

Budget Practices and Procedures

- Results of 2013 OECD/PEMPAL Survey -

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Presentation to 10th Meeting of OECD-CESEE SBO
26 June 2014

Outline

1. Who are the Budget Community of Practice of PEMPAL?

- Gelardina Prodani (Secretary General, MoF, Albania and PEMPAL BCOP Chair)

2. OECD Developments and Priorities in Budgeting

- Joung-Jin JANG (Budgeting and Public Expenditures Division, OECD)

3. OECD-PEMPAL Budget Practices and Procedures Survey

- Joung-Jin Jang (Budgeting and Public Expenditures Division, OECD)
- Deanna Aubrey (PEMPAL BCOP resource team)

4. Next Steps and Reform Priorities for PEMPAL Countries

- Deanna Aubrey (PEMPAL BCOP resource team)

5. Budget reforms – PEMPAL Country Case Studies

- Russian Federation (Ilya Sokolov, Director of Budget Policy Department)
- Turkey (Hakan Ay, Deputy Director General, DG Budget and Fiscal Control, MoF)

1. Who are the Budget Community of Practice?



- Total of 147 representatives from Ministries of Finance from **21 countries in Europe and Central Asia** attended 13 BCoP events in 2013 and 2014.
- Funded by MoF Russian Federation and Swiss Government SECO
- PFM reforms supported by benchmarking and sharing information through video conference and face-to-face meetings, study visits, website library, BCOP wiki.
- Led by Executive Committee of 8 member countries, World Bank resource team, and supported by Secretariat (Slovenian Center of Excellence in Finance).

BCOP, Antalya Turkey March 2014



2. OECD Developments & Priorities in budgeting

- from annual to **medium-term** budgeting
- Heightened focus on management of **fiscal risks**
- Budgeting **across levels of government**
- from inputs to outputs, **performance** and impacts
- from MoF to **independent institutions**
- Greater engagement of **parliament** and **citizens**
- Budgeting as an instrument of **public governance**

3. OECD-PEMPAL Budget Practices & Procedures Survey

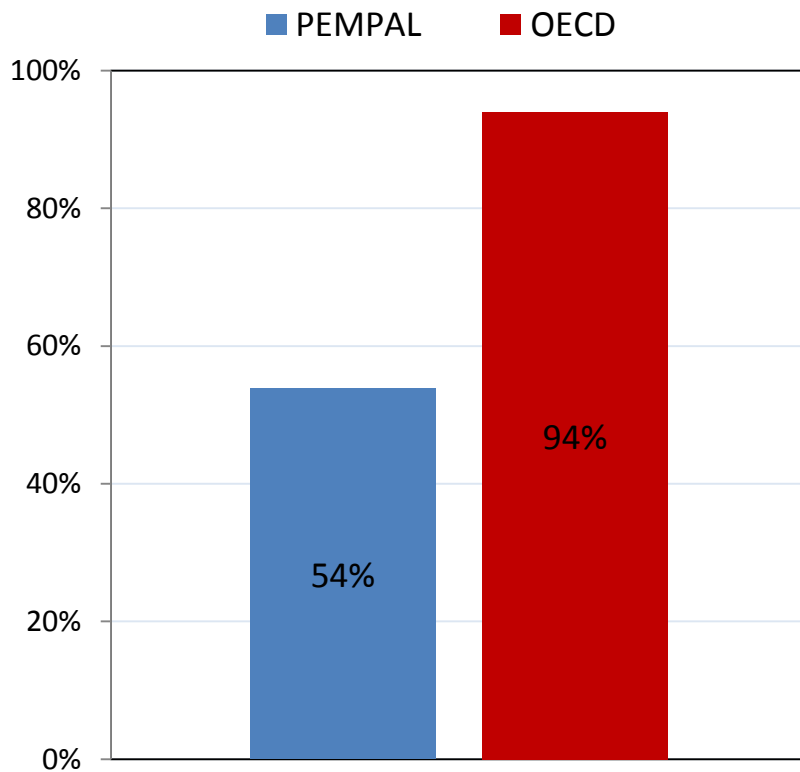
- Covers key aspects of public budgeting
- Standard questions / topics for all OECD countries
 - Fiscal sustainability / fiscal rules
 - MTEF
 - Capital budgeting
 - Budget flexibility
 - Budget transparency
 - Independent fiscal institutions
- Regional : LAC-PEMPAL, Asia-MENA (future)

3. OECD-PEMPAL Budget Practices & Procedures Survey

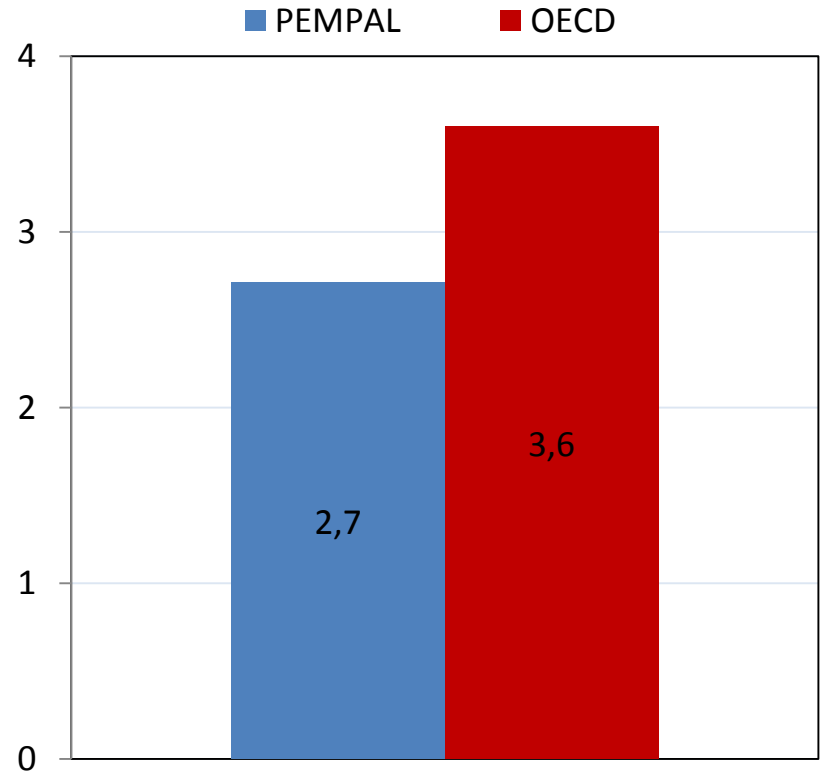
- 13 PEMPAL BCOP countries participated in the survey in 2013
 - Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Kyrgyz Republic, Macedonia, Montenegro, Russia, Serbia, Tajikistan, Turkey, Uzbekistan
- Workshop at Riga (OECD-PEMPAL, 26th June 2013)
 - Presentation of preliminary results of OECD Budget Survey
 - Q&A sessions on Survey Questionnaires
 - Logistics of the survey participation (entering the data and data cleaning etc)
- Answering the on-line questionnaire (PEMPAL, ~Oct 2013)
- Data quality control (OECD-PEMPAL, ~Dec 2013)
 - Comparison with IMF data and 2007 survey results
 - Check internal consistency among the answers
- Analyzing the data and drafting the survey results (~Feb 2014)

