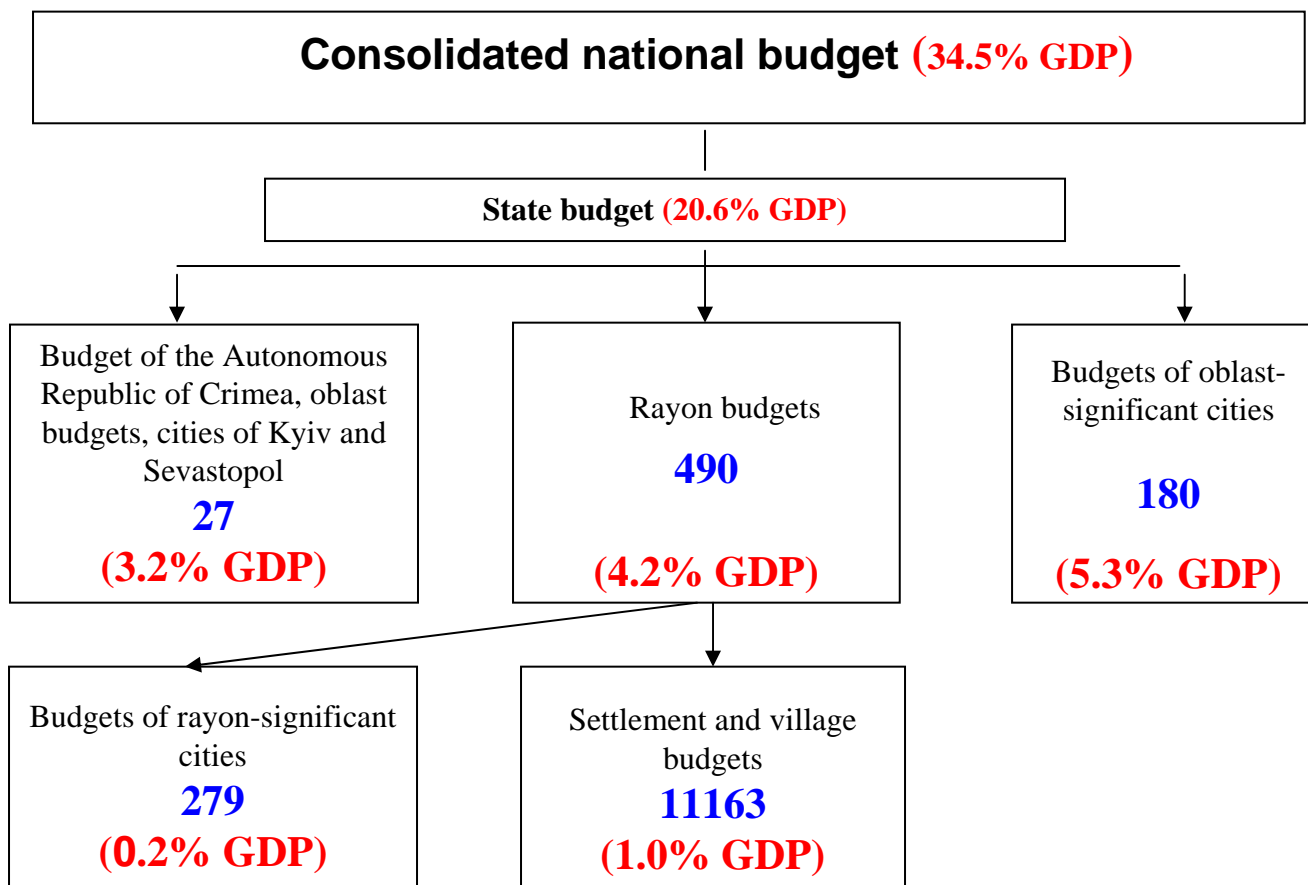


## **International Conference on Good Governance and Efficient Financial Management at Local Level**

# **Improving Efficiency and Transparency of Local Budgets through Implementation of Performance Program Budgeting**

**Iryna Shcherbyna,**  
Director General of Institute for  
Budgetary and Socio-Economic Research, Council of Europe Expert

# Budget System of Ukraine



# What Is Financed at the Local Level?

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- Maintenance of local government bodies
- Education: preschool, general secondary (including specialized educational institutions), extra-curricular, vocational education
- Healthcare: rural outpatient clinics, district hospitals, polyclinics, maternity homes, general dental polyclinics, emergency and acute-care stations, general hospitals
- Culture and arts: libraries, museums, exhibitions, theaters, clubs, philharmonics, zoos
- Physical culture and sports: sport schools for children and youth, physical culture and sport centers for disabled persons, maintenance of sport facilities
- Social protection and social security of children, low-income persons
- Local programs of housing and communal services development and municipal improvements of settlements
- Construction, reconstruction, repair, and maintenance of local roads



# National Policy Contributing to Participatory Budgeting at the Local Level

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The first budget reform in Ukraine involved the adoption of the Budget Code of Ukraine in 2001.

