Program Budget Methodology
Preparation Guidelines

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A. Introduction

1 The purpose of this document is to provide program budget pilot ministries with guidance on program identification, planning and presentation. These guidelines will allow an understanding of:

- What is a program;

- How programs can be identified;

- How programs should be presented;

- What are projects and how they relate to programs;

- The main steps in the program planning process.

2 For the 2008 Budget these methodology guidelines will apply to the following ministries:

- Ministry of Health

- Ministry Education

- Ministry of State Administration and Local Self Government

- Ministry of Economy and regional development

- Ministry of Trade

- Ministry of Religion

3 This document only includes the main guidelines for the preparation of program budgets. In case of a need for clarification or difficulties with programming, ministries should directly contact the Ministry of Finance. Ministry of Finance has designated one international and one local consultant to work with the pilot ministries on a daily basis during the program budget preparation exercise, and they should be the primary contact point for the pilot ministries. The designated consultants will also work closely together with consultants from the Joint Project to ensure an integrated approach between the annual operational planning (GOP) and the program budgeting exercise.

Important notice

4 For 2008 budget the programming exercise will cover all revenues, inflows, expenditure and outflows of budget beneficiaries EXCLUDING expenditures for salaries and outflows for repayment of public debt. The salaries will be calculated centrally, in the Ministry of Finance, for all direct budget

beneficiaries and indirect budget beneficiaries, based on the data submitted by the direct budget beneficiaries. It is planned that for 2009 budget, expenditure for salaries will be included in programs.

5 The total sum of the funds of programs of direct budget beneficiaries must not exceed the total sum of ceilings provided by the Ministry of Finance. The Ministry of Finance will reject budget submissions that are not in line with the ceilings provided.

6 The Ministry of Finance will provide separate ceilings for salaries and expenditures to be included in programs.

7 In cases where the adoption of new legislation necessitates activities, services and/or programs which do not exist in the current year budget and cannot be funded within the ceilings provided by the Ministry of Finance, the budget beneficiaries should not include requests for additional funding into programs but identify them separately using the *New Initiative Form* to be provided separately by the Ministry of Finance.

8 Any additional funds, except expenditure for salaries, provided to the budget beneficiaries during the later stages of the budget process shall be incorporated into the budget of those beneficiaries using the program budget format.

B. Program Definition

1 This section of the guidelines will allow budget beneficiaries to understand the concept of programs, identify the main components of programs and see what the program presentation requirements are including templates. Also budget beneficiaries will be able to find definitions for key terms used in program budgeting.

Programs link inputs, outputs and objectives into coherent policy interventions

2 In order to accomplish specific objectives budget beneficiaries and users of budget funds conduct activities within their sphere of competence which by their nature can be:

- **Regulatory** – preparation and adoption of policies and normative acts and carrying out procedures (checks and controls) to ensure conformity with policies and normative acts. For example, Ministry of Health is responsible for overall health policy and legislation and through these activities it *regulates* the area of health care. The Ministry also carries out inspections in order to check conformity of health institutions with the normative acts and policies. In carrying out regulatory function organizations can "purchase" policy advice (including preparation of draft normative acts) from non-governmental organizations such as professional associations, for example.

- **Provision of services** – for example, provision of training and information services to the unemployed or the administration of student scholarships. One government organization can provide funds to another organization (government or private) for delivering certain services. For example, the Government can provide funds to non-governmental organizations to carry out home-care services for the elderly and the disabled. The Government has final responsibility for the delivery of these outputs (and for the use of public funds appropriated for specific purposes) irrespective of whether the services are provided directly by the Government organization or indirectly by non-governmental organizations on behalf of the Government. Service provision is regarded as direct when it is carried out by the institutions set up ("owned") by the Republic whereas indirect provision is such where services are delivered on behalf of the Republic (by contract or any other arrangement) and by organizations not owned by the Republic.

- **Transfers** – Obligations determined by law. Transfers by their nature can be correct and according to law and transfers determined (defined) by government policy
- **Subsidies** – subsidies to public non-financial enterprises and organizations and can be determined by law, byelaw or by the government policy

- **Purchase and maintenance of capital assets and investments** – projects implemented by Government organizations, for example, building roads,

sport infrastructure, acquiring new buildings or implementing large IT infrastructure projects.

3 Most of the above-mentioned types of activities carried out by the budget beneficiaries lead to concrete <u>outputs</u> (goods produced and services provided). For example, normative acts drafted, people trained, inspections carried out, payments processed and monitored and projects implemented. Outputs are achieved and activities carried out by using certain <u>inputs</u> that represent human and material resources (human, computers, buildings etc.) that have a financial cost. In the case of transfers and subsidies, outputs describe services resulting from providing these transfers and subsidies, such as, handling farmers' applications for subsidies, for example, is a service with specific outputs. Most outputs lead to specific impacts. Therefore a program can be defined as

> **A framework for linking related inputs and outputs into coherent policy interventions to achieve specific policy objectives (impacts).**

4 Outputs of one program should be similar in nature and together lead to achievement of the desired impact. For example, different services carried out by trade inspectors can be regarded as similar services contributing to consumer safety.

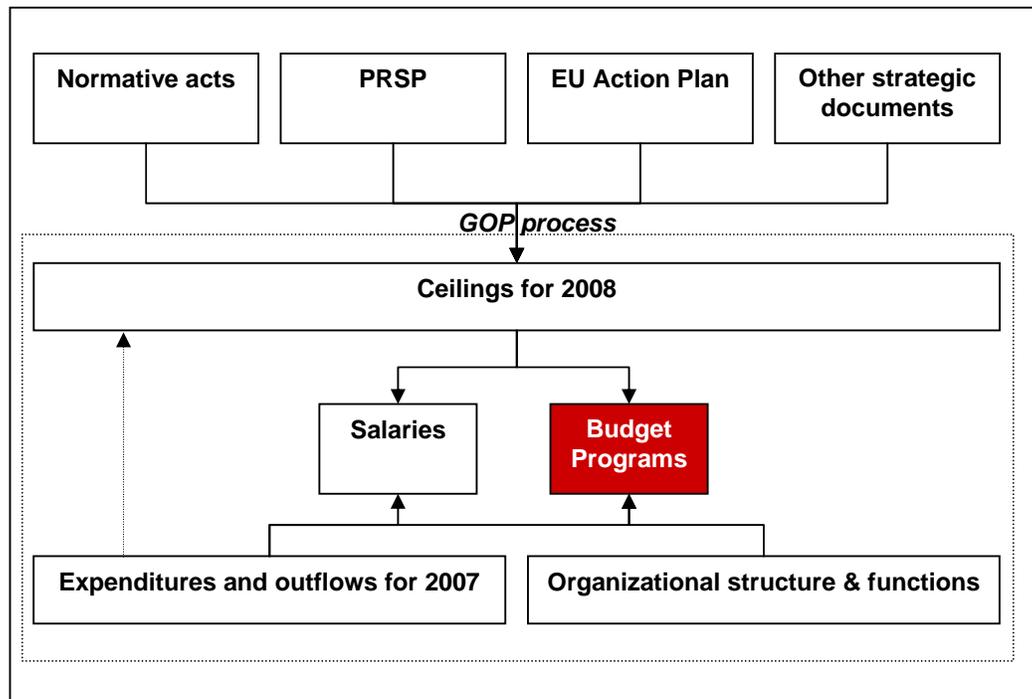**5** <u>The same output (as well as input) should not be included in more than one program</u>.

