



THE LOCAL OFFICIALS' GUIDE TO PROGRAM- BASED MUNICIPAL BUDGET MANAGEMENT

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The Local Officials' Guide to Program-Based Municipal Budget Management

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This guide introduces an efficient process for local budget management that is based on medium-term budget planning as well as program performance budgeting. It presents elements of an efficient budgetary process such as strategic planning, analysis and forecast of local revenues and local expenditures, citizens' involvement in the budget process, capital investment planning, budget programs and their performance measures, and monitoring and evaluation of budget programs. The guide was written primarily for mayors and other officials and employees of local government who are interested in studying and implementing modern budgeting techniques. It is also aimed at units of local self-government with sufficient revenues and staff to carry out the planning and analysis steps that follow. These are cities of oblast significance mainly, but include the top tier of towns of raion subordination.

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FOREWORD

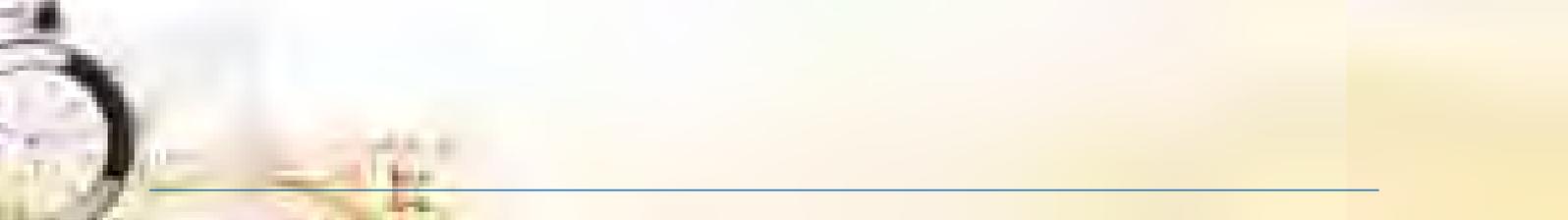
Budget reforms initiated in Ukraine with the adoption of the 2001 Budget Code call for improvements in budget formulation and execution by applying modern techniques and advanced approaches based on international experience. An important element of this process is the implementation of medium-term budget planning using modern budgeting instruments primarily program performance budgeting (PPB). This approach was introduced with the formulation of the State Budget of Ukraine in 2002. Since 2003, PPB has been piloted at the local government level.

According to PPB, budget resources should be spent for goals that meet the medium or long-term development strategy of a city. The current approach of one-year budgeting is inadequate for efficient budget management and strategic decisions aimed at local government development. Program performance budgeting is an instrument that encourages medium-term budget planning and focuses on measuring actual results of services provided to citizens funded by the budget rather than monitoring line item budget funds in line with the budget plan.

One problem that hinders the development of local self-government in Ukraine is the scarcity of current financial resources that are insufficient to fulfill the full authorities delegated to local governments by the State. It is important, therefore, not only to review the local tax base with the view of increasing local revenues but also to increase the efficiency and effectiveness of available budget resources. Among other things, this concerns financing of budget entities.

When PPB is applied, the focus shifts from developing local entities funded by the budget and increasing their staff to results of implemented programs, i.e. focus is on funding of social and communal services as well as the efficiency of the funded services. This means that services funded under local budgets should meet the needs of taxpayers. To estimate the effectiveness of programs, certain performance measures can be applied to help assess actual results of spending.

Taxpayers must know how their funds are used, what outcomes will be achieved as a result of the State and local social programs. Only then will citizens be eager to pay taxes because they will consider them as fees for effective services provided rather than as a result of retaliatory measures of the State and local governments.



Similarly, elected representatives when considering draft budgets also should focus on the expected and actual results of social services provided at the expense of budget funds. If applied properly, program performance budgeting helps attain the main goal, i.e. efficient allocation of budget resources and enlisting maximum support from citizens.

This guide is intended for the leadership and specialists of local government. It consists of 9 sections that cover specifics of medium-term budgeting and application of program performance budgeting at each stage of the budget process. It also reflects both international experience as well as the recent Ukrainian experience with PPB implementation. This guide is the first publication in a series of training materials to be produced by the USAID Municipal Budget Reform Project to be used for training and workshops on medium-term planning and PPB for local government. A practical guide with step-by-step instructions and a standard format for developing and executing a PPB at the city level will also be produced by the MBR Project based on previous materials developed and will serve to complement this local officials guide to PPB. The MBR Project will also develop and implement a computerized Budget Template System that will provide an automated system to assist local government in planning and executing PPB in a more efficient and timely manner.

The authors are thankful to the specialists who contributed to this guide and provided expert comments. We hope that this guide will help local government in Ukraine produce more efficient and transparent local budgets as well as to involve citizens in the budget process.

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Section 1. Medium term budget planning and key principals of program performance budgeting

This section focuses on medium-term budgeting and introduces the program performance budgeting (PPB) approach, i.e. an approach that allows planning and executing medium-term budgets. The readers will be provided with information about other countries experience with program performance budgeting and review the differences between line-item budgeting and program performance budgeting. It also discusses the key principals of program performance budgeting.

The budget process is a legislatively regulated activity dealing with formulation, review, approval, and execution of budgets, control over their execution, as well as reporting on budget execution.

1.1. Medium term budget planning

For a budgetary process to be efficient, it is important to do medium-term planning within established priorities and objectives of the budget policy and available resources. Medium term budget planning provides a framework for efficient management of budget revenues and expenditures and contributes to the implementation of strategic objectives of the region's development. The medium term budget planning process can be divided into 7 stages which are shown in the Diagram 1.

The first step in medium term planning is to estimate the available resources taking into account macroeconomic trends (e.g., inflation, minimum wages, etc.) This entails developing several variations of medium term revenue forecasts and selecting the best scenario given the country's macroeconomic outlook (Stage 1).

As a rule, a medium term budget typically covering a 3–5 year period

is updated every year due to policy guidelines which can change from year to year. Therefore, the budget process requires reviewing the budget policy for the previous period (Stage 2).

Next, the main guidelines and aspects of the next year's budget policy are defined (Stage 3). At this stage, goals, objectives, policies, strategies, are established and expenditure priorities determined.

The budget policy goals established under Stage 3 can inform local entities funded by the budget about the government's priorities and create the basis for planning operating and capital expenditures for the next year's budget (Stage 4).

The budget is implemented in line with the established/approved targets (Stage 5).

Execution of the budget is monitored on a regular basis by way of collecting data on revenue collec-

Diagram 1

MEDIUM TERM PLANNING PROCESS CYCLE



Source: Public Expenditure Management Handbook, 1998, The World Bank

tions and actual expenditures, and comparing actual figures with the targets (Stage 6).

Evaluation and audit are essential elements of an efficient budget process and important factors for preparing the next-year's draft budget. Information gleaned from reporting on the actual results of activities and expenditures is also

important for preparation of the next-year's draft. They provide the basis for analysis and help evaluate the budget's effectiveness (Stage 7).

Medium-term budget planning provides local governments with a framework to help align agreed strategic plans with available budget funds.

1.2 PPB as an instrument for medium-term budgeting

Program performance budgeting (PPB) is a budgeting approach that facilitates efficient management of the budget process for the medium term. This approach focuses on addressing critical issues facing the local government and achieving established goals and objectives. It is used in many countries primarily to ensure efficient and effective use of scarce budget resources.

Program performance budgeting was first implemented in the 1960's in the US. Currently, PPB components are actively used for budget formulation and implementation in the US, Canada, New Zealand, Australia, Great Britain, and certain European Union member states. It is important to further introduce PPB into Ukraine's budgetary process as the country strives for integration into the European Union. Budget formulation in a program-based format is an important requirement for EU member states and candidates.

Some elements of program performance budgeting have been implemented in Lithuania and Estonia. Neighboring countries also have certain experience in budget formulation and execution based on PPB. Romania and Bulgaria have gone the furthest as they passed legislation and regulations that promote gradual transition to PPB-based budget formulation. Russia and Kazakhstan also have made considerable steps forward in this

direction. An important prerequisite for PPB implementation in Ukraine is budget reform which has commenced with the passage of the Budget Code in 2001.

1.3. Comparison of line-item budgeting with PPB-based budgeting

The main differences between PPB and traditional line-item budgeting are shown in Table 1.

Line-item (traditional) budgeting focuses on simply maintaining the organizational structure of budget agencies while program performance budgeting requires describing the goal which has to be attained as a result of spending of budget funds and providing information about the quality of services delivered and the social effect achieved.

It is based on rational management aimed at resolving social problems. With PPB, the budget process begins from identifying the critical issues that need to be resolved. With the view of resolving these issues, local governments develop result-oriented budget programs and the budget is formulated on the basis of these programs.

In each program, goals are defined and objectives are formulated which need to be attained to achieve the goals set. An important essential element of the program is

Program performance budgeting is a system of managing budget resources over the medium-term aimed at the development and delivery of goal-oriented budget programs.

the establishment of performance measures, i.e. qualitative and quantitative parameters which are used

to assess the program's implementation and determine if established goals were achieved.

Table 1

DIFFERENCES BETWEEN PPB AND TRADITIONAL LINE-ITEM BUDGETING

Line-item (traditional) budgeting	Program performance budgeting
Expenditures are planned based on historical data without evaluation of the need for, and quality of, public services provided by the budget entity.	Planning is oriented towards the future based on established goals and objectives for expenditures and performance measures to determine social and economic effectiveness of budget programs.
The budget is formulated and approved by function and economic classification for line item expenditures.	The budget is formulated and approved primarily based on budget programs.
The primary purpose of the budget is to maintain budget entities without taking into account their effectiveness.	The primary purpose of the budget is to achieve the most effective results from the budgeted expenditures.
Lack of accountability for results or performance of the budget entities and the quality of services provided.	Key spending units are held accountable for the achievement of results of budget programs.

1.4. Main elements of PPB

Program performance budgeting is a comprehensive approach to budget formulation and includes the following elements:

- **Strategic planning** is a systematic process undertaken by a city to plan and forecast its future. The strategic planning process has three basic phases:

- 1) The first phase focuses on establishing the local entity's mission or its purpose of existence;

- 2) the second phase determines the goals and objectives which show where the entity would like to be in the future to execute its mission;

- 3) the final phase considers the necessary tasks and activities to enable the entity to accomplish such goals and objectives.

- **The transparency of the budgetary process and active citizens' involvement** is essential for efficient and realistic budget and planning for the city's development.

- **Medium-term planning of revenues** is aimed at assessing the amount of resources available to the local government to cover its necessary expenditures.

- **Medium-term planning of expenditures** helps to define the expenditure priorities, improve the accountability of spending units and use of budget funds, as well as to enhance the overall budgetary control.

- **Capital investment planning** involves preparing a medium- or long-term plan with information about priority capital investment projects to be implemented during the planned period.

- **Budget programs** are a key element of PPB. A budget program consists of closely connected actions aimed at the achievement of a number of medium- or long-term goals. Each program is formulated in compliance with the established requirements and should contain a Goal, Objectives, and Program Performance Measures.

- **Program performance measures** – another key component of PPB – are statistical indicators which demonstrate the success of the program and should be measurable or quantifiable.

- **Monitoring, control, and evaluation of programs.** PPB necessitates regularly monitoring implementation of programs as well as evaluating them at various stages of the budget process. Based on collected information, conclusions are drawn about the program's effectiveness and administrative decisions are made.

The above-mentioned elements are modern budgetary techniques which help to improve the efficiency and effectiveness of budgets prepared using any format. The PPB approach refers to both process and format of budget formulation and requires that all the above-listed elements be considered as part of the budget process.

Conclusions

PPB is a tool for medium-term budget planning and execution. It promotes efficient allocation of limited budget resources, improving the quality of public services, transparency in the budget resource allocation and decision-making process.

