

Overview of the budgeting system in Poland

performance budget and budgetary reform



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- 1. Where are we now?**
- 2. How will we measure our progress?**
- 3. How will we get there?**
- 4. Where do we want to be in the future?**

Performance budget system

2008	2012
performance budget contained 44% of budget expenditures	performance budget contained 100% of budget expenditures
some of budgetary holders excluded from performance budget planing	performance budget plan for budgetary holders of all budget parts
preliminary expenditure projection for two years	full expenditure projection for 2013, 2014
tasks and sub-tasks specified by budgetary holders within particular budget parts	sub-tasks and activities defined by budgetary holders in performance budget system according to Ministry of Finance catalog

Methodology of performance budget

Budget note 2009

Definition: A three-year consolidated expenditure plan of state budgetary units, earmarked funds and state legal persons prepared in the system of functions, tasks and subtasks

Catalog of functions and tasks (not more than 5 sub-tasks within one task of budgetary holders

Objectives: ≤ 2 for tasks and sub-tasks
3 categories (specific, measurable and timely defined)

Indicators: ≤ 3 for tasks, 1 for sub-tasks

2010
→
2011

Budget note 2012

Definition: A three-year consolidated expenditure plan of state budgetary units, earmarked funds, executive agencies, budget institutions and state legal persons prepared in the performance-based budgeting system

Catalog of functions, tasks, sub-tasks and activities. Uniform catalog for voivods

Objectives: ≤ 2 for tasks 1 for sub-tasks and activities; 6 categories (specific, measurable, timely defined, essential, coherent and realistic)

Indicators: ≤ 2 for tasks 1 for sub-tasks and activities; 2 new guidelines; 3 forbidden categories; $\geq 20\%$ indicators from base

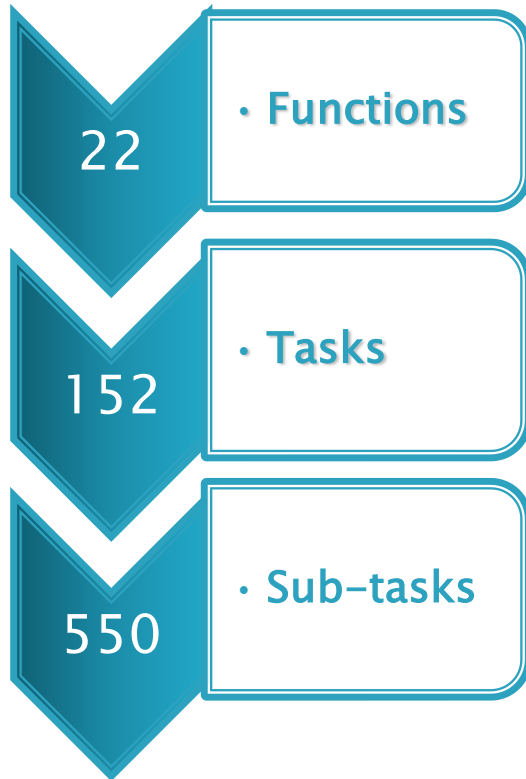
Performance budget and public finance reform

Legal basis: The Public Finance Act of 27 August 2009 (entered into force in January 2010)

- **Definition of performance budget and performance budgeting system (function, tasks, subtasks, and also additional level – activities;**
- **Introduction of multi-year planing. The Multi-Year Financial Plan of the State and Multi-year Financial Forecast of the local government units;**
- **Implementation of a special tools which allows to include performance information into the budgetary preparation process. In this context, effective use of clear, high quality performance information will be ensured by mechanism of monitoring, evaluation and reporting of PB;**
- **Future plans in the scope of implementation of PB.**