6 Programs are the basis for appropriations of funds to organizations which are accountable for the use of those funds – this is called organizational accountability principle. Because of this principle, one program, as a general rule, should not include more than one organization. However, ministries and other budget beneficiaries should ensure coordination between related programs, i.e. programs with the same or similar expected impact.

7 The program structure of a ministry or any other budget beneficiary should not be too fragmented, i.e. with a few large or with many very small programs. Thus a carefully planned program structure should avoid having too many exceptionally small programs (less than 1 to 3% of the total expenditure of a particular budget beneficiary) or exceptionally large programs (above 50% of the total expenditure of a particular beneficiary). In cases where the program structure is fragmented and there are many exceptionally small programs, consideration must be given to including these with other programs. In cases where the program is too large, consideration must be given to splitting it into smaller programs by focusing on the specific objectives of the expenditure items within that program.

> **The program structure of ministries and other budget beneficiaries should be determined by policy objectives and priorities but should also reflect the type of expenditure and organization of the budget beneficiary.**

The approach to programming is shown in the scheme below

| Normative acts | PRSP | EU Action Plan | Other strategic documents |

GOP process

Ceilings for 2008

Salaries | **Budget Programs**

Expenditures and outflows for 2007 | **Organizational structure & functions**

8 The program budgeting process in ministries and other budget beneficiaries should <u>mutually adjust</u> overall policy objectives and priorities (as expressed in various strategic policy documents and normative acts) on one hand, and existing expenditures and organizational structure, on the other hand. More detailed guidance on the steps involved is provided in section 3 of these guidelines. This mutual adjustment is carried out through GOP process using 2008 expenditure ceilings for budget beneficiaries as a framework for making trade-offs, i.e. prioritizing expenditure and reconsidering objectives in areas where funds are not available. The basic logic requires the following actions:

> 1) Determination of all key legislative and policy objectives and priorities of the budget beneficiary (as part of strategic planning in the GOP process). The key reference documents for this process should be – main normative acts regulating the sector; PRSP; EU Action Plan; as well as other national and sector strategic documents. It is very important that budget beneficiaries during the GOP process consult ministries and institutions in charge of each national strategic

document. For example – PRSP Team in the case of PRSP, or the Ministry of Public Administration and Local Government Affairs in the case of the Strategy of Public Administration reform. The purpose of such consultations is to ensure coordinated approach with all related budget beneficiaries;

2) <u>Within the ceilings</u> provided by the Ministry of Finance separating salaries from other (program related) expenditures and outflows followed by determining of the different **types** of program expenditure **and** their **objectives. Thus** an <u>initial program structure can be created</u> based on program types (for definition of program types see below);

3) Analysis of the organizational structure of ministries and determination of services delivered. This analysis should ensure that a) all key services are identified; and b) program structure can be easily related to organizational structure (to ensure organizational accountability principle, as explained above);

4) Identification of gaps in terms of resources and resource needs (GOP process);

5) And finally aligning of objectives and expenditures to better reflect the policy objectives and priorities of the budget beneficiaries. Alignment of objectives and resources involves making trade-offs between different priorities while ensuring that overall expenditure remains within the ceilings set by the Ministry of Finance;

9 When the final structure of programs has been decided, budget beneficiaries should pay attention to what expenditures are included in programs. Generally, different types of expenditure (for definition of expenditure types see below) should not be included in a program unless there are specific circumstances which justify such action. There are three broad types of expenditure:

- Expenditure for the production of goods and services[1];

- Expenditure for the purchase and maintenance of capital assets and investment;

- Expenditure for different users and final beneficiaries of budget funds in accordance with the law or Government policy. These can include transfers, mandatory social benefits and subsidies.

10 However, in the case of programs related to the production of goods and services there can be exceptions to the above-mentioned rule of separating different types of expenditure into different programs. Service programs (see definition below) can include expenditure by economic classification such as

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[1] For 2008 Budget, salaries are excluded from this type of expenditure, however, it is expected that in the future service programs will also include expenditure for salaries.

services by contract, capital outflows (for small capital items or for capital projects aimed at enhancing service program objectives), procurement of non-financial assets, for example, provided that they all contribute to the objective of that specific service program.

11 Based on both the above-mentioned classifications of budget beneficiary activities and expenditures, these guidelines identity <u>three types of programs:</u>

- <u>Service;</u>
- <u>Capital Investment; and</u>
- <u>Financial Support.</u>

12 When planning programs, ministries and other budget beneficiaries should use the above-mentioned types of program as a tool for program identification and design. In program descriptions (see below) reference should be made to the type of program.

13 Service programs include aggregate of related services carried out by a budget beneficiary or some other institution on behalf of the budget beneficiary for a specific purpose. Examples of such programs include support to the unemployed (services include the registration of the unemployed, the provision of information regarding training opportunities, and the processing of unemployment benefits) or the certification of certain products, such as medicines, or carrying out health checks and providing vaccinations, for example.

14 This type of program can also involve services delivered by other organizations including non-governmental organizations (through services by contract within economic classification codes 423 and 424). However, in such cases the budget beneficiary retains overall responsibility for service delivery and achievement of program objectives. For example, the Ministry of Health can provide funds for certain non-governmental organizations to carry out health checks in the Roma community. It is important that from program descriptions one has to be able to see what is directly provided by the ministry of the funds used and what is provided by other institutions especially agencies.

15 Every ministry will have one service program related to sector policy, coordination and monitoring. Within this program ministry prepares legislation, carries out monitoring and evaluation of implementation of Government policy in its respective sector, advises the minister etc. Example of such program is provided in the final section of these guidelines.

16 Capital investment programs include the purchase and maintenance of capital assets, such as buildings, roads, bridges and IT infrastructure, for example. Capital investment for different purposes (policy objectives) needs to be presented in different programs according to that purpose – for example, the Ministry of Infrastructure can have funds for capital investment in the road and air transport infrastructures. These are two different purposes

and policies, and programs related to them should be separate. Usually projects with similar objectives, such as the improvement of roads in *Vojvodina*, or the re-construction of hospitals, for example, will be grouped into one program.

17 Capital investment programs should be created in cases where there is one large capital investment project, such as the construction of a **major** road junction or bridge; or where there are several smaller but related capital investment projects, for example, reconstruction of several boarder crossing points.

18 One capital investment program can involve more than one project, which should be clearly marked in the project section of program descriptions.

19 Please note that there can be capital investment expenditure under service programs, such as the implementation of an IT system or the opening of a network of regional offices to enhance service delivery. These should be clearly reflected as projects within service programs.

