

Reforms on program budgeting implementation in Armenia



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General Information about the Republic of Armenia

- **Territory** : 29.74 thousand square meters
- **Populations**: 3274.3 thousand people
- **Political System**: Republic of Armenia (RA) is a sovereign, democratic, social, law-based stated.
State power is executed on the basis of division of legislative, executive and judicial branches of power
- **Administrative division** : The territory of RA is divided into ten regions (marzes) and capital Erevan
- **Budget system of the RA** consists of two-level budget – state budget and municipal budgets

Main Financial Indicators

Indicators	2010 actual	2011 plan	2012 plan
GDP, mln \$	9,371.1	10,513.2	11,132.0
State revenues, mln \$	2,033.1	2,381.1	2,405.5
% of GDP	21.7	22.6	21.6
State expenditures, mln \$	2,499.9	2,796.2	2,755.2
% of GDP	26.7	26.6	24.7
Deficit, mln \$	466.7	415.1	349.6
% of GDP	5.0	3.9	3.1

Stages of reform on program budgeting (PB) implementation

- Methodology development stage (2005/2006)
- Pilot stage
 - 2006 Group 1 Main Budget Administrator (MBA)(4)
 - 2007 Group 2 MBA (4 + 10)
 - 2008 Group 3 MBA (4 + 10 + 64)
- Implementation stage
 - 2008 Formal approval of the concept
 - 2009 Development of programs for all MBAs
 - 2010-2011 Development and improvement of the program structure, program classification, automation of certain processes
 - 2012-2014 Legislative approval of program budgeting (amendments to the Law of the RA on the Budget System of the RA), transfer to the new format of the budget, improvement of information quality in the ministries (including introduction of the practice of programs' passports development)

Brief review of the reform stages

- Implementation of the PB concept started in 2002-2003.
- In 2009, initial stages of methodology development (specific for RA), pilot testing in selected ministries and implementation.
- Since then program format is applied to all expenditure programs of the RA State Budget.
- Reporting system of non-cash performance indicators is used.
- Methodology of program passports development has been introduced. In some ministries, the passports have been already tested.
- Central planning and data processing system have been implementation and are successfully applied in the ministries.

Brief review of the reform stages - deficiencies

- The crisis has significantly affected the budget process in 2010, therefore elements of strategic planning and management (partially the pace of BP implementation as well) were replaced by operating management.
- Until now, the reforms have been implemented solely at the initiative of the government (MoF) and have not been legislated yet.
- The quality of program information, performance planning and indicators is not high due to insufficient acceptance of the reform status by the ministries.
- Qualification of officials in line ministries and departments.
- As consequence, program information is not used quite efficiently during program analysis and audit.

Improvements and the central level (Ministry of Finance ИИ)

Within the last several years, we have managed to achieve the following :

- To ensure transparency of the budget process
- To improve the structure of the programs and to introduce program classification (grouping by objectives) with coding not related to other classifications
- To group and reduce the number of programs from 800 to 176
- To automate a number of processes (reconciliation with the treasury program system)
- To develop the format of program passport
- To organize regular training courses for government officials in the Training Center of the Ministry of Finance

Passport of the Program

- Design of the format and instruction
- Testing in several ministries
- Expert review of the quality
- Several passports are posted on the official website of the Ministry of Finance
- In 2012, the work will be continued to gradually cover all the programs within the next years

Plans for 2012-2014

- Adoption by the National Assembly of the amendments to the Law of the RA on the Budget System of the RA (amendments are being drafted by the Ministry of Finance)
- Synchronization with other reforms (performance management, audit)
- Widening of the program passports application
- Enhancement the quality of program information by the ministries
- Improvement of programs' reporting system
- Continued retraining of the civil servants in the Training Center of the Ministry of Finance
- Final implementation of program budgeting (most realistically, by 2014)