

Kazakhstan experience of introducing performance budgeting: case study on Ministry of education and science

Asset Dulatbekov

Academy of Public Administration under the President of the Republic of Kazakhstan, Abay Street, 33 a, Astana, 010000, Kazakhstan

E-mail: vip2030@mail.ru, +7701779799

Abstract. Over the last years, the Republic of Kazakhstan come to an understanding on the requirement of change of state management system concepts and predominantly of financial resources control. These changes require planned improvement of the effectiveness of budget funds management, as existing approaches not corresponding the needs of efficient management of budget funds. Restructuring of budgetary process in the Republic of Kazakhstan is the most important part of the policy of competitive growth of the state and of international stability. The author of this article analyse problems and aspects of performance budgeting of the Republic of Kazakhstan in educational sphere. Performance budgeting could be very important tool to increase efficiency and effectiveness of the budget expenses. Author analyse implementation problems and provide recommendations on the implementation of the performance budgeting on case study of Ministry of education and science. As of today the process of implementation of performance budgeting in Kazakhstan is in very early stage, but the government clearly understands the potential of this important instrument.

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Introduction

The reforms towards implementation of performance based budgeting in the Republic of Kazakhstan started in 2007. Legal framework of these restructures is directive by the Government of RK “Concepts on implementation of state planning system as goal-oriented” dated on December 26, 2007. This document states following goals [1]:

1) Development of program based budgeting, aimed to improve independency of state bodies in decision making and also strengthening of responsibility for services provided.

2) Setting and achievement of targets by means of establishment of performance targets (indicators) in budgeting process.

3) Creation of vertical logics in state planning: strategic targets of country development – strategic targets of state bodies development – specified targets – indicators – budgetary resources;

4) Restructuring of budgetary process in order to provide more transparency and space for control by society of state bodies’ activities related to development.

In 2008 for the purpose of further implementation of budgetary reforms, new Budget Code has been introduced. This document is the main legislative base of performance based budgeting (hereinafter referred to as PB). It also introduced medium term budgeting by enacting of three years budget model on a rolling basis.

New Budget Code includes main documents, which are a part of budgetary process in Kazakhstan. It is based on the forecast of social and economic development, strategic plans of state bodies and operating plans. It is the most important point from the point of view of our chapter is establishing responsibility of executive officers of administration for not achieving planned targets.

Important related document to the new Budget Code is the Edict of the President of RK “State Planning System” dated on June 18, 2009. This regulation sets a hierarchy of basic strategic planning documents that shall serve as the base for setting programmes and goals in PB as follows [2]:

- Development Strategy up to 2030;
- Strategic development plan of the Republic of Kazakhstan for 20 years;
- Forecast of territorial and spatial development of the country;
- National security strategy in the Republic of Kazakhstan;
- State programs for 5-10 years periods;
- Forecast of social and economic development for 5 year period;
- Territory development program for 5 year period;
- Strategic plans of state bodies for 5 years period;
- 10 year strategies and 5-year development plans of national managerial holdings, national holdings and national companies with state interest;

- Industry programs;
- Central Government Budget for 3 years.

Besides that, the Edict defines basic requirements to listed programs and strategic documents especially: period of validity, structure of the document, approving person, and it is defined an order of implementation of appropriate documents.

The Edict of the President of the Republic of Kazakhstan dated on 04.03.2010, #931, specifies further the methodical documents serving for development of planning document that define the methodology of development, execution and control of strategic planning documents (best practices, methodology instructions, etc.).

Henceforth, on December 14, 2012 the President of the Republic of Kazakhstan has enacted a Strategy of further development of the state "Kazakhstan 2050 – New political direction of independent state". Strategy "Kazakhstan 2050" brings on new bottom-line direction of the state. A basis of this strategy is several key vectors of long-term development of Kazakhstan [3]. In accordance with this strategy implementation of PB is the one of key target of the state reforms and its focus is to establish the state planning and budgeting system by state bodies as goal-oriented, to provide sufficient legal independency in decision making in relation with target achievement, and to improve lousy coupled interface between strategic and budget planning.

In this context, there is a good reason to consider the Edict of the President "State Planning System" (SPS) as achievement of clearly long-term and medium-term targets and indicators.

This goes to prove an improvement of SPS with retention of its basic philosophy oriented to strengthening of the responsibility of state bodies, their performance and reconciliation of strategic, economic and budget planning.

Research methodology

The goal of this article is to provide information about the current state of art of the performance budgeting in Kazakhstan on case of ministry of education and science and to suggest most important implementations steps and instruments to be used in future.

Main methods used in this article are qualitative analysis and synthesis. The analysis is based on the evaluation of available secondary resources.

Case study: Ministry of education and science of the Republic of Kazakhstan

Ministry of Education and Science (hereinafter referred to as MES of RK) is a central executive authority carrying out functions related to performance of state policy and normative legal regulation in the field of education, science, scientific

and technological activities, innovative and nano-technologies, intellectual property and also in the field of development of social support and social protection of trainees and educates of educational institution [4].

