



SUCCESS STORIES

Bulgaria

Strengthened Medium-Term Budgeting Framework, Spending Reviews, and Budget Transparency

Context

A key challenge in program and performance budgeting (PPB) is linking the government's high-level strategic objectives with products/services/activities over which line ministries/agencies have direct responsibilities. **Key performance indicators (KPIs) linked with mid-term program budgeting serve as a vital tool in better-aligning resource allocation with strategic priorities.** When linked to policy areas, KPIs can foster a culture of accountability among ministries and agencies, which then decompose these highest objectives into lower-level objectives by budget programs and subsequently the concrete funded products/services/activities.

Spending reviews have become a core instrument for expenditure reallocation and/or identifying savings in most advanced countries and have also been introduced in several PEMPAL countries.

Budget transparency plays a critical role in fostering trust, accountability, and effective governance.

PEMPAL Impact

To strengthen medium-term budgeting in Bulgaria and modernize its PPB system, the Ministry of Finance, together with line ministries, conducted a review and prioritization of performance indicators in their budget program formats across key sectors. KPIs were identified for policy areas in different sectors to track progress towards achieving national and EU strategic targets and were included in the medium-term government budget forecast. This has contributed to the **improvement of the quality of budget documents and enabled better monitoring and reporting on progress towards the government's strategic goals.** This work was, inter alia, informed by the work of Budget Community of Practice (BCOP) Program and Performance Budgeting Working Group, most notably the knowledge products *Performance Indicators in PEMPAL Countries: Trends and Challenges. How does budget spending measure up?* and *Performance Budgeting and Spending Reviews in PEMPAL Countries: Practices, Challenges, and Recommendations.* Another priority, also informed by the PEMPAL

knowledge, was extending the coverage of institutions that apply PPB to all first-level spending units, including the judiciary.

Bulgaria also leveraged BCOP advice to **conduct rapid spending reviews during the pandemic**. Drawing insights from the knowledge product *Conducting Rapid Spending Reviews to Identify Measures for Budget Balancing* (which gives tools, processes, and key expenditure areas for reviews), internal evaluations were conducted to enhance spending efficiency and the potential for fiscal consolidation.

Another priority on which significant progress was made in recent years was **increasing budget transparency and the quality of budget documentation**. The Bulgarian score in budget transparency increased from 46 in 2006 to 79 (out of 100) in 2023, which is the tenth best in the world. This achievement was also informed by PEMPAL BCOP materials and workshops over the years.

Next steps

For Bulgaria (and other PEMPAL countries that already have a well-established and comprehensive PPB), **the next phase of mid-term budgeting and performance budgeting reforms needs to prioritize performance management**. Several key areas require attention: enhancing the quality of lower-level output indicators and their link to high-level outcomes, increasing the flexibility of the PPB system to address the intricate dynamics between public spending and outcomes, and bolstering human resource and data capacities. Aligning the PPB system more closely with all institutional and cross-institutional strategic planning processes will be crucial for effective performance management and robust monitoring and evaluation.

An ongoing focus will also be reinforcing regular spending reviews, including a performance-driven approach. In Bulgaria, these activities have already started, informed in part by BCOP expertise, particularly through the products *Spending Reviews: Trends in PEMPAL Countries Benchmarked to Trends in OECD Countries* and *Spending Review Practices in the Netherlands*. **In budget openness, the next steps will include further improvements in budget documentation and modernized public participation.**



Collaborating and brainstorming with peers from PEMPAL and advanced countries—facilitated by BCOP’s partnership with the OECD, IBP, and GIFT—and engaging with experts from international organizations has proven to be immensely valuable. The insights gained are used to refine and innovate our budget processes. Beyond direct applications, BCOP’s knowledge base and its extensive network of budget professionals foster widespread capacity building, creating a multiplier effect. For example, our Ministry recently participated in an EU twinning project, offering technical assistance in budget planning, to counterparts in North Macedonia—connections initially established through involvement in BCOP.

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