A new version of the Budget Code came into force as of 1 January 2011.

The new version of the Budget Code of Ukraine (BCOU) establishes:

- **the principle of publicity and transparency of the Ukrainian budget system** – “informing the public on the issues of compiling, considering, approval, and execution of the State budget and local budgets, as well as supervising the execution of the State budget and local budgets (Paragraph 10, Article 7, BCOU)
- **requirements regarding the availability of budget information** (Article 28 BCOU)
- **requirements regarding the publication of information about the results supervising the budget execution** (Article 118 BCOU)



# Requirements Regarding Availability of Budget Information (mass media and official website publications)

(according to Article 28, BCOU)

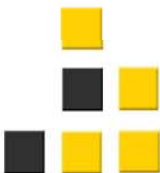
	State budget	Budgets of cities, oblasts and rayons	Budgets of villages and settlements
• draft budget	+	–	–
• approved budget	+	+	+
• annual reports on execution of budgets	+	–	–
• annual and quarterly reports on budget execution (by type of revenue and by group of functional classification budget expenditure and crediting)	+	+	+
• public presentation and publication of information about budget execution in the previous year <b>by budget program and its performance indicators</b>	+	–	–
• public presentation of a report on last year's budget execution	+	+	–



# Availability of Information on Budgets of Villages and Settlements

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“The public presentation of information on a village’s or settlement’s budget execution shall be carried out according to the procedure established by the respective local council”  
(Article 28 BCOU)



# Project of Civil Monitoring of Openness of Local Governments in Ternopil Oblast on Local Budget Issues

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The analysis of replies has made it possible for the project to draw the following conclusions:

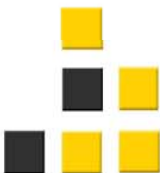
- the amount of budgetary information published in mass media outlets is very limited;
- governments only publish the information that is required by law;
- the practice of publishing important budgetary information in the format accessible for citizens is virtually nonexistent;
- limited tools – mostly rayon newspapers – are used for informing the public.



# Project of Civil Monitoring the Openness of Local Governments in Ternopil Oblast on Local Budget Issues

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Most reports published contain only general information about budget revenues or expenditures by functional classification. **Such information does not help the population to understand what specific activities were implemented using the public's money and what services were financed with budget funds.**





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***The Program Performance Budgeting in the budget process is a method of managing the budget funds to achieve specific results at the expense of budget funds with evaluation of the efficiency of using the budget funds applied at all phases of the budget process***

**Article 2, New version of Budget Code**



# Local Government Budget Resolution Format

UAH mn

## Revenues

• Tax revenues	<b>10 446.1</b>
• Non-tax revenues	<b>723.9</b>
• Revenues from capital transactions	<b>2 146.9</b>
• Targeted funds	<b>475.4</b>
• Intergovernmental transfers	<b>2 168.9</b>

## Expenditures

• General government	<b>586.4</b>
• Education	<b>3 485.5</b>
• Healthcare	<b>2 663.3</b>
• Social protection and social security	<b>2 221.4</b>
• Housing and communal services	<b>1 197.3</b>
• Culture and arts	<b>444.7</b>
• Mass media	<b>33.7</b>
• Physical culture and sports	<b>100.4</b>
• Construction	<b>800.4</b>
• Agriculture, forestry, fisheries and game-preserves	<b>1.8</b>
• Transport, road maintenance, communication, telecommunications and information technology	<b>376.2</b>
• Other services related to economic activity	<b>1 316.4</b>
• Prevention and elimination of emergency situations and effects of natural disasters	<b>7.6</b>
• Debt servicing	<b>895.9</b>
• Targeted funds	<b>484.6</b>
• Expenditures not included in main groups	<b>1 754.1</b>



