Budgeting in Bulgaria

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Agenda

1. Key features of budget preparation
2. Key features of budget execution
3. Key features of Parliament’s approval
4. Key features of accounting and audit
Key features of budget preparation

Agenda:

• Fiscal rules and fiscal performance
• Annual budget process
• Program budget
• The organisation of the Ministry of Finance
• Recommendations
Fiscal rules and performance (i)

- Euro-adoption goal
- Currency pegged to the euro
- SGP rules: deficit not exceeding 3% of GDP as well as gross government debt not exceeding 60% of GDP
- Annual Convergence program alignment
- Coalition agreement (2005): Maintaining a balanced budget and keeping public expenditures under 40% of GDP
Fiscal rules and performance (ii)

General government consolidated gross debt as % of GDP

- Bulgaria
- EU (27)
- Euro area

Fiscal rules and performance (iii)

- **GDP at previous year prices, Annual % change**
- **General government gross debt as a % of GDP**
- **General government balance as a % of GDP**

![Graph showing fiscal performance metrics from 2005 to 2010](image-url)
The annual budget process

1. **March – April**: Development of Medium-Term Fiscal Framework - aggregate fiscal plan

2. **April to July**: Development of Three-Year Budget Framework with expenditure ceilings for the line ministries

3. **July to October**: Elaboration of the draft State Budget Law to be presented to the National Assembly
Program budget

- Division of spending into “policies” and “programmes” with a large number of related performance measures and targets
- Used simultaneously with the traditional approach - a Unified Budget Classification using functional and economic classifications (paragraphs and subparagraphs)
- Split partly reflected institutionally in MoF
Program budget – structure (ii)

Ministry

Policy 1
- Strategic goal
- Strategic objectives

Policy 2
- Strategic goal
- Strategic objectives

Policy ...
- Strategic goal
- Strategic objectives

Programme 1
- Performance objectives
- Performance targets

Programme 2
- Performance objectives
- Performance targets

Programme 3
- Performance objectives
- Performance targets

Programme ...
- Performance objectives
- Performance targets
MoF organisation (ii)

- Staff size (about 400) comparable to many OECD central budget authorities
- Multiple entry points – not one “key account manager”. Same information requested some times.
- Expenditure Directorate for budget issues vs. Budget Directorate for program budget
- For investment three directorates involved
Recommendations - preparation

- The challenge for Bulgaria is to make recent reforms work well in practice
- Performance based (program) appropriations and traditional input based appropriations need to be integrated, not compete
- However, integration should not mean more “administrative burdens”
- Cut down on performance targets, concentrate on the most important
- Streamline the budget work in the MoF
- Upgrade line ministries finance directorates
Key features of budget execution

- Government decree implements aggregate parliamentary appropriations
- “90 %” rule: expenditure apportionments reduced by 10 percent to ensure sufficient funds
- Quite easy for line ministries to reallocate within their responsibility. MoF can allow reallocation between ministries.
- Not possible to carry over or borrow against future appropriations
Recommendations - execution

• Execution remains focused primarily on the legality of budget inputs
• As program budget is implemented greater responsibility for inputs and outputs should be shifted to program managers - strengthening the management culture within the line ministries important
• The cash and debt management practices of Bulgaria reflect good practice principles
• Keep up effort to strengthen internal control system
Key features of budget approval

• National Assembly
  – Established in 1991
  – Unicameral
  – 240 members, elected for four-year term
  – Proportional representation
  – 4% threshold for political parties
  – 25 standing committees, 20 ad hoc committees

• Main Task within the budget process
  – approve the budget (although only budget influencing not budget making authority)
## Process of Parliamentary Approval

### End October
- Minister of Finance submits the draft budget to the National Assembly

### Early November
- Joint Hearings of Budget and Finance Committee and Economic Policy Committee
- Sectoral Committees draft opinions
- Budget and Finance Committee prepares summary report

### Mid November
- First reading of the State Budget Bill

### End November
- Members submit amendment proposals

### Early December
- Budget and Finance Committee deliberates and adopts a report with its decision on each amendment proposal, which is distributed to all members of the National Assembly

### Mid December
- Second reading of the State Budget Bill
- The National Assembly votes on each amendment proposal and adopts the state budget bill
Recommendations

- Consider voting on programs rather than on policies
- Review the process concerning the judicial budget process
- Consider creating access to independent budget analysis capacity
- Review the time frame of the parliamentary process
Key features of accounting and audit

• **Internal Audit:** Challenges in the management of ministries and other first level spending units led to a shift in the responsibility for internal audit from central government to spending units.

• **External Audit:** The National Audit Office covers all budget funds and state authorities since 1995/2005. Staff of 520.
Recommendations - Audit

- Decentralization in internal audit is positive, but some offices may be too small to be effective.
- Decentralization still causes problems, e.g. in the reallocation of staff.
- A stronger collaboration between the National Audit Office and Internal Auditors could improve the control system.
- Parliament could request further audits if more information is needed in the budget process.