20 Financial support programs include transfers of funds to other levels of government and to organizations responsible for compulsory social insurance, mandatory social benefit payments and subsidies... Examples of transfers include transfers to local government or to the Health Insurance Fund; examples of mandatory social benefit programs include benefits paid to the unemployed, pensions and grants for students. Subsidies include those paid to enterprises, industries, farmers and state aid, for example, whilst dotations include funds for schools and museums.
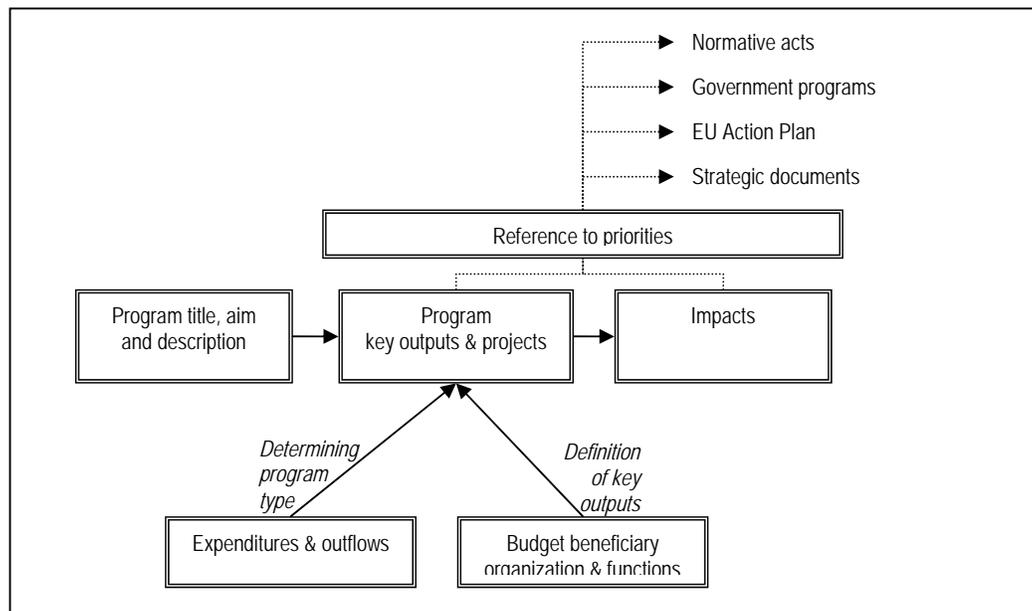
C. Program structure, presentation and terminology

1 This section of the guidelines will allow budget beneficiaries to see the structure of budget programs, understand the main terms used and identify the information that should be included in the three specific types of program.

2 Most programs will include 7 sections:

- Section 1: Program code and title
- Section 2: Program description
- Section 3: Link to Government priorities and policy
- Section 4: Key program outputs
- Section 5: Expected program impacts
- Section 6: Project information
- Section 7: Expenditures and outflows

3 Below is a schematic overview of program structure showing how various section of program relate to each other and to planning process described in the section above.

4 Please note that not all types of programs (i.e. service programs, capital investment programs and financial support programs) **will not** need to have all sections completed.

5 Each section is presented below, and includes the format of each section, guidance on how it should be completed, reference to the program type to which each particular section refers and a definition of the main terms used.

6 When preparing programs and particularly with regard to any questions, ministries should consult the Ministry of Finance and its consultants directly.

Section 1: Program code and title

Section 1 has to be presented according to the following format:

Section 1: Program Code and Title	
XXX	XXX

The program code is a special identification number given to each program by the Ministry of Finance

The program title should be short and express the contents of the program.

This section applies to all types of programs.

Program code – refers to the code given to program by the Ministry of Finance. The code should be entered once the program structure and descriptions have been finalized.

Program title – refers to name of the program which should encompass the objective of the program, but should also be concise, as the same title will be presented in the 2008 Budget Law. Examples of program titles could be:

- Increase youth employment

- Support students from socially disadvantaged groups

- Support development of SME's

- Improvement the health of the Roma population

- Improve border management

.

Section 2: Program description

Section 2 has to be presented according to the following format:

Section 2: Program Description
XXX

This section applies to all types of program.

Program description – refers to a <u>summarized</u> description of the aim and rationale of the program as well as an explanation of its content. The main services should be mentioned for service programs. The program description should give an overall understanding of why the program exists and what it

involves. If possible, short baseline information should be provided giving an insight into the current situation of the program.

It is important that program descriptions start with mentioning the type of program and its aim. For example:

- This *service program* aims to improve the overall standard of health within the Roma community through …

- The *financial support program* aims to improve the overall competitiveness of the Serbian economy by strengthening and enlarging the SME sector …

Section 3: Link to Government priorities and policy

Section 3 has to be presented according to the following format:

Section 3: Link to Government Priorities and Policy
XXX

This section applies to all types of programs.

Link to Government priorities and policy – this refers to any direct and obvious link that may exist between the program and statements of government priorities (as expressed in Government Program, PRSP, EU Action Plan, Economic Development Strategy or Budget Memorandum, for example.), and sector policy documents such as the Transport Development Strategy. However, this section should only be completed if the relationship to specific priorities is direct and obvious. It is not a pre-requisite that all programs need to correspond to priorities. For example, in most cases it will not be sufficient to state that a program supports the implementation of the PRSP. Instead, reference must be made to a concrete measure within the PRSP.

Service programs dealing with sector policy, coordination and monitoring generally should not have a reference to specific Government priorities and policies, as they concern all aspects of ministerial activity (policy, legislation and monitoring of all areas of ministerial responsibility).

In some cases this section can also include reference to the laws that are the basis of any expenditure. For example, newly introduced financial support programs could have such a reference.

Examples of references to priorities and Government policy include:

- The program directly supports the implementation of the Government's "Strategy for Development of SMEs in Serbia". In particular, this program responds to the xxx and xxx measures included in the above-mentioned strategy. It also facilitates implementation of PRSP measures aimed at

increasing the contribution of SMEs to economic growth and strengthening the role of SMEs in job creation and poverty reduction

- This program supports implementation of the Public Administration Reform Strategy, which emphasizes the need for building a professional and depoliticized Civil Service as well as the need to improve HR capacity at the local level

Section 4: Key program outputs

Section 4 has to be presented according to the following format:

Section 4: Key Program Outputs		Indicators 2008
Description		
1.	XXX	xxx
2.		
3.		
n		

This is a reference number for outputs.	In this part of Section 4 the outputs are described. Only final goods and services produced need to be reflected there. No activities.	In this part of Section 4 a concrete **volume** number should be provided for each output. If there is one output (like a major Law), the deadline for delivery of such output should be mentioned.

This section <u>does not</u> apply to all types of programs. It applies only to:

- Service programs.

For capital investment programs outputs are presented in Section 6 (projects).

Outputs – refer to goods and services produced by organizations for users outside the organization (this includes any services provided for a minister). Goods and services can be tangible or non-tangible. For example, a typical output of the service program of policy, coordination and monitoring is the production of normative acts or policy proposals in response to government priorities. In the case of other examples - inspectors carry out the inspection service of enterprises, the police investigate criminal cases and the employment service delivers training to the unemployed, organizes seminars and makes job placements. Outputs are measurable in terms of quantity, and are fully controlled by the organization producing them.

