



# **PROGRAM BUDGETING IN THE REPUBLIC OF KAZAKHSTAN**



**Astana, 2012**



### General Information

**Territory** - 2.724.900 sq/ km;

**Population**– 16, 5 mln. Density of population: 5,9 people per 1 sq/ km;

**Currency** – tenge;

**State Budget as of January 1, 2012:**

*Revenues – 5 370 826,0 mln tenge;*

*расходы – 5 423 234,6 mln tenge;*

**State structure** – Republic of Kazakhstan is unitary state with presidential governance. The head of the state is President Nursultan Nazarbaev (from 1991). State power in Kazakhstan includes legislative authority executed by the **Parliament**; executive authority executed by the **Government** that consists of central bodies (ministries, departments and agencies) and local authorities (akimats); judicial authority executed by **state courts** (Supreme Court and local courts).

# PERFORMANCE BASED STATE GOVERNANCE SYSTEM IN THE REPUBLIC OF KAZAKHSTAN

The Message of the President of the Republic of Kazakhstan,  
N.A. Nazarbaev to the People of Kazakhstan  
(February, 2008)

- ✓ The main goal of the administrative is **increase of efficiency and performance of the administrative apparatus...**
- ✓ The Government shall speed up implementation of policies envisioned in the administrative reform aimed at development of public administration system of Kazakhstan that is **based on performance, transparency and accountability principles with due account of international best practices**
- ✓ **Enhancement of budget performance.** All expenditures not related with social wellbeing of the population should be cut.

***Implementation concept of performance-based public planning system***  
stipulates the following tasks :

- ***increase of state bodies independence in decision making process;***
- ***increase of state bodies responsibility for provided services and achieved outcomes;***
- ***reform of the budget process to ensure transparency and accountability of state bodies.***

# BASICS OF THE PERFORMANCE-BASED PUBLIC PLANNING SYSTEM IN THE REPUBLIC OF KAZAKHSTAN

## **New version of the Budget Code**

- regulates *all processes and stages of the budget process from the moment when budget requests are drafted on the basis of strategic directions and objectives up to comprehensive assessment of each public body performance;*
- ensures *transfer from “public funds management” method to “performance management”;*
- envisions *implementation of three-year budgeting;*
- guides *the activity of public bodies on achievement of strategic goals, tasks and actual results.*

