CHALLENGES OF IMPLEMENTING A MULTI-YEAR EXPENDITURE FRAMEWORK IN THE POST CRISIS ENVIRONMENT

REPUBLIC OF SERBIA
Content of the presentation

• Background information
• Planned reforms
Background

• A Stand-By Agreement with the IMF:
  ➢ Ceiling on the overall fiscal deficit
  ➢ Supplementary budget for 2009 – two times in 2009 – new measures introduced in May 2009
  ➢ Changes in the target deficit for 2010
  ➢ In 2011 end of SBA but with agreed deficit of 4% GDP
Background

- New Budget System Law (BSL) – since July 2009:
  - Ambitious requirements such as:
    - Introducing MTEF – 3 years ceilings
    - Prioritization – Government decision
    - Introducing Medium-term Public Investment Plan
    - Program Budgeting – postponed to 2015
Background

• What is Budget Memorandum:
  ➢ Content – also in line with EU requirements
  ➢ Almost impossible to implement proposed measures from the fiscal projections – not obliged for Ministries
Main challenges Serbia faced in 2010:

- How to implement prioritization in the spring in the Budget process for 2011, with constantly changing - decreasing revenues estimates based on the revisions of the SBA?

- How to implement MT plans for the ministries without any new spending in the next 3 years?
Planned reforms

• What will replace SBA next year?
  ➢ New BSL including Fiscal Responsibility legislation
  ➢ Fiscal rules – deficit, public debt, investments
  ➢ Fiscal council
Program budgeting postponed

• Very hard to have two big reforms at the same time – MTEF now and program budgeting postponed for 2015:
  ➢ First we need to introduce MTEF with binding or indicative ceilings – binding for the first year?
  ➢ Since 2008 five ministries have introduced program budgeting
  ➢ Main challenge will be to have program budgeting for 64 budget beneficiaries in 2015.
THANK YOU!

Jelena Rančić
Assistant Minister