Services and their outputs may be provided not only by the ministries (or any other budget beneficiary) but also by entities on behalf of ministries (NGOs, and other organizations). For example, the doctors' association prepares a new health strategy but the Ministry of Health provides the funds for it. A similar example is the case of the immunization of the Roma population carried out by NGOs with funding provided by the Ministry of Health. However, in both cases it is the Ministry of Health that maintains overall

responsibility for the delivery of the program outputs in an efficient and effective manner.
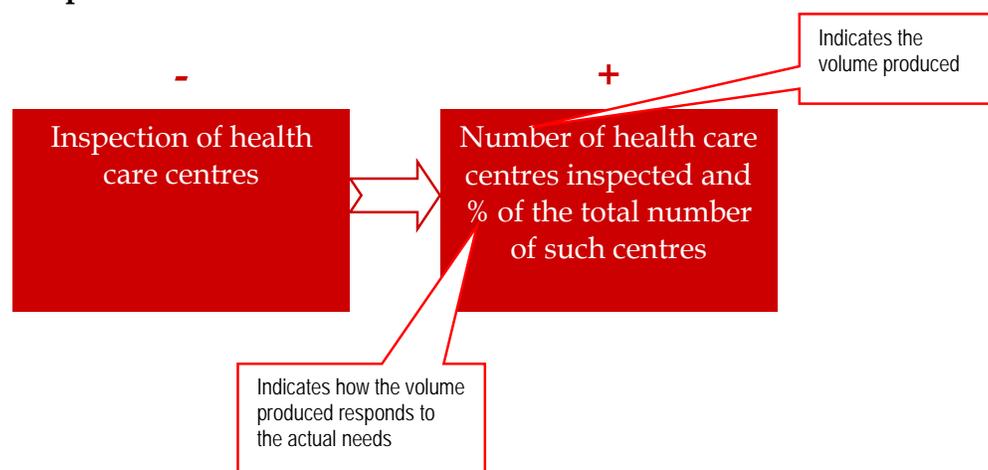
Examples of outputs include the:

- Development of the Law on Public Health

- Inspection of trading places or food processing enterprises

- Provision of vaccinations

- Organization of job placements for the unemployed

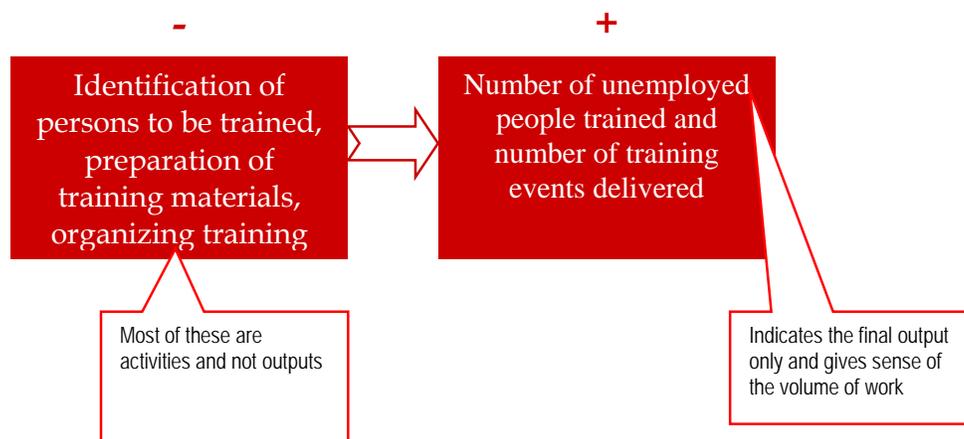- Construction of roads or hospitals

Please note that in the case where normative acts or policy documents are outputs, these guidelines require ministries to mention only the major and most important (priority) ones. Ministries should not include their whole legislative program under outputs section. If needed, such a list could be annexed to the GOP document. In cases where a specific law is mentioned as one of the key outputs and the law requires secondary legislation to be adopted, ministries may wish to indicate the volume of this work. For example, the outputs could be: "development of the Law on Public Health and 17 acts of secondary legislation".

Ministries and other budget beneficiaries should pay attention to the way outputs are described. The output descriptions should provide a reader with a sense of the volume of outputs produced. Below are a few examples of good and bad program outputs.

Example 1

-

Inspection of health care centres

+

Number of health care centres inspected and % of the total number of such centres

Indicates the volume produced

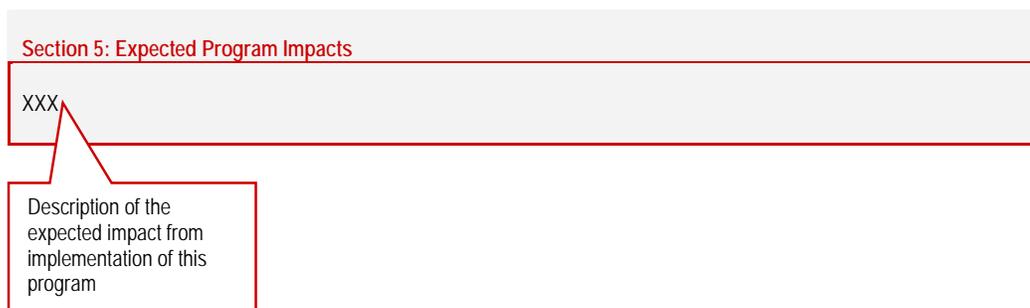Indicates how the volume produced responds to the actual needs

Example 2

Indicators - should show the volume of outputs delivered. For example, if output description mentions "number of unemployed people trained", the indicators section should show the exact volume of that work and should be indicated for 2008. If no concrete plans exist, ministries should provide an estimated number which is based on the analysis of previous years' trends and experience. However, if such information about the past does not exist and there is no way to make an informed assumption, ministries may foot note under the key outputs section that volume indicators for 2008 will be reflected in internal plans and will be submitted to the Ministry of Finance on a regular - quarterly basis.

Budget beneficiaries must note that only key outputs should be included in Section 4. Less significant and smaller outputs should only be included in the GOP and in internal plans.

Output groups represent similar outputs which are included in one program.

Section 5: Expected program impacts

Section 5 should be presented according to the following format:

It is expected that budget beneficiaries provide with a general description of the expected impact. Program examples included in the final section of these guidelines show several examples of such general generalized impact descriptions. When preparing program budget for 2009, budget beneficiaries will be expected to further develop and quantify expected impacts. However, if some budget beneficiaries want to further develop program descriptions, the following format can be used within the section 5 of program descriptions (see example.

This section <u>does not</u> apply to all types of programs. It applies only to:

▪ Service programs

In the case of both capital investment and financial support programs, the Ministry of Finance may request ministries to identify expected impacts. Therefore in both cases ministries and other budget beneficiaries are advised to consult the Ministry of Finance in order to determine whether impact presentation is required. At the same time ministries and other budget beneficiaries are encouraged to consider what the impacts are, how they can be quantified and include this analysis in the program description.

Impact – refers to specific changes (economic, social and behavioural) that the program intends to achieve. For example, a reduced level of regional youth unemployment or an amount of foreign direct investment attracted. In a way impact descriptions specify how the achievement of a program's aim as outlined in the program description should be measured. Like outputs, impacts should be specific and potentially measurable as well as attributable to the activities carried out within the program. One program can have several impacts both direct and indirect.

