



**IMF PUBLIC FINANCIAL MANAGEMENT ADVISOR
SOUTH EAST EUROPE**

Budgeting for Results

Dirk Jan Kraan
IMF PFM Advisor
South East
Europe

Phone: +386 1 369 6186

Fax: +386 1 369 6242

dkraan@imf.org

PEMPAL
Budget Community of Practice

Tirana, 26 February 2013



Outline of the presentation

- Three periods of public administration reform;
- Problems of performance budgeting;
- New trends:
 1. Accountability of line ministers;
 2. Transparency of the budget;
 3. Cost scrutiny;
 4. Spending review.



Three periods of public administration reform

- Receding government (1980 – 1990)
- New public management (1990 – 2005)
- Basic government (2005 – now)



Receding government

“Government is the problem, not the solution”

- Privatisation;
- Deregulation;
- Decentralisation;
- Reduction of the tax burden;
- Consolidation of expenditure.



New Public Management

“Let managers manage”

- Separation of policy execution from policy development;
- Loosening standards of operational management;
- Steering and control of executive agencies on the basis of outputs;
- Budgeting based on outputs (performance budgeting);
- Outsourcing of intermediate production to the market.



Basic Government

“More warm hands, less cold hands”

- Vertical integration;
- Support service sharing;
- Common process units;
- Integration of regulatory and supervisory agencies;
- Enhancing standards of operational management;
- Concentration of standard setting for operational management;
- Separation of financing of agencies from steering;
- Separation of budgeting from sectoral policy development;
- More coherent task division between levels of government;
- Taylor-made service delivery;
- Risk-based supervision and enforcement.



Problems of performance budgeting

- Outcomes are not under the control of government; outputs are difficult to measure;
- Outcome and output definitions are political and volatile;
- Budgeting is about needs not outputs;
- Incentives undermine the reliability of results information.



New trends I: Accountability of line ministers

Line ministers are accountable for:

- Definition and realization of outputs/outcomes;
- Policy evaluation;
- Regular updating of baselines (required by cost developments, demand developments, new substantive legislation)
- Compliance with budget ceilings, if necessary, by compensation.



New trends II: Transparency of the budget

- Programme classification;
- Separation of budgets for programmes and administration;
- Limited number of line items (not more than 200);
- Explanation of programme and administrative costs in the budget documentation;
- Horizontal and vertical explanation of line items.



New trends III: Cost scrutiny

- Norm-cost financing where possible;
- Strong financial directorates in line ministries with direct access to the minister;
- Assessment of the input mix;
- Flexibility of the input mix;
- Support function in the ministry of finance for agency financing.



New trends IV: Spending review

- The budget process is asymmetric;
- Development of good savings proposals requires a separate procedure;
- Spending review should support the setting of ceilings;
- Line ministries should do most of the work but not dominate the spending review process.