# Format of local government budget resolution based on PPB

UAH mn

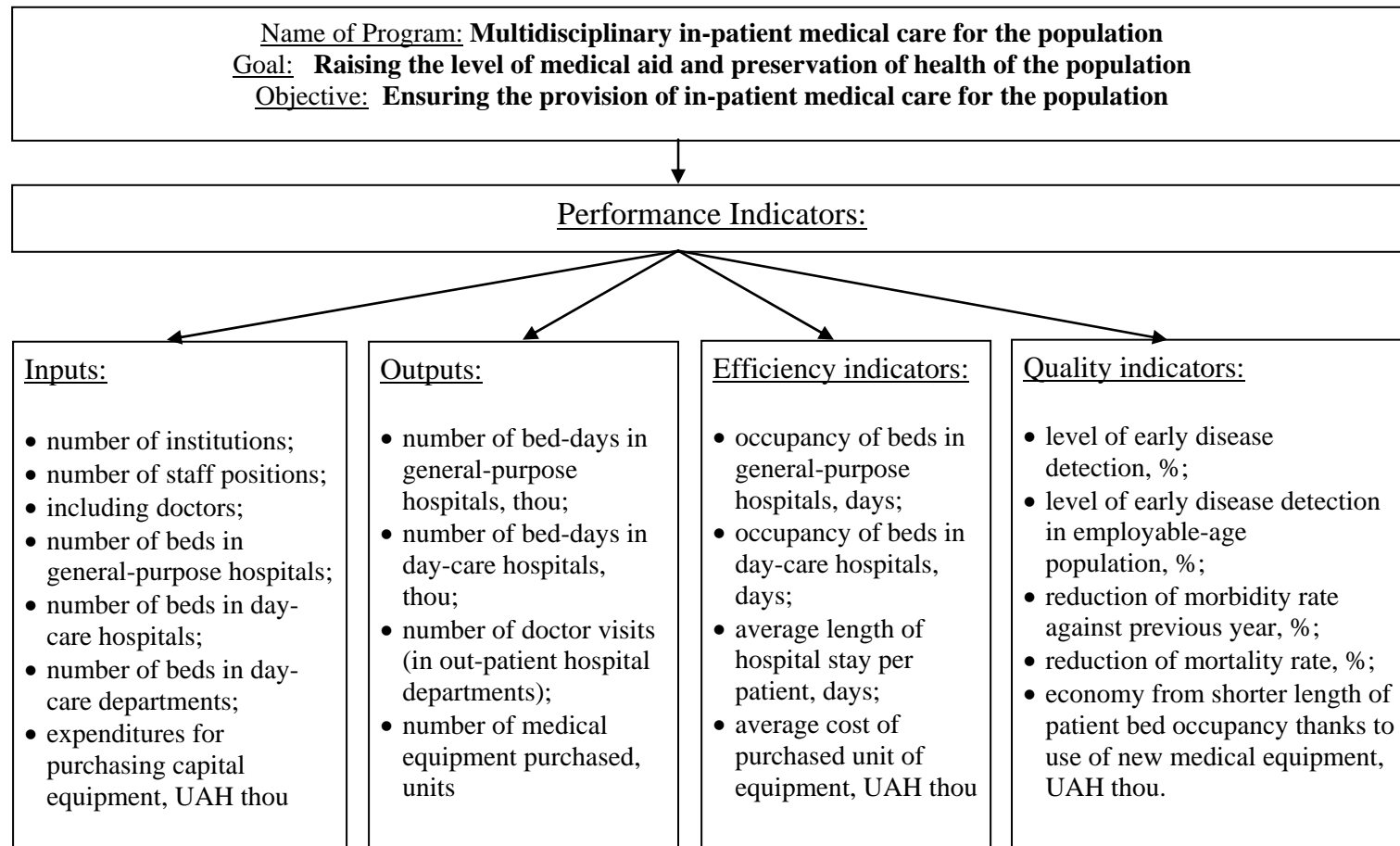
## Expenditures

### *Principal Directorate of Health*

• Multidisciplinary in-patient medical care of the population	2 663.3
• Physician and obstetrician care of pregnant women, parturient women, and newborn infants	738.9
• Provision of acute and emergency care to the population	89.8
• Specialized outpatient and polyclinic care of the population	75.0
• Provision of dental care for the population	56.4
• Information, methodological, and educational provision in healthcare	41.6
• ....	3.7



# Each budget program has an objective, activities for its achievement, and performance indicators



# Regulations and Bylaws Governing the PPB Application in Ukraine

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- The new version of the Budget Code of Ukraine dated 8 July 2010, No. 2456-VI
- Program of economic reforms for the years 2010-2014: *Prosperous Society, Competitive Economy, Efficient State*
- Concept of implementing the reform of local budgets approved by Ordinance of the Cabinet of Ministers of Ukraine dated 23 May 2007, No. 308-p (*with amendments dated 21 July 2010, No.1467*)
- Order of the Ministry of Finance of Ukraine dated 2 August 2010, No.805 “On Approving the Main Approaches to Implementation of the Performance Program Budgeting Method for Planning and Execution of Local Budgets”
- Order of the Ministry of Finance of Ukraine dated 9 July 2010, No.679 “On Some Issues of Conducting an Experiment of Implementation of the Performance Program Budgeting Method for Planning and Execution of Local Budgets”
- Joint orders of the Ministry of Finance of Ukraine and line ministries on approving Standard lists of budget programs and their performance indicators for local budgets in relevant sectors (all programs of both delegated and own functions)