17

To use the above mentioned example of the regional unemployment reduction program, the general (indirectly attributable) impact could be that the level of registered regional youth unemployment will on average be reduced by 15 % by 2009. However, this is only indirectly related to program activities. A more direct measure of program impact would be that at least 25 % of young people who finished the program acquire a permanent job within 6 months after the end of the program and stay in the job for at least 6 months. It is important to note that contrary to outputs, impacts are not fully controlled by those who implement the program. A program can only influence the attainment of desired impacts but not guarantee their attainment, as other factors will have an influence on the program area as well. For example, in the case of the above-mentioned program, the overall level of regional youth unemployment could decrease as a result of growing economic activity but not necessarily as a direct result of the successful implementation of the program.

Examples of impacts include:

- The percentage of food production and processing enterprises that meet sanitary and epidemiological standards

- An increase in the number of students coming from socially disadvantaged groups as a result of a scholarship scheme

The number of jobs created as a result of a program

Sometimes there might be wider impacts that are not direct program impacts but are still important for a ministry in the context of a particular program. Impact section of this program refers also to *other indicators relevant to this program*.

In the case of using more detailed impact description format, the impact section also includes mentioning of *other non-quantifiable impacts*. This can be used if the impact is obvious and important but not quantifiable. However, most programs will have quantifiable impacts.

Unlike outputs, which need to have indicators only for one year (2008) detailed impact descriptions (if used) require indicator information for 5 years (medium term) in order to demonstrate the trend. Of course, indicators for all 5 years should only be provided only in cases where relevant data exists. If it does not exist, then plans should be made for the collection of such data in the future.

Indicators can be set either as targets, i.e. the level of impact that a ministry wants to achieve, or as an estimated trend, i.e. what, in the view of a ministry is the most likely impact. In both cases the ministry should mention baseline data (2006) under the description of impacts.

Section 6: Project information

Section 6 should be presented according to the following format:

The project code is a special identification number given to each project by the Ministry of Finance.

Summarized description of the Project, its aims and status. This should include also description of expected impact of project.

The project title should be short and express the contents of the project.

Code, Title and Description	xxx		xxx			
Xxx						

Project Expenditures

2006 approved	2006 executed	2007 approved	2008 planned	2009 projection	2010 projection
xx	xx	xx	xx	xx	xx

			Indicators	
Nb.	Output description*		2007	2008
1.	xxx			
2.	xxx			
3.	xxx			
4.	xxx			

This is a reference number for impacts given by budget beneficiary.

In this part of Section 6 main project outputs and milestones (particularly for investment projects) shall be described.

Total funds for Project for each year. For the completed years, both approved and executed should be shown.

In this part of Section 6 a concrete **volume** number should be provided for each output or milestone. If there is one output or milestone, the deadline for delivery of such output or milestone should be mentioned.

Projects can be included in the following types of program:

- Service

- Capital Investment

In the case of service programs, there can be a need for specific initiatives that enhance the achievement of program objectives. For example, there can be a need for the training of program staff, the renovation of premises or introducing new IT systems. In such cases budget beneficiaries should plan *projects* and include them in programs.

> **A project is a group of related activities, organized to meet the accomplishment of specific objectives and results that contribute to the achievement of program objective(s). A project is limited in duration and includes predefined resources (material and human) needed for its implementation, that is, for achieving its milestones and outputs. Project duration can not exceed programme duration.**

Inclusion of projects in programs can be justified in following cases:

- Capital investment projects within any type of program. For capital investment programs there are two basic scenarios:

- In case there are several related projects (such as renovating several hospitals (each being a project)), these shall be joined into one capital investment program. Each project then can be presented separately in section 6 of the program description;

- If there is, for example, one large project such as the construction of a major road, this can be set up as a separate capital investment program.

- Substantial capacity building within general administration and service programs. To determine whether a project is substantial or not, ministries should contact the Ministry of Finance;

- Cross-cutting spending initiatives, i.e. expenditures in more than one ministry budget used for the same purpose, but attributable to one of the ministry programs, or one Ministry takes the lead, but the programme is funded by more than one Ministry;

- When donors require earmarking within the budget for national funds for co financing

Please note, that non-capital investment projects should be substantial in size and importance in order for them to be included in general administration affairs or service programs. Otherwise capacity building projects should be reflected as activities in GOP.

No projects may exist outside programs.

Examples of projects could include:

- Implementation of a country wide IT system for Border Sanitary Inspections; or

- Construction of a new border crossing point at YYY.

Section 7: Expenditures and outflows

Section 7 should be presented according to the following format:

Expenditure source code according to economic classification

Description of source code according to economic classification, for example, *budget revenues*

Full amount of expenditure foreseen for this program in 2008

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description	Amount 2008
	Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
		tal			

Economic classification code for expenditure, for example, 454000

Description of economic classification item, for example, subsidies to private enterprises

Source of financing of expenditure according to economic classification, for example, 01-budget revenues

Expenditure according to economic classification and total by 3 years.

This section is applicable to all types of program.

The section 7 should present total expenditures and outflows for each program. If there is more than one project within the program, costs information regarding each project should be presented in section 6, while section 7 presents an aggregate of all expenditures and outflows within the program.

Please note that expenditures and outflows of all programs should be in line with ceilings provided to Budget Beneficiaries by the Ministry of Finance.

Summary of information requirements for programs

The following table presents a summary of information requirements by program.

	Service Programs	Capital investment programs	Financial support programs
Code / Title	∫	∫	∫
Description	∫	∫	∫
Link to priorities	*In case it is specific enough*	*In case it is specific enough*	*In case it is specific enough*
Key outputs	∫	∫*	-
Main impacts	∫	*Only by request of MoF****	*Only by request of MoF*
Projects	*Could be*	If more than one project	-
Expenditure	∫	∫	∫

* At program level, if one large project is presented as program; on project level, if several projects are into one program.

** Only for policy implementation functions, not for legislative, policy development and monitoring functions.

*** Otherwise the main impacts should be summarized under program description.

D. Key steps in the planning process

1 This section summarizes the main steps of the process of program identification and design. Please also refer to paragraph 8 in the section above.

2 The overall program identification and design process involves a number of steps:

3 **Step 1** Program identification (initial design) starts with the analysis of three elements:

- Current budget to determine different types of expenditure (expenditure *according to both purpose and by economic classification*). Please note that some expenditure that initially might seem to be of a transfer type in essence is funding for purchase of services. For example, the Ministry of Health might have the program for the immunization of the Roma community. This first might seem to be a transfer to the NGOs which actually carry out the immunization. However, in practice this is a service program of the Ministry, which "uses" the immunization service provided by the NGOs. Please also note that expenditures for salaries will not be included in programs for 2008;

- Organizational structure as well as legislated and real (implemented *de facto*) functions and outputs delivered. To do this, one should list the sectors, departments and sections of each budget beneficiary and for each of these identify services (outputs) provided for parties that are not budget beneficiaries (except for the Minister). Please, ensure that these outputs and not inputs, the latter being human and material resources, and activities

- Unfunded policy and legal commitments, i.e. legislation and functions that cannot be fully implemented due to insufficient funds. At this stage budget beneficiaries should identify both outputs that should be accomplished (*de iure*) but for some reason (such as a lack of funding or staff, for example) cannot be accomplished, so there are gaps. As part of the GOP exercise ministries should consider whether they can plug these gaps by reprioritizing current expenditure or by seeking additional funding through the New Initiatives Mechanism.

