

**FORM B**

**TYPE B STUDY VISIT**

**Visiting institution(s):** Ministry of Finance of Uzbekistan

**Coordinator:** Mr. Ibrohim Muminov, Project manager, UNDP Budget System Reform in Uzbekistan Project, Tel. 99871 239-48-61,  
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**Study visit to:** Republic of Slovenia

**Topic(s):**

Medium-term budgeting;  
Performance based budgeting;  
Public procurements.

**Objectives:**

**In-depth study of**

- establishing effective budget system in the post-soviet country;
- piloting and implementation of mid-term budget framework;
- reforming public procurement system, including establishment of the Agency for Public procurement, approval Law on public procurement;
- lessons learned on public finance management in conditions of the Global Crisis.

**Hosting institution(s):** Ministry of Finance of Slovenia, Public Procurement Office of Slovenia

**Contact person(s) in the hosting institution:** Ms. Mojca Voljč, Ministry of Finance of Slovenia, Budget Directorate, Division of Budget System Development  
phone: +386 1 369 6478 e-mail: [mojca.voljc@mf-rs.si](mailto:mojca.voljc@mf-rs.si)

**Preferred venue/date/duration:** Ministry of Finance of Slovenia/October 11-14/4 days

**Language:** English with translation into Russian

**Other:** Costs other than accommodation and air travel will be fully covered by the UNDP Budget System Reform in Uzbekistan project.

**Enclosure:**  Information document  Preliminary Agenda  List of Participants

**Please return to PEM PAL Secretariat**

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## INFORMATION DOCUMENT

### (i) objectives of the study visit:

In-depth study practical experience in:

- establishing effective budget system in the post-soviet country;
- piloting and implementation of mid-term budget framework (MTBF);
- piloting and implementation of programme budgeting;
- reforming public procurement system, including establishment of the Agency for Public procurement, approval Law on public procurement;
- developing new Public Finance Act which legalizes and supports all innovations in the budget system;
- lessons learned on public finance management in conditions of the Global Crisis.

### (ii) description of the institutional set up and regulation in the country(ies) of the beneficiary(ies) and that of the host (e.g., what are their similarities and how they differ; main challenges, plans/timing for adoption of new legislation / reform implementation):

**Uzbekistan** is a transition economy with stable economic growth over the past 6 years and strategic plans towards liberalizing the public sector. The platform for the budget sector modernization is Public Finance Management Reform Strategy for 2007-2018. The Strategy's main areas are: (1) establishing the Treasury, (2) introducing mid-term and programme budgeting, (3) launching new budget classification and accounting complying with IPSAS and the GFSM 2001. The Treasury has been established and is currently operating successfully, the new comprehensive budget classification is effective from Jan. 1, 2011.

Currently budget reform is focused in introducing mid-term and programme budgeting. In this regard preliminary model for tax revenue forecasting in medium-term, draft guidelines on strategic planning on ministerial level have been developed. To further the reforms in Public Financial Management the Cabinet of Ministers of Uzbekistan issued resolution on developing Budget Code in February 2011. The Code is implied to engulf more improvements in the area rather than simply unifying around 70 legislative documents.

On the other hand the planned reforms raised strong need for training and capacity building of human resources as an indispensable prerequisite of budgetary reforms as preparedness of human resources mostly determines effectiveness of realisation.

Within this course the Government established State Commission on Public Procurement to improve public procurements and provide for their transparency and efficiency through drafting the Law on Public Procurements.

**Slovenia** is a post soviet country which successfully accomplished convergence to market economy. At the public finance sphere the country experienced most effective budget reform among former transition economies. Mid-term budget framework (MTBF) is established and actively used in convergence and stability programs.

In 2009 the Slovenian government launched a project of "target-oriented budgeting", which focused in programme evaluation and setting measurable objectives and indicators to measure the effectiveness of individual programmes. By that time the government had sufficient methodical, material and more importantly human capacity in piloting process of programme budgeting. The project resulted in adoption of Decree on Development Planning Documents and Procedures for the Preparation of the National Budget in 2010. The decree regulates the

process of development planning, designing development priorities and ties them with the preparation of the programme budget. The Decree has also set up a new framework for the coordination of development policies: an umbrella group for development planning, a fiscal policy group and working groups for individual policies.

In the framework of MTBF fiscal rules concerning Government expenditures for the current and following three years are established.

In 2009 under the Law on Public Finance the Government set up a Fiscal Council, a consultative body for independent evaluation of fiscal policies and implementation of structural reforms. In last 2 years competence and role of the Fiscal Council have been enhanced. The Fiscal Council activities accelerated the introduction of innovations in public finance sphere.

The legal introduction of performance-based budgeting and a more comprehensive system of monitoring public finance developments, 5-year MTBF, fiscal rules, budget classification and accounts fit to GFSM 2001 required drafting new Public Finance Act.

The Government has set up an Agency for public procurement and adopted Law on Public Procurement with objective to increase the efficiency and transparency in public spending. These developments significantly promoted Slovenia's evaluation by OECD MAPS.