Performance budget system

2008

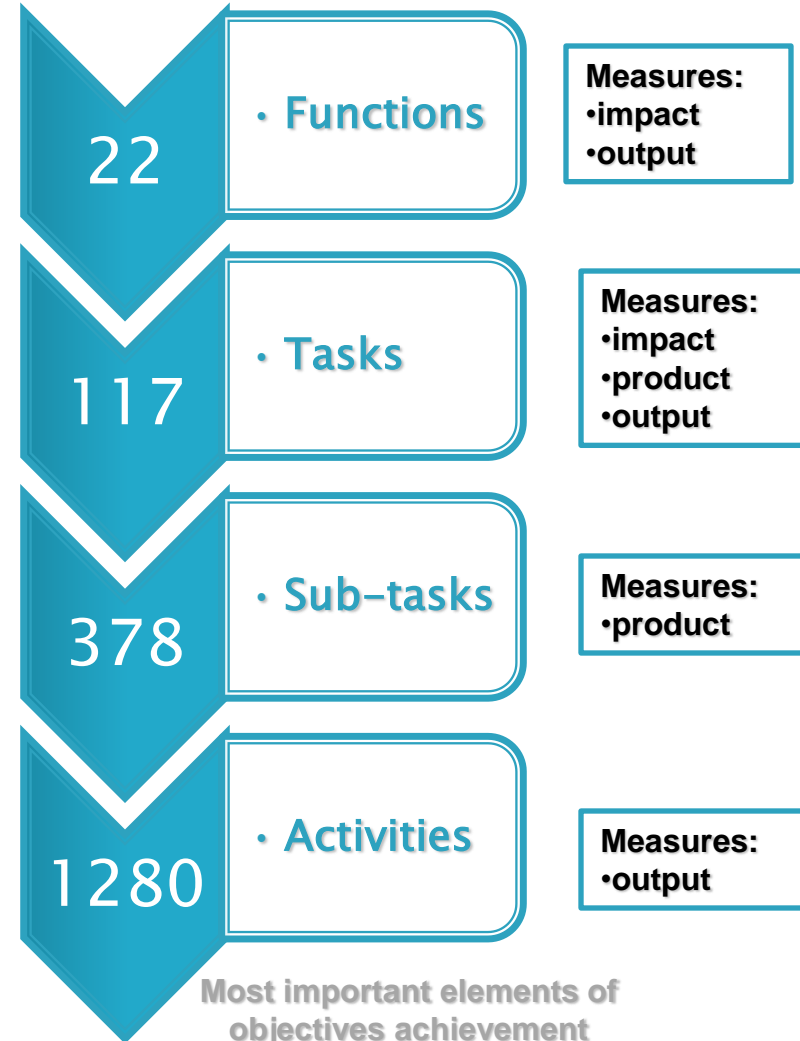


Expenditure of one State activity area

Expenditure according to objectives

Influence on the achievement of objectives on task level

2012



Most important elements of objectives achievement process on the level of subtask and task

Advantages of performance budget system

Function/ Task/ Sub-task	Budget holder	Budget part	Objective	Indicator			Planned State budget expenditure in 2012 (thousand PLN)		
				Name	Base value	Value in 2012 r.	Total	State budget expenditure 2012 r.	EU Budget
1	2	3	4	5	6	7	8	9	10
FUNCTION 1. State management									
Task 1.1.									
Sub-task 1.1.1.									
Activity 1.1.1.1.									

- Possibility to show all budgetary holders who realize objectives in the given function
- List of all objectives of budget holders determined by their policies
- Possibility to compare effectiveness and efficiency of spending within the equivalent activity
- Consolidation of expenditure spent by all budget holders on objectives within given function

Performance budget	Traditional budget
2012	2012
22 FUNCTIONS	84 budget parts
117 tasks	32 sections
378 sub-tasks	504 chapters
1280 activities	
Expenditure plan transparent and flexible	Unclear budget structure

Budget part	Chapter	Section	Content	Position	Expenditure plan 2012	Expenditure categories						
1	2	3	4	5	6	7	8	9	10	11	12	13
01			Chancellery of the President									
	751	75103	National Security Bureau									

