Research Article

Received: 22 October 2024 / Accepted: 6 February 2025 / Published: 06 March 2025

Performance Budgeting Initiatives in Western Balkans and Evidence Use in Public Budgeting

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DOI: https://doi.org/10.36941/jesr-2025-0062

Abstract

Using evidence in policymaking is very important in order to design and implement better, more efficient and effective public policies for citizens. This article focuses on public budgeting decision-making in Western Balkans countries and on performance-based budgeting initiatives they have undertaken, for an informed and democratic decision-making process. The aim here is that with a comparative analysis of WBs, to conclude about the performance systems in action, performance measurement and performance information use in public budgeting. The main research question is: do policymakers or budgeting actors of WB countries use evidence (performance measurements and benchmarking) in the budgeting process for the upcoming budgetary year? The article will use primary and secondary data and information from national and international sources and documents, in order to give an answer to the research question. The paper is organized in three sections: the first section is a literature review of the use of evidence in public policies, the second one is related with performance and program budgeting formats and the third section is related with performance budgeting initiatives in WBs from a comparative perspective and evidence use in public budgeting. Nevertheless, this study has several limitations related with the difficulties to obtain the necessary data and information to fully analyse the chosen budget formats in each country, and their use in resource allocation. Future studies in the field of public budgeting can explore further the use of performance budgets and their implementation in achieving results in these countries and the policymakers´ engagement in achieving and sustaining best practices and benchmarking.

Keywords: *Evidence-Based Policy Making, performance budgets, performance measurement, WB public budgeting*

1. Introduction

Using evidence in policy-making is very important in order to design and implement better, efficient and effective public policies for citizens. Public policy refers to government declarations and operations, in relation with goals, objectives, goods or services, in collaboration with other public or private actors, or the governmental aim to maintaining the status-quo. Policy-making is related to the process of public policies design, implementation and evaluation, with the phases of agenda-setting, formulation, decision-making, implementation of policy with the facilitating or hindering factors and evaluation of results or policy analysis.

This study aims to contribute modestly to the actual body of knowledge about the field of public budgeting and budget formats, especially for Western Balkans countries, because there are very few studies focused on public budgeting and performance budgeting in WBs.

The methodology used in this article, is based on a combination of methods, by reviewing national and international reports, documents, and studies, and by analysing the information from a questionnaire (with 16 questions) to gather expert opinions from the Central Budget Authorities in each country (only Albania CBA responded, and for the remaining countries the questionnaire was filled based on the formal information added on the respective websites). Other important sources of information are the Organic Budget Laws, OBLs, laws and other documents that are part of the budget system of the analysed countries and the Economic Reform Programs, (ERPs). The Central Budget Authorities, usually the Ministry of Finance in different countries, are responsible and lead the process of public budgeting. The lack of responses to the questionnaire from the CBAs, except for Albania, and "in person" meetings with representatives of CBAs, made it necessary to collect laws, regulations and all of the available documents about each country public budgets. Even if Albania CBA responded, all of the data obtained by the questionnaire was confronted with the laws, regulations and reports about public budget and performance information, in order to mitigate potential biases in data collection and interpretation.

1.1 A literature review of evidence' use in public policies

For some time in the public policy discipline there were calls for employing more scientifically research methods and using evidence, as in the field of natural sciences. The aim was to achieve informed and scientifically-based policies and it was underlined the use of Randomized Control Trials, RCTs, to understand "what works".

For Cartwright and Hardie (Cartwright. N, Hardie. J, 2012) in their study of Evidence-Based Policy even if RCTs are a good starting point that tell that a policy worked somewhere (where the trial was carried out in that population) it is necessary to refer to two other aspects: facts about the causal role the policy plays and facts about the support factors that must be in place if the policy is to work. Thus, it is underlined the need for good arguments in the search for understanding that "what worked there" to "it will work here" for arriving at the effectiveness prediction. RCTs were used to evaluate the effectiveness of a wide range of social and infrastructure programs in developing countries. In the words of Fuente and Whittington (Araral. E, Fritzen. S, Howlett. M, Ramesh. M, Wu. X (Eds), 2012) if a researcher is interested in estimating a causal impact of a particular intervention, and they have sufficient funding to conduct an experiment, they can wait a long time for results, and the intervention can be randomized (ethically and practically), it is hard to imagine that the researcher would use a quasi-experimental research design rather than an RCT.