Fiscal rules

Percentage of countries using fiscal rules

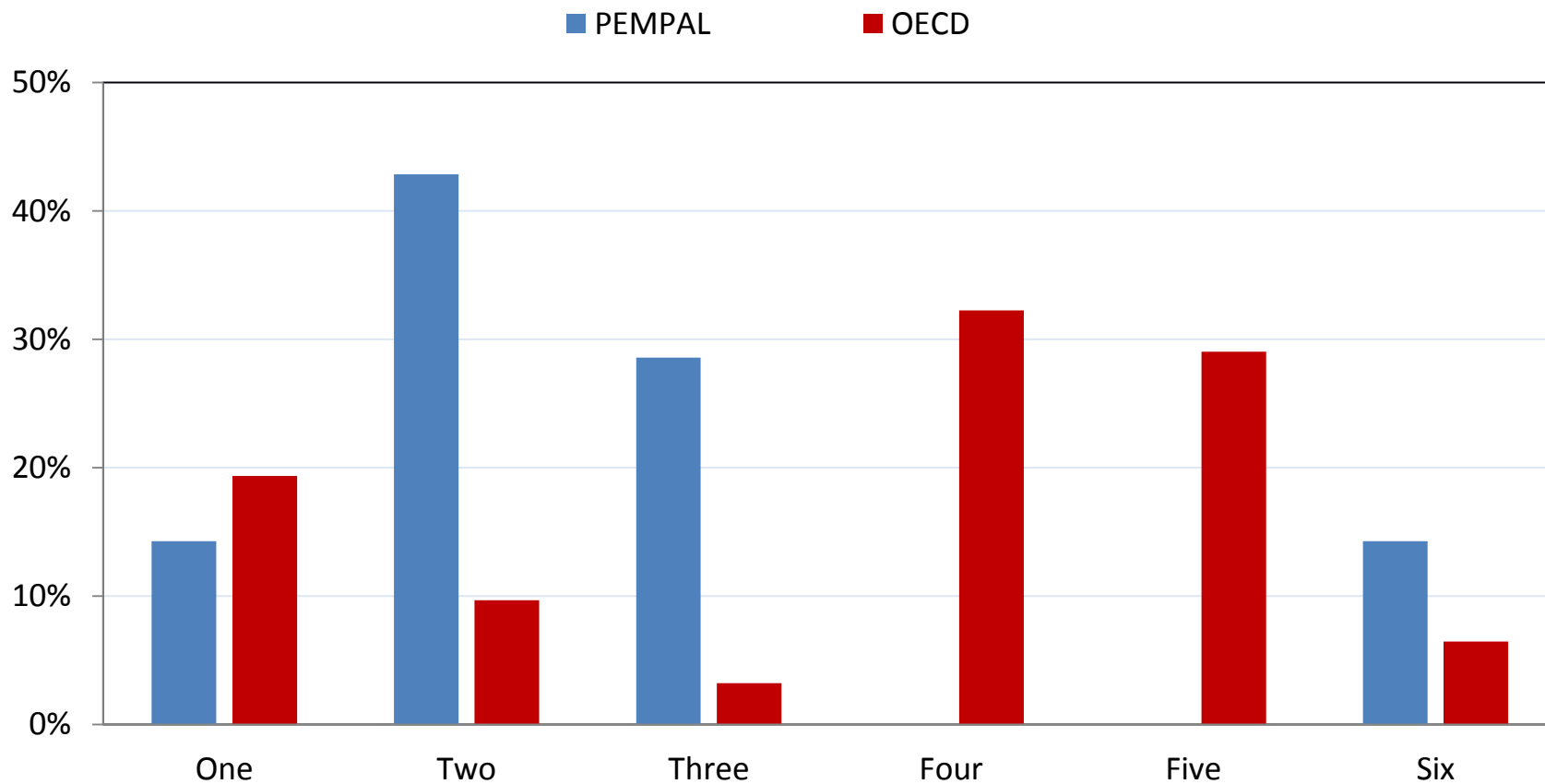


Average number of fiscal rules when applied

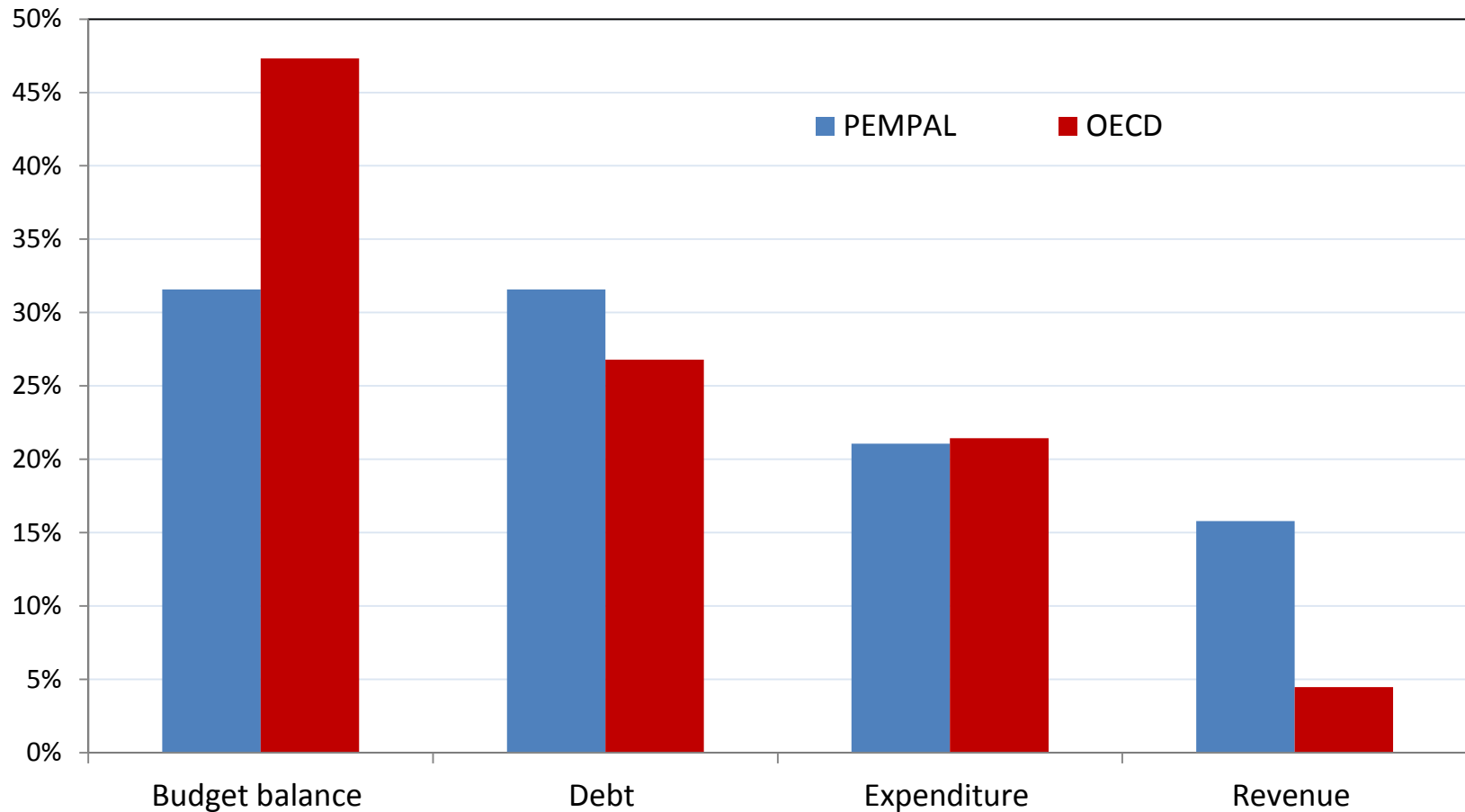


Number of fiscal rules

% of countries using fiscal rules according to number of rules applied

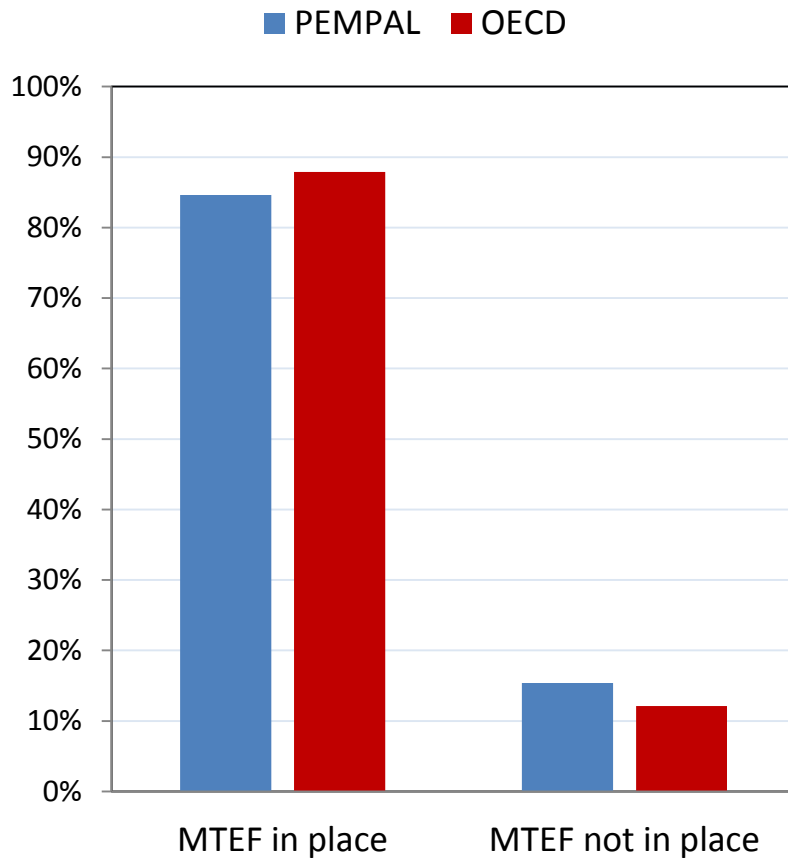


Types of fiscal rules applied

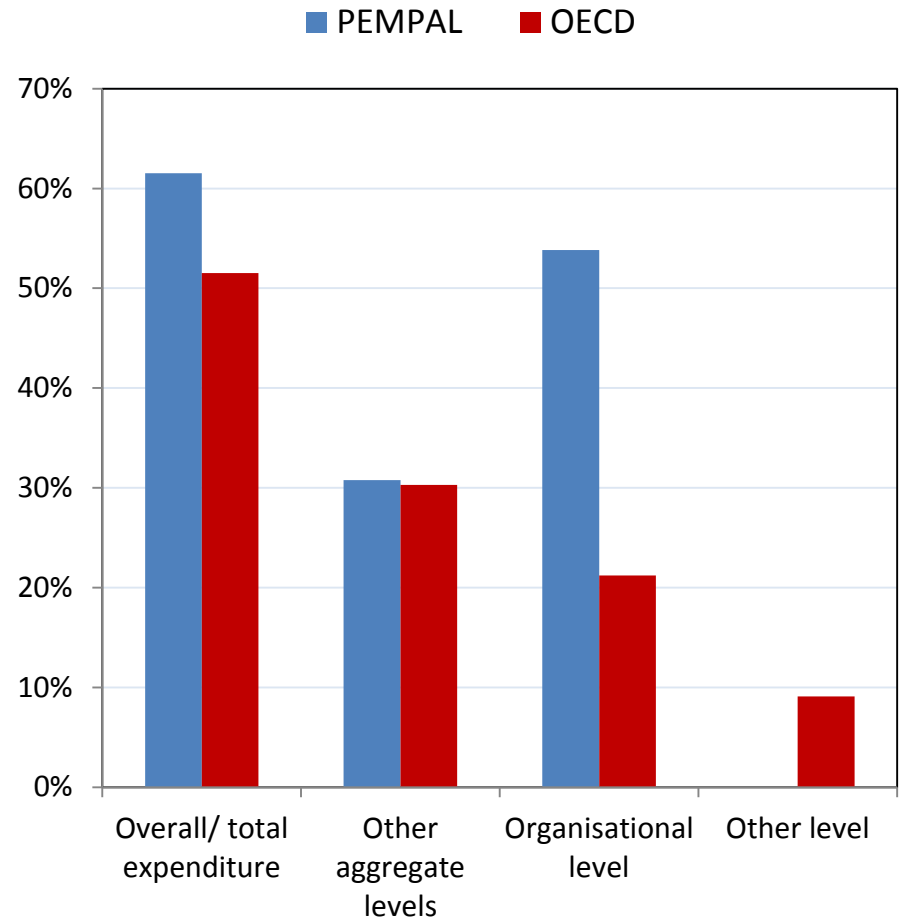


Medium-term Expenditure Framework (MTEF)