Describing part of performance budget system

I. Budgetary holders

- Budgetary holders and entities that carry out tasks within a function

II. Description of the tasks

- Description of the tasks carried out within a function, in accordance with the arrangements set out in detail the form and content of the guidelines. Objectives and indicators set at the level of tasks and activities that affect the execution of subtasks (1. Information whether the indicator has been taken from available databases; 2. Algorithm for calculating the meter; 3. Unit of measure; 4. Planned value of the indicator which is to be achieved in current year; 5. Risk assessment of failure to achieve planned values for reasons other than financial; 6. Justification for using the indicator; 7. Reference to indicators and their values used for the task in the past years, when changing the meter or the level of its implementation)

III. Comments

- Observations and comments on their task-specific spending plan, the planning process, including reference to the whole of that plan, as well as the current budgeting methodology

Objective settings

1. Specific

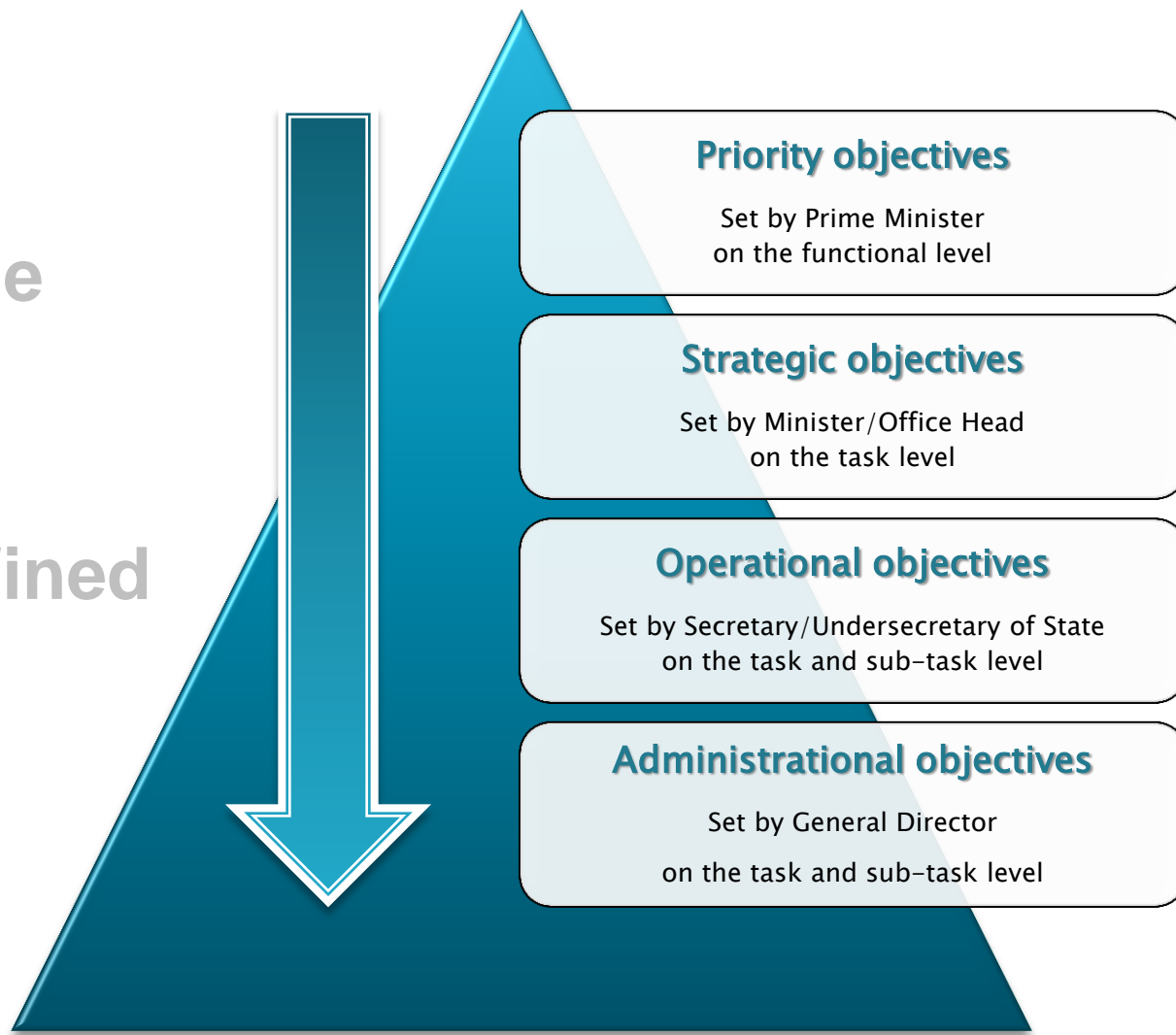
2. Measurable

3. Realistic

4. Timely defined

5. Essential

6. Coherent



Priority objectives

Set by Prime Minister
on the functional level

Strategic objectives

Set by Minister/Office Head