2 Section 2. Strategic planning

This section introduces strategic planning as a comprehensive and systematic management tool that local governments can use to identify their strengths and weaknesses, determine the challenges and opportunities they face, develop their vision for the future and determine the actions to achieve such vision. While it is important to balance a government's vision with available resources, the resources available should not constrain the vision. Strategic planning complements the medium term planning process discussed in Section 1 by focusing on broader, strategic thinking for the future while the medium term process focuses on assessing the long-term financial implications of current and proposed policies, programs and assumptions.

2.1. Why local governments do strategic planning?

Cities can use strategic planning to help them focus on long-term goals, assess their capabilities to achieve those goals, examine the environmental factors that may affect them and identify strategies to help them achieve results. A well designed strategic planning process can help a local government to:

- Clarify future direction
- Establish priorities
- Develop effective strategies
- Consider the future consequences of its decisions
- Deal effectively with rapidly changing circumstances
- Improve internal management and organizational performance
- Strengthen communication with its constituents and clients

Strategic planning emphasizes strategic thinking and acting rather than production of a planning doc-

ument. It is designed to help a local government envision a desirable and attainable future. It is action oriented and focused on achieving results and focuses attention and resources on the most important issues facing a local government rather than trying to address all issues at once.

2.2. What are the key elements of the strategic planning process?

While there is no single best approach to strategic planning, an effective strategic planning process will address the following four questions as outlined in Table 2:

1. Where are we now?
2. Where do we want to be in the future?
3. How will we get there?
4. How do we measure our progress?

An effective strategic planning process will include the following key steps:

Table 2

STRATEGIC PLANNING PROCESS

Strategic Question	Elements of the Process	Key Activities
Where Are We Now?	Internal/ External Assessment	<ul style="list-style-type: none"> ■ Conduct situation/inventory environmental assessment ■ Prepare analysis of customer needs ■ Identify strategic issues
	Mission and Principles	<ul style="list-style-type: none"> ■ Broad, comprehensive statement of the government's purpose ■ Reflects the government's values, conduct to achieve the mission ■ Employees and leadership usually involved in developing mission and principles
Where Do We Want to Be?	Vision	<ul style="list-style-type: none"> ■ When combined with mission and principles, vision identifies government's uniqueness ■ Reflects the desired future
How Do We Get There?	Goals and Objectives	<ul style="list-style-type: none"> ■ Purpose toward which effort is directed (Goals) ■ Specific and measurable target for accomplishing goals (Objectives) ■ Both lead to efficient and effective resource allocation
How Do We Measure Our Progress?	Action Plans	<ul style="list-style-type: none"> ■ Prepare detailed work plans ■ Incorporate strategies to accomplish goals and objectives
	Performance Measures	<ul style="list-style-type: none"> ■ Indicators used to measure results ■ Ensure accountability and tied to performance targets
	Monitoring and Tracking	<ul style="list-style-type: none"> ■ Develop systems to monitor government's progress towards achieving stated goals and objectives ■ Compile and collect monitoring data for improved management decisions ■ Keep strategic plan on track

Source: State of Arizona, Strategic Planning Workshop, 1994.

(1) Initiate the Strategic Planning Process. This is the first step in which the local government assesses its readiness to engage in strategic planning and designs a planning process to match its purpose, resources and political environment. It is important that the strategic planning process be initiated and conducted under the authorization of the local mayor. A strategic plan that does not have the support of the mayor has little chance of influencing the future. The most common arrangement involves the formation of a steering committee along with a number of working groups. The steering committee is generally responsible for overall direction and decision making. The working groups typically make recommendations to the steering committee based on in depth examinations of particular issue areas.

(2) Involve Key Stakeholders to Sustain Commitment. Identifying and involving key stakeholders, whether legislators, government employees or citizens is essential to strategic planning. Techniques that governments have used to involve citizens and other stakeholders in the process include: 1) surveys, media announcements, community meetings at the launching of the strategic planning process; 2) public meetings, media inserts at key decision points in the process to solicit feedback and to guide future tasks. Sustaining stakeholders' commitment is just as important and can be achieved by: 1) continually demonstrating the commitment of the

government and key players to the process, 2) making the process meaningful and high profile; 3) setting a realistic timetable and realistic and appropriate expectation for those involved in the process; 4) using opportunities to celebrate milestones; and 5) continually communicating what is going on to those in the organization and the broader community. Governments should seek the advice of citizens and other stakeholders early on in the planning process.

(3) Assess Environmental Factors. To develop realistic plans, a local government needs to take a close look at its internal strengths and weaknesses, as well as assess the external environment for potential opportunities and threats that it may face in the future. A frequently used methodology for conducting such environmental assessment is "SWOT" (Strengths, Weaknesses, Opportunities, Threats) analysis. When assessing internal strengths and weaknesses, a local government can focus on such issues as its structure, culture, employees and fiscal status. The external assessment should consider local, regional, national and global factors such as population shifts, economic conditions, legal or regulatory changes, cultural and social trends, intergovernmental issues and technological developments.

(4) Prepare a Mission Statement. Setting a strategic direction for a local government means setting its values, vision and mission. The mission statement should be a

broad but clear statement of purpose that states the local government's reason for existence. An example of a mission statement might be: "The City of X seeks to serve the needs of citizens by providing a safe, secure and healthy environment which facilitates planned, managed growth and economic development."

(5) Identify Key Issues. Once the environmental assessment has been completed and the mission statement developed, the next step is to use the information to identify the important issues. Here the local government sets priorities to allow it to focus on the most important and urgent issues. Strategic issues are issues that are critical to the future of the local government – issues that must be addressed in order for the local government to carry out its mission prepared under the previous step.

(6) Develop Broad Goals, Measurable Objectives and Performance Measures. After identifying the strategic issues, those involved in the strategic planning process should then agree on a small number of broad goals. The goals should address the important issues facing the community identified under Step 5. It may be necessary to define priorities among goals to improve their usefulness in allocating resources. The next step is to specify objectives, or quantifiable interim steps toward achieving the local government's long-range vision and goals. Objectives should be expressed as quantities, or at

least verifiable statements and ideally include timeframes. And finally, performance measures are developed to provide an important link between the goals, strategies, actions and objectives stated in the strategic plan and the program and activities funded in the budget. Performance measures provide information on whether goals and objectives are being achieved.

(7) Develop Strategies and an Action Plan. When a local government has determined where it is headed, the next step is to decide how to get there. Strategies are methods used to accomplish goals and objectives. More than one strategy may be needed to accomplish each objective. There should be a relatively small number of specific strategies developed to help choose among services and activities to be emphasized. The next step is to develop an action plan that describes how the strategies will be implemented and includes activities and services to be performed, associated costs, designation of responsibilities, priority order and time frame involved for the organization to reach its strategic goals.

(8) Seek Approval of the Action Plan. Policymakers should formally approve the strategic plan so it can provide the context for policy decisions and budget decisions.

(9) Implement the Plan. Those involved in developing the strategic plan should work together to implement it. Moreover, the strategic plan should direct the operating

budget, the capital plan and the government's other financial planning efforts. Communicating and marketing the plan need to be key components of the implementation process.

(10) Monitor Progress. Evaluation serves as the feedback step in the strategic planning process and completes the cycle from planning to performance. Local governments should develop a systematic review process to evaluate the extent to which strategic goals have been met. An important component of monitoring progress is to periodically

reassess the strategic plan. Often external factors such as the national or regional economy, demographic changes, statutory changes, legislation, mandates and climate/environmental changes may affect the environment and thus achievement of stated goals. Updated information on stakeholder needs or results may also require changes to the plan. Governments should conduct interim reviews every one to three years, and more comprehensive strategic planning every five to ten years. Performance measure results need to be reviewed more frequently than the strategic plan at least annually.

Conclusions

Strategic planning assumes local leaders to be effective strategists if their entities are to fulfill their missions, meet their mandates, and satisfy their constituents in the years ahead. Effective strategies are needed to cope with ever changing environments and leaders need to develop a context for their strategic decisions — thus the need for a systematic strategic planning process.

3

Section 3. Transparency of the budget and citizens' involvement

This section discusses the main reasons, goals, forms, and methods for citizens' involvement in the budget process. Difficulties as well as advantages of the new paradigm of relations between citizens and local government are also discussed.

3.1 Why involve the public in the budget process?

The local budget is the most important policy document prepared by the local government in order to satisfy its citizens' needs. As taxes paid by citizens are a source for local budgets, the local government must take into account the community's opinion regarding the use of these funds. The leadership of local government and specialists of financial departments must therefore be aware of and use various forums and methods to involve the public in the budget process for the following reasons:

- Ensure compliance with legislative provisions regarding citizens' involvement;
- Enlist the community's support and ensure that budget decisions are legitimate;
- Satisfy the needs of citizens in services funded from the budget;
- Develop the budget and programs to address issues of high priority to local citizens;
- Introduce new approaches for resolving complicated financial and budget issues and prioritizing them;

- Foster involving all stakeholders in cooperation to address financial issues;
- Inform citizens about financial issues;
- Increase the government's transparency and credibility on the part of the community;
- Prepare for the point when citizens' participation will be considered a standard rather than an exception.

To the extent that local governments are familiar with citizens' opinions, they should understand social processes and the role of financial management as such. Citizens tend to support projects developed with their participation. Therefore, it is important to involve all stakeholders in the process of making managerial decisions. These include: individual citizens, officials of the city government, representatives of NGOs, business, mass media, political parties, etc.

3.2. Forums for public participation in the budget process

Effective forums for public participation in the budget process can

include: public budget hearings, working groups and advisory committees, steering committees and commissions, public review, public meeting, and mass media communication. The specific forum used for public involvement depends on the issue to be addressed or task to be fulfilled.

There are two types of information, which the local government should provide to its citizens:

- Information about the specifics of a concrete objective, program, or activity. For instance, overview of the annual budget or specific project included in the municipal capital investment program;
- More general or synoptic information. This information is provided by representatives of the local government through presentations about the activities of local government given to groups of students or community-based organizations, professional groups or commercial organizations.

3.3. Citizens' involvement in the budget process

There are two primary methods for involving citizens in the budget process:

1 — Methods aimed to enlist citizen participation in the decision-making process such as official public hearings with the view to inform citizens and receive feedback; informal meetings with officials; interviews and organizing

focus groups to survey public opinion; setting up advisory committees and working groups for consultations on specific issues or for developing a strategy and objectives; setting up committees or commissions to facilitate management, monitoring and control over some specific function; creating community-based organizations/interest groups to study specific situations and provide recommendations to address them.

2 — Methods aimed at educating and simply informing citizens rather than enlisting their direct involvement and feedback such as organization of reception by the official who administers complaints; open house events to allow the public to meet with local officials and express their views on budget and other issues; rendering information services; organization of training and meetings with officials for presenting periodic reports; opening centers of public relations for handling complaints and proposals; ensuring communication through the mass media. The primary forum for providing basic information about the annual budget to the public is the "Budget In Brief", a concise overview of the approved annual budget.

Why should citizens be involved in the budgetary process? Local government should involve the public in the budget process to enhance their decision making process, e.g., to assist in making rational decisions or developing better financial plans. Examples of how local government could involve citizens include:

- Request an opinion of a civic commission to confirm that the annual budget would satisfy the needs of citizens;

- Propose that citizens with financial expertise evaluate alternative ways to increase revenues in order to reach a balance between expenditures and revenues;

- Organize a panel of stakeholders to plan the steps to resolve the issue of environmental sustainability of the region resulting from toxic discharges of a chemical plant which can contribute to the region's economic growth;

- Set up a working group to poll the citizens' opinion about the possible privatization of communally-owned entities which provide services to the community;

- Prepare and conduct budget hearings in order to comply with legislation and develop the most efficient budget from the community's viewpoint.

3.4. Public (budget) hearings

Public hearings are a general meeting for the public on an issue that is important for the community at large. In the course of the hearings, the local government or one or more non-governmental organizations present the problem and propose ways to resolve it and representatives of the community discuss this problem and approve a plan proposed by the government NGO or propose their alternative project.