In the conditions when RCTs are not possible, the best thing policy-makers can do is to collect enough credible evidence, produced by researchers, in order to base their decision-making.

For Davies, Nutley and Smith (Davis. H, Nutley. S, Smith. P, 2009) there are some key issues in relation with evidence-based policy and practice: the need to develop appropriate evidence-based approaches, the need to secure credible research evidence; the need to develop the necessary research capacity in order to meet policymakers' and practitioners' requests for evidence and ensuring that this evidence is used. In their study, the primary question is "what works" in what context, i.e., to identify the role of evidence, the evidence generation in different policy sectors, and the need to use it in policymaking, in the context of two broad users of evidence: policymakers and practitioners.

In relation with the research utilization by policymakers, there are four prominent theoretical models:

- the politico-administrative decision-making model (Albaek, 1995),
- the policy agenda-setting theory or Multiple Streams Theory (Kingdon, 2011),
- the conventional typology of research use (Weiss, 1999, Nutley at al., 2007, Tseng, 2012,) and

- the community dissonance theory (Bogenschneider & Corbett, 2010; Bogenschneider, Corbett et al., 2019).

According to the authors of community dissonance theory (a study conducted by Bogenschneider with interviews with state legislators about use of research) there are seven key categories in relation with the research use. The first four uses of research (position, allocation, tactics and solutions shifting) are more instrumental in character, and the last three (agenda, framework and awareness shifting) are more conceptual uses of evidence. According to Bogenschneider & Corbett (Bogenschneider. K, Corbett. T, 2021) there are many reasons why research cannot answer all policy questions, and at the heart of the disconnect between research producers and consumers, they place the concept of culture, along the dual dimensions of professional and institutional sources of input. Bogenschneider, Corbett et al., (2021) conclude that researchers may have more of an impact when they try to exercise less influence and where they educate rather than advocate.

Whereas Paul Cairney (Cairney. P, 2016) offers another perspective on Evidence-based Policymaking, that is bounded-EBPM, because as he concludes the ideal type of "comprehensive EBPM' presents application problems. According to Cairney (2016) the policy process includes too many actors, different subsystems, and too many sources of information, including scientific evidence, reason for which the evidence is usually contested.

Parkhust underlines a normative approach to the use of evidence in policy making with the necessary shifting from evidence-based policy to the "good governance of evidence" (Parkhust, J. 2017). The author argues about an institutionalist approach, with governmental institutions as evidence advisory systems. According to Parkhust (2017) thinking about the good governance of evidence requires identifying the set of values for both processes and outcomes within a political process. This framework developed by Parkhust (2017) assembles the multiple principles and concerns into a structure to inform processes of institution building, to improve the use of evidence in policymaking, with eight key principles: appropriate evidence for policy concern, evidence of high quality, systematic and rigorous evidence, stewardship or public mandate in designing the advisory system, public representation in decision-making authority, transparency in evidence use, public deliberation in evidence-informed processes and contestability or evidence open to challenge or appeal.

For Dunn (Dunn, N. W. 2018) evidence-based policy call first started in the UK, then in USA and the EU. Evidence-based policy making takes different forms, but it is based on the definition of evidence as relevant knowledge of relations between policies, and short-term, intermediate, and long-term policy outcomes.

Even if evidence-based policy making has gained major attention and importance in different countries, it is difficult to relate evidence produced by researchers with policymaking, and thus they remain largely disconnected. The aim of this study is to relate evidence with policy-making and by focusing on providing ways to facilitate this process.

1.2 Budgeting formats and performance budgeting

The government should demonstrate to its citizens that is performing well and is achieving value for money in relation with the goods and services it offers. The focus of the movement towards government' performance is related with the performance improvement of the budgetary institutions, for offering the designated programs and activities for the citizens. Based on Rubin (Rubin, I. 2010) 'the budget format refers to the way in which the budget document presents the information for the budgeting decisions. The different formats of budget represent one of the ways in which the process influences policy'. By presenting the chosen information in different ways, budget documents direct the attention of policy-makers in certain matters, relations and developments. In the budgeting process, it is very important the way in which the information about the estimated revenues, expenditures, fiscal balance (or budgetary deficits/surplus) is presented and in the same time the effect on the budgetary decision-making. Each budgeting format has advantages and disadvantages, that make them suitable for a certain country and also part of the movement towards increased governmental performance.