  This will allow definition of the initial program structure.

4 **Step 2** Once the initial program structure has been defined, basic performance information (description, outputs and impacts) can be included in the program description. This can lead to a further adjustment of the program structure, as managers may realize during this process that some programs have the same objectives and could be combined into one larger program whilst others may require being split up. At this stage most projects will be identified.

5 The analysis of organizational structure and outputs (step 1) will already lead to the identification of outputs that relate to each other, i.e. are geared to the same objective. In step 2 the budget beneficiaries should ensure that all major outputs are captured, but exclude less significant ones (they can be used for internal planning and accountability). Once this is done budget beneficiaries should define program aims and determine responsibility for program implementation. If objectives are similar, it is necessary to see if programs need to be combined. Alternatively, some service programs may need to be divided into more than one program.

6 Finally, under step 2 the manageability of the new program structure needs to be assessed, i.e. whether programs are useful for decision making within the budget beneficiary, and whether they match the internal and external accounting and monitoring systems.

7 **Step 3** Program structure and content may be further re-defined after budget beneficiaries undertake an assessment of the operating environment, capability and identify new priorities and strategies, as a result of the preparation of their GOP, which will be happening in line with the budget process. In fact, undertaking the GOP exercise will be more productive once the initial program structure is known so that gaps and areas for adjustment can be identified and reprioritized. If ministries identify work areas where additional funding is to be requested, such requests should be sent to the Ministry of Finance in the separate *New Initiatives Form* and should not be included in programs, as these need to be in accordance with the expenditure ceilings provided by the Ministry of Finance. <u>Separate instructions will be provided for this..</u>

8 **Step 4** A further reconsideration of program contents in terms of both financial and non-financial information needs to be made. Once completed, the budget beneficiaries will need approval from the Ministry of Finance before final submission of their programs.

9 **Step 5** The process is completed with the review and adjustment of program contents (and structure if needed) once the Parliament adopts the annual Budget Law, i.e. when final appropriations are known. This adjusted version of the integrated document serves as the basis for the next planning cycle and its initial strategic planning stage.

E. Practical examples of Programs

1 Service program, of the Ministry of Health

Section 1: Program Code and Title

xxx	Health policy, monitoring and coordination

Section 2: Program Description

This *service program* aims to ensure development and implementation of health policy that is effective in terms of meeting health care demands of population of Serbia, efficient and modern in terms of service delivery and sustainable in terms of financing as well as promoting healthy lifestyle and living.

Section 3: Link to Government Priorities and Policy

N/a

Section 4: Key Program Outputs

Nb.	Description	Indicators 2008
Policy development (major policy documents only)		
1	Programme for Health Protection of Vulnerable Groups of Population	01.05.08*
2	Programme for Protection from High Social Impact Diseases	01.09.08*
3	Master Plan for Network of Health Facilities	01.11.08*
4	…	
Legislative process (major normative acts only)		
5	Law on Public Health	01.09.08*
6	Law on Psychotropic Substances	01.07.08*
7	Law on Mental Health	01.07.08*
8	…	
Management, monitoring and coordination of health infrastructure development		
7	Health Facilities Emergency Reconstruction – number of hospitals (for details of	20
8	Reconstruction of Regional Clinical Centres	4
9	Energy Efficiency Project – number of institutions	40
10	Refurbishment, reconstruction and equipping of health facilities through NIP – number of facilities	30
11	…	
Other key outputs		
12	…	
13	…	

* date of expected completion of preparation

…

Section 5: Expected Program Impacts (for policy implementation functions)

n/a

Section 6: Project Information

n/a

Section 7 a: Expenditures and Outflows except 411 to 415

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description	Amount 2008
01	Budget revenues	
04	Budget beneficiaries' own-source revenues	
05	Donations from foreign countries	
	Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
	Total				

2 Service program in the Ministry of Labour and Social Policy

Section 1: Budget Program Code and Title

xxx	Increase of youth employment

Section 2: Program Description

This *service program* aims to facilitate increasing of employment among youth, particularly in regions of Serbia. The current unemployment level among youth is high reaching xxx% in the whole of Serbia while there also exist significant regional disparities. The highest level of youth unemployment is in XXX region while the lowest level in XXX region. In the mediumt term, the Govenrnment intends to cut the level of yiouth unembpoyment by 15% accross all regions of Serbia. This program is an experimental initiative specifically targeting 300 young people accross the country to take part in this program. Besides traditional training and development this program offers to its participants apprienticeships as well as temporary job placements, which together have better potential for enhancing employability of young peope in the future. If successful and building on the lessons learned this program could be extendet to larger number of young people.

The program is implemented by XXX.

Section 3: Link to Government Priorities and Policy

This service program directly responds to the measure within the PRSP on …. It also responds to the following measures included in the xxx document: xxx; xxx; and xxx.

Section 4: Key Program Outputs

Nb.	Description	Indicators 2008
1	Provision of information about the program to potential program participants and selection of program participants (regionally balanced with at least 50% not from Belgrade area) and determining their training / development needs	700 / 300
2	Provision of information to employers – potential participants in the apprenticeships and temporary job placement initiatives	500
3	Preparation and signing of agreements with employers participating in the program, determination of employers needs	200
4	Provision of training and development to program participants in various fields	300
5	Organizing apprenticeships as part of training and development	230
6	Organizing temporary job placements for program graduates	230
7	Program graduates tracking for 12 month after the program	230

Section 5: Expected Program Impacts

Implementation of this program will have a positive impact on reducing regional unemployment among youth, which currently is high. It will also provide with an opportunity to test new approaches to training and inclusion, such as involving employers in the training process, organizing job placements etc.

Section 6: Project Information

This service program does not include any projects.

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description	Amount 2008
01	Budget revenues	3.400.000
	Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
464150	Subsidies to organizations for compulsory social insurance	01 – Budget revenues	1.000.000	1.750.000	650.000
		Total	1.000.000	1.750.000	650.000

3 Service program in the Ministry of Public Administration and Local Government Affairs

xxx	Ensuring professional qualification of new civil servants (carrying out state examinations for entering into Civil Service)

Section 2: Program Description

This is a *service program* aims at ensuring professional qualification of public servants at both central and local levels according to standards set in the normative acts. To carry out this task, the Ministry carries out the following services: provides the training to civil service candidates in order to prepare them for taking state exam; preparation and updating of manuals for civil servants; maintaining of civil servants data base; organizing and implementation of the state exams for the Civil service candidates. This program is financed through fees collected from institutions of central and local government. Currently the fee rate is 6 000 RSD for the first attempt and 3 000 RSD for following attempts. The funds collected through fees are used to finance specialized examination commissions.

Section 3: Link to Government Priorities and Policy

This service program supports implementation of the *Public Administration Reform Strategy*, which emphasizes the need for building of professional and depoliticized civil service as well as the need to improve human resource capacity at the local level.