Budget hearings can be an important forum for citizen involvement in the budget process. Budget hearings are a type of public hearing authorized under Article 9 of the Law On Local Self-government in Ukraine. In the course of budget hearings, the local administration presents the draft budget for the next fiscal year and aims to:

- Inform citizens about the plans, tactics and strategies of the city's leadership for the upcoming fiscal years;

- Present to the community the results of the local government's activity during the last fiscal year;

- Get feedback from consumers of services with regard to desirable ways to resolve current problems (e.g., water supply, increased tariffs for electricity, privatization of utility companies, etc.);

- Enlist the community's support in lobbying their interests in upper-tier governments (assertion of the draft budget which is favorable for the city, etc.); and

- Emphasize the transparency of the government's actions in order to ensure the government's credibility.

In order to inform citizens, a **budget message** and "**Budget in Brief**", are prepared. The budget message is a statement summarizing the plans, policies contained in the budget report, including an explanation of the principal budget items, an outline of the municipality's experience during the past year and its current financial status.

These documents are disseminated through various channels. The budget can be published in local newspapers, posted on websites, and discussed through public hearings. Booklets and other publications about the budget can be made available in public libraries.

Budget message is a statement presented typically in the form of a letter from the head of the local government (for instance, the mayor) which offers an opportunity to publicly outline his/her political plans/recommendations for the next fiscal year. It includes:

- the main guidelines of the fiscal policy, plans, goals;
- list of sector priorities;
- explanations showing how the budget was balanced;
- description of the breakdown of reserve funds; and
- main budget assumptions (e.g., inflation rate).

"Budget in Brief" is a document such as a pamphlet or booklet which provides a general description of the proposed annual budget including:

- a concise description of the budget process;
- a brief and user friendly overview of the budget;
- charts and other visual information to inform the reader about the main components of the budget; and

- comparative information about last year's and the planning year budget.

Procedures for Initiation of Budget Hearings

Budget hearings are typically initiated by the mayor. Apart from the mayor, budget hearings may be initiated by:

- a) members of the city council elected in single-member districts;
- b) members of the community who reside in the city.

If the decision about the initiative to conduct budget hearings is made by the mayor, it is made individually. In this case, the legal base for budget hearings is the mayor's directive.

If budget hearings are organized on initiative of members of the city council, this initiative is subject to registration with the city council. In order to register it, an application should be submitted signed by at least 20% of the overall membership of the city council.

The decision to initiate budget hearings by the city council must be approved at the session of the council. In this case, the legal base for the budget hearings is the decision of the city council adopted by the majority of the city council.

The community members' initiative to organize budget hearings shall be registered with the city (or rayon) council. In this case, a joint application should be submitted signed by at least 5% of the com-

munity members residing in the city (rayon) and eligible to take part in local elections.

The legal ground for budget hearings initiated by the city council or community members is the mayor's directive issued within one calendar month from the day when the initiative was registered.

In the above-mentioned directives or joint applications the following should be specified: a person (or any odd number of persons but at least three persons) who is/are authorized to represent the initiator of budget hearings, the list of issues to be discussed, and the timeline of the hearings.

Conclusions

When preparing and conducting budget hearings, local government may encounter some difficulties trying to attract citizens to the event. Such difficulties can be overcome if an effective information campaign precedes the event. A desired result of any public (budget) hearings is the development of a fair and transparent budget and continuous support of the government's actions by the community.

4 Section 4. Forecasting of Local Revenues

This section explains how local revenues are planned for the next period and for a medium term. This planning is an essential prerequisite for implementation of program performance budgeting. The section begins with a brief review of the planning process used for local budgets, including references to the relevant sections of the Budget Code of Ukraine, which is followed by specific recommendations with respect to local revenue forecasting for the medium term.

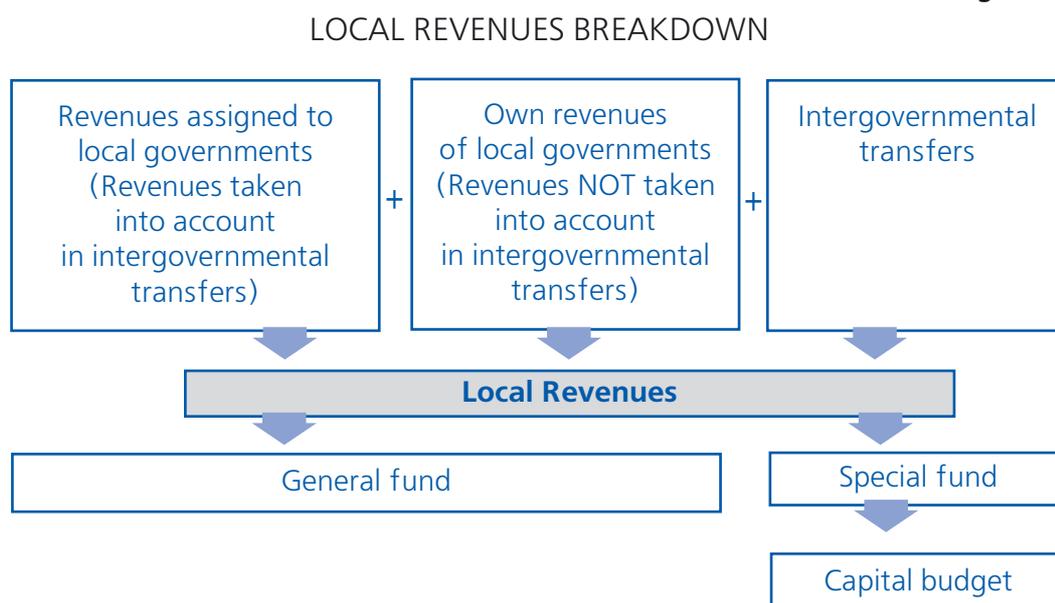
4.1. Why local governments forecast local revenues?

Local revenues are the main financial resources of local governments that they use to execute their own authorities and authorities delegated to them by the State. **Local governments forecast and plan local revenues in order to assess the level of available resources to fund necessary outlays.** The quality of forecasting and preciseness of

revenue targets of the local budget determine the local government's ability to execute its obligations in full and in a timely manner.

The local government's ability to implement ongoing or medium-term programs is to a significant extent dependent on the quality of the medium-term revenue forecast. For program budgeting to be implemented, both local revenue and expenditures should be planned for

Diagram 2



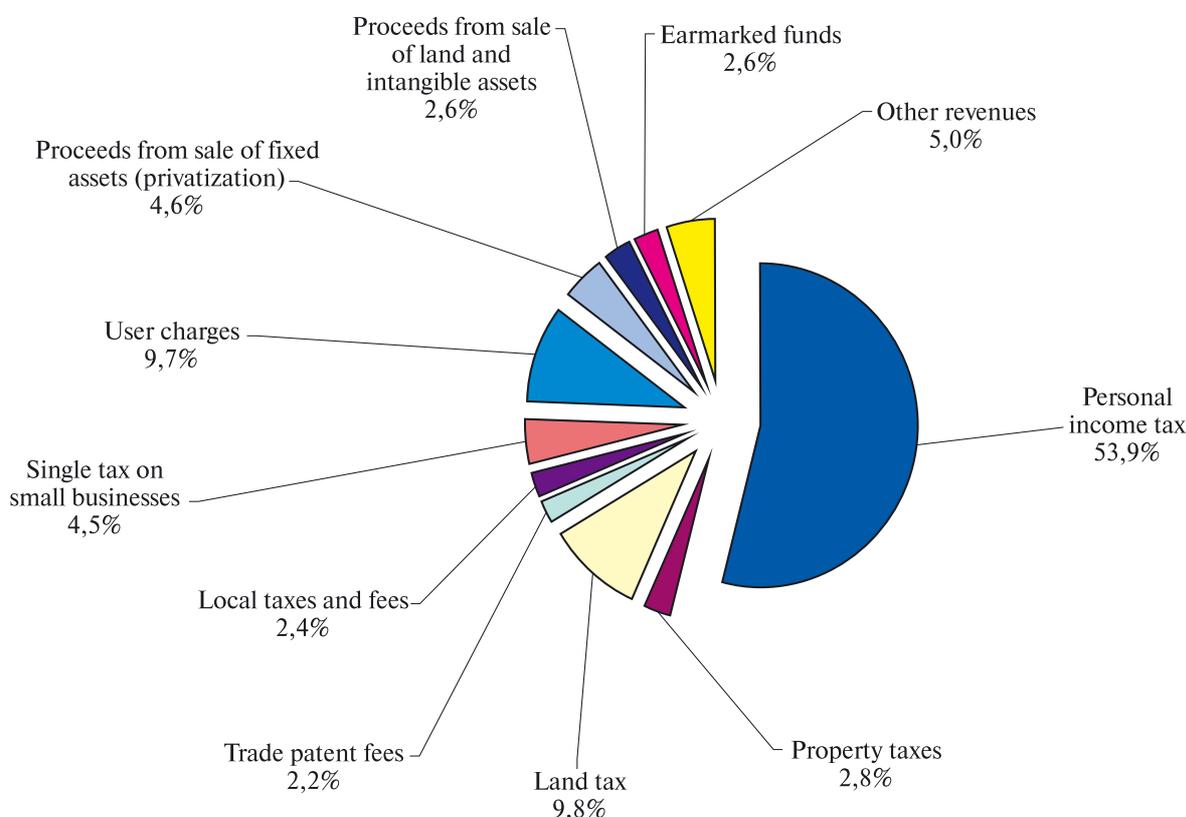
According to Articles 64–69 of the Budget Code of Ukraine.

the next budget period and the medium term. It is impossible to plan expenditures for several years ahead without the financial basis for such expenditures, i.e. the necessary revenues.

Local revenues consist of all tax, non-tax, and other non-repayable proceeds (including transfers, donations, grants), which are collected as prescribed by Ukrainian legislations as illustrated in Diagram 2.

Chart 1

STRUCTURE OF LOCAL REVENUES, LOCAL BUDGETS OF UKRAINE IN GENERAL, 2004



4.2. What is needed to forecast local revenues?

In order to plan revenues objectively, local governments need as much factual information about the tax base and the effect of legislative changes on it (and hence on the volume of revenues) as possible partic-

ularly related to national taxes and fees which are assigned to local budgets. For example, the personal income tax accounts for at least 50 percent of most local budgets (see Chart 1).

Any legislative changes with regard to personal income tax

directly affect the revenue side of local budgets, and hence the amount available for local expenditures. In particular, changes in tax rates, payment procedures, and list of payers, which are implemented at the national level, directly affect the amount of local revenues. Therefore, local governments should track changes in the tax base, analyze the number of taxpayers, level of wages and other personal incomes, roll of persons eligible for tax credits, etc. At the same time, local governments may, within their competence, suggest compensatory schemes (in case of a decrease in forecasted revenues) to identify additional sources to address any potential revenue-expenditure gap.

Local governments have an impact on the development of the revenue base which the Budget Code assigns to them through efficient policy, e.g. in the area of managing land resources, supporting enterprises which create new jobs or increase payroll funds, etc. The fact that the list of taxes and sharing rates are assigned to local budgets on a long-term basis urges local governments to monitor these revenues, analyze economic factors that affect the volume of revenues and formulate medium- to long-term local development policy.

Other taxes and fees payable to local budgets may also be subject to such in-depth analysis with particular emphasis on tax benefits and exemptions within the competence of local governments.

4.3. How do local governments plan revenues?

The Budget Code of Ukraine assigned certain types of revenues (or shares of revenues) to specific tiers of government in order to provide long-term revenue sources for local governments. As such, it is possible not only to forecast revenue sources for the future, but also to implement sound policies that are expected to provide a positive result in the medium term. In addition, the sharing of revenue sources between the different levels of government can encourage the preservation and development of the various levels of government.