### **(iii) socio-economic context of the visiting country:**

Slovenian economy has been affected by the international financial crisis that led to a negative GDP growth of 8.1% in 2009. Going forward until 2014, a gradual economic recovery and normalization of financial conditions are envisaged, while the real GDP growth rates are expected to reach 2.8% by the end of the medium-term programme period. The severe economic downturn and a reduction in the corporate income taxation have resulted in a sizable permanent loss of revenue and a fall in its level below historical trends. In this context consolidated government deficit equals to 5.5% of GDP. Beginning from year 2013 consolidated government deficit will be below 3% of GDP.

Macroeconomic measures to secure the achievement of the above targets as well as other key targets are reflected upon economic policy objectives and measures within the framework of the Stability programme for 2011-2014. Given the envisaged gradual economic recovery the policy priorities are: (1) reduction and greater efficiency of general government expenditures; (2) implementing the structural reforms agenda, most notably with regard to the pension reform; (3) supporting the economic recovery and employment through improved business climate, fostering an environment for job creation in the higher value added segment of the labour market and encouraging return to the labour market.

Moreover the government introduced a series of targeted and temporary measures for relatively shorter period (years 2009 and 2010) to mitigate the impact of the crisis on the economy. These measures focused on public sector wages, expenditures on goods and services, transfers to individuals, excise duties.

In this regard transfers to individuals are also underlined by the fact that the crisis continues to unfold, particularly on the labour market, where temporary unemployment risks becoming permanent. Emphasis is also being made on fostering labour activation, including through various skills development programmes. Year 2010 witnessed unemployment rate of less than 8% and according to estimates it will remain above this level in next 5 years due to faster improvement in labor productivity than the economic growth.

Slovenia supported and joined the Euro plus Pact at the European Council in March 2011. The Pact aims at fostering competitiveness and employment, ensuring further measures for long-term sustainability of public finances and stabilizing the financial system. The

government has put forward a draft set of possible Slovenian national commitments under the Pact which will be subject to discussion with the social partners in the forthcoming months.

**(iv) any other development cooperation project in the same area currently planned or implemented:**

Besides UNDP Project “Budget system reform in Uzbekistan” other international organizations deliver assistance in field of public finance management. In order to achieving synergy effect, interaction, consolidation and efficient use of resources Ministry of Finance through Project “Budget System Reform in Uzbekistan” has established regular process of knowledge and experience sharing with other donors, international organizations and development institutions (including World Bank, International Monetary Fund, international cooperation agencies of such countries as France and Turkey). Currently joint activities include:

- study tours, trainings on implementing performance based budgeting, improvement of interbudgetary relations, adaptation of new pedagogical technologies for educating public servants within the framework of cooperation with ADETEF (France) and TIKA (Turkey).
- expert support for the project’s outputs provided by IMF. Particularly during the last 2 years intensive exchange of opinions and cooperation with Regional advisor of IMF in Central Asia have been conducted. As a result the advisor participated in development of methodical guidelines and draft legal acts on implementing new tools of budget planning. Cooperation for expertise is agreed in the framework of forthcoming activities on drafting Budget Code.
- joint discussions and sharing opinions with international experts on improvement of legal base of public procurement through peer review from the World Bank country office.

**(v) intended follow-up activities; etc.**

Slovenian reform experience will be used as lessons learned, prevent issues and risks and based on this improve planning and executing public expenditures in Uzbekistan, particularly in introducing and implementing PBB, mid-term budget planning, system of public procurement. Particularly lessons learned and experience will be useful in developing:

- Methodical base for program method of planning and executing budget expenditures. Experience of Slovenia will be useful for developing methodology and procedures of developing budget programs, including goals, tasks and indicators, evaluation of their achievement, linking them to financial resources;
- Draft Budget Code of Uzbekistan and Law on public procurement. The most important aspect is that the experience will be employed in drafting new Budget Code which incorporates piloted innovation in the Budget process, public procurement legislation for ensuring efficient use of public funds.
- Finalize piloting models for tax revenues mid-term forecast. The Slovenian experience of linking budget sphere indicators to macroeconomic trends in mid-term will be useful in improving methodology of tax revenues forecast in mid-term perspective.
- Capacity building of officials of regional branches of the Ministry of Finance. The participants will conduct presentations and short trainings on learned Slovenian experience ensuring the multiplication effect.