The budgeting formats based on programs and on performance, are the core of "results–based budgeting" and the movement for increased performance, for government' efficiency and effectivity (Ismaili. M, 2015). These formats are focused on outputs and outcomes. Program-based budgeting establishes a clear relation between programs activities and budget allocations, and performance-based budgeting focuses on the efficiency and effectiveness of the programs, based on performance indicators. Performance-based budgeting focuses on the achieved performance of the budgetary institutions, and program budgeting focuses on future plans, goals and objectives predefined from a careful process of strategic planning.

According to Khan (Khan. A, 2019) a program budget allocates money for expenditures on specific programs rather than on specific cost objects and the allocation decisions ensure that there is congruity between budget allocations and program goals and objectives, although line items remain integral to the system. "At the heart of a performance budget are performance measures, or performance indicators, which are quantitative expressions for measuring capacity, process, or results of a program or activity" (Khan. A, 2019).

Thus, performance-based format serves to allocate the expected revenues for the budgetary institutions in relation with objectives, by using different performance indicators and targets. Actually, a considerable number of countries are including several performance indicators and performance targets to finance the programs that demonstrate results or that are more successful than the others, in relation with outputs and outcomes. The information collected by measuring the programs performance, should be reflected in the final document of the public budget, to be further considered in the end, in the annual decision-making budgeting process.

According to Rubin (2010) a performance-based budget lists what each administrative unit wants to achieve, how much it has planned to do and with which resources.' Budget documents should report what public administrators could achieve, with the financial resources they had. Thus, the focus is the offering of services based on appropriate spending. This budgeting format focuses on accountability and can be used especially in cases when there is distrust about government. The objective is to demonstrate to the public what the government is doing and in which way, the level of achieved effectiveness, and to motivating the necessary improvements for achieving the desired outcomes.

Conceptually, performance measures establish a cause-and-effect relationship between program goals, budget allocation, and program results (Khan. A, 2019). According to Khan (2019) by linking resource allocation to performance, the performance budget format sets forth the services, the level at which they will be provided, and the necessary resources to provide services in measurable terms.

For this reason, it is necessary the analysis of public budgeting, especially of the central level of government and the study of the context in which public budgeting happens, or the contextual factors (that include the political, economic, legal, cultural, social, and other factors) effect in the budgetary outputs and outcomes, or the budget-makers decisions regarding the allocation of the resources in the society. Performance measurement of the offered programs, is very important to better understand how the government works and the quantity and the way in which resources are used in relation with social needs.

Pollit & Bouckaert (2005) and Shah. A, Shen. Ch, (2007) state that the most important factors on which should be based the financial and non-financial aspects of governmental performance are: inputs and intermediary inputs; outputs; outcomes: the progress in achieving the programs' objectives; impact: the program' goals; width (the covering or the effectiveness): the individuals that benefit or are negatively affected by a program. Pollit & Bouckaert (2005) conclude that the model Inputs-Outputs serves to better understand the reform trajectories undertaken in several countries in relation with public financial management. They state that the width and the components of the reform are: finance; personnel; organization; performance measurement systems. The authors underline that the reforms' implementation process can be achieved in three ways: top-down/bottom-up; from local dimensions, and resources allocation: (new) organizations. The trajectories in public financial management reform, especially the budget reforms, were widespread and motivated by two external pressures: the need to cut public expenditures for macroeconomic reasons and, the need for improvement of the public sector performance, for higher levels of efficiency and effectiveness, or more quality, or a combination of the three aspects (Pollit & Bouckaert, 2005). These reforms resulted in a widening of the scope or purpose of budgeting. In front of a situation where budgets were a result of a process of incrementally financial allocations each year, now the budgeting process is closely related with other processes, like: strategic planning, operational management and performance measurement. The undertaken reforms for the objective of savings do not always fit well with the needed reforms in order to increase the performance.

According to Pollit and Bouckaert (Pollit & Bouckaert, 2005) when we refer to the aspects of the financial management reform that are related to performance, are identifiable a number of partial trajectories: the first step is usually to publish some performance information together with the annual budget documents (even if it could be difficult to or not possible to relate the specific performance with the specific financial allocations or funding. For Pollit and Bouckaert (2005) the second step is to begin to change the budget format and content, by introducing some performance categories or by linking performance with processes of strategic planning. The authors (Pollit & Bouckaert, 2005; Pollit, 2001) argue that a third step and the most ambitious one, is to change the budgeting procedure, by changing the incentives of the most important actors or by changing the structure or the time of discussion of public budgets, or by trying to change the role of the legislative in the budgeting process. Based on the authors, one should be very cautious in the interpretation of the evidences of the budgetary reforms. Public budgeting is a real political process and the actual behaviour could be hardly changed, even if the formal procedures are modified. Moreover, even when the budgetary reform is successfully implemented, the organizations will need years for the necessary implementation and to practice the new procedures. In the end, the process of the budget reform is continuous and with new initiatives. Countries like Australia, New Zealand, Finland, Sweden and United Kingdom have undertaken major changes to improve and increase the focus on performance budgets. Nevertheless, according to Pollit, there is no reason to believe that the new budget reforms will be more successful than prior initiatives (their success will be marginal).