When planning local revenues it is important to note that certain local revenues are included in the intergovernmental transfers calculations, while others are excluded. Specifically, this relates to the calculation of the equalization grants (i.e., funds to be sent to the state budget). This distinction between those local revenues that are included or excluded from the calculation of intergovernmental transfers is prescribed by the Budget Code of Ukraine.

Revenue Basket I. Articles 64–67 of the Budget Code of Ukraine establish the list of revenues which are taken into account in intergovernmental transfer calculations (Revenue Basket I), as well as the sharing rates for a number of taxes and fees. With regard to these taxes and fees, tax legislation prescribes stringent rules for their

assessment and collection; no tier of government is allowed to intervene in this process. Any changes concerning these revenue sources can be implemented only if approved by laws of Ukraine.

Revenue Basket II. Local revenues that are not taken into account in intergovernmental transfer calculations (Revenue Basket II) are listed in Article 69 of the Budget Code of Ukraine. In addition, this list includes revenue sources of capital budget which are specified in Article 71.

According to tax legislation, these revenue sources are administered using general rules. Local governments are allowed to establish the tax rates (within the legislatively defined ranges) and grant some types of privileges. They are also allowed to establish the procedures and periods for assessment and collection of these taxes and fees.

The basis for realistic medium-term planning and execution of local revenues is the stability in tax legislation. Thus, the requirements of Article 27 of the Budget Code of Ukraine concerning submission, review, and adoption of laws affecting local revenues should be followed during the budget year.

It should be noted, however, that in practice one of the most important problems dealing with local revenue forecasting, including medium-term forecasting, is the lack of stability in tax legislation. Repeated changes in tax policy, in particular, when the annual budget is considered and passed, make it difficult to

develop a realistic medium-term forecast for local revenues. Moreover, unstable tax legislation influences the calculations of intergovernmental transfers. For many local budgets, equalization grants bring more than 70 percent of total revenues.

Intergovernmental transfer calculations. These calculations are carried out in accordance with Article 98 of the Budget Code of Ukraine. In pursuance of this Article, the Cabinet of Ministers issued Resolution No. 1195 dated September 5, 2001, On Approval of the Formula for the Distribution of Intergovernmental Transfers (Equalizations Grants and Transfers to the State Budget) Between the State and Local Budgets. This Resolution is amended annually, before the beginning of the next fiscal year, and one purpose of these amendments is to adjust for changes in tax legislation. The calculation procedure prescribes that revenues are calculated based on reported data for the last three full fiscal years that precede the planned year. Due to this, the revenue indicator for the local budget, which will be used in calculations of transfers for the planned fiscal year, can be calculated as early as January of the current year. Therefore, local governments have almost a year to make decisions and take the necessary actions, especially in the case if this forecast is unfavorable. At the same time, actual results of local governments' efforts to increase the base of local taxes and fees are taken into account in prospective

calculations. Generally, this formula-based approach helps to make medium-term estimates, identify future problems, and resolve them proactively.

4.4. Key steps to medium-term planning of local budget revenues

Some key steps to medium-term planning of the revenue side of local budgets include:

1) Keep track and analyze the budget's receipts for a period of several years. Given that the Budget Code was passed in 2001 only, the most important reference period is the period after 2002, when revenues were assigned to particular tiers of local governments over the long term. Conceptually, however, the longer the reference period, the more reliable the framework for identifying the trends in receipts from various revenue sources. It is important to make the revenue bases pertaining to different years comparable with the forecasted year (e.g., take into account changes in tax rates or tax base as these changes influence the amount of receipts from the revenue source in question);

2) Identify the trends in the tax base's behavior under baseline (the current year's) conditions (i.e. prior to changes in tax legislation). This is needed to identify alternative sources to replenish the revenue side of the local budget in case of possible losses from legislative changes;

3) Take into account changes in the tax base as well as in tax legislation regulating these taxes and fees. After this, it is necessary to assess legislative changes which are to be enacted in the forecasted year, as well as medium-term effects of these changes in quantitative terms;

4) Focus on revenues related to communal property. Since proceeds from privatization are one-off receipts (i.e. they will not continue beyond the process of privatization), they should be included in the budget only to the extent that they fund expenditures of the capital budget;

5) The local government should prepare a medium-term assessment of equalization grants and transfers from the State budget (or another upper-tier budget). For this purpose, the above-mentioned Cabinet Resolution No. 1195 prescribes that local governments should form a database of revenues taken into account in calculations of equalization grants. In order to make a medium-term calculation, each of the next years after the planned year should be calculated in accordance with the resolution. Besides, a specific feature of the intergovernmental transfer calculations is that the formula also takes into account major macroeconomic assumptions regarding the country's socio-economic development, subsistence level, minimum wages and possible changes in budget pol-

icy. Since these parameters are approved at the national level when the State budget is prepared, the amount of intergovernmental transfers calculated by the local financial body for a medium term (including the calculation of social subventions in accordance with Article 89 of the Budget Code of Ukraine) is tentative.

Conclusions

Local budgets' revenue forecast aimed at identification of the realistic resources to effect expenditures. Consideration of all the factors influencing the revenues specifies the quality of the forecast.

5 Section 5. Medium-term Forecasting of Local Expenditures

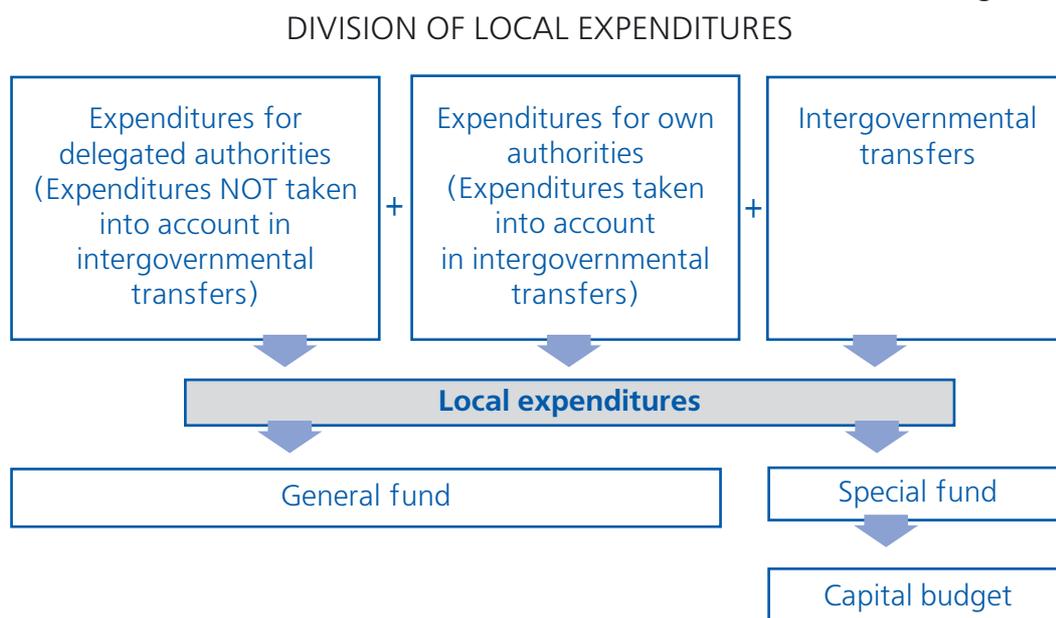
This section describes the purpose for medium-term forecasting of local expenditures. It emphasizes the importance of evaluating budget programs using various methods of cost analysis. In addition, recommendations are provided on how to analyze budget program costs as it applies to medium-term expenditure planning.

5.1. Why local governments forecast local expenditures?

Local expenditures are the main financial instrument used by local government to execute their authorities. The budget policy a local government pursues in the area of expenditures is determined by the main priorities which are outlined in the region's or community's pro-

gram of socio-economic development taking into account national priorities set in the Government's program, including the Budget Resolution for the upcoming year. Since the priorities are typically of a medium- or long-term nature (except for those established in the Budget Resolution for the upcoming year), medium-term planning of the expenditure policy helps to allocate

Diagram 3



According to Articles 88–93 of the Budget Code of Ukraine.

the scarce budget resources in such a way that provides the highest priority programs with resources for several years ahead. The medium-term plan of budget expenditures ensures efficient management of budget funds for a medium term as strategic priorities cannot be achieved in one year.

Structure of local expenditures. Local expenditures are the funds with which programs and activities are financed. They are included in the local budget except for the funds used for repaying the principal of the debt and refunding any excess amounts paid to the budget.

5.2. What is needed to forecast local expenditures?

In order to plan local expenditures, it is necessary to have a forecast of resources for the planned year and for the medium term. This forecast should include not only the local government's own revenues, but also intergovernmental transfers that are part of the revenue side of local budgets. This is especially important, when planning those expenditures, which are long-term in nature, e.g., outlays for educational programs, social protection, innovative and investment projects, etc.

Chart 2

BREAKDOWN OF TOTAL LOCAL EXPENDITURES,
LOCAL BUDGETS OF UKRAINE, BY FUNCTION, 2004

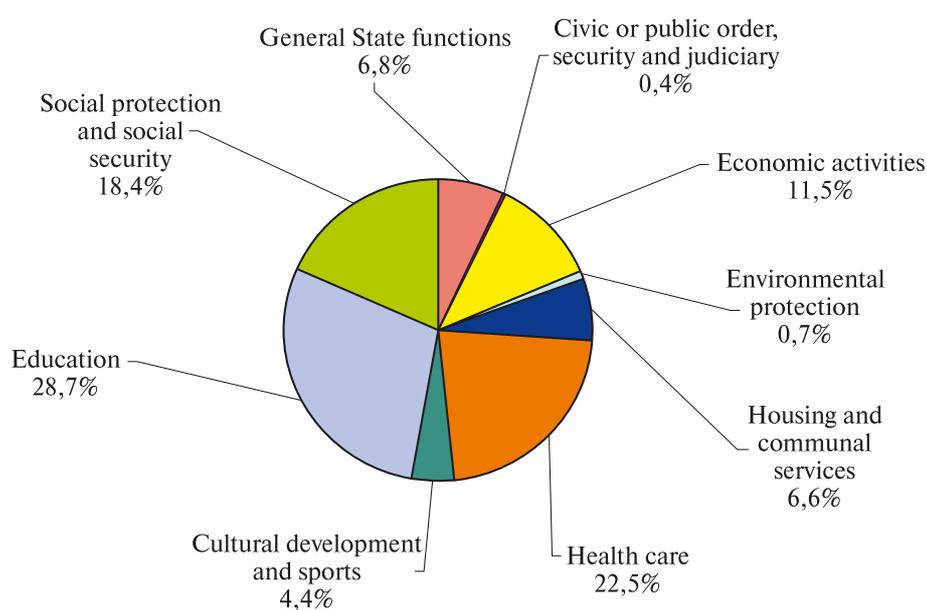
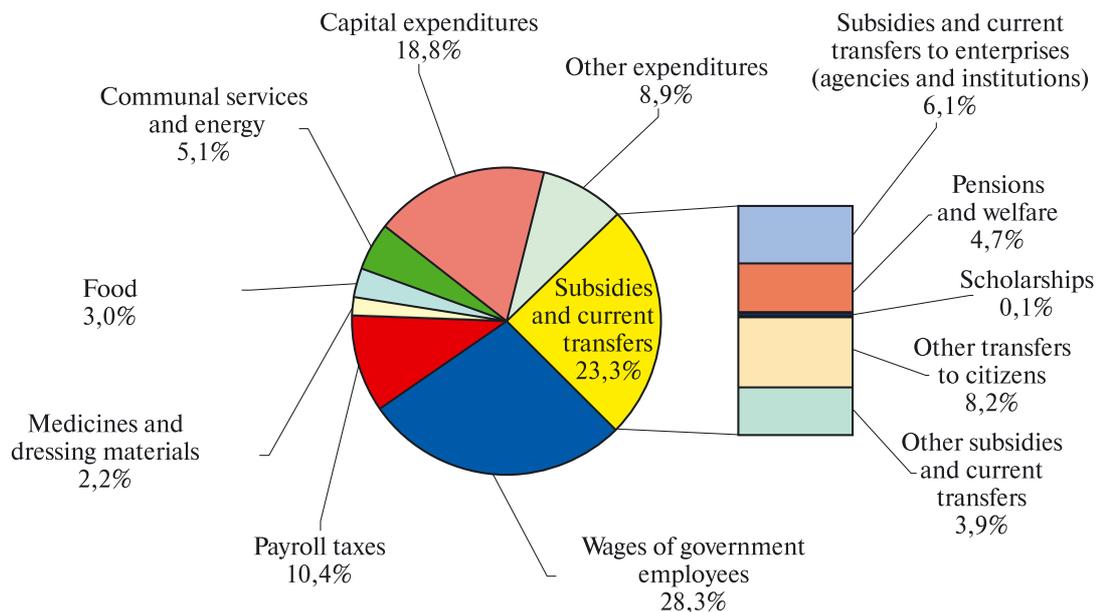


Chart 3

BREAKDOWN OF TOTAL LOCAL EXPENDITURES,
LOCAL BUDGETS OF UKRAINE BY ECONOMIC CLASSIFICATION, 2004



In order to achieve efficient management of budget funds and allocate part of these funds for new budget programs, it is essential to first forecast outlays needed to maintain existing programs (subject to their efficiency). For most local budgets, these are social expenditures, whose share in the accumulated local budget is 80,8% for 2004 (see Chart 2).