Restructure of the education system in accordance with new targets and goals, set by the state, intends to development and implementation of performance targets, which allow to monitor as system condition and amendments as well and to evaluate efficiency of the education.

As the first issue the Tables 1 - 3 show that the MES lacks capacity to link its own planning and budgeting process with main strategic planning documents of the country (we compare Strategy Kazakhstan 2050, Strategic Plan 2020, state program of education development of RK 2011-2015, with the Strategic plan of MES 2011-2015).

Table 1. Nurseries

Title of document	Indicators (performance targets, goals, outcome measures)
President's Letter "Kazakhstan 2050"	Area: Health, education and welfare of citizens Strategic target: Improvement of life conditions, health, education and opportunities of all Kazakhstan citizens, environment improvement
Strategic Plan 2020	Full coverage of children with nursery education of urban area and countryside
State development education program of the Republic of Kazakhstan 2011-2015	100% of children in the age of 3-6 years provided by nursery education
Implementation plan of State development education program of the Republic of Kazakhstan 2011-2015	Performance target: coverage of 73.5% children in the age of 3-6 years by nursery education Performance measures: 1) The proportion of nursery mini centers out of total nursery organizations - 50% 2) The proportion of children 5-6 years old, covered by before school education - 100% 3) The proportion of private kinder gardens - not less than 12
Strategic Plan of MES of RK 2011 - 2015	Performance targets: Coverage of children in the age of 3-6 years by nursery education by 2015 - 70%. The proportion of children of 5-6 years old, covered by mandatory before school education Performance measures: 1) The proportion of opened nursery organizations of all types out of total number of nursery organizations 2) Number of made places due to placing of education order in nursery organizations 3) The proportion of teachers of nursery organizations of higher and first category out of total number of teachers

Source: report of monitoring the strategic plans of state bodies of Republic of Kazakhstan, 2013 [5].

From the Table 1 it is perfectly visible that there are significant differences between implementation plan of state program and strategic plan of MES, especially:

- 1) Different coverage percentage.
- 2) Strategic plan of MES not reflects clauses 1, 3, stated in implementation plan of state program 2011-2015.
- 3) In the strategic plan 2020 stated performance target means full coverage of children by nursery education not only in urban area, but in countryside as well, that not reflected by state program and strategic plan of MES of RK.

4) It is not clear for which target performance the indicators of strategic plan clauses 1 and 3 are formed.

Table 2. Higher education

Title of document	Indicators (performance targets, goals, outcome measures)
President's Letter "Kazakhstan 2050"	Area: Health, education and welfare of citizens Strategic target: Improvement of life conditions, health, education and opportunities of all Kazakhstan citizens, environment improvement
Strategic Plan 2020	The structure of graduates of higher education institutes shall reflect demands of employers
State development education program of the Republic of Kazakhstan 2011-2015	80% of graduates of higher education institutes (trained under state order) have to be employed as per specialty during the first year after graduation
Implementation plan of state program 2011-2015	n/a
Strategic Plan of MES 2011 – 2015	n/a

Source: report of monitoring the strategic plans of state bodies of Republic of Kazakhstan, 2013 [5].

The Table 2 is the example of situation when strategic indicators are not reflected in implementation plan of state program and strategic plan of MES.

Table 3. Staff development

Title of document	Indicators (performance targets, goals, outcome measures)
President's Letter "Kazakhstan 2050"	Area: Health, education and welfare of citizens Strategic target: Improvement of life conditions, health, education and opportunities of all Kazakhstan citizens, environment improvement
Strategic Plan 2020	Effective system of technical and professional education functionally integrated into global education universe
State development education program of the Republic of Kazakhstan 2011-2015	100% of education organization executive officers receive capability development and training in the management field
Implementation plan of state program 2011-2015	n/a
Strategic Plan of MES 2011 – 2015	Scientists and Engineers are available

Source: report of monitoring the strategic plans of state bodies of Republic of Kazakhstan, 2013 [5].

The Table 3 includes following dimensions:

1) The statement of strategic target in the Strategic Plan 2020 is really difficult to operationalise in state program and implementation plan of state program.

2) There is no link between State development education program 2011-2015 and the Strategic plan of MES.

All above showed examples document that the capacity of the selected central body to set core performance targets is really limited, significant mistakes are done in selection of performance targets.

The second part of this cases study deals with direct setting of indicators and targets by the MES. For sure, there are also objective limits, for example it's very difficult to assess the cost effectiveness for several reasons.

First, the efficiency of budget expenses has not only economic component but a social one as well. Social impact has a crucial significance in the formation of public policy, however it's practically impossible to objectively measure it. For instance,

education quality improvement can be assessed using different indicators, such as enrollment and graduation of students of higher educational institutions, the number of issued diplomas with honors (total and by different specialties groups), graduates job placement, the number of graduate students, etc. However, these figures only indirectly characterize the quality of education, so an overall evaluation of the costs might be distorted.