# Regulations and Bylaws Governing the PPB Application in Ukraine *(continued)*

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- Order of the Ministry of Finance of Ukraine dated 14 February 2011, No.96 “On Approving the Standard Departmental Classification of Expenditures and Crediting of Local Budgets”
- Order of the Ministry of Finance of Ukraine dated 14 February 2011, No.97 “On Approving the Code Structure of the Program Classification of Expenditures and Crediting of Local Budgets and the Numbering Codifier of Standard Lists of Budget Programs of Local Budgets” (*with amendments as per MOF Order dated 14 October 2011, No.1249*)
- The Ministry of Finance letter to participants of the experiment dated 27 February 2010, No. 31-11030-14-5/4465 regarding the Methodology of evaluation of the experiment of implementation of the Performance Program Budgeting method of planning and execution of local budgets.
- The Ministry of Finance letter to participants of the experiment dated 18 October 2011, No.31-05010-14-5/25528 regarding the methodological framework for planning and execution of local budgets based on the Performance Program Budgeting method.

# Steps of Central Government to Introduce PPB at the Local Level

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- Starting in autumn 2008, the Ministry of Finance, in collaboration with local governments launched an experiment covering 36 local budgets in four pilot regions (Crimea; Zhytomyr, Luhansk, and Lviv oblasts). The country's capital city Kyiv joined the experiment in 2010.
- As of January 2011, the experiment is being implemented in 118 local budgets, which have developed and approved about 2500 programs;
- In order for all local budgets to be using PPB as of 2014:
  - the experiment will be extended to all regions of Ukraine in 2012-2013;
  - training of specialists will continue;
  - appropriate software will be provided;
  - appropriate material and technological resources will be provided to local budgets.



# Results of the Experiment as Viewed by Press Tour Participants (22 November 2010)

## Social and Economic Efficiency

### Healthcare:

- ❖ **A computerized tomographic (CT) scanner** that has reduced patient hospital stays by three days; reduced trauma patient mortality by 16 percent (thanks to improved precision in patient diagnoses); and saved the hospital a total of UAH1.19 million, or \$148,750.
- ❖ **A pulmonary ventilation apparatus for anesthesiology, and pulse oximeter** that have led to a 19.4 percent reduction in mortality between 2010 and 2009, and reduced patient hospitalization time by 14.8 percent – translating into a savings of UAH22,500 or approximately \$2,813.
- ❖ **A laparoscopic stand** for the surgery department that reduced patients' recovery time in bed, providing a cost savings of UAH210,000 or \$26,250 to the hospital.

### Housing and Communal Services:

- ❖ **Lighting of nearly 92% of streets in the city of Zhytomyr provided** (less than 50% of streets illuminated in 2007)
- ❖ **Annual economy of electric energy** thanks to application of energy-saving activities totals **1.2 kWh mn per year, which amounts to UAH252,000 or \$31,500 per year.**

[http://zt-rada.gov.ua/index.php?news\\_id=2839](http://zt-rada.gov.ua/index.php?news_id=2839)

<http://vlaskor.info/lyudi/1967-zhitomir-predstavlyaye-dosvd-vprovadzhennya-programno-clovogo-metodu.html>

<http://mercury.com.ua/suspilstvo/print:page,1,692-zhitomir-predstavlyaye-dosvd-vprovadzhennya-programno-clovogo-metodu.html>





# Strengths and Risks of PPB Budgeting

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## Strengths:

- Interrelation between the budget and development strategy
- Medium-term budgeting framework
- Linking the expenditures and quantitative criteria and the quality of service provision
- Evaluating the efficiency of budget resources spending/social impact
- Accessibility of information for citizens, improving the transparency and accountability of government
- Raising the level of engagement of citizens in participatory budgeting at the local level

## Risks

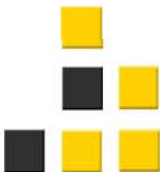
- Implementation of PPB needs time for:
  - adapting best international practices
  - testing the technology
- Availability of skilled personnel
- Processing of significant volume of information
- The need to have appropriate software and equipment



# A concluding quotation:

“A performance program model is based on postulates, which must be prepared and implemented in practical terms. Firstly, we must clearly visualize the prospects of a city’s development for long-term planning. Secondly, the Performance Program Budgeting has to take into account a medium-term perspective of 3-5 years. Thirdly, from the very beginning, we must know what the final result will be and how we can achieve it. The evaluation of performance must be understood by citizens, and **the Kyiv residents must have an opportunity to control and participate in discussing the programs, which are being implemented by the City.**” – presentation by the Chairman of the Kyiv State Administration Oleksandr Popov at a meeting of the Committee for Economic Reform Working Group on 29 March 2011.

(<http://www.kmv.gov.ua/news>)



# Thank you for your attention!

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The regulatory framework on PPB budgeting at the local level:

<http://www.ibser.org.ua/news/542/>