Shah and Shen (2007) give some examples of the indicators used for measuring the efficiency and the quality of government activities: quality, service measures, consumer satisfaction; productivity; efficiency. In the same line, according to Lee, Johnson & Joyce (2013) performance measurement is now a common practice in the governments of all levels, and the demand for comparative information is very high, for the achieved results and the way in which they were achieved. Moynihan (2010) underlines a doctrine of the performance management from his study of the states' level, with three very important performance indicators and presented the road to move from performance measurement to the performance management: using outcome measures instead of output measures; using performance information in the decision-making process; and giving responsibilities and discretion to the implementing managers (in the terrain) in exchange of the governmental performance responsibility. The actual users of performance information change from one country to the other, as do change their needs for this information.

According to Poister (2014) with the time passing, the performance measurement is more and more integrated in decision-making, to generate important reports to sustain different goals or objectives. Poister underlines three overlapping transitions: from strategic planning to strategic management, from performance measurement to performance management and, from the independent use of these instruments to the needed integration of strategic management and performance management. The conceptual framework for the performance management is based on the interaction of planification, management, budgeting and evaluation and their combined influence over performance management.

Based on Besharov at al., (Besharov. J. D. Baehler, J. K. Klerman. A, J., 2017) performance management is an essential tool for holding administrators accountable for program operations and for improving program effectiveness, especially in austere times. Besharov at al., (2017) underline that performance indicators are key to effective performance management and can be used on an ongoing basis to assess programs and to strengthen program functioning. The authors underline the need for performance measurement, and the interrelation between program evaluation and performance measurement.

According to OECD (Organization for Economic Cooperation and Development) several countries were undertaking a variety of reforms towards performance-based budgeting and performance measurement in the process of public budgets, to further democratization and for improving the accountability and responsiveness of the government towards its citizens. These countries have applied budget formats based on outputs (immediate results) and outcomes (medium and long-term results). There are a variety of uses of performance information by governmental agencies, that are related to and affect budget decisions on revenues and expenditures.

Mainly in the international experience, there are three categories of performance-based budgeting, in the last two decades, in relation with the use of performance information (Shah. A, Shen. Ch, 2007; OECD 2014, OECD 2019):

- *Presentational Performance Budgeting*: outputs, outcomes and performance indicators are separated from the budget document. There is no direct link between performance information and funding. PPB presents the performance information as part of the budget document, but budget actors do not use this information for resource allocation.
- *Performance-Informed Budgeting* includes performance within the budget document, but there is only an indirect link between performance information and program funding. PIB takes in consideration the program performance, but its use is minimal in decision-making.
- *Direct Performance Budgeting* creates a link between resources and results, and allocates funds for the achievement of results. DPB implies a budgetary change to over or under-achievement of performance objectives, and resource allocation is directly and explicitly related with the units of performance (Shah. A, Shen. Ch, 2007).

The studies on the effects of performance measurement on budget decisions are mostly USA-oriented, and can be divided in: studies that argue that the information resulting from performance measurement has an important effect on budget allocations decisions (Wholey S. J, Hatry H; Curristine. T, 2005; Hatry. H, 2006; Gilmour B J; Joyce, G P; Blanchard L; Posner L P & Fantone M D; Moynihan, D. P. 2010). The other group of studies underline that even if performance measurement is now on the focus of governmental activities of a given country, performance assessment and performance information do not have a measurable and sustainable effect on the budgetary decision-making in relation with the budgeted funds (Radin, A B, 2006; Kraan D-J, 2007; West F W, 2011). Kraan D-J (2007) states that the performance information overload does not have any role on the budgeting process and can shift the attention from transparency.