Second, many of the 'educational' costs are not aimed at solving current problems but at achieving the long-term effect. First of all, it comes to spending on a person's education development, which is an investment into the future. When determining the extent of financing such programs, their long-term effectiveness should be evaluated and compared between each other.

However, our analysis shows that PB documents of the MES include badly selected indicators, not result-oriented and not linked to the upper level performance, and budget planning (for example we can find indicators like "Level of Patriotism by Youth", "Approximate number of projects under construction", "Approximate number of objects equipped with training equipment").

Another interesting example is the strategic target "At least two universities in Kazakhstan included into the World Top Universities Rankings". This target does not specify what exactly kind of rankings our universities should serve as benchmark. Due to the large number of rankings assessing different aspects of the universities, there is a problem of measuring of progress in a different rankings, which, in turn, makes it difficult to assess the level of predictive values and budgetary funds allocated for this idea's implementation.

In the Table 4 we document the lack of MES capacity to set the system of proper program budget for the Ministry.

Table 4. MES program budget structure: Program 001

Budget Program	Strategic objectives
Budget Program 001 «The formation and implementation of state policy in the field of education and sciences» Total amount is 2,4 bln. KZT in 2013	Objective 1.1 Ensuring the availability of pre-school education and training.
	Objective 1.2 Ensuring the availability of a qualitative schooling.
	Objective 1.3 An effective system of technical and vocational education integrated into the world educational space by 2020.
	Objective 1.4 Quality of higher education in Kazakhstan corresponds with the best international practices in the field of education
	Objective 2.1 Scientific and technical support for Accelerated Industrial and Innovative Development
	Objective 2.2 Enhancing the efficiency of human rights protection and protection of the legitimate interests of children

According to this table it's obvious that the Budget Program 001 includes 6 out of 7 main strategic goals of the Strategic Plan of the MES. With this non-transparent structure is created that does not allow to determine how much of 2.4 billion KZT for 2013 is directed to each specific purpose, as well as to evaluate the budget cost efficiency. Moreover, this programme cover resources spent dominantly for administration and should have really different goals. The Table 5 indicates the position of the Programme 001 in the MES program budget.

As a result, a review of the strategic documents analysis of the MES and its linkage to the budget planning enable to make some definite conclusions:

- ✓ the multiplicity and uncertainty of the positions of some types of indicators in the budget programs. For example, quality and efficiency indicators are not filled by the state bodies in many budget programs.

- ✓ the lack of consistent scheme for assets planning for the documents of the state planning set at various levels.

- ✓ the lack of adequate assessment of the budget cost effectiveness is one of the most acute problems of state planning in the Republic of Kazakhstan in terms of the budget process;

- ✓ weak linkages between the strategic objectives and performance indicators of the budget program

- ✓ performance of some functions nonrelevant to the ones the MES RK is used to do, particularly, the construction and reconstruction of various objects which affects the performance of basic functions;

- ✓ indicators of budgetary programs (direct and eventual result, quality and efficiency) have been formally formulated.

Conclusions

PPB gives great opportunities for increase of efficiency and effectiveness of public expenditures [6]; however its implementation is not fast simple and cheap process [7]. The existing analysis of introduction of models and PPB mechanisms in the countries of OECD shows that today practically all countries use performance indicators to evaluate the activity of authorities and state establishment in the budget process. At the same time, direct coordination of the amounts of financing with indicators of performance is used only in several countries (small ones) and only for a limited number of the state services. It is also well known that PPB development in every country proceeds individually according to the features of development and functioning of national economy and system of state administration. That is why borrowing of the suitable model and the

PPB mechanisms, detached from their political and social and economic context, seems very doubtful [8].

Recommendations

We recommended following practical measures that would allow refocusing the orientation of the work of the state authorities from inputs to outputs and results:

- ✓ 1) Regular collection complex priority based information on realization of the state tasks and use of budget resources in various spheres of activity of the state [9];

- ✓ 2) Changing the patterns of distribution of budget money among competing items of expenses on the base of receiving more exact and full information on results of implementation of programs accordingly to the priorities of state policy [10];

- ✓ 4) Requesting to compare offered variants of programs from the point of view of expected results and expenses [11];

- ✓ 5) Establishing the system of performance based control over the ministries and departments on the base of established performance indicators and comparisons of actually approached results with the planned ones [12];

- ✓ 6) Identification and abolition of duplicating each other programs, inefficient programs [1];

- ✓ 7) Introducing systematic training system for implementation of PPB in Kazakhstan [7].

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Corresponding Author:

Dr. Dulatbekov Asset. Academy of Public Administration under the President of Republic of Kazakhstan, Abay Street, 33 a, Astana, 010000, Kazakhstan.

E-mail: vip2030@mail.ru, +7701779799

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