% of countries with MTEF in place

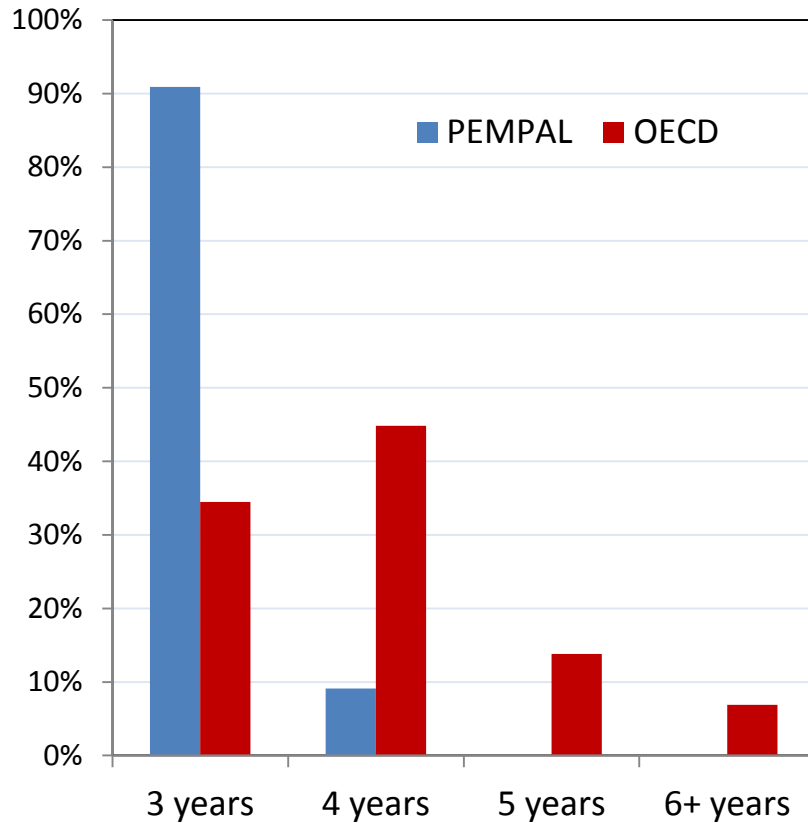


Levels of ceilings of MTEF

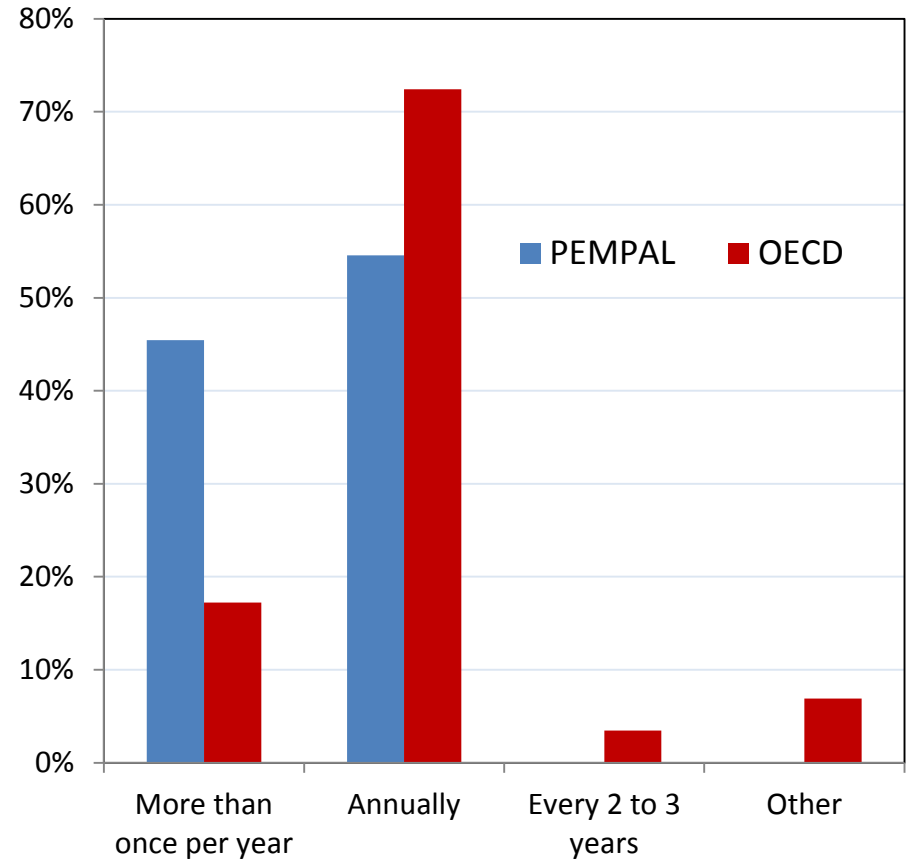


Length and Revision of MTEF Ceilings

Length of ceilings



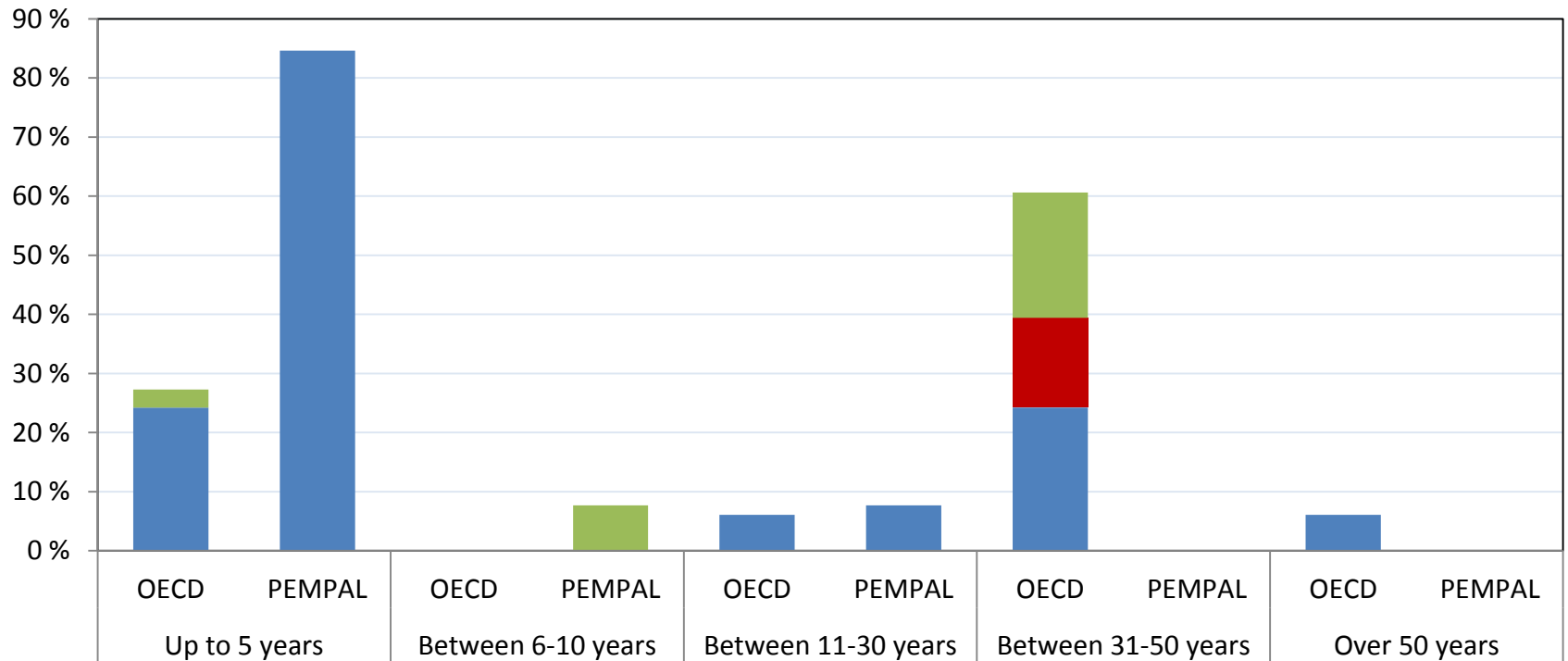
Frequency of revision of ceilings