Moreover, in order to make a realistic expenditure plan for the next year and medium term, it is important to estimate the amount to be spent for current expenditures, particularly, wages and transfers to individuals. In 2004, wages and payroll taxes accounted for

about 38.7% and welfare payments, pensions and other transfers were as high as 23.3% of the overall spending of Ukraine's local governments. Therefore, other outlays, including capital expenditures, cannot be planned until the spending for wages and subsidies to individuals is estimated.

5.3. Application of cost analysis in expenditure planning

Program performance budgeting requires financing the most efficient budget programs rather than just ensuring maintenance of existing budget entities. Therefore, for medium-term planning of

expenditures, it is important to monitor and evaluate existing budget programs. This is needed in order to include in the draft medium-term budget only the most efficient budget program – both existing and new ones (some of them will substitute those programs that proved to be inefficient).

For instance, if a local government determines that a budget program aimed at annual repair of street lamps is more costly in the medium term compared to installing new street-lamps whose maintenance is much less expensive due to their longer life, the first program would be deemed inefficient. In the short-term, the replacement of all street-lamps with more up-to-date and energy-saving ones would require a large expenditure compared to repairing the old street-lamps. In the medium-term, the maintenance cost of the old street-lamps will be much larger, since the new ones are more modern and energy-saving. As a result, the new budget program appears to be more efficient. For this reason, cost analysis is an important tool that can be used to select the most efficient budget programs for the draft local budget for the next year and medium term. For this analysis, the existing economic classification of budget expenditures can be used as baseline information since this classification provides details of all expenditures pertaining to the program broken down by economic operations.

Cost analysis identifies the most cost effective way to achieve the maximum effect of budget programs. The table on page 32 outlines common methods of cost analysis.

5.4. Medium-term planning of local budget's expenditures

1) Estimate resources (including intergovernmental transfers) which can be realistically available to the local government for the next year or medium term. It is important to take into account medium-term macroeconomic trends (inflation, minimum wages, etc.);

2) Develop several variations of medium-term forecast of resources (baseline, optimistic, and pessimistic scenarios) and choose one which best corresponds to the county's macroeconomic situation;

3) Define priorities for the local government's medium-term expenditure policy with particular emphasis on allocation of capital budget resources;

4) Using cost analysis, evaluate existing budget programs to identify inefficient programs;

5) Optimize budget programs by way of optimizing budget entities and costs of programs;

6) Divide budget resources into two categories: the first one to be used to continue the most efficient existing budget programs; the second for new budget programs (subject to evaluation of their advisability and efficiency);

Unit cost analysis	<p>Unit cost analysis involves identifying inputs (e.g., financial, material, labor) and output or workload measures per unit of service in relation to the total spending of a budget program. The cost per unit (e.g., goods, works, services) is the most general measure of value of a service relative to its effectiveness. When planning medium-term expenditures, it is important to take into account those factors that influence the cost of services, such as inflation, minimum wages, etc. Other factors can directly influence changes in the unit cost: change in the workload, changes in production price.</p>
Cost efficiency analysis	<p>This technique considers ways to optimize and minimize costs while increasing output. The goal of cost efficiency analysis is to reduce to the maximum extent possible costs of services provided, increase the volume of services provided using the same costs, or increase the quality of provided services without increasing costs.</p>
Cost effectiveness analysis	<p>This approach is used to identify alternative methods of providing the same service (with comparable quality) but with different costs or different methods for service provision. Given the range of alternatives, the most cost effective alternative is chosen. Effectiveness relates costs to the effect of the services provided.</p>
Cost benefit analysis	<p>This approach measures the budget program's costs and benefits. It involves identifying a uniform unit of measurement, alternatives, costs, and benefits (direct and indirect, tangible and intangible, physical and in money value), calculation and comparison of the costs and benefits. In general, a program is considered efficient or effective if its benefits outweigh the costs or the net value of benefits relative to costs is zero.</p>
Cost matrix	<p>This method combines all the above techniques. The matrix may include comprehensive information about the budget program's costs, e.g., norms of material, financial, and labor costs, optimum costs, analysis of actual data about the use of resources in similar programs, alternative mechanisms of the provision of services and comparison of their values, cost calculation, etc.</p>

7) Develop budget programs and identify expenditures needed

for the planned period and medium term (by economic classification). When program outlays are planned for several years ahead, factors such

as inflation, real wages, and minimum wages should be taken into account. For programs whose expenditures are regulated by norms, medium-term expenditures are forecasted under baseline conditions.

Conclusions

Medium-term planning of expenditures allows for distribution of limited budget resources by priorities. To identify the most efficient programs, it is important to include the budget programs evaluation into the planning process. Cost analysis would enable to identify the least-costly method of budget program implementation.

6

Section 6. Capital investment planning

This section deals with the establishment and implementation of a system for planning capital expenditures and capital investment at the local government level. The section shows the importance of capital investment planning, its main steps, sources for the capital budget, and financing schemes.

6.1 Importance of capital investment planning

Capital investment planning is essential for efficient budget management. This process is regulated by a number of legislative acts of Ukraine. Capital and current expenditures are shown separately in local budgets (Budget Code of Ukraine, Article 64). Capital budget funds are primarily for programs of socio-economic development of the community relating to investment as well as financing other expenditures related to expanded production. Article 71 of the Budget Code of Ukraine defines the full list of sources for, and expenditures of, the capital budget. The capital budget is developed primarily to ensure:

- Maximum useful life of buildings and construction projects due to timely implementation of scheduled repairs;
- Preservation and maintenance of the city's basic infrastructure based on a plan of replacement of deteriorated capital assets; and
- Identification of the future capital investment needs in priority order.

Local governments undertake capital investment planning for the following reasons:

- Capital investment projects require considerable expenditures for a period beyond one year;
- Capital investment projects can affect the budget considerably and, therefore, need thorough planning;
- Capital investment projects usually need several sources of financing, such as current funds, loans, grants, etc.;
- Implementation of capital investment programs requires considerable resources, which are typically scarce.

Though the process of capital investment planning is complicated, local governments may benefit significantly from planning their capital investment because it helps them:

- Focus on strategic goals of the community by identifying operational and future capital needs and balancing them against the local government's capacity;
- Inform citizens about capital needs and capital investment projects and enlist the community's support this way;
- Identify the most efficient and economic approaches to financing capital investment projects;

- Increase opportunities to raise financing from sources other than local revenues.

6.2 Financing capital investment projects

When raising investment resources to fund a feasible investment project, it is important to rationalize the method of financing. Such methods can include: the list of investors, amount and structure of the needed investment resources, projected level of cash flow broken down by phase of the project, and some other indicators of project management. There are five main financing methods authorized under various Ukrainian laws and regulations:

1. Internal self-financing – financing of the investment projects exclusively at the expense of own financial resources formed from internal sources.
2. Privatization – inviting individuals and legal entities to take part in subscription for shares in the newly established enterprise.
3. Venture capital financing – providing a certain amount of capital for enterprises for implementation of innovative feasible venture projects in exchange for a specific share in the authorized fund or block of shares.
4. Loan financing – securing a loan to fund the project.
5. Mixed financing – raising capital for the newly established

enterprise with a combination of own funds and loan financing.

6.3 Capital investment planning process

Prior to planning a capital investment, its goals and strategy (policy) should be defined. This stage includes:

- Developing criteria to establish priorities for capital investment projects;
- Assigning responsibilities to the appropriate local government entity to implement the capital investment program;
- Determining methods for and estimating time for public involvement in planning a capital investment program.

The program and budget for a capital investment at the city level are prepared and approved by the local rada. At the city level, capital investment programs are executed under the authority of the local administration or another authorized person taking into account submitted requests for capital investment. The head of the local administration recommends the capital investment program and budget to the local rada that has the authority to approve them.

Another approach is to establish a committee to plan the capital investment enlisting major “stakeholders” of the process such as heads of local departments, elected officials, and citizens. The committee would

review requests for capital projects, conduct public hearings, define the priorities and recommend the appropriate program and budget to the head of the state administration or local rada.

The next stage in capital investment planning is the **assessment of needs in capital investment and evaluation of the condition of the existing capital assets**. Different approaches are applied to estimate capital investment needs and evaluate the state of the existing capital assets, for instance: 1) taking inventory of the relevant long-term assets; 2) arranging public hearings; and 3) performing analysis of economic, social, political, and demographic changes.

Inventory of capital assets can be considered a legislatively regulated procedure for identifying capital investment needs. Preparing the inventory is regulated by instructions of the State Treasury of Ukraine and the State Committee for Construction.

The next stage of capital investment planning is the development of forms, instructions, classification of programs and capital projects. At this stage, the budget calendar is prepared along with the model forms and instructions on how to fill them in. This is an important element of the process of efficient capital investment planning. It is recommended to begin and complete the drafting of capital investment program prior to the formulation of the operating budget. This helps to get information about possible implica-

tions of capital investment projects on the operating budget.

The next stage of capital investment planning is the **development of the capital investment plan**. The capital investment plan typically consists of several programs. Programs are selected for financing by the corresponding local rada. Here are some examples of programs that may be included in a capital investment plan:

1. Public works (e.g., repair and construction of local roads, sidewalk and curb pavement, sewer repairs and improvements, beautification of parks).

2. Health care and public safety (construction and repair of local public health facilities, purchase of public health equipment, installation of traffic lights, signs, signals, repairs to local highways).

3. Transport (e.g., construction of local bus depot and purchase of buses, repairs to commuter trains and the rail network).

4. Education (e.g., construction of new schools, repair and/or major improvements to existing schools, purchase of capital equipment, machinery for efficient operation of local schools).

An important aspect of capital investment planning is analysis of the financial state of the local government and its capacity to fund future capital investment. Financial analysis should include:

- Three-year analysis of revenues from own revenue sources and expenses;

- Plan for future revenues, expenses, reserves for the next three years;
- Analysis of potential financing sources for capital investments.

All participants of the capital investment process usually face the challenge of funding the capital budget within available financial resources. One way to address shortage of resources is to find **alternative sources** to fund capital investment, such as those mentioned previously under Section 6.2

When planning capital investment, it is possible to use a combination of these sources of financing. During this phase of the capital investment process, it is important to consider: the legitimacy of the financing method, sufficiency of funds, economic implications, political and managerial feasibility of the use of this funding source. Requests for financing capital investment projects from the budget in accordance with the budget calendar is the next stage of the capital investment process.