Section 4: Program Outputs

Nb.	Description	Indicators 2008
1	Training of Civil Servant candidates (preparing for exams)	
	▪ number of central level civil service candidates trained / % satisfied with training	…/…
	▪ number of local level civil service candidates trained / % satisfied with training	…/…
2	Examination of Civil Service candidates	
	▪ number of central level civil service candidates / number certified	…/…
	▪ number of local level civil service candidates / number certified	…/…
3	Updating and development Civil Servant Manuals	
	▪ Number of Civil Servant Manuals updated / prepared new	…/…
	▪ Number of candidate civil servants surveyed and % that recognize that various Civil Service Manuals are useful in practice for preparing for state exams	…/…
	▪ Number of civil servants surveyed and % that recognize that various Civil Service Manuals are useful as a reference material at work	…/…

Section 5: Expected Program Impacts

This program will ensure that Civil Service candidates are well prepared to take Civil Service examinations and that the examination process ensures increased human resource capacity within the Civil Service. The program impacts on the ability of new Civil Servants to work more efficiently and effectively.

Section 6: Project Information

This service program does not include any projects

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description	Amount 2008
	Budget users 's own revenue	35.000.000
	Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
423591	Compensations for members of steering, supervising committees and commissions	04 - Budget users 's own revenue	15.000.000	10.000.000	10.000.000
426111	Stationary	04 - Budget			

		users 's own revenue			
		Total	15.000.000	10.000.000	10.000.000

4 Service program in the Ministry of Health

Example a:

xxx	Improvement of health of the Roma population

Section 2: Program Description

The health care within Roma community is well below average conditions in Serbia, according to official statistics. Part of the problem is that most of Roma population is not included in institutional medical plans, which means that many members of Roma community are not subject to medical exams.

This *service program* aims to improve the overall standard of health within the Roma community through the provision of the following services: public awareness campaigns popularizing healthy lifestyles and avoidance of non-contagious diseases; health education events; immunization of the Roma population against high risk diseases; carrying out preventive check-ups; and promotion of hygienic conditions in settlements (inspection and education as to hygienic conditions of living).

Within this program the Ministry of Health provides funding for several non-governmental organizations who deliver on its behalf the above mentioned services.

Section 3: Link to Government Priorities and Policy

This budget program supports implementation of the *Poverty Reduction Strategy in Serbia* (measure on ….), *Social Policy* (measure on …), *Strategy for the Integration of Roma* (measure on …), *Better Health for the Third Millennium and the Action Plan on Granting New Powers to the Roma People as to Education, Healthcare, Housing and Employment* (measure on …), adopted by the Government on 28 January, 2005.

Section 4: Program Outputs

Nb.	Description	Indicators 2008
1.	Health conditions surveys of Roma community health conditions	
	▪ Number of surveys carried out	…
	▪ Number of community sites visited and % from total community sites known	…/…
2.	Health check-ups of Roma community members - number of people checked and % from total number of Roma community members	
3.	Health education events carried out in Roma communities	
	▪ Number of health education seminars in Roma communities	…
	▪ Number and % of total community sites covered by such seminars	…/…
	▪ Number of people who attended the seminars and % from total number	…/…
4.	Immunization of Roma community members against high risk diseases	
	▪ Xxx vaccines / % of estimated need	…/…
	▪ Xxx vaccines / % of estimated need	…/…
	▪ Xxx vaccines / % of estimated need	…/…
5.	Training and awareness building of medical staff for working with Roma community – number of training events and number of staff trained	…/…

Section 5: Expected Program Impact

This program will have positive impact on the health of Roma population by improving their awareness of health care needs, providing vaccinations against diseases with large social consequences as well as by improving capacity of the health care system to work with Roma population.

Section 6: Project Information

This service program does not include any projects

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing		
Source Code	Description	Amount 2008
01	Budget revenues	30.000.000
	Total	

Expenditures and Outflows by Economic Classification					
EC	Description	Financing Source	2008	2009	2010
463121	Current transfers at the Republic level	01 – Budget revenues	17.000.000	10.000.000	3.000.000
		Total	17.000.000	10.000.000	3.000.000

Example b:

Section 1: Program Code and Title

xxx	Improvement of health of the Roma population

Section 2: Program Description

The health care within Roma community is well below average conditions in Serbia, according to official statistics. Part of the problem is that most of Roma population is not included in institutional medical plans, which means that many members of Roma community are not subject to medical exams.

This *service program* aims to improve the overall standard of health within the Roma community through the provision of the following services: public awareness campaigns popularizing healthy lifestyles and avoidance of non-contagious diseases; health education events; immunization of the Roma population against high risk diseases; carrying out preventive check-ups; and promotion of hygienic conditions in settlements (inspection and education as to hygienic conditions of living).

Within this program the Ministry of Health provides funding for several non-governmental organizations who deliver on its behalf the above mentioned services.

Section 3: Link to Government Priorities and Policy

This budget program supports implementation of the *Poverty Reduction Strategy in Serbia* (measure on ….), *Social Policy* (measure on …), *Strategy for the Integration of Roma* (measure on …), *Better Health for the Third Millennium and the Action Plan on Granting New Powers to the Roma People as to Education, Healthcare, Housing and Employment* (measure on …), adopted by the Government on 28 January, 2005.

Section 4: Program Outputs

		Indicators	
Nb.	Description	2007	2008
1.	Health conditions surveys of Roma community health conditions		
	▪ Number of surveys carried out	…	…
	▪ Number of community sites visited and % from total community sites known	…/…	…/…
2.	Health check-ups of Roma community members - number of people checked and % from total number of Roma community members	…/…	…/…
3.	Health education events carried out in Roma communities		
	▪ Number of health education seminars in Roma communities	…	…
	▪ Number and % of total community sites covered by such seminars	…/…	…/…
	▪ Number of people who attended the seminars and % from total number	…/…	…/…
4.	Immunization of Roma community members against high risk diseases		
	▪ Xxx vaccines / % of estimated need	…/…	…/…
	▪ Xxx vaccines / % of estimated need	…/…	…/…
	▪ Xxx vaccines / % of estimated need	…/…	…/…
5.	Training and awareness building of medical staff for working with Roma community – number of training events and number of staff trained	…/…	…/…

Section 5: Expected Program Impact

		Indicators			
Nb.	Description	2007	2008	2009	2010
1.	Average life expectancy within Roma community				
	▪ Female				
	▪ Male				
2.	Infant mortality within the Roma community				
	▪ Female				
	▪ Male				
3.	No. of incidences of cholera and typhoid reported from within the Roma community				

#					
4.	No. of Roma people admitted to hospital suffering from diseases for which immunisation / vaccination has been made available				
5.	No. of Roma people admitted to hospital suffering from water borne diseases				31
6.	Percentage of controlled pregnancy and children born under the supervision of medical workers.				

This service program does not include any projects

5 Financial support programs in the Ministry of Education

xxx	Support to students from socially disadvantaged groups

Section 2: Program Description

This *financial support program* aims at ensuring that young people from socially disadvantaged groups have access to quality higher education, which is important for reduction of poverty. Within this programme the Government of Serbia provides studying allowances (stipends) to students from disadvantaged groups of society. The amount of such stipend is xxx RSD. In addition to the expenditure under this financial support program, students are also entitled to other forms of support paid by the Republic including: Xxx; Xxx; Xxx.

The program is administered by the xxx Department of the Ministry of Education.

Section 3: Link to Government Priorities and Policy

This financial support program implements the following measure of the Poverty Reduction Strategy (PRSP) – xxx.