Long-term fiscal projections

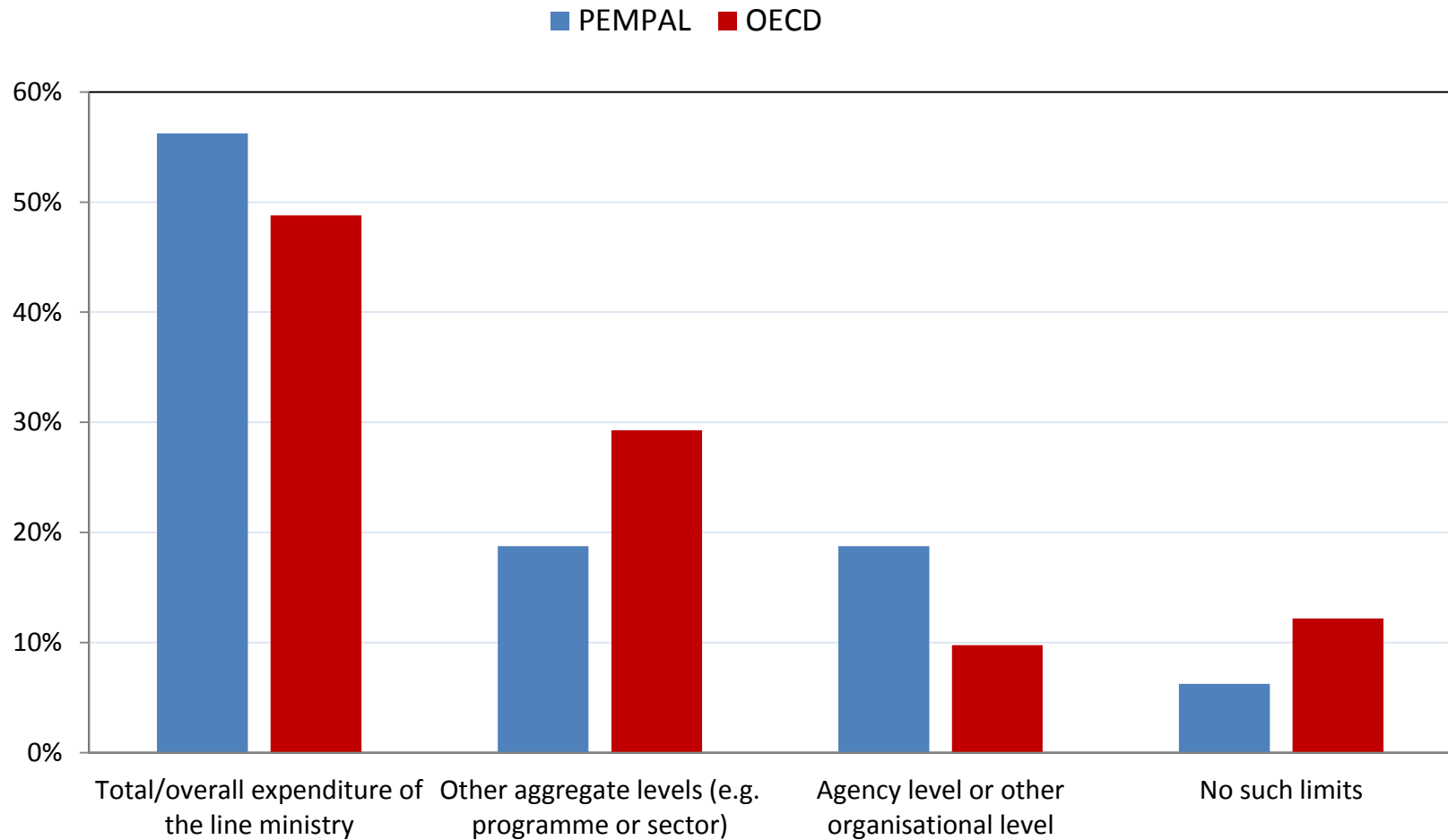
Time span and revision frequency of long-term fiscal projections

Revision frequency ■ Every year ■ Every three years ■ Other intervals ■ Not applicable



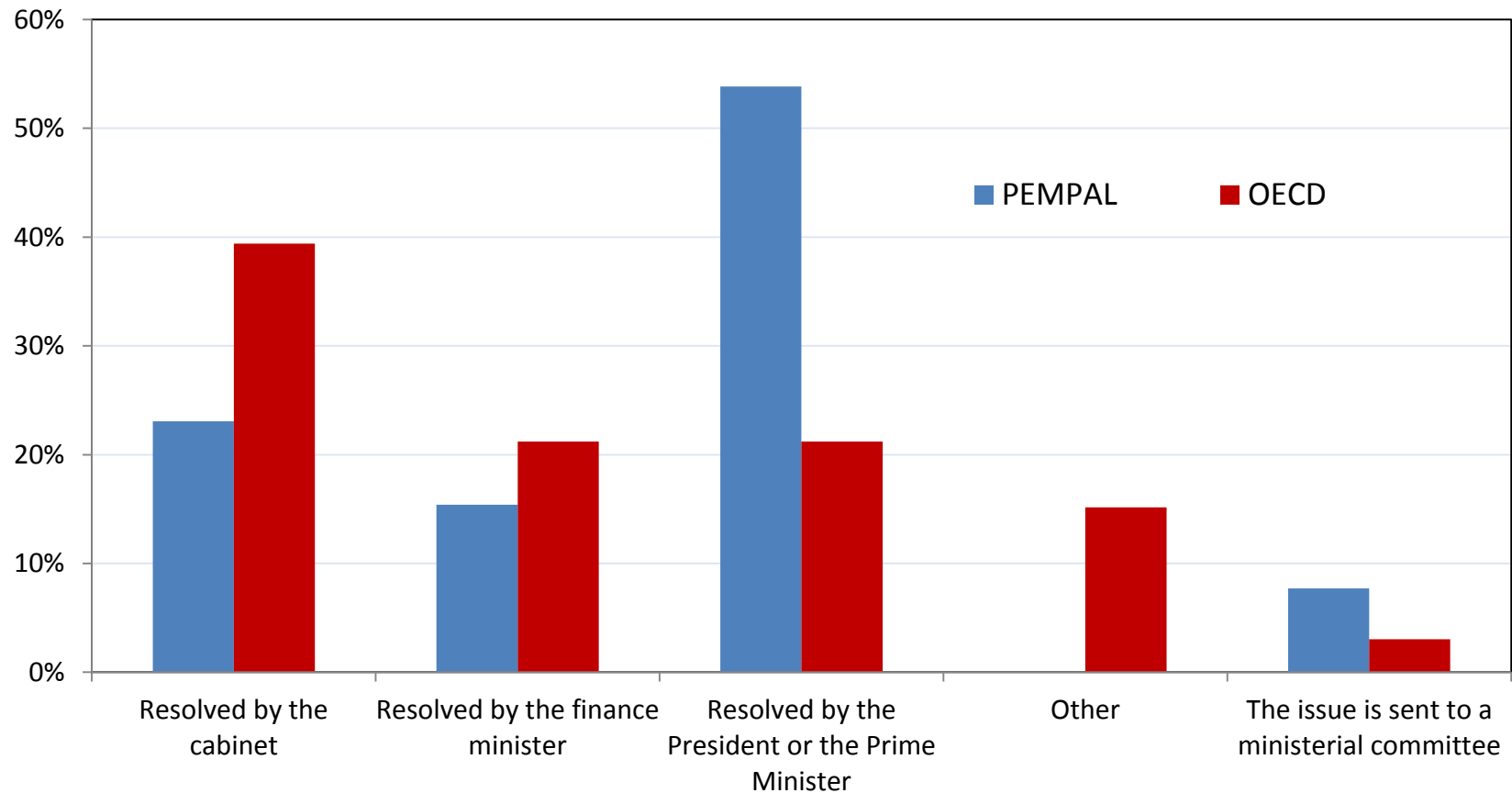
Time span of long-term fiscal projections

