

Characteristics of Program Budgeting in Armenia



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Few are aware that program budgeting reforms are not a new phenomenon in Armenia. Actually programs were extensively introduced into the budgeting process, whether rightly or wrongly, started in the late 90s and the phase of systemic introduction started in 2002. In the recent 5-6 years the reforms have made a serious advancement, however, not to the extent which would allow for the establishment of a new budgeting system. The first phase was characterized with successful development of the adequate ideology, methodology and piloting. All these activities were essentially implemented in an environment that lacked the clear political demand necessary for such reforms in general. Still, for the recent two years program budgeting reforms seem to have become part of the political agenda, and a number of officials started announcing about the priority of program budgeting reforms for Armenia. As is usual in politics, many politicians, who were not necessarily involved in the initial phase of the reformation process, began to look for a “political harvest to achieve budgeting based on programs in the country.” The culmination of these declarations was the political statements that “Program budgeting reforms are already complete” and that “Armenia’s budget is currently more effective.”

This, indeed, is an extremely optimistic evaluation, since program budgeting was not really part of budget planning. Our country has only recently reached the phase where it is capable of coordinated program budgeting. It is rather interesting that the above-mentioned statements were not made by the government officials, people who were really involved in the reform process and were well aware of the current status of reforms. The situation is quite grotesque, since the demand for the reforms, which actually lags behind the real supply, has already tasted the fruits which do not even exist.

Anyway, what really matters is the fact that all the budgetary institutions where the reforms should be implemented in totality already possess the most significant and necessary elements, such as program budgeting methodology, format, monitoring and accountability, as well as a budget implementation system, which supports new budgeting technologies. Even more important is the fact that these new ideas and instruments have been piloted in a large number of state agencies.

In the result, Armenia may transfer into new modes of budgeting already in 2009 for the fiscal year of 2010. All the necessary prerequisites already do exist. Still, there are a few spheres, which ask for further developments. Only after the successful implementation of more comprehensive reforms can Armenia claim that its budget is has become more effective.

What to do?

- Introduce changes in policy development methodology. After the demise of the Soviet Union and in the result of this event, the collapse of research institutes, ministries became the only bodies responsible for the development of branch policies. This new reality required a considerable change in governance tools, in the process of policy development and the internal ethos of the ministries, including governance based on terms of reference (ToR);
- Substitute budgeting formats with the goal of influencing policies, rather than the resources necessary for state agencies;
- Initiate capacity building in ministries and other budgetary institutions, in order for the latter to be able to get information based on ToRs, which are measureable and reflect the adopted policy;

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- Change the political culture in the ministries. Even today there are a large number of ministers who continue carrying out their responsibilities in the role of an executive director of a company or an organization, regardless several legislative amendments. On one hand, they are interconnected with the political parties represented at the National Assembly. On the other hand, they still maintain the administrative responsibilities of the ministries. These factors affect the imbalance between supply and demand of reforms, as well as constrain the development of a strong civil service system.
- The last, but not the least important issues is the low level of public awareness and the lack of pressure on budgetary system in the country, which has a more transparent budgeting system and demonstrates a program budgeting approach. With every year the government provides more information regarding the budget. However, there is a discrepancy between the quality and quantity of information provided by the National Assembly. Instead of presenting information on the required conceptual decisions, financial and non-financial consequences, the budget presented comprises 1000 pages of details regarding future expenditures of state agencies. The lack of knowledge on alternative methods of budgeting results in the stereotype that the government has to share the information it possesses and this is the only correct option.

What's next?

Considering the above-mentioned as the long-term goals of the large-scale reforms, the government should not hesitate to act. The success of program budgeting reforms requires political interventions, such as enlarged involvement of the newly launched Ministry of Economics as the strategic driving force of policy sectors; involvement of capacity building institutes (e.g. the learning center at the Ministry of Finance and the institutions dealing with the training of civil servants); optimal use of capacities built up through previous grants donated for implementation of projects in this sector, involvement of external support in case of deficient work performance of civil servants, which at present requires the use of quite expensive resources; introduction of the culture of management in accordance with the terms of reference for a given job; strong institutionalization of all the achievements in a way that will sustain the outcomes of certain projects further; use of internal and external auditing mechanisms; raising the status of the ministry departments and their heads as managers in program budgeting who will be responsible and accountable for the success of the program budget. In parallel, there is a need for a more active expansion of program budgeting and for reforms in participatory budgeting in the communities. The latter can certainly promote public awareness and increase the demand for the reforms.

Conclusion

Here is a salient recommendation, which the politicians need to take into account: outcomes of program budgeting can be visibly tracked only in several years after its implementation. The framework of these reforms may not necessarily coincide with the period of government service of these politicians; however, requirements for fast achievements may critically hinder the process of the reforms and endanger the efforts made by the authorities.

The paper is elaborated based on the opinions passed by the participants of the discussion "Specifics of Programme Budgeting in Armenia: Harvest Comes First?", which took place on November 29, 2008. The roundtable discussion was attended by independent analysts, government officials, and representatives of the international organizations. The round table was organized with the support of the Friedrich Ebert Foundation.