## **Decree of the President of the Republic of Kazakhstan on Public Planning System in the Republic of Kazakhstan**

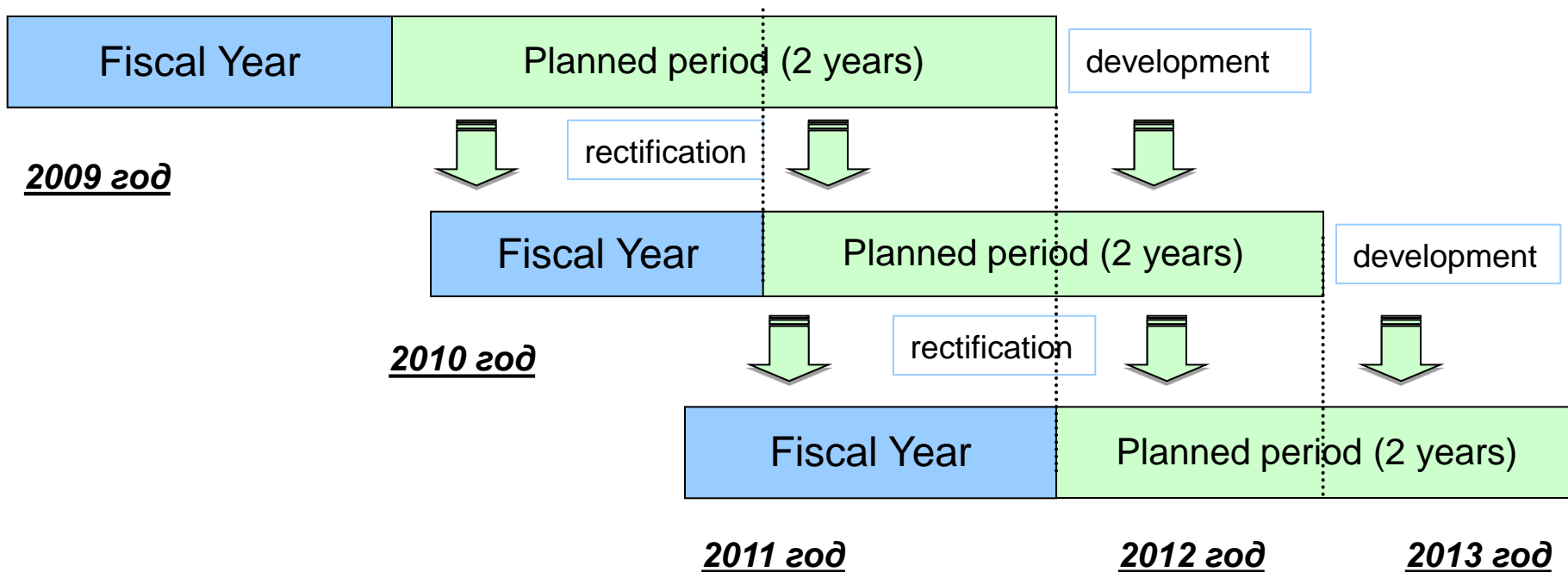
- establishes *main principles and mechanisms of public planning system in the Republic of Kazakhstan;*
- defines The Public Planning System as *set of interconnected elements that consists of principles, documents, processes and participants of public planning; in facilitates long- and midterm development of the country;*
- contains *main provisions on drafting, approval, implementation, monitoring, evaluation, adjustment, and control of the documents in the State Public Planning System.*

**Decree of the President of the Republic of Kazakhstan on the System of Annual Performance Assessment of Central Public and Local Authorities of regions, cities of republican status and the capital** sets forth *main provisions, principles, directions, defines the system of bodies and procedure of execution of annual assessment of public bodies performance, and appeal the findings of the assessment on the basis of strategic plans of the public bodies*

# MID-TERM BUDGETING

Starting from 2009, three-year budget is approved in Kazakhstan (*at the republican level from 2009, and at the local level from 2010*)