Ceilings on the line ministries' initial request



Budgetary settlement

Resolution of disputes between ministries in the budget formulation

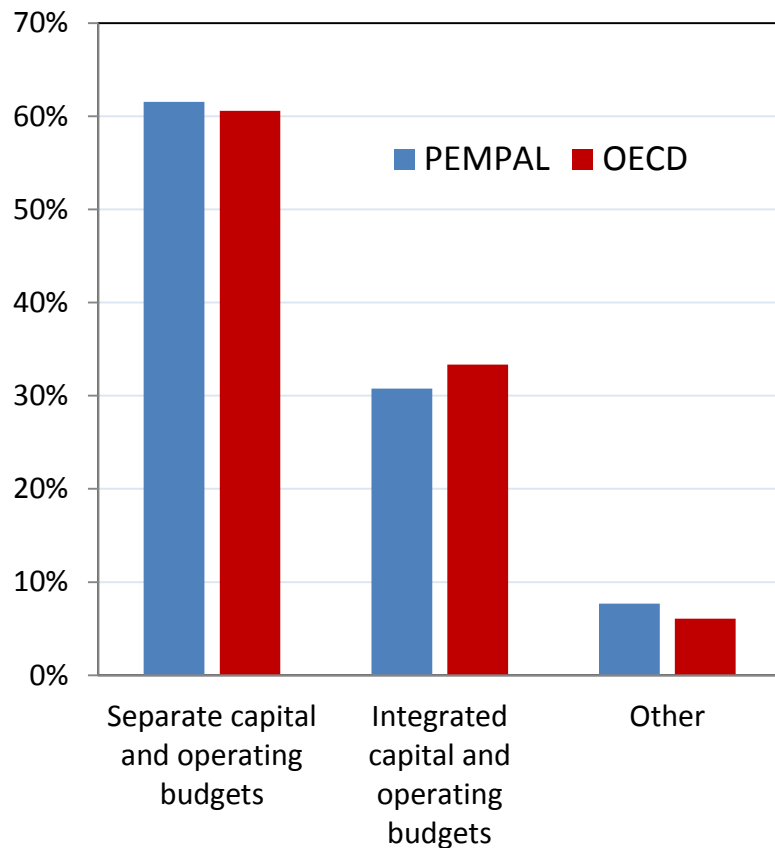


Key findings (summary) : Fiscal rules & MTEF

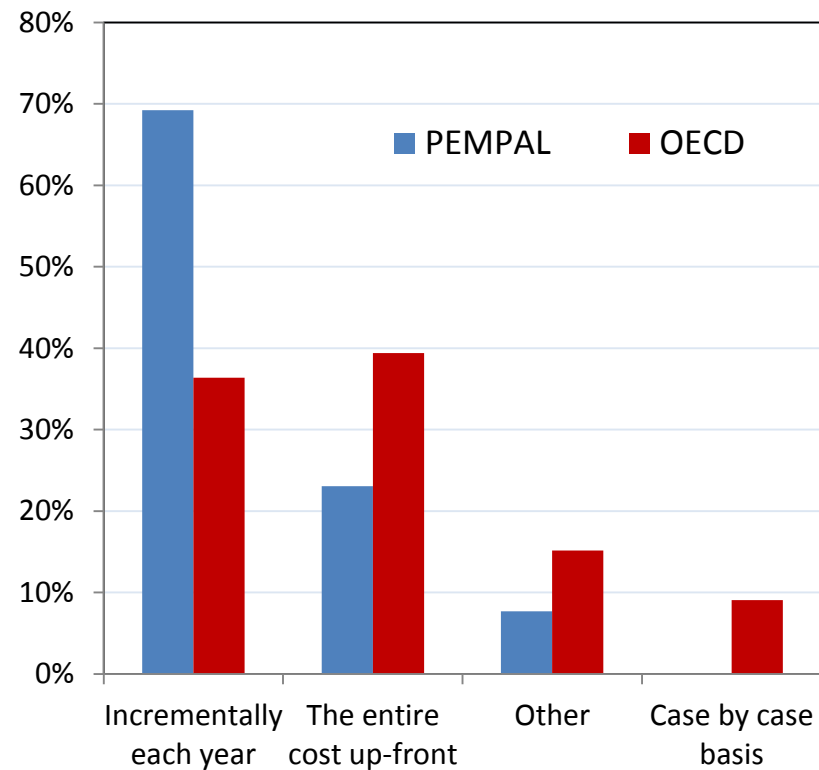
- **More than half adopted fiscal rules**, but still less than OECD
- **2~3 fiscal rules** are adopted in general (OECD : 4~5 rules)
- Four types of rules are almost **evenly adopted** (OECD : BB & Debt)
- Legal basis : mostly **Legislation** (OECD : Int'l treaty & legislation)
- **No enforcement mechanism** : more than 30% (OECD : 14%)
- **MTEF in place** in more than 80% (= OECD)
- Level of ceilings : **Overall** (= OECD) & **Organizational level** (≠ OECD)
- Length of ceilings : mostly **3yrs** (OECD : 3 or 4 yrs)
- How often are ceilings revised? : **once or twice a year** (OECD : annually)
- Long-term fiscal projections : mostly **up to 5yrs** (OECD : 31~50 yrs)

Capital budgeting

Capital budgets in central governments



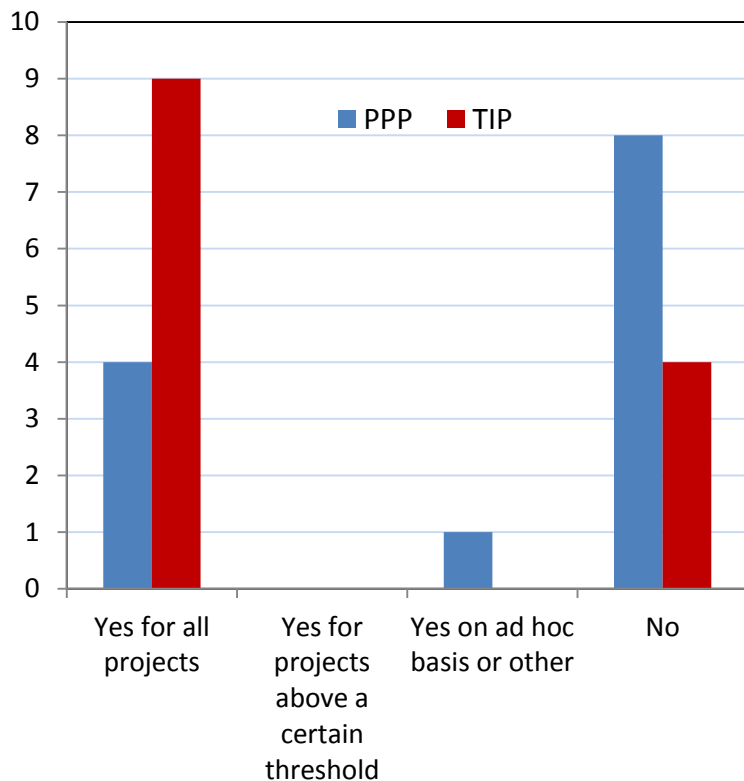
Funding of multi-year capital projects



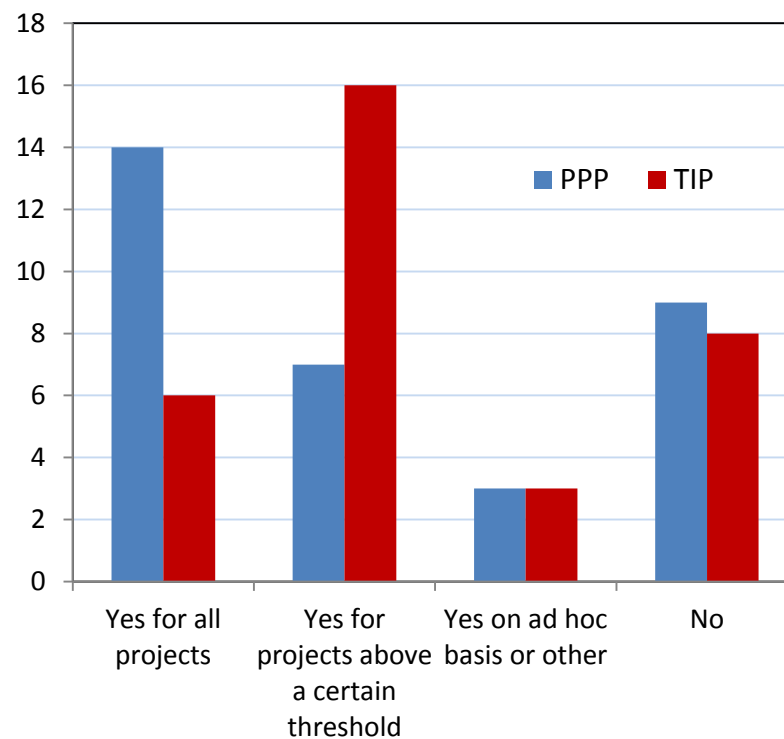
CBA approval in capital projects

Is CBA required to approve capital projects in line ministries?

