



Twenty-one countries meet in Albania to discuss program budgeting reforms.

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As Chair and Deputy Chair of the Public Expenditure Management Peer Assisted Learning (PEMPAL)¹ Budget Community of Practice (BCOP), we would like to inform you about an exciting meeting that was held recently in Tirana, Albania on program budgeting.



From February 25th to 28th 2013, the Ministry of Finance of Albania hosted 81 participants from 21 PEMPAL member countries from across Europe and Central Asia (ECA). As suggested by our BCOP members from last year's plenary meeting,² the agenda focused on technical aspects of program budgeting and performance measurement. The three main sessions of the meeting covered international approaches and country cases in (i) design of programs and performance measures, (ii) budget documentation, and (iii) performance monitoring and evaluation.

To set the context in terms of PFM reform trends and priorities in ECA countries, the results from recent cross-country studies were presented. This included results from two separate World Bank studies³ and from OECD Budget Surveys.⁴ Global experiences in designing budget programs and performance measures, presenting performance information in budget documentation, and monitoring and evaluation of program results were also examined. The agenda, presentations, and list of participants are accessible at the PEMPAL web-site in the official languages of the network (English, Russian and Serbo-Croatian Bosnian) at <http://www.pempal.org/event/read/78>

Some of the key challenges being experienced in designing programs and selecting performance measures included lack of commitment and capacity of line ministries and budget users to the reforms; the difficulty in choosing appropriate performance measures for some sectors; and how best to ensure programs are linked to strategic priorities and national strategies. Strengthening the link between policy, planning and budgeting was seen as a priority by all countries with Albania sharing its strategic planning and evaluation reforms with other countries given its significant progress in this area over recent years. Budget users within the Albanian Government report quarterly not only on budget

¹ Refer to www.pempal.org for more information.

² Refer to an earlier IMF blog on this meeting at <http://blog-pfm.imf.org/pfmblog/2012/05/program-budgeting-is-on-the-reform-agenda-across-europe-and-central-asia.html>

³ Refer to presentations by Ivor Beazley on PFM Performance and Reforms in ECA countries and by Natalia Biletska on the MTEF study under 'Materials' at <http://www.pempal.org/event/read/78>. The full MTEF study 'Beyond the Annual Budget: Global Experience with Medium Term Expenditure Frameworks' is available at <https://openknowledge.worldbank.org/handle/10986/11971>. This study empirically investigates the impact of MTEFs on three key aspects of fiscal performance using a newly-collected dataset for 181 countries over the period 1990-2008.

⁴ Refer to presentations by Knut Klepshvik under 'Materials' at <http://www.pempal.org/event/read/78> and also refer to <http://www.oecd.org/governance/budgeting/internationalbudgetpracticesandproceduresdatabase.htm>. There are currently plans in place for OECD to work with PEMPAL to extend the survey of budget practices and procedures to more countries in the ECA region.



execution but also on programs and performance measures. The Sector for Monitoring within the Ministry of Finance then evaluates those reports at the level of outputs and sends their opinion back to the Budget Users as well as to the Budget Planning Sector of the Ministry of Finance, which then uses this information in the negotiations for the next year's budget. The Council of Ministers through its Strategic Planning Office (within the Prime Minister's Cabinet) performs the evaluation at the outcome and strategic goal level. Evaluations are then published for all the Budget Users. Transparency is seen as an important part of line ministries taking the exercise seriously. Furthermore, the State Audit Institution undertakes annual performance audits as well as financial audits for each Budget User. Internal audit also has a key role through monitoring whether the Budget Users implement recommendations from the evaluations.

All countries acknowledged that program evaluation is an essential but often weak link. It should be done both ex ante and ex post with a wide range of tools and stakeholders involved. It was noted that Supreme Audit Institutions are well placed to contribute to program assessments with performance audits now common in OECD countries. Such institutions are, however, still weak amongst some of the PEMPAL ECA countries and their performance audit capacity is yet to be developed. Self-



evaluation by program managers is also essential to ensure program corrections and more in-depth periodic reviews should also be undertaken. Oversight by central coordinating ministries such as Ministries of Finance was also seen as important to ensure focus on Government policy objectives as part of the annual budget process. Some Ministries of Finance are struggling however, with the lack of good quality and consistent information on program performance being provided by the line ministries and budget users and more

broadly, with a lack of an overall agreed evaluation framework, methodologies and approach.

Despite these challenges, our BCOP member countries are experiencing significant progress as shown by recent surveys and are committed to improving program performance within their governments. Opportunities to meet with peers from other Ministries of Finance in the region through PEMPAL is proving invaluable as it enables common problems to be discussed and options and solutions to be developed and shared. Such meetings are also one of the main forums where key government actors can share information and draw lessons from the latest analysis and research on PFM undertaken by international organizations such as the World Bank, IMF and OECD. As leaders representing the Budget Community of Practice of PEMPAL⁵, we will continue to pursue such opportunities given our members' commitment and passion to improving public financial management across the region.

⁵ These leaders form the BCOP Executive Committee which was newly established in early 2012. They come from budget policy departments of Ministries of Finance from the Albania, Armenia, Bosnia and Herzegovina Croatia, Russian Federation and Turkey with new members appointed from Belarus and Russian Federation during the Tirana meeting. The Executive Committee provides strategic direction and leadership to the rest of the BCOP and develops and implements the activity plans (with the assistance of a donor funded resource team).