*The principle of “rolling” three-year budget*



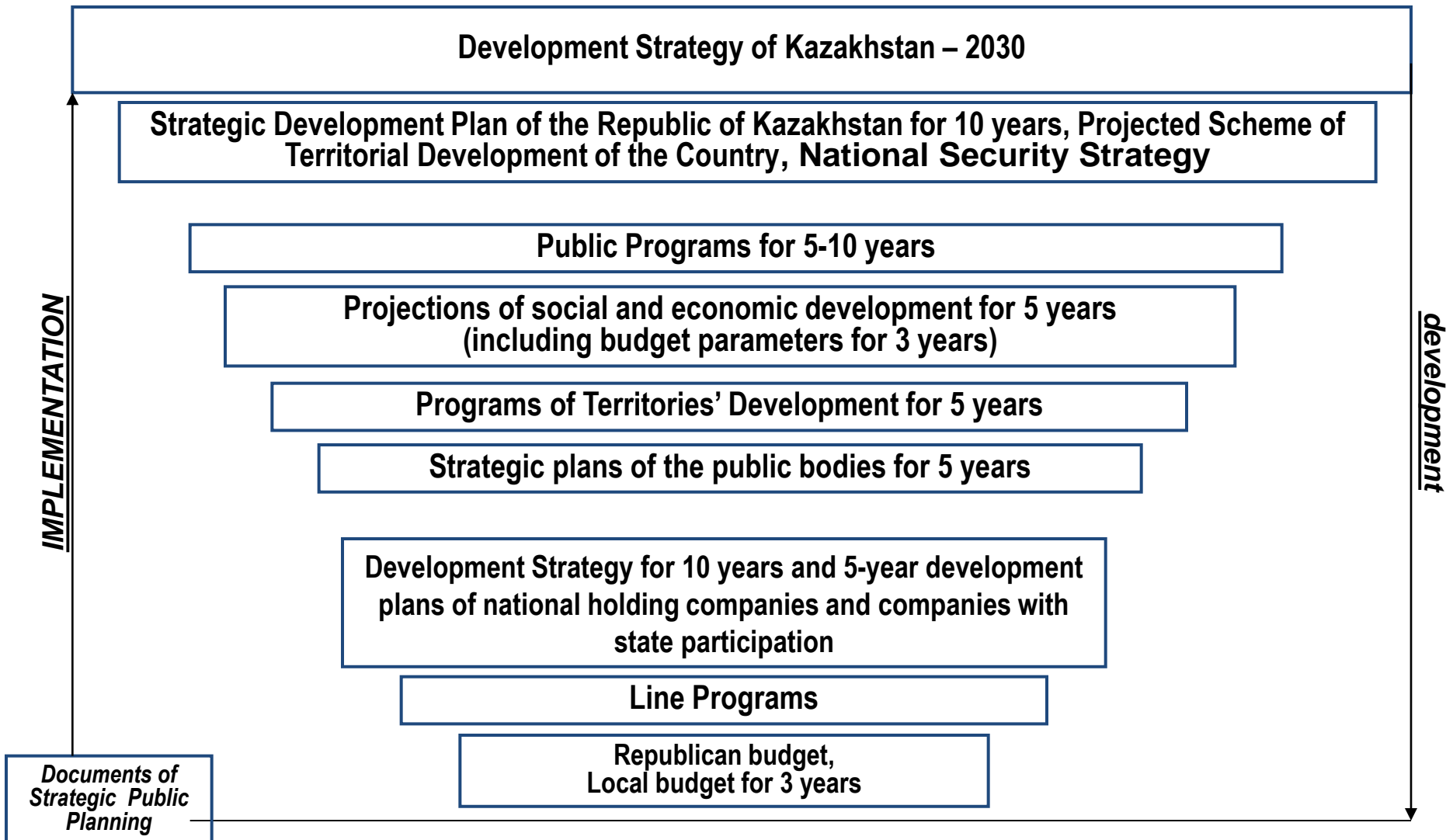
Development of mid-term budget with the aim of planning strategic goals for the period exceeding one year, improvement of resources predictability at the disposal administration of budget programs administrators.

# MID-TERM BUDGETING

*provided possibilities*

- ✓ *To see all sharp changes resulting from the selected policy and to ensure visibility of budget expenditures consistency with public bodies functions;*
- ✓ *To register agreements in the Treasury for the amounts of approved three-year budget for the respective budget programs;*
- ✓ *of more flexible administration of financial resources in the course of the goals and tasks achievement since public bodies are aware of their financial resources for the next three years;*
- ✓ *To save time and other resources spent on preparation of project budgets.*

# DOCUMENTS OF THE PUBLIC PLANNING SYSTEM



# ADVANTAGES OF PUBLIC PLANNING SYSTEM

1

***BUDGET RESOURCES ARE ALLOCATED TO THE PUBLIC BODIES ONLY FOR THE PURPOSES FORMULATED IN THE STRATEGIC PLAN, WHICH CREATES REAL CONDITIONS AND PREREQUISITES FOR CONSOLIDATION OF STRATEGIC, BUDGET, SOCIAL AND ECONOMIC PLANNING***

2

***PERFORMANCE TRACKING OF EACH PUBLIC BODY AND ITS HEAD***

3

***EACH PUBLIC BODY OPERATES ON THE BASIS OF ITS STRATEGIC PLAN AND BEARS DIRECT RESPONSIBILITY FOR ACHIEVING SPECIFIC RESULTS AND INDICATORS***

4

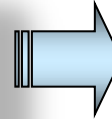
***CONTINUITY OF PUBLIC PLANNING SYSTEM***