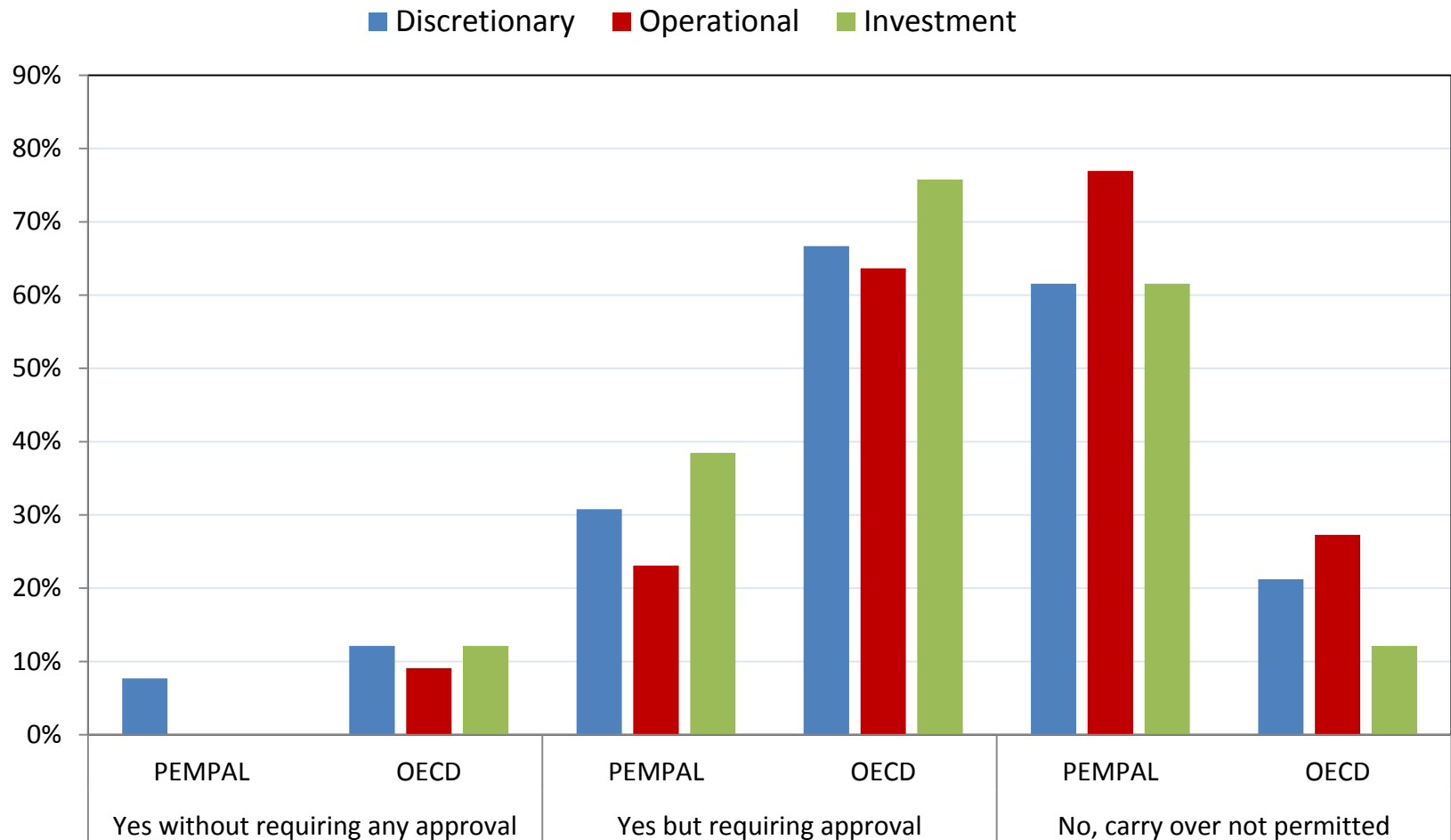
PEMPAL



OECD

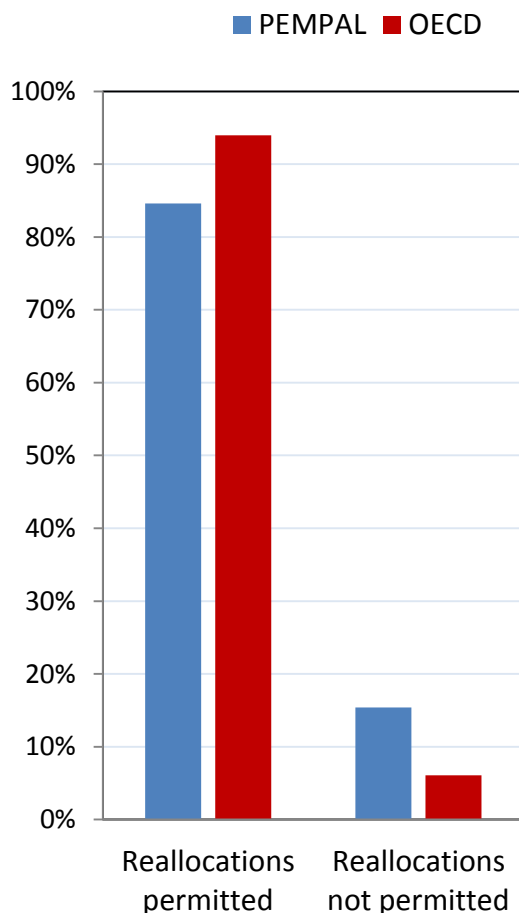


Carry-over of expenditure from year to year

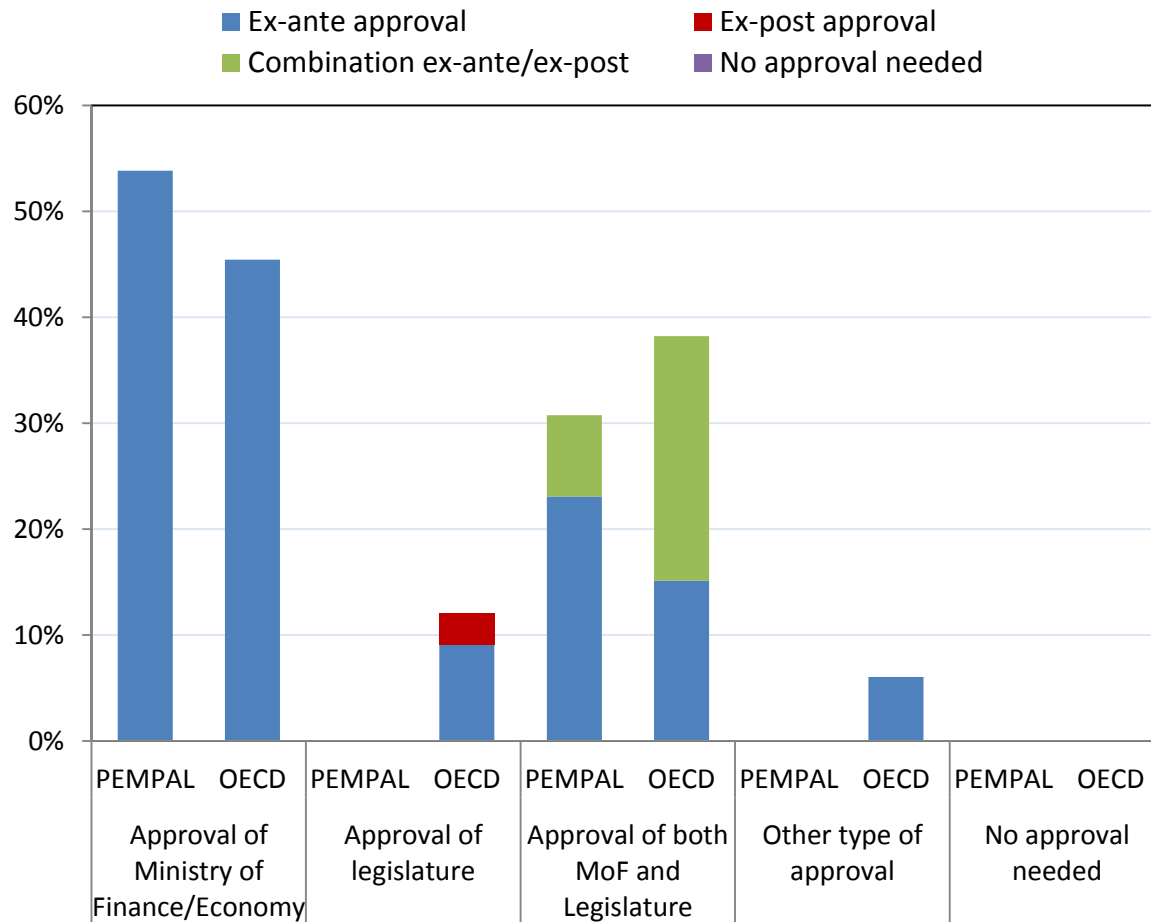


Reallocation of funds

Reallocation regimes

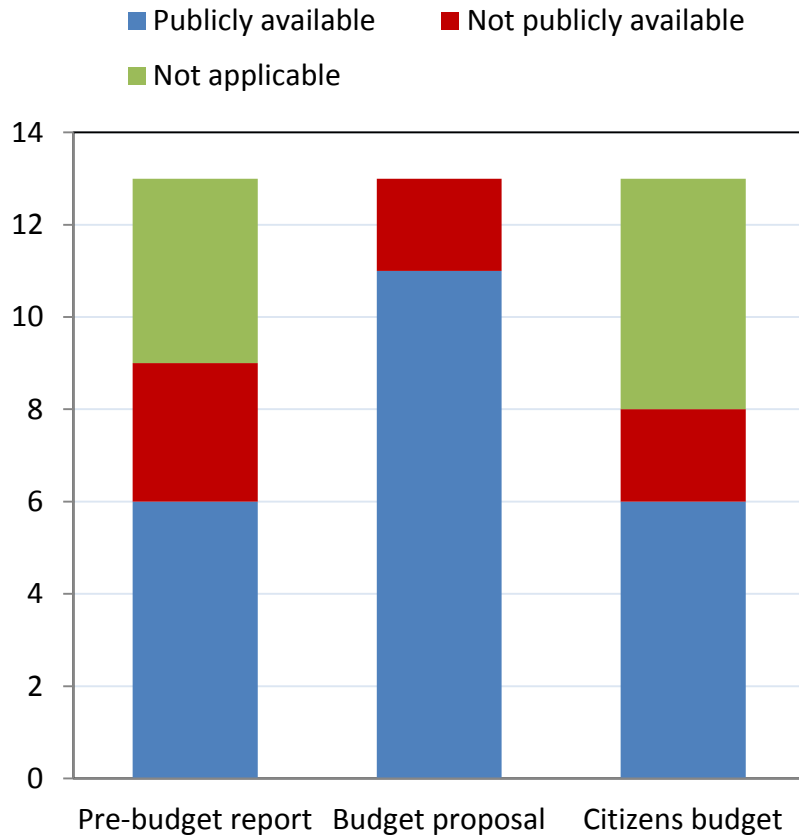


Types of approval of reallocations

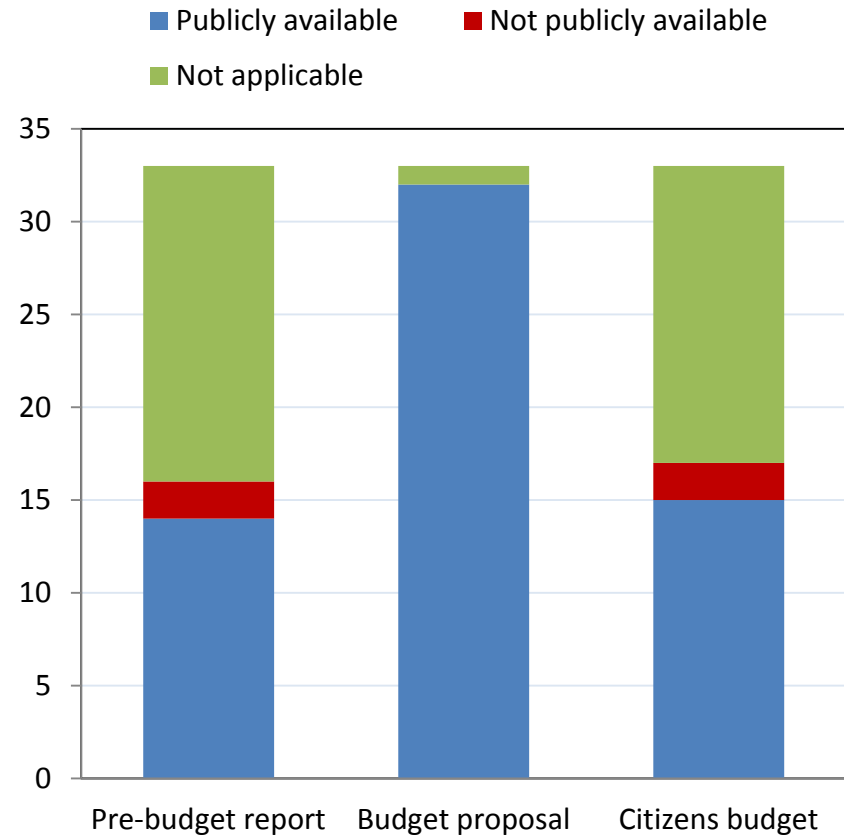


Publicly available budget documents

PEMPAL

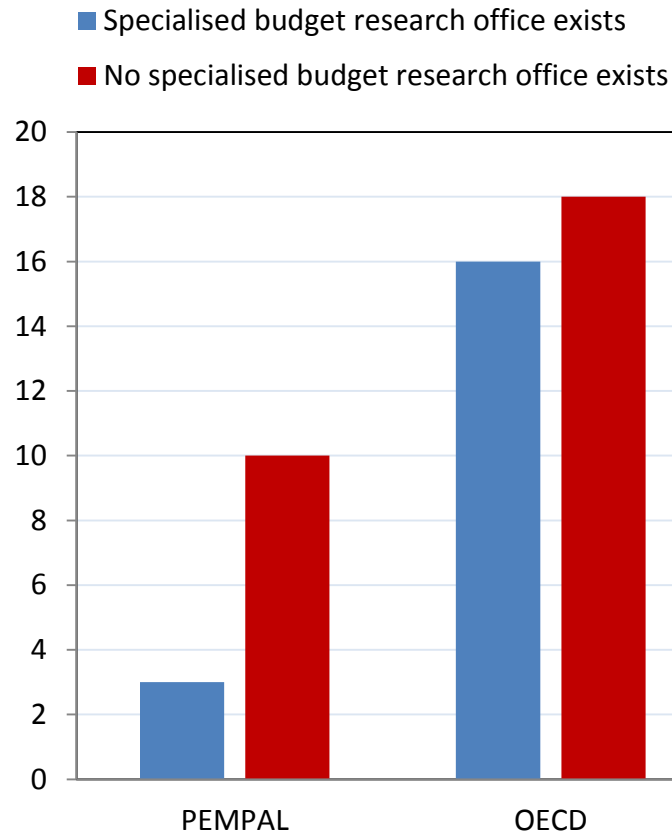


OECD

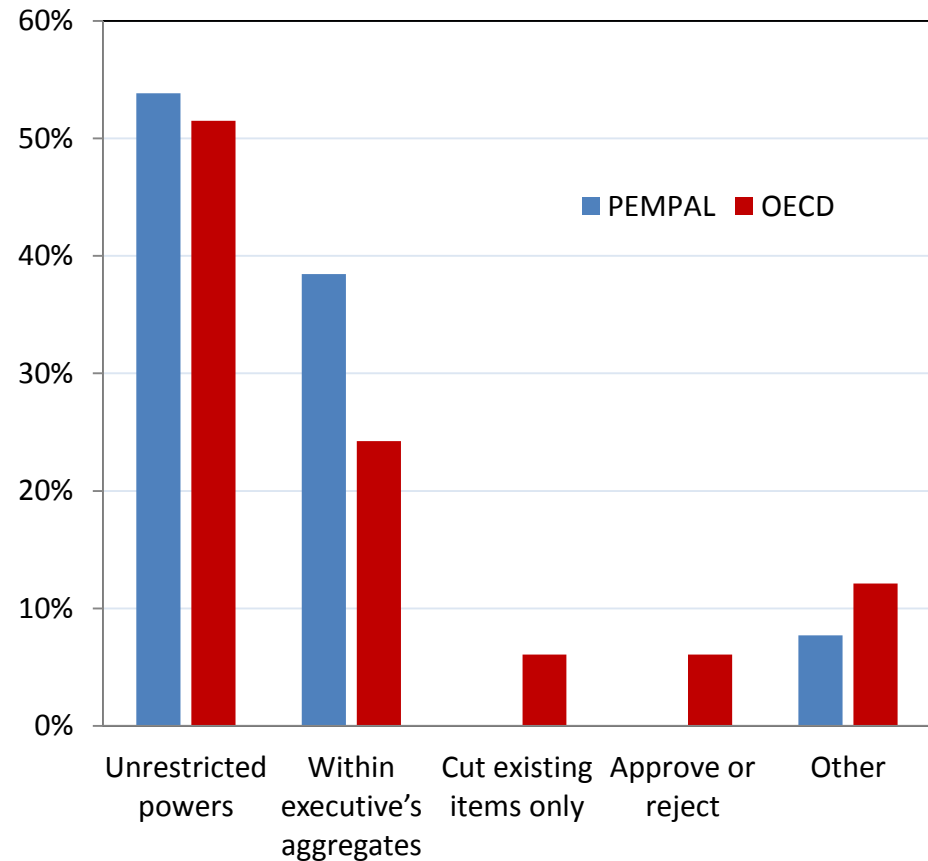


Legislative engagement in budget

Existence of a specialized budget research office attached to the legislature

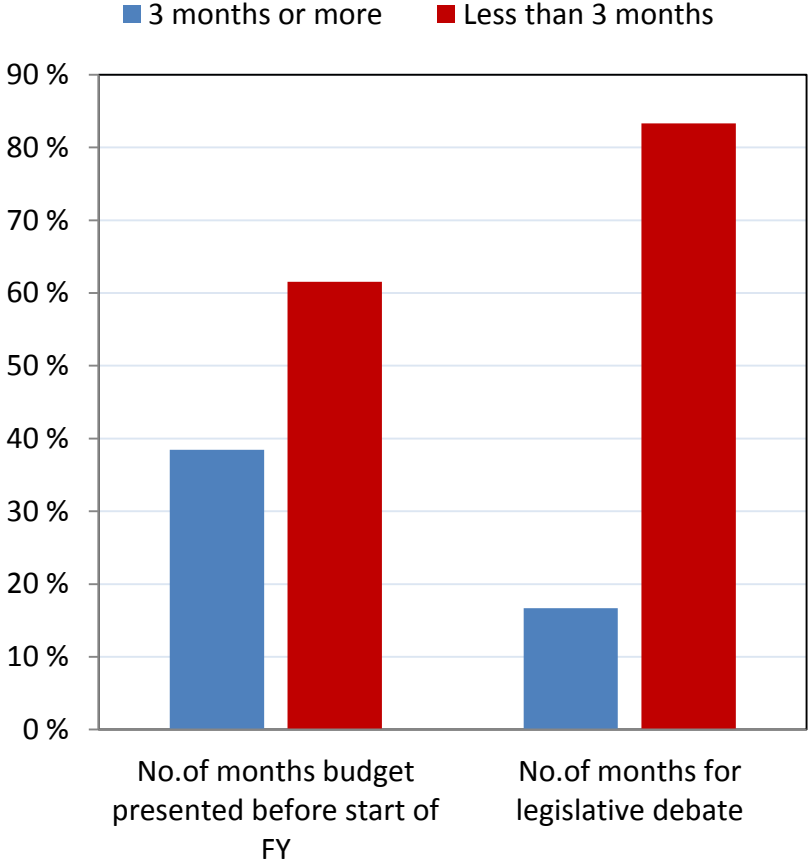


Legislative amendment power

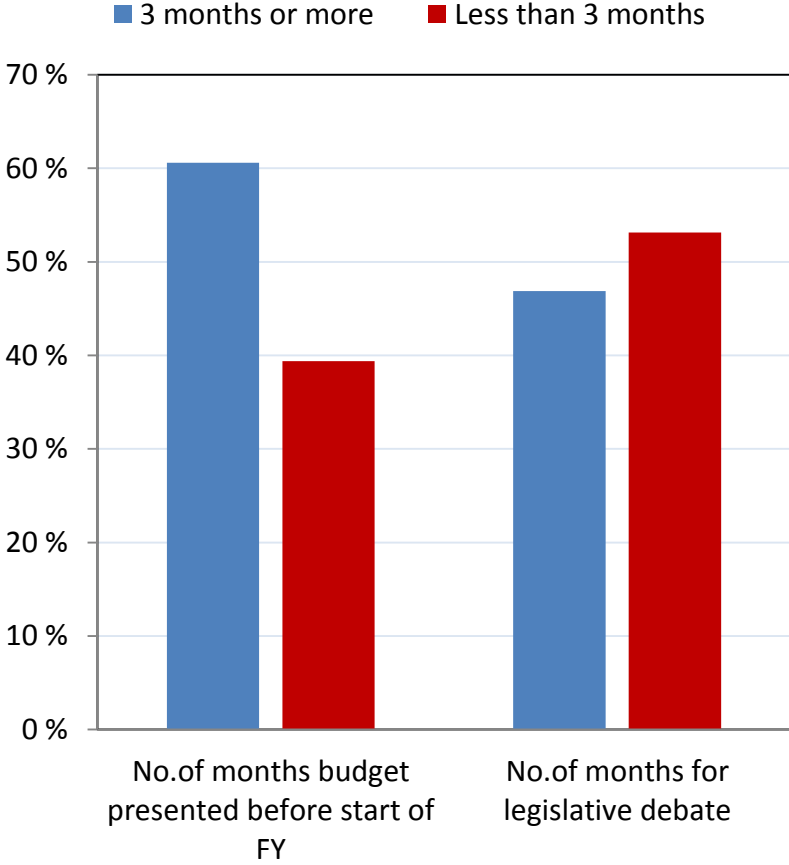


Budget presentation and legislative debate

PEMPAL



OECD



Key findings (summary)

: Capital budgeting/Flexibility/Transparency

- **Separate** Capital & Operating budgets (= OECD)
- Funded mostly **incrementally** (OECD : incrementally & up-front)
- Mostly **No PPP units** (= OECD) or **Within a line ministry** (\neq OECD)
- Without CBA approval in PPP (\neq OECD), With CBA approval in TIP (= OECD)
- Carry-over : mostly **not permitted** (\neq OECD) and need approval
- Cut/Increase of Spending : **permitted in more than half** (= OECD)
- Reallocation of funds : **permitted in more than 80%** (= OECD)
- Available budget documents varies (= OECD)
- IFI existence : **only 3 countries** (OECD : 18 countries)
- Legislative debate period : **less than 3 months** (OECD \geq 3 months)

4-1. Next Steps