Section 4: Program Outputs

Not applicable. Stipends to students are administered through Ministry of Education program on Education Policy, Monitoring and Coordination.

Section 5: Expected Program Impacts

This program will ensure that greater percentage of young people coming from socially disadvantaged groups will have access to quality higher education. It will lead to reduced number of potential entrants into higher education from socially disadvantaged groups who decide not to enter higher education for material reasons, i.e. young people without access to stipends or other forms of support.

Section 6: Project Information

This service program does not include any projects.

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description	Amount 2008
01	Budget revenues	3.000.000
	Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
472714	Educational benefits from the Budget	01 – Budget revenues	1.000.000	1.000.000	1.000.000
		Total	1.000.000	1.000.000	1.000.000

This is the example of potential financial support program in the Ministry of Economy

Section 1: Budget program Code and Title

Support to development of SMEs

Section 2: Program Description

The *financial support program* aims to improve overall competitiveness of Serbian economy through strengthening and enlarging the SME sector. According to the "Strategy for Development of SMEs of Serbia", the SME sector in Serbia is still relatively undeveloped compared to the EU average indicators. One of the key problems for that is the insufficient access to finance for SMEs. This program provides targeted development grants to SMEs and grants for start-ups in priority sectors (e.g. IT, high value added economy sectors, as defined by economic development strategies). This program also foresees credit guarantees for SMEs that comply with eligibility criteria and defined Government economic priorities.

This program is administered by the Ministry of Economy.

Section 3: Link to Government Priorities and Policy

This program directly supports implementation of Government's "Strategy for Development of SMEs of Serbia". In particular, this program responds to the xxx and xxx specific measures included in the above mentioned Strategy. It also facilitates implementation of PRSP measures aimed at increasing contribution of SMEs to economic growth and strengthening the role of SMEs in job creation and poverty reduction.

Section 4: Key program Outputs

Nb.	Description	Indicators 2008
	Competitiveness development grants for SMEs	
1.	Number of SMEs supported with targeted development grants / as a % of total SMEs number in Serbia	770 / 3
2.	Overall value of development grants / average amount of a grant for one SME	…/…
3.	Number of development grants provided in priority sectors / their total value / % of SMEs from total SMEs supported	
	▪ IT	…/…/…
	▪ Xxx	…/…/…
	▪ xxx	…/…/…
	Grants for SME start ups	
4.	Number of SME start ups supported with start-up grants	380
5.	Overall value of start-up grants / average amount of a grant for one SME	…/…
6.	Number of start-up grants provided in priority sectors / their total value / % of SME start-ups from total SME start-ups supported	
	▪ IT	…/…/…
	▪ xxx	…/…/…
	▪ xxx	…/…/…
	Credit guarantees for SMEs	
7.	Number of SMEs provided with credit guarantees	
8.	Overall value of credit guaranteed / average amount of credit guaranteed for one SME	… / …
9.	Number of credit guarantees provided in priority sectors / total value of credits guaranteed / % of SMEs from total SMEs supported	
	▪ IT	…/…/…
	▪ xxx	…/…/…
	▪ xxx	…/…/…

Section 5: Expected Program Impact

As a result of this program, the number of newly established SMEs will increase, as will the proportion of SME start-ups who received start-up grants and are commercially viable and active 2 years after the grant. All together this will lead to creation of new jobs. Targeted SMEs development support will increase general economic activity and promote higher value added economy.

Section 6: Project Information

This service program does not include any projects.

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description			Amount 2008
01	Budget revenue			25.000.000
			Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
454000	Subsidies to private enterprises	01 – Budget revenues	15.000.000	5.000.000	5.000.000
		Total	15.000.000	5.000.000	5.000.000

6 Capital Investment program in the Ministry of Internal Affairs

xxx	Improved Border Management

This *capital investment program* aims to improve the security and efficient management of boarders through improvement of the existing XXX boarder crossing point and construction of a new boarder crossing point on YYY. This is in accordance with the plan developed by the Ministry of Internal Affairs and Serbia's European integration requirements. According to these plans, from 2007 to 2010 it is intended to reconstruct 3 existing boarder crossing points and construct 2 additional ones corresponding to all requirements modern and technologically advanced boarder management infrastructure. Along with these works the surrounding relevant public infrastructure will be improved, too. This program shall lead to increased transit capacity on Serbia's boarders (and related economic benefits to commercial agents) while increasing capacity to control illegal trafficking of merchandise, drugs, people, etc.

This program is managed by the Ministry of Internal Affairs, Department of xxx.

This program supports implementation of measures included in XXX and XXX. The need for more efficient boarder management is also stipulated by the measure XXX of the XXX document.

For specific outputs please refer to Section 6 (Project Information).

As a result of this program, the boarder crossing capacity at XXX boarder will increase, but average waiting time (hours) for commercial trucks on XXX boarder will reduce. It is expected that modernized boarder crossing infrastructure coupled with training of staff working there (foreseen through other initiatives of the Ministry of Internal Affairs) will result in decreased smuggling, trafficking and other cross-border crime. The new infrastructure will also allow improving coordination between boarder police and customs service.

Code, Title and Description	xxx	Reconstruction of XXX boarder crossing point including railway station

The funding from this project is used to re-construct the xxx railway boarder crossing point including the xxx railway station and its both passenger and cargo terminals. In 2007 the project feasibility study was completed and he work has been started on the detailed design of the reconstructed terminals and related infrastructure. In 2008 the work on this design will continue. Once completed and approved, the Ministry of Internal Affairs will organize tender procedure to select the construction to undertake works. It is intended to complete the phase 1 of the project during 2008.

Project Expenditures

2006 approved	2006 executed	2007 approved	2008 planned	2009 projection	2010 projection
xx	xx	xx	xx	xx	xx

		Indicators	
Nb.	Output description*	2007	2008
1.	Feasibility study completed	01.09.07	-
2.	Re-construction plan approved		01.03.08
3.	Construction tender procedure completed		01.06.08
4.	1st phase construction completed		01.12.08

Code, Title and Description	xxx	Construction of new boarder crossing point at YYY

Completion of this project will allow to increase road border transit capacity on the Eastern boarder of Serbia as substantial part of cross-boarder traffic will be re-directed from the current boarder crossing point at XXX, which operates over capacity, to this new and modern crossing point with transit capacity of x units a day. In 2007 the 1st phase of construction will be completed, which will allow the whole project to be completed and the new boarder crossing-point operational by the end of 2008.

Project Expenditures

2006 approved	2006 executed	2007 approved	2008 planned	2009 projection	2010 projection
-	-	xx	xx	xx	xx

		Indicators	
Nb.	Output description*	2007	2008
1.	Feasibility study completed	01.03.07	-
2.	1st phase construction completed	01.11.07	-
3.	2nd phase construction completed	-	01.06.08
4.	Project completion	-	20.12.08

Section 7: Expenditures and Outflows

The Balance of Expenditures and Outflows by Sources of Financing

Source Code	Description	Amount 2008
01	Budget revenues	12.000.000
	Total	

Expenditures and Outflows by Economic Classification

EC	Description	Financing Source	2008	2009	2010
511400	Project planning	01 – Budget revenues	7.000.000	5.000.000	0.00
		Total	7.000.000	5.000.000	0.00