

# Performance budgeting in Poland

**7th Annual Meeting of the OECD  
Working Party of Senior Budget  
Officials (SBO)**

**Network on Performance and Results  
9-10 November, Paris 2011**

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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

# Traditional and PBB budget classification

**Table 1. Budget classification<sup>1</sup> in Poland, 2010**

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

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