- Draft report on results of OECD-PEMPAL Budget Practices and Procedures survey currently circulated for comment.
- Final Comments due **end July 2014**.
- Data of PEMPAL to be uploaded onto OECD International Database of Budget Practices and Procedures (on-line)
- Report and Database provide valuable knowledge resource for PEMPAL countries.
- BCOP Executive Committee will consider repeating survey in future and expansion to more PEMPAL countries.

4-2. Reform Priorities for PEMPAL Countries

On the request of BCOP member countries, all members met and discussed:

- **Selected aspects of program budgeting and performance management** in Tirana, Albania, from February 25-28, 2013, attended by 21 countries.
- **Results-based monitoring and evaluation** in Antalya, Turkey from March 3-6, 2014, attended by 20 countries.
- **Fiscal transparency and accountability** from May 27-29 2014, in Moscow, Russia, attended by all three COPs (budget, treasury and internal audit)

Smaller study visits for sub-groups of members were also conducted to:

- Georgia on IT system for budget planning in Tbilisi from April 15-18, 2013 attended by 6 countries.
- UK on **education financing reforms** in London from April 23-25, 2013 attended by 6 countries.
- Ireland for BCOP Executive Committee on **spending reviews** from 11-14 November, 2013 attended by 7 countries.

4-2. Reform Priorities for PEMPAL Countries (Continued)

Smaller study visits for sub-groups of members were also conducted to:

- Poland on **program budgeting at the local level**, in Cracow from December 9-12, 2013 attended by 7 countries.