on the task level

Operational objectives

Set by Secretary/Undersecretary of State
on the task and sub-task level

Administrative objectives

Set by General Director
on the task and sub-task level

Indicators

2008

Budget holders choose
what they wish to be held
accountable for

586 Objectives
1060 Indicators
(task level)

The Ministry of Finance has a
co-ordinating and advisory role
and does not impose the use of
a certain indicator or target
upon budget holders.

2012

More indicators but most
importantly better quality
≥ 20% indicators from the base

614 Objectives
1288 Indicators
(task level)

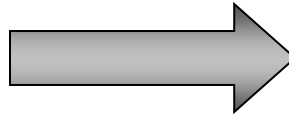
2011

Review of foreign indicators
Review of national indicators
Database with description cards

Databases prepared for the
Ministry of Finance by external experts
in consultation with the budget holders

Consolidation of public finances

Control of public spending as a way to economic crisis



Plan for development and consolidation of finances 2010-2011

Effective planning and implementation of long-term budgeting as a priority of strengthening the institutional framework and public finance organizations

Objectives:

- Increasing the efficiency of management and public spending
- Reporting based on measuring the performance of public institutions and effectiveness of policies

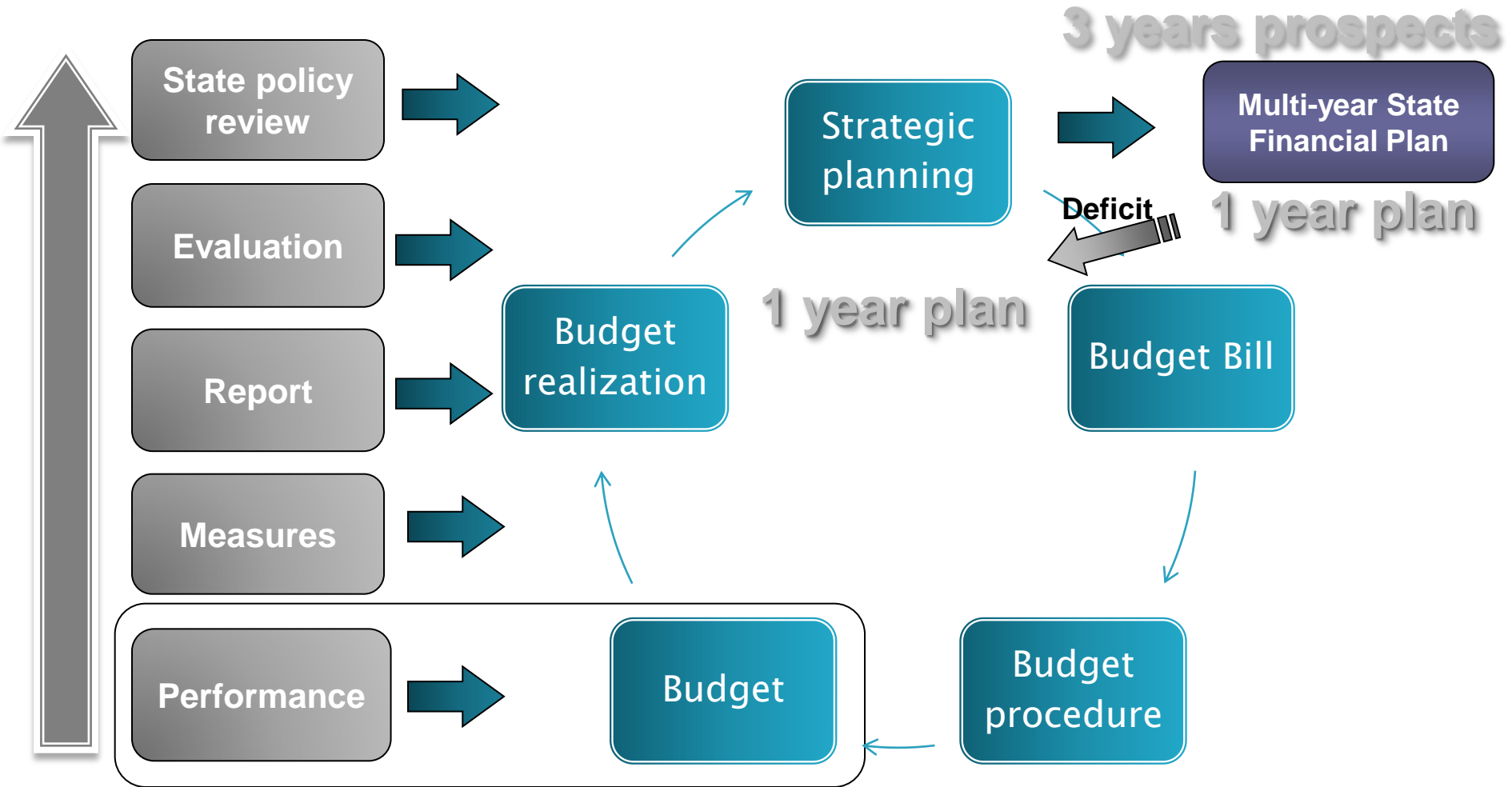
Tools:

- The Multi-Year Financial Plan of the State
- Implementation of performance budget in public institutions
- Depth analysis of the effectiveness of spending for selected functions of the state

Result:

- Optimization of allocation decisions on total public expenditure and increasing the stability of the country's fiscal policy

Budget cycle and strategic planning



Multi-year planning

- basic macroeconomic values
- directions of the fiscal policy
- forecasts of state budget revenues and expenditures
- the amount of the deficit and the borrowing requirements of the State budget and also the sources of financing thereof
- forecasts of revenues and expenditures of the EU budget
- outturn of the EU budget
- consolidated forecast of the balance of the public finance sector
- the amount of public debt

Multi-year State
Financial Plan

linking long-term financial
planning with the
development priorities of the
country

Multi-year State
Financial Plan

indicators of effectiveness
and efficiency for different
objectives and priorities in
the budget

Multi-year State
Financial Plan

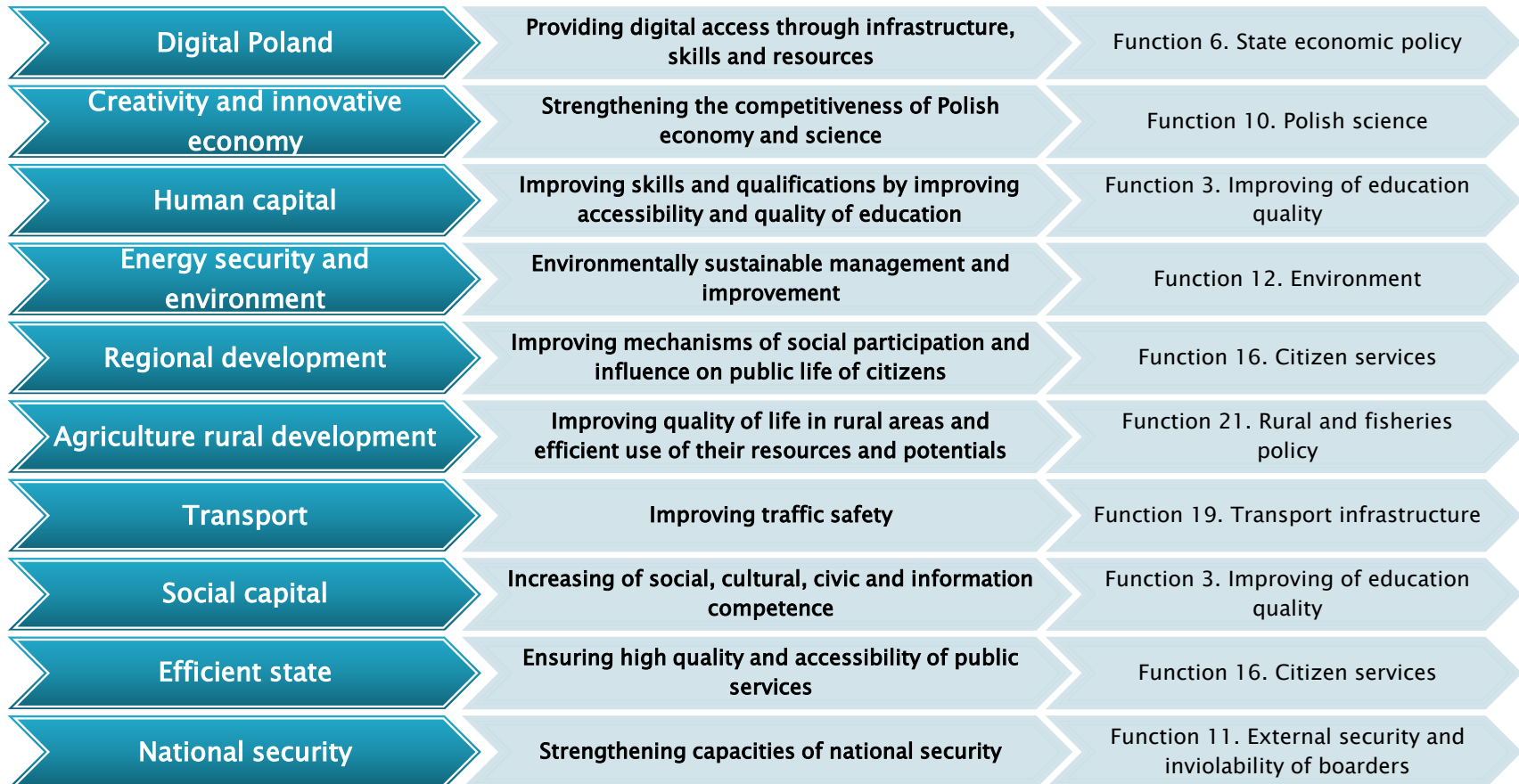
increase the flexibility of
budgeting and the ability to
move between different tasks
during the year

PUBLIC FINANCE MANAGEMENT
STRATEGIC PLANNING

Priority tasks and strategic planning in multi-year prospect

Strategic areas

Connections between development priorities and functions - examples



International recommendations

- **Development of indicators, targets in the areas most suited for performance budgeting, while at the same time relaxing requirements in other areas where the benefits are less apparent**
- **Limit different organisations sharing the same programmes**
- **Focus on the operational efficiency of agencies**
- **Work to increase the use of output and outcome indicators, rather than activity indicators**
- **Introduce multi-year agreements connected to the Multi-Year Financial Plan (MYFP) as a way to align budgeting and target setting while preventing overload in the annual budget process**
- **Introduce spending reviews within specific expenditure areas to support the performance budgeting process**
- **Connect the new performance agreement system (“contracts” between the Chancellery of the Prime Minister and each spending ministry) to the MYFP**

Performance budget path in Poland

2011

Indicators base for all functions
Finished system of reporting
First monitoring

2012

PB for 2013
Effective management public funds at the central level using indicators and multi-year planning

2013

Guideliness for evaluation PB
IT system

2014

Report of executing PB for 2013
Ex-post evaluation document from executing PB

2015

Report concerning influence of PB on public finance sector
Settlement of ESF projects

Thank you for attention !!!