Capital project requests must contain all information about the capital investment project, including: its appropriateness, total value of the

project (cost and benefits), potential sources of financing, the project's potential impact on the local economy, i.e., new job creation, potential negative environmental impacts. Information included in the request for capital investment must be objective and reasoned.

The next step in the capital investment planning process includes reviewing project requests, as well as approving the capital investment program and budget. This stage is similar to the process of reviewing and approving recurring or operating programs. Requests for financing are submitted for consideration to the relevant local government committee. After the project requests are approved by the committee, the capital budget is then formulated and submitted to the local rada for review along with the explanatory note.

The final phase of the process is the approval of the capital investment program and the budget and developing a system to evaluate, monitor and control implementation of the capital investment program. In order to evaluate the implementation of the capital budget and the efficiency of the use of budget resources, a system of control and monitoring is developed and applied.

Conclusions

The process of capital investment planning is rather complicated but it is extremely important to local governments. A transparent and thorough process of capital investment planning helps local governments to meet their capital investment needs for the medium and long term.

7 Section 7. Budget program

This section deals with one of the key elements of program performance budgeting, namely the budget program. The principles and specifics of budget program formulation as well as major components and features of budget programs are described in this section.

A key component of program performance budgeting is a **budget program**. A budget program is a systematized list of activities aimed at achieving a common goal and objectives, the implementation of which is proposed and fulfilled by a spending unit in accordance with its responsibilities. (Budget Code, Article 2.4)

The notion of a “program” is rather broad and can be interpreted in a number of ways. Ukraine has a few types of such programs. The key one is the National Government Program declaring a set of major goals and objectives that the Government has to address over its term in office or during a shorter period of time. This program is followed by national and local programs of economic and social development of the Government and local administrations. They define goals and priorities of socio-economic development as well as activities to achieve them. And finally, national and local targeted programs, which appear as a set of interrelated objectives and activities to address specific country’s, sectoral or community’s development programs. These differ though from budget programs.

7.1. Budget program formulation

There are no established regulations or laws for formulating budget

programs based on program budgeting principles. However, practical implementation of program budgeting methodology will involve applying the following principles when formulating budget programs:

1. Only those services are provided which are needed to attain the program’s goals (similar local government services should not be duplicated in various programs).
2. The overall number of programs may differ depending on the spending unit’s functions.
3. The activity performed under the budget program may be shared between different divisions or departments within one local entity.

Each budget program is formulated for a medium or long-term period and should be aimed at attaining a socially important result.

The first step to formulate budget programs is analysis of the entity’s activities and establishing its main goal or mission. In practice, this step involves analyzing the entity’s major functions (activities) and consolidating them into programs. The process of program formulation continues by establishing the **objectives** to be implemented under each program, the **means** or needed actions to

attain them, and the **indicators** to assess the extent to which the goals and objectives have been achieved.

The basis for budget program formulation using the program budgeting approach is the budget request form for the program, a document that contains such main components as program's goal, aims, activities, and performance indicators.

The request form also includes additional information, such as: information about the spending unit which will implement the program and its main goal, responsible executor, legislative basis for the program, and alternative ways to implement the program. The budget

request document (or "budget program passport") is developed based on the budget requests of the key spending units and relevant budget appropriations. The key spending units develop the request for each budget program on an annual basis.

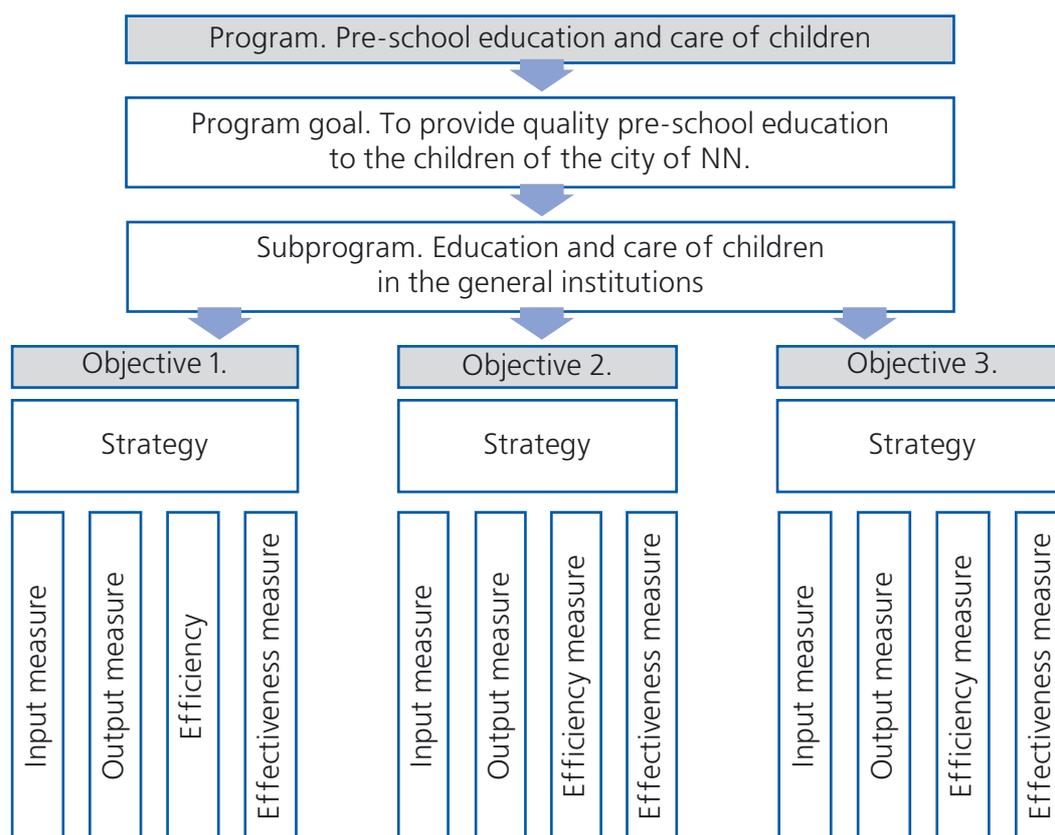
7.2. Main components of a budget program

The **basic structure** of a budget program is illustrated in Diagram 3.

The structure of a program does not alter from year to year, but its goals, objectives and strategies could change to account for any changed conditions.

Diagram 3

STRUCTURE FOR A BASIC PRE-SCHOOL EDUCATION PROGRAM



The process of formulating a budget program begins with naming the budget program. The name should reflect in a concise manner the essence of the program. It should also meet the following requirements. It should be concrete and clear, understandable not only to specialists who are familiar with its subject matter but also to the public, and short, terse and easy to understand.

Program goals. The program's goal is a set of main objectives that are to be attained as a result of the implementation of the specific budget program (it should be aligned with the main goal of the spending unit). There is typically only one program goal. In rare cases, programs may have several goals. In such cases, the goals are set based on their priorities. The goal of a budget program is usually socially oriented, long-term, and is not subject to quantitative and qualitative measuring.

When describing the program's goal, it is important to take into account the needs of the users of services provided under the budget program. This would help define the end results by asking such questions as: What will be the outcome of providing the services under the budget program? Who are the users of the services under the budget program?

Program objectives. Spending units formulate the objectives based on the established goals of the budget program. Program objec-

tives are concrete targets that have to be attained as a result of the budget program's implementation and that can be measured with the help of output indicators. The objectives may be considered as short-term goals within the long-term strategy that is defined by the budget program goal.

Objectives are formulated at the program (or subprogram) level and should be directly related to the program's goal. Unlike goals, objectives are measurable and should be defined in quantitative terms and in time. They also may determine the end-result of the entity's activity.

Each of the objectives should be formulated in such a way that allows determining the term within which the anticipated effect is to be attained. The terms for achievement of specific tactical objectives should not exceed the terms for achievement of the established goals.

Under each of the objectives, a certain range of consumers of budget services should be defined. The general model for formulating program objectives is as follows: "Improve/ decrease/increase... provision of services (in quantitative or percentage terms) ... for users of services (number, category) within ... specified time period (in years or months)".

A budget program (or subprogram) may have several objectives depending on the planned activities and outcomes to be attained as a result of the implementation of the program or subprogram. As a gen-

eral rule, it is important to fulfill a set of activities to achieve aims and attain anticipated results.

Strategies are concrete actions fulfilled under the program (sub-program) and aimed at the implementation of the established goal. To formulate the activities, one needs to develop a strategy for each activity, i.e. a set of actions and activities should be defined which will be undertaken by the spending unit implementing the budget program.

Performance measures. In order to ensure a good program management and make quality administrative decisions, including allocation of budget appropriations based on actual results and targets, it is necessary to develop a set of measures to be used as the basis for assessing the programs' implementation.

Performance measures are quantitative and qualitative indicators that characterize the outcomes of budget programs and are verified by statistics as well as accounting and other kinds of reporting and which help in assessing the cost-efficiency of the budget program. The application of the set of performance indicators helps to assess the efficiency of the use of budget funds, compare actual results with targets, and assess the costs of the program's implementation. In addition, performance indicators allow assessing the socially important effect of the program that is the main goal for

which the budget program is implemented. Performance measures are established in accordance with the program objectives and should be aligned with them. There are several types of performance indicators, which can be used to assess the program and measure its performance including input, output, efficiency and effectiveness measures.

Extensive experience in program budgeting dictates that program budgets should only contain those indicators that are most important and measure the program's implementation in the most comprehensive manner. Other indicators, whose number can vary considerably, may be submitted on request of the interested authority, employees and managers of the entity who need more detailed information about the program's implementation. Additional indicators that are recommended for the assessment of the programs are workload and benefit measures. (For detailed information about performance measures see Section 8.)

7.3 Other components of a budget program

The main goal of a key spending unit is the goal pursued by it in its activity and the benefits it brings to society. The mission statement of a spending unit should be concise — one or two paragraphs at a maximum. It should answer the following questions: "In what activities is the entity engaged? Why are these activities performed and for whom?"

Spending units/responsible executors. Information about the spending unit can be helpful and useful. This information is generally included in the budget program's request and reflected in other reporting forms. Spending units are budget entities empowered by their leadership to receive allocations, undertake commitments, and execute expenditures from the approved budget (Budget Code, Article 2.36)

Apart from information about the key spending unit, the budget program's passport should also contain information about the implementer of the budget program. A question is asked sometimes: "Is the key spending unit, at the same time, the responsible implementer of the program?" Responsible implementers ensure that a concrete program (or subprogram) is implemented within the key spending unit. Responsible implementers can be the following:

- Key spending units with regard to programs which are implemented by their own staff;
- Spending units of a lower tier and recipients of budget funds (contractors, subcontractors) who are recipients of budget funds and implement the programs the concern the system administered by the key spending units.

An important feature of a budget program is that it allows the managers not only to assess the need in the program under consideration but also to consider possible alternative ways to attain the goals and aims of the program.

Information about legislation and regulations based on which the budget services will be provided under the program is a component of the budget program's passport and the necessary justification for allocating budget appropriations to implement it.

Conclusion

The budget program is a central element of program budgeting. It is also a strong financial management tool; and therefore the process of budget program formulation needs considerable attention and strict adherence to all the main rules and procedures. This is a proven way to ensure efficient use of budget resources and achievement of socially important results.

8

Section 8. Performance measures of budget programs

This section discusses another key element of program performance budgeting — performance measures. It focuses specifically on identification of these measures and their application for measuring the objectives of the budget program. This section also provides information about the local governments' benefits resulting from performance measures and practical examples of their application.

Performance measures of budget programs are a key aspect in the process of formulation and execution of a budget based on program performance approach. Unlike the line-item (traditional) budgeting, which is mainly focused on expenditures, PPB, uses performance measures to monitor the results attained with the funds spent. This is also essential for establishing a direct link between allocated resources and attained results.