- Austria on the **role of Parliament** in budgeting from January 30-31 2014 attended by 5 countries.

Other smaller group meetings:

- **OECD Budget Practices and Procedures Survey peer review** meeting in Riga on June 26, 2013 attended by 10 countries.
- Participation in **OECD Senior Budget Officers meeting** June 27-28, 2013, Latvia and 26-27 June 2014, the Hague to promote knowledge exchange with OECD and OECD accession countries in Europe and Central Asia
- **Review of revised PEFA framework** in the Hague, June 25, 2014
- Two video-conference meetings on **wage bill management** (November 2013, February 2014) and one face-to-face meeting in Moscow, May 26, 2014
- Future priorities 2015: **fiscal consolidation, management and budgeting of EU funds, budget transparency**

5. Budget Reforms : PEMPAL Country Case Studies

Russian Federation

- 3rd out of 28 countries in OECD MTEF index after Netherlands and Denmark (see Box 3.2 and Figure 3.9 of draft report).
- 5th out of 32 countries in OECD Performance Budget Index after Korea, Mexico, Canada and Switzerland (see Box 7.1 of draft report).
- 1st in PEMPAL region for Budget Transparency (new initiatives in citizen budgets)

Turkey

- 8th out of 32 countries in OECD Performance Budget Index (Box 7.1)
- Identified in World Bank FMIS and Open Budget Data study as scoring 'highly visible' in publishing open budget data (along with Russian Federation)

Thank you

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