Performance budgeting in Poland

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Agenda

• Overview of the new Performance Based Budget in Poland
• Classic issues facing the effort
• Recommendations
Overview of the new PBB-system

- Gradual implementation from 2007 (two areas), 2008 (44%), 2009 (state budget), 2010 (state budget + 14 extra budgetary), 2011 (state budget, all extra budgetary - National Health Fund).

- Traditional and performance systems both have formal status as of 2013 and eventually moving to performance-based budget only.

- Contains traditional elements of performance budgeting:
  - a policy based appropriations structure (next slide)
  - ambition to tie this closely with government strategies
  - use of targets/indicators (activity, output, outcomes)
  - bottom-up setting of targets/indicators enhancing agency management and overall transparency
  - A multi-year dimension in the form of the MYFP
### Table 1. Budget classification in Poland, 2010

<table>
<thead>
<tr>
<th>Traditional budget structure</th>
<th>Example</th>
<th>Performance-based budget structure</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parts (84)</td>
<td>Ministries, institutions, EU funds, local government grants, debt servicing</td>
<td>Functions (22)</td>
<td>Main policy areas such as Function 3–Education, upbringing and care, or Function 6–State economic policy</td>
</tr>
<tr>
<td>Sections (33)</td>
<td>Activities/areas such as industry, agriculture or transport</td>
<td>Tasks (145)</td>
<td>Main programmes such as 4.4–Public debt management, or 6.1–Increase of competitiveness of the economy</td>
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<tr>
<td>Chapters (576)</td>
<td>Sub-areas regarding sections such as industry, agriculture or transport</td>
<td>Sub-tasks (698)</td>
<td>Sub-programmes such as 6.1.3–Creating conditions for increasing the innovativeness of enterprises</td>
</tr>
<tr>
<td>Paragraphs (229)</td>
<td>Economic classifications such as wages or investment</td>
<td>Actions (&lt;4 000)</td>
<td>Sub-activities such as 6.1.3.1–Creating conditions for functioning of enterprises</td>
</tr>
</tbody>
</table>

1. 1. The horizontal rows of the table should not be read as though the levels of the traditional budget structure and the performance-based budget structure correspond.
Classic issues facing the effort

- What institutional structure is necessary to implement PBB?
- How do you ensure ownership?
- How does it add value?
- What technical issues need to be resolved?
- How long do you maintain piloting/parallel systems?
- How do you ensure political support?
- What room is there for modification of the vision of the PBB system?
Institutional structure – in place

• A dedicated unit in the MoF under the deputy minister for budget
• Two government wide committees at political and senior civil servant level
• Integration with budget department
• Strong link to PM’s Office
• MoF takes lead in developing legal framework, manuals, training,
• Gradual role-out – identification of champions (MoD, MoE)
• Support from Parliament, Supreme Audit Institution
• ... yet still ....
Ownership, adding value, technical issues

Conceptual resistance
• We know what we have ... (tradition)
• Input budget gives control to MoF,
• Increased autonomy not sought

Practical resistance
• Upfront work, return uncertain
• Suspicion regarding end point (we’re from MoF, we’re here to help!)
• Lack of human capacity
• Difficulties in defining and measuring output/outcome
• Lack of automated bridges between traditional and PBB
• Lack of accounting system, challenging to resolve
• Lack of common IT platform in central government
Timing, tweaking

- **Timing**
  - Parallel systems difficult to sustain, one will lead
  - For a switch to happen, political and institutional support is necessary
  - This demands that added value is demonstrated – momentum necessary

- **Tweaking of models**
  - Maintain momentum of ambitious holistic system .. and/or
  - Focus on low hanging fruits in specific sectors
  - Use current structures of dialogue, (co-opt sceptics)
  - Focus on PBB’s value for line ministries/agencies
Highlights of recommendations

- *Poland has come a long way and efforts have been successful, however ...*
  the following might strengthen the effort:
  - Focus on operational efficiency of agencies/line ministries
  - Introduce multi year contracts – PM-line ministry model
  - Focus the efforts (especially indicator work) on health and education
  - Develop automated bridges, integrated accounting system
  - Introduce spending reviews and a spending review unit in MoF
  - Limit cross ministerial sharing of programs
  - Seek active input of Parliament, SAI, PM, CBA, Line Ministries to create consensus and momentum