Performance measures facilitate assessing the resources needed to implement the program, the results to be achieved, and, most importantly, the social effect. Performance measures are developed in line with the established program objectives. Some foreign countries that apply PPB in their budgetary process use performance measures to assess the program in general rather than each particular objective. It is, however, reasonable to assess each objective because the implementation of every particular objective contributes to the implementation of the program as a whole.

In order to evaluate each budget program, a set of performance measures can be established; how-

ever, in order to ensure comparability of data on program performance, it is suggested to use the four main types of performance measures — input, output, efficiency and effectiveness. Other measures that can be used include workload and benefit measure. (See also Section 7.)

Program performance budgeting techniques are focused on several “vital” performance measures. There is no need to develop all six types of measures for each program. When developing a budget program, it is recommended to establish four main measures (input, output, efficiency, and effectiveness measures) and use the remaining two measures (work load and benefit measures) as additional ones.

Input measure is a statistic that reflects the amount of inputs needed to attain specific objective of the budget program. Inputs may be either money, labor resources, material or informational (number of people involved in the program's implementation; amount of money spent to attain the objective, etc.). Input measures should be in absolute values only (e.g., number of objects, square meters or cubic

meters of buildings and constructions, number of events, etc.).

Output measure is a statistic that defines the amount of services provided or works fulfilled. This measure is typically in absolute terms (number of citizens serviced, length of roads repaired, etc.). Output measures help determine what was achieved under the program. Being an analytical tool, output measures show neither the quality of services or works nor the degree to which the users' needs in goods or services are satisfied. It only states the fact that services were rendered or works were carried out. It also may characterize the group of consumers in quantitative terms. Output is a logical consequence of investing inputs and logical prerequisite for attaining the result from the resources spent.

Efficiency measure is a statistic that relates input measure to output measure. This measure is also sometimes called a measure of economic efficiency. Along with other measures, it helps to monitor the absolute and relative success of the budget program. This means that the efficiency measure shows the amount of resources per unit of service.

Effectiveness measure is a statistic that defines the results of work fulfilled and the quality of services provided. It shows the achievements attained in the course of the budget program's implementation. Effectiveness measure shows the degree to which the established goal has been achieved; it also measures the extent to which the results meet the

goal and objectives set. This measure reports on the achieved social results of the services provided under the program. For implementers of the budget programs, the social effect is a key result of their operation. The level of social effect achieved for the community justifies the entity's existence. As a rule, criteria for the effectiveness measure are directly stipulated by the program's objectives.

Workload measure is the amount of works to be performed by the responsible implementer. This performance measure may be used to explain the program's volume and functions pertaining to it. Workload measure can clearly describe the contingent of consumers of budget services (e.g., age groups of population, gender structure, number of classes in schools, number of districts serviced, etc.). Examples of workload measures used for budget programs include also the contingents of patients that need regular medical check-ups for tuberculosis, diabetes, hypertension, asthma, etc.

Benefit measure is a statistic that defines the benefits for society from the budget program (or its objectives). This measure is the most difficult to quantify but it is the strategic idea of program performance budgeting to accelerate to the extent possible the development of society, its socio-cultural aspects, and turn the budget into a driving instrument for fostering the growth at both national and regional levels.

Benefit measure is an indicator that shows the benefits offered by

Table 3

TYPES OF PERFORMANCE MEASURES AND EXAMPLES OF THEIR USE

Measure	Definition	Example
Input measure	Scope and structure of resources invested to ensure the fulfillment of the budget program.	Number of: <ul style="list-style-type: none"> ■ employees; ■ entities; ■ equipment.
Output measure	Amount of works/services produced by way of budget program implementation. Number of users of these works/services.	Number of: <ul style="list-style-type: none"> ■ yards where landscaping works were done. Number of: <ul style="list-style-type: none"> ■ students; ■ specialists trained; ■ patients treated; ■ attendees of libraries, museums.
Efficiency measure	Spending of resources per unit of output. Relationship between the amount of works/services and their cost in money or labor terms. Cost (in money terms, number of employees, or work hours) for a unit of product.	Cost of: <ul style="list-style-type: none"> ■ repairing of 1 km of road pavement; ■ training of 1 student. Number of: <ul style="list-style-type: none"> ■ students per lecturer.
Effectiveness measure	Reflects the results of work done and the quality of services provided by the program.	<ul style="list-style-type: none"> ■ Reducing the number of accidents on the road caused by the bad road pavement. ■ Increasing the rate of disease identification at the early stages.
Workload measure	The average amount of works needed to provide the service during specific period of time.	Number of: <ul style="list-style-type: none"> ■ average size of the road pavement repaired per week.; ■ patients examined by the doctor per working day.
Benefit measure	Shows the benefits of attaining the set objectives for the territorial community; socially important benefit of implementing the budget program.	<ul style="list-style-type: none"> ■ Reducing the number of juvenile delinquencies. ■ Increasing the number of people covered with centralized water supply.

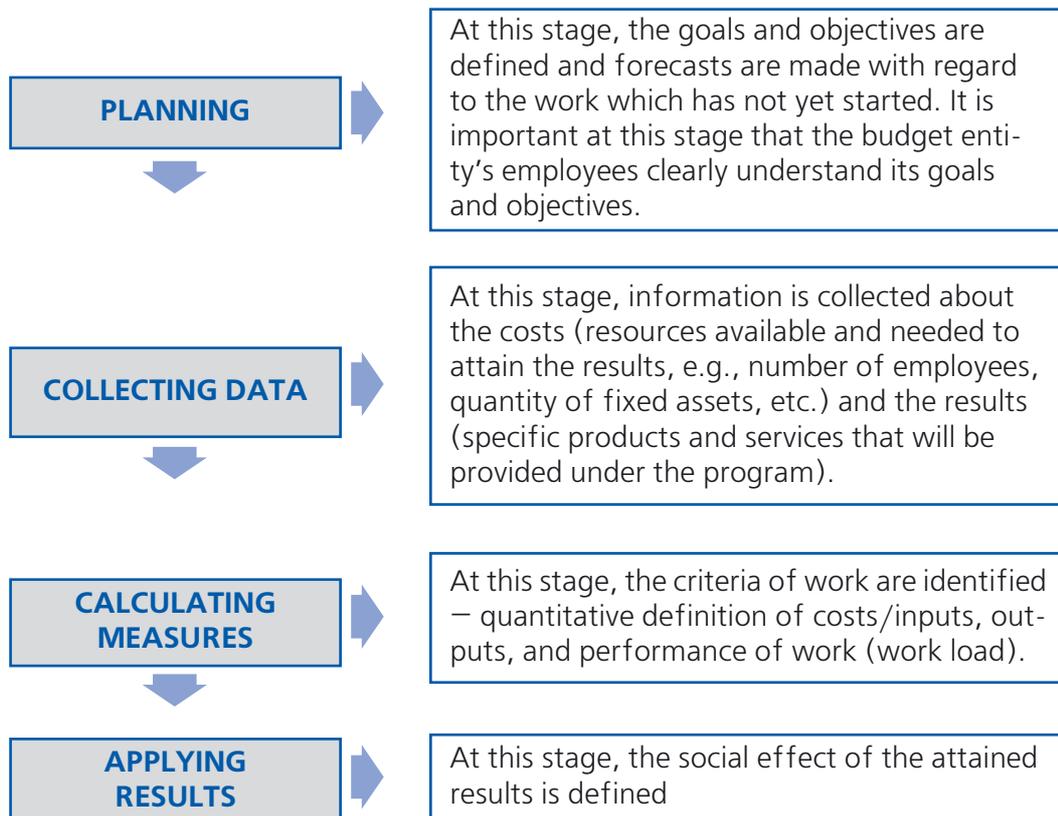
specific budget program to the community or society at large. A specific feature of the benefit measure is its comprehensiveness as well as universality for a number of budget programs. For instance, an indicator, Reducing the Number of Juvenile Delinquencies may be applied for such programs as: "Extra-curriculum education", "Activities of the youth policy", "Development of athletics and sports", etc. A benefit measure for a sub-program may coincide with a benefit measure of a budget pro-

gram. For instance, a benefit measure for a subprogram "Creating conditions for adequate social life of single disabled people and pensioners" will be identical to the benefit measure of the general program "Social activity of disabled people and veterans who are members of NGOs, supporting and fostering the development of these organizations."

The Diagram 5 illustrates the key steps for formulating performance measures:

Diagram 5

STEPS TO FORMULATE PERFORMANCE MEASURES



Performance measures are submitted in the budget request along with the other elements of the budget program. It is appropriate to include in the budget request only those indicators that most comprehensively measure

the program's results. The remaining measures may be submitted by request of the local government, entity's employees or managers who need more detailed information about the program's implementation.

Conclusions

Performance measures of budget programs are a key element of program performance budgeting and the main criterion for the evaluation of budget programs. Modern theory and practice of program performance budgeting uses up to six types of measures. The main purpose for performance measures is to help objectively evaluate the budget program's implementation, as well as provide the budget entity's management and citizens of the community with information about the efficiency of resources used and the socially important results achieved due to the implementation of the budget program.

9. Section 9. Monitoring, control and evaluation of budget programs implementation

This section explains the elements of efficient program management process: monitoring, control, and evaluation of programs. The readers will get information about the essence of monitoring and evaluation, differences between them, and their main stages.

9.1. Monitoring, control and evaluation of budget programs

While developing programs, the stages of their implementation are planned, i.e. the sequence of steps which will lead to the desirable result.

Program monitoring is a continuous process of collecting data about disbursements under the program and its performance measures that are reached in the course of its implementation. Data collected by way of monitoring may be used as a basis for the evaluation of the program's performance.

Elements of the process of efficient management include monitoring, control and evaluation of programs. The following diagram (Diagram 6)

shows how monitoring and evaluation of budget programs fits within the framework of program-based municipal budget management:

The purpose of **monitoring** and **evaluation** is to keep track of the course and results of the program's implementation as well as of the use of resources and to provide decision-makers with information about the current situation. Monitoring and evaluation of the program's efficiency have similar elements which differ in terms of complexity and methodological approaches.

Diagram 6

MONITORING AND EVALUATION OF BUDGET PROGRAMS WITHIN MUNICIPAL BUDGET MANAGEMENT SYSTEM



Table 4

DIFFERENCES BETWEEN MONITORING AND EVALUATION

MONITORING	EVALUATION
Monitoring identifies any deviations in order to ensure that any actions are taken to resolve the problems in a timely manner	Evaluation analyzes the appropriateness, effectiveness and efficiency of programs and activities
It is performed on a regular basis	It is performed at key stages of the program's implementation
It describes the problems arising in the course of implementation	It explains the reasons for implementation problems and offers ways to resolve them
Actual results are compared with targets	The reasons for the failure to achieve the targets are analyzed
Information collected is used to improve the work under the program	Information collected is used both to improve the work under this program and to make more precise plans for the future

9.2. Monitoring

A monitoring system should be developed after the budget program has been formulated.

The development should begin with answering the following questions:

- What information is needed about the program?
- Why is this information important?
- What way and who will use the information collected?
- What means will be used to systematize and present this information?

Once these questions are answered, the next step is to prepare forms for data collection, choose the

methodology to process and analyze the collected information and to plan the procedures for the further use of the data collected. Next, the following should be identified:

- Performance measures for the program;
- Collection methods and sources of data;
- Periodic monitoring;
- Who will be responsible for monitoring; and
- Cost of monitoring.

Program evaluation

is an instrument for making analytical judgments about the results of the program that emphasize the validity and usefulness of the decisions made

9.3. Control of program implementation

In the budgetary process, one type of monitoring is financial control over the program implementation.

Control can be defined as a set of methods and procedures that are used to ensure:

- adherence to the established strategies in program management;
- efficient allocation and use of financial resources.
- use of resources in compliance with legislation and the approved budget.