**AGENDA  
STUDY TOUR TO SLOVENIA  
FOR OFFICIALS FROM THE MINISTRY OF FINANCE OF UZBEKISTAN**

<b>Study Tour Programme</b>		
<b>When</b>	<b>Subject</b>	<b>Duration</b>
<b>DAY 1 – 11.10.2011</b>		
0930	<b>Welcome, introduction</b>	15 min
0945	<p><b>MoF Organisational Structure and Staffing involved in budget development including:</b></p> <ul style="list-style-type: none"> <li>• Structure of the Budget Directorate (including positions and competencies)</li> <li>• Relationships and workflows between the Budget Directorate and other MoF directorates</li> <li>• Relationships and workflows between Budget Directorate and Budget Users</li> </ul> <p><b>Overview of Slovenian Budget Reform and Budget Documentation</b></p> <ul style="list-style-type: none"> <li>• Enabling legislation</li> <li>• Budget planning and preparation procedure</li> <li>• Structure and content of the annual budget submission to Parliament;</li> <li>• Use of supplementary explanatory information;</li> <li>• Role of Parliament – scrutiny and review</li> </ul>	1,15 hour
1100	<b>Coffee Break</b>	15 min
1115	<p><b>Setting Fiscal Strategy and Policy Priorities</b></p> <p><b>Fiscal Strategy</b></p> <ul style="list-style-type: none"> <li>• Macroeconomic indicators</li> <li>• Establishing budget parameters (aggregate revenues and overall fiscal balance)</li> <li>• Medium term financial framework</li> <li>• Setting fiscal targets (aggregate revenues and overall fiscal balance)</li> <li>• Maintaining Fiscal Discipline</li> </ul> <p><b>Policy Priorities</b></p> <ul style="list-style-type: none"> <li>• National Development Plan</li> <li>• Sector strategies and plans</li> <li>• Prioritising policy initiatives and spending decisions</li> <li>• Memorandum</li> </ul>	1,45 hour
1300	<b>Lunch</b>	1 hour
1400	<b>Fiscal Consolidation in the Post-Crisis World (Analysis of Cyclical Budget Developments)</b>	1 hour
1500	<b>Coffee Break</b>	15 min
1515	<b>Forecasting Government Sector as a part of MTBF</b>	1,15
1630	<b>Close of Day 1</b>	
<b>DAY 2 – 12.10.2011</b>		
0930	<p><b>Budget System and Budget Preparation Procedures in Slovenia</b></p> <ul style="list-style-type: none"> <li>• Legislation</li> <li>• Budget Classifications</li> <li>• Budget Structure</li> <li>• Organization and Responsibilities</li> <li>• Information system</li> </ul>	1,5 hour
1100	<b>Coffee Break</b>	15 min
1115	<p><b>MTBF</b></p> <p>Scenarios for state budget expenditure – example of Slovenia</p>	1,15 hour

1230	<b>Lunch</b>	1 hour
1330	<b>Budgeting for results</b> <ul style="list-style-type: none"> <li>• Programme or results-based budgeting in Slovenia</li> <li>• Developing performance indicators and performance targets</li> <li>• Using performance information to: <ul style="list-style-type: none"> <li>◦ Improve budget outcomes</li> <li>◦ Strengthen programme management</li> </ul> </li> <li>• The order of conducting the monitoring of implementation the budget programs</li> <li>• Control over realization of budget programs (organizations, internal and external control)</li> </ul>	1,5 hour
1500	<b>Coffee Break</b>	15 min
1515	<b>Methodical base for Program budgeting (guidelines, manuals, instructions, etc.)</b>	1,15 hour
1630	<b>Close of Day 2</b>	
<b>DAY 3 – 13.10.2011</b>		
0930	<b>The structure and procedure of complying budget based on program method, commitments on results and reporting on results</b>	1,5 hour
1100	<b>Coffee Break</b>	15 min
1115	<b>Programming, monitoring and evaluation system - Example of Slovenia</b>	1,45 hour
1300	<b>Lunch</b>	1 hour
1400	<b>Organization of public procurement system</b> <ul style="list-style-type: none"> <li>• Contracting authorities</li> <li>• Treatment of economic operators</li> <li>• Fundamental principles</li> <li>• Scope</li> <li>• Thresholds for publication</li> <li>• Exceptions in public procurement</li> </ul>	1 hour
1500	<b>Coffee Break</b>	15 min
1515	<b>Legal base and regulation of public procurement</b> <ul style="list-style-type: none"> <li>• General presentation of European and national public procurement legislation</li> </ul>	1,15 hour
1630	<b>Close of Day 3</b>	
<b>DAY 4 – 14.10.2011</b>		
0930	<b>Methodology of public procurement including planning and interrelation with other economic policies</b>	1,5 hour
1100	<b>Coffee Break</b>	15 min
1115	<b>Types and procedures of public procurement</b> <ul style="list-style-type: none"> <li>• Presentation of types and procedures of public procurement</li> <li>• Framework agreements</li> <li>• Common public procurement</li> </ul>	1,45 hour
1300	<b>Lunch</b>	1 hour
1400	<b>Types and procedures of public procurement (continued)</b> <ul style="list-style-type: none"> <li>• Procurement portal</li> <li>• Phases of the procedure</li> </ul>	1 hour
1500	<b>Coffee Break</b>	15 min
1515	<b>Control over public procurement</b> <ul style="list-style-type: none"> <li>• Presentation of review procedures concerning the award of public contracts</li> <li>• National Review Commission for Reviewing Public procurement</li> </ul>	1,15 hour
1630	<b>Close of Day 4</b>	