 | | | |
| 2. UG Adamów/pow. łukowski | | | | | | |
| <i>852 - 85295 - 2030 - Dotacje celowe przekazane z budżetu państwa na realizację własnych zadań bieżących gmin (związków gmin)</i> | | | | | | |
| | | | N 28 000,00 | | | |
| 3. UG Adamów/pow. zamojski | | | | | | |
| <i>852 - 85295 - 2030 - Dotacje celowe przekazane z budżetu państwa na realizację własnych zadań bieżących gmin (związków gmin)</i> | | | | | | |
| | | | N 36 000,00 | | | |

Source: Lublin Voivodeship Office Presentation, Conference – PB as a tool for improving management process in public sector institutions, 6th December 2013 (MoF) Warsaw

**Thank you
for your attention**

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