Control implies that information is collected about the financial aspect of program implementation including:

- The status of the program's financing;
- The purposes and amounts of outlays;
- The extent to which actual disbursements deviate from planned outlays.

The information collected provides the basis for making administrative decisions with regard to the reallocation of funds between the objectives and subprograms, as well as reducing or increasing the amounts of appropriations allotted for the program. In some cases, where the program is not implemented properly and the results are not attained, it is sometimes difficult to identify the reasons simply from the monitoring results. In such cases, a decision is made to undertake an evaluation of the program's performance.

9.4. Evaluation

Unlike monitoring, program evaluation is a set of activities undertaken to conduct a more in-depth analysis of the program.

The following table (Table 5) breaks down the types of program

Table 5

BREAKDOWN OF PROGRAM EVALUATION TYPES

Preliminary (prior to implementation)	Interim (during implementation)	Final (after completion of implementation)
Provides information needed to choose the optimum variant from among the available alternatives.	Provides information about the current situation of the program's implementation.	Allows comparing the actual with anticipated results.
Purposes of Evaluation		
Analysis of the compliance of the draft program with the requirements of the government authorities; Evaluation of the program's appropriateness; Pre-evaluation of its efficiency, and Forecasting of the future success of the activities under the program	Adjustment of the program with the view of increasing its efficiency and outlooks for successful implementation; and Making decisions to improve the situation	Evaluation of the effectiveness and efficiency of the program; Analysis of the reasons for mistakes and failures; and Making adequate managerial decisions.

evaluation employed depending on the stage of program implementation: preliminary, interim and final.

Program evaluation mostly contributes to the following:

- analyzing the reasons for successes and failures in program implementation;
- taking into account the program's mistakes and drawbacks when developing other programs;
- making necessary adjustments to the program – more precise definition of goals and objectives,
- re-orienting the programs with the view of achieving more realistic results and so on;
- ensuring current financing and attracting additional financing;
- informing the officials, drawing the public's attention.

Program evaluation criteria. The main program evaluation criteria include: economic efficiency and social effectiveness and effectiveness of the programs' implementation.

Economic efficiency of programs is the relation between the amount of services provided and the desired quality and costs of these services.

Social effectiveness of programs is the effectiveness of programs from the viewpoint of the achievement of the goals set and attainment of the social effect of the provision of budget services.

When analyzing the programs' effect on society, it is important to

investigate the possibilities and ways to optimize the costs. This should be done with account for the quantity of services (outputs). This is measured by comparing the achieved indicators with the established targets, norms, standards.

Effectiveness is the quality of services provided, their impact (short- or long-term) on the consumers of services, utility and benefits, which are recognized by the consumers, and so on. The effectiveness provides information about the number of consumers who use social services and are satisfied with these services and their quality.

The program's performance is evaluated using performance measures (the main measures include: input, output, efficiency and effectiveness measures; the additional measures include: workload and benefit)

Evaluation may be either:

- "External". In this case it is performed by independent specialists (State Audit Department, State Treasury, independent auditors); or
- "Internal". This type of evaluation is undertaken by employees of the spending unit who developed the programs.

The following steps are important to establish a system for program evaluation:

Step 1. Determine the basis for program evaluation by considering why the evaluation is needed and what is anticipated as a result of the evaluation.

Step 2. Identify the goals and objectives of the evaluation and what aspects of the program need to be evaluated.

Step 3. Develop the evaluation mechanism, which will consist of related tasks, activities, work plans, as well as the methodological framework. The evaluation mechanism will also consider: the type of evaluation, amount and structure of the information needed, collection methods and sources of information, responsible employees, methods to be used to analyze the information, labor hours and amount of resources needed to perform the evaluation.

Step 4. Establish a methodology for data collection – methods to collect data include: monitoring, interviewing, focus groups, questioning, polling, structured observation.

At this stage, program evaluation forms are developed for filling in the requested information. The collected information is organized, systematized and processed.

Step 5. Data analysis. The results of data analysis can reveal what happened during the program's implementation and the reasons for such events and their positive and negative impact on program implementation and any recommended actions.

Step 6. Prepare program evaluation report. The report should contain information about the status of the program's implementation, the ways to resolve any problems, and the possibilities to amend the program.

Step 7. Use results of the program evaluation. Program evaluation should be conducted with the idea that the collected information can be used to improve program management practices and help to make effective administrative decisions relating to program implementation for the future. For instance, program evaluation results can be used to answer such questions as:

- Will the program be extended?
- Is it needed to amend the wording of the objectives?
- Is it necessary to more widely involve the public in monitoring?
- Is it appropriate to increase/decrease the spending for the program?
- Will the priorities change?
- Have the overall goals of the program been achieved?

Conclusions

Program monitoring is a tool for program management, helps identify the existing or potential drawbacks of program implementation before they develop into a serious problem and promotes proper reallocation of resources between various programs. Program evaluation helps collect information about the program's results and performance, promotes raising right questions dealing with the efficiency of budget spending, facilitates measuring how efficiently funds have been expended, helps improve the analytical basis and develop the analytical approaches to decision making and facilitates defining the priorities in the spending unit's activity.

Key budget terminology

Budget – a plan for raising and using financial resources to ensure achievement of tasks and execution of functions by national government ministries and agencies, agencies and ministries of the Autonomous Republic of Crimea and local self-governmental bodies during a budget period.

Budget of local self-government (local budget) – a plan and a legal act defining how financial resources necessary to provide for the functions and authorities of local self-government are to be raised and used.

Budget Entity – a body, entity, or organization defined in the Constitution of Ukraine or an establishment or organization formed in compliance with the approved order by a body of State power, body of power of the Autonomous Republic of Crimea, or a local self-governmental body that is financed entirely by the State budget or a local budget, respectively. Budget entities are non-for-profit.

Budget Program – a systematized list of activities aimed at achieving an overall goal and accomplishing tasks, implementation of which has been proposed and executed by a spending unit in accordance with an approved budget. It contains a clearly defined goal, activities, objectives and performance measures.

Budget Process – the activity regulated by laws related to the formulation, consideration, approval of budgets, execution thereof and control over their execution, as well as consideration of reports on execution of budgets that comprise the budget system of Ukraine.

Budget Program Passport – document specifying the amount approved by the State budget for a budget program, legislative foundations for its implementation, goal, objectives, responsibilities, performance measures and other budget program parameters, which enable the control over the earmarked and efficient use of funds and budget program analysis.

Budget Request – a document prepared by a key spending unit that contains proposals concerning budget resources needed to carry out programs for the upcoming budget period(s) and the necessary substantiation of the request.

Budget Revenues. All tax, non-tax, and other receipts collected on a non-repayment basis in accordance with Ukrainian tax legislation (including transfers, donations, and grants) and the approved budget of a publicly financed entity.

Budget System of Ukraine – legislatively regulated aggregate of the national government budget and local budgets based on inter-governmental relationships, nation-

al government structure and administrative-territorial structure.

Capital Assets – assets owned by the local government that cost a considerable amount of money and that are intended to last a long time – e.g., buildings, land plots, roads, bridges, vehicles, equipment, etc.

Capital Budget – a plan and a legal act for raising local revenues and spending funds for capital assets.

Capital Expenditures – expenditure for the acquisition of capital assets, strategic and contingencies stocks of goods, land, intangible assets with the projected operational period more than one year. Real assets include buildings, bridges, roads, water supply, sewages, parks, etc. except for the assets purchased for further resale in the process of ordinary operations or for consumption (current expenditures).

Efficiency Measures – indicators which are used to determine the efficiency of defined objectives and goals. Defined as ratio of quantity of the produced goods (works performed, services delivered) to their cost in monetary or human dimension, e.g., a number of students per teacher, cost of one student training.

Expenditures – funds allocated for financing of programs and measures under respective budgets, except for funds allocated for repayment of the debt principal and refunding of sums paid to the budget excessively.

Inputs or input resources measures indicate the volume and structure of resources used for budget program implementation (e.g., example number of employees, number of establishments, quantity of equipment, etc.).

Intergovernmental Transfers are resources allocated and handed over from one public entity to another one.

Key Spending Unit – refers to the official or manager of a budget entity who is authorized to spend funds provided for under the budget appropriations in accordance with Article 22 of the Budget Code.

Subnational Budgets are budgets of the Autonomous Republic of Crimea, oblasts, rayons, and municipal districts and local self-government budgets.

Output measure is an indicator that defines the amount of services provided or works fulfilled. Outputs include the number of consumers of goods (works, services) produced in the process of budget program's implementation (for example, the number of students, number of the trained specialists, recovered patients, attendants of libraries).

Outcome measures reflect the quality of the produced goods (works performed, services delivered). Outcomes differ from the output measures, which reflect the direct impact of a program or the type of activity. They demonstrate the benefits of budget program

implementation (for example, 2% decrease in the tuberculosis sickness rate as compared to the previous period).

Performance Measure – quantity and quality indicators characterizing the outcomes of the budget program implementation confirmed by statistical, accounting and other types of reporting information and which enable the assessment of how efficiently the funds allocated for a specific budget program were used.

Program Budget – form of budget submission allowing for the organization of budget information and assigning resources for budget programs. Program is a set of activities united by a common goal.

Program Budgeting – the process of budget formulation and execution in terms of budget programs, which makes emphasis on concrete results, which could be achieved because of program fulfillment instead of resources, necessary for public services rendering.

Program Goal – legislatively defined basic goals, which are to be attained as a result of the implementation of a specific budget program.

Program Objectives – specific targets to be met during the budget program implementation over a respective budget period which can be measured by performance measures.

Public Hearings – a formal meeting held by the governmental administration and/or rada to solicit public review and comment on items of community interest, including draft or final budgets, strategic plans, capital improvement programs, etc.

Revenue Basket of Local Self-Government – taxes, fees, and mandatory payments assigned by the Budget Code to the budgets of local self-government on a long-term basis and taken into account in the intergovernmental transfers.

Spending Units – see “Budget Entity”.

Strategies – specific actions aimed at the implementation of the budget program objectives, with spending directions being defined. Strategies should be consistent with the tasks and functions of a key spending unit. Outlining strategies ensures the budget program implementation within resources allocated for the goal.

Subventions – intergovernmental transfers of funds to be used for set purposes through procedures defined by the authority that decides to provide the subvention.

Unit responsible for program implementation – as a legal entity directly ensures implementation of one or a number of budget programs within a key spending unit system.

List of Ukrainian laws and regulations related to PPB

- 1.** The Budget Code of Ukraine dated 21.06.2001.
- 2.** The Law of Ukraine On Local Self-Government of May 21, 1997 # 280/97- approved by Verkhovna Rada with changes dated April 3, 2003.
- 3.** The Law of Ukraine On Investment Activity of September 9, 1991 #1560-1
- 4.** Resolution #538-r of the Cabinet of Ministers of Ukraine dated 14.09.2002, "On approval of the Concept of PPB implementation in the budget process".
- 5.** Decree #228 of the Cabinet of Ministers dated 28.02.2002, "On approval of an order of formulation, review, approval and main requirements for the allotment of budget institutions."
- 6.** Order #574 of the Ministry of Finance dated 14.12.2001, "On approval of instructions about the status of units responsible for budget programs and the peculiarities of their participation in the budget process."
- 7.** Order #604 of the Ministry of Finance dated 27.12.2001, "On budget classification and its implementation."
- 8.** Order #621 of the Ministry of Finance dated 08.08.2002, "On implementation of performance measures, which reflect the performance of budget programs."
- 9.** Order #1098 of the Ministry of Finance dated 29.12.2002 entitled "On budget program passports" (Registered by the Ministry of Justice #47/7368, 21.01.2003).
- 10.** Program of activities of the Cabinet of Ministers of Ukraine approved by Verkhovna Rada on February 4, 2005 #2426 "Toward People's Needs".