# STRATEGIC PLAN OF A PUBLIC BODY IN THE BUDGET PROCESS

1

FORECAST OF SOCIAL AND ECONOMIC  
DEVELOPMENT OF REPUBLIC OF REGION



Links strategic, economic and budget planning by defining main directions of economic policy in various industries and areas with :

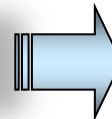
- Macroeconomic indicators;
- *Budget parameters;*
- *Priority directions of current expenditures and expenditures for development with indication of amounts of budget expenditures;*
- *The list of priority budget investments.*

2

THE LAW ON REPUBLICAN BUDGET, DECISION OF  
MASLIKHAT ON LOCAL BUDGET

3

STRATEGIC PLAN OF A PUBLIC BODY



Represents a document that contains comprehensive vision of problems existing in the industry or area of activity, ways of public body activity on their resolution and link with budget expenditures.

In comparison with 2008, in the course of strategic planning the **public bodies have learnt**

- To define strategic goals and objectives;
- *To quantify achievement of goals and tasks;*
- *To define specific activities to achieve respective indicators;*
- *To link achievement of goals and objectives with budget programs through specific activities.*

4

OPERATION PLANS

# CERTAIN BARRIERS IN THE DEVELOPMENT OF PUBLIC PLANNING SYSTEM

- 1 Architecture of strategic documents
- Equilibrium of the document system**
- Excessive number of documents
  - Lack of single system of links between the documents of superior and lower levels
  - Many documents duplicate each other

- Quality of certain documents**
- Low quality of certain documents (quality of objectives and goals, target indicators and activities)

- 2 Performance Management Systems
- Insufficient assessment of policy, programs and projects
  - At the development stage the quality of programs is poorly controlled
  - Poor performance motivation of civil servants
  - Low quality of target indicators in the majority of Public Planning System

- 3 "Government Center"
- Insufficiently strategic and expert competencies
  - Authorities in the area of control and assessment are distributed inefficiently
  - The quality of public services is not controlled

- 4 Integration and Coordination Mechanisms
- Higher level documents are not sufficiently elaborated and do not ensure efficient integration among various departments
  - Intra -department commission and working groups are not efficient

- 5 Strategic Management in Departments
- Plans of departments are poorly elaborated, their implementation is not controlled
  - Insufficient time is allocated for programs and plans development
  - Strategic Development Departments are not developed
  - There are problems in certification and training system

- 6 Strategy-guided budget
- The Budget is still transitional, the main focus is on item expenditures and not on the program results
  - Expected outcomes are not taken into serious account during approval of budget requests

- 7 Regulation in the area of strategic public planning
- Assessment process is not sufficiently supported from legislative point of view
  - Insufficient methodological support at all stages of state planning
  - Frequent violation of formal rules and procedures in the system of strategic planning

# WAYS TO ENSURE INTERCONNECTION BETWEEN STRATEGIC AND PUBLIC PLANNING

**WORKING GROUP HAS BEEN ESTABLISHED IN THE MINISTRY**  
with the following tasks:

- 1. To transform the format of current strategic plans of public bodies to ensure interconnection between strategic and budget planning.**
- 2. To review and strengthen Unified Budget Classification;**
- 3. To develop the mechanism of budgeting on the basis of strategic aims given increased requirements to drafting of budget requests and budget programs.**

**Work is carried out on analysis of reform of the Public Planning System, ensuring the link between strategic and budget planning, increase the level of performance orientation during annual budget process by means of defining programs, and performance indicators related to the national strategies.**

## MAIN ACTIVITIES

1. Strengthening of the interrelation between strategic plans and budgets, simplification of public planning system and ensuring its conformity with performance-based budgeting;
2. Link of budget programs with strategic plan of the public body;
3. Preparation of recommendations with regard to defining programs, program structures, selection of performance and objectives indicators;
4. Development of the budget programs format for public bodies that do not develop strategic plans.