Thus, there are few studies on Western Balkans public budgeting and furthermore studies that analyse the relation of evidence use in resources allocation in each country. Even if some countries undertook initiatives to demonstrate the necessity of linking budget formats with performance measurement (target and indicators), they are in the beginning and do not use such evidence. This study aims to contribute in the identification of performance measurement initiatives, budget formats and evidence use to allocate the resources, in fragile democracies of WB countries that struggle to consolidate their institutions, in their road towards European integration.

1.3 A comparative perspective of public budgeting and performance information use in WB

WB countries reforms in public budgeting and the application of performance management systems are the focus of this article. Public budgeting models of WB countries are mainly in the same direction, due to reforms based on international standards and benchmarking. The question is do they rely on evidence and how do they use evidence in order to decide about the resources' allocation. Does performance measurement influence the decision-making process or the budgetary policy to financing programs each year in the selected countries?

According to Dodds (Dodds. A. 2013) any research which either explicitly or implicitly contrasts policy processes, outputs or outcomes from one or more units, counts as 'comparative public policy'.

The WB countries, Albania, Kosovo, North Macedonia, Montenegro, Serbia, and Bosnia&Hercegovina aspire to be part of the European Union, and are undertaking several reforms to join the Union. Except for Albania (a communist regime from the end of the IIWW until 1990) the other countries, Bosnia&Hercegovina, Montenegro, North Macedonia, and Serbia were part of the former Socialist Yugoslav Federation. Kosovo was an autonomous entity within the Serbian state until the creation of the independent state in 2008).

In a comparative perspective they present interesting similar features, in relation with the shared political history, culture, mentality, the experiences under non-democratic regimes before the 1990s, and the following road towards democratization, and some of them are divided internally by ethnic misunderstandings and occasionally even hatred.

Actually, based on information of the European Parliament website (June 2024) the WB countries: Albania, Bosnia&Herzegovina, Montenegro, RNM and Serbia have candidate country status, accession negotiations and chapters have been opened with Montenegro and Serbia, negotiations were opened with Albania and RNM in July 2022 and with Bosnia&Herzegovina in March 2024, and Kosovo submitted its application for EU membership in December 2022. Recently, on October 15th, EU opened negotiations with Albania in relation with cluster one on fundamentals to joining the Union and the corresponding chapters.

In this context, the most important strategic document produced on the dialogue about economic priorities of the WBs countries with the European Commission (EU) is the Economic Reform Programme (ERP). ERP is prepared every year, and contains a medium-term framework of the macroeconomic and fiscal policy, and a detailed overview of structural reforms in order to increase the countries′ economic competitiveness. This will serve as a base for reform, in line with Growth Plan for the WBs announced by the EU, with the aim of accelerated integration of the countries into the EU single market.

Comparatively, all of the WB countries have adopted a public budgeting model based on program budgeting and some level of performance measurement, that is used as evidence only partially. In this context, policy-makers decisions are not yet based on performance' evidence of the offered programs, that means that there is not a corresponding level of financing of programs that are not performing well or even when there is no performance measurement at all.

OECD has created a database of countries' public budgeting and conducted three surveys (2007, 2014, 2019) that included performance information data. The questions part of the questionnaire of 2007-2008, were designed by OECD, with the World Bank. Based on the abovementioned database, Albania started the first initiative to introducing performance measures (outputs and outcomes) in 2006, and produced documents that contained performance information, followed by Serbia in 2008. The other countries part of the region, did not have performance measures or documents that contained performance information.

An article on performance budgeting implementation in SEE countries, (Jukan, K. Nadzakovic. M, 2022) underlines that besides Bosnia&Hercegovina, all the other countries have national performance frameworks in the form of integrated development strategy. According to the authors, all WB countries, created a centrally defined or authorized set of national outcome goals and key national indicators, and adopted presentational performance budgeting, that means that budgeting provides transparency or basic information, without the expectation that this information will be taken into account in the decisions on budget allocations. The legal or regulatory basis for performance budgeting is related with provisions within the organic budget law and the main operational characteristics of performance budgeting frameworks are provided in all WB countries, except for Bosnia&Hercegovina. Only in Serbia there is a standard set of performance indicators and/or targets. The Ministry of Economy/Finance (except for Bosnia&Herzegovina) in each country has overall authority for the design and implementation of the performance framework and, individual ministries / agencies are required to provide performance reports.

According to Jukan and Nadzakovic (2022) all the countries are in some phase of performance budgeting reform and they are fighting with strict fiscal discipline, and good revenue and expenditure forecasts. The authors argue that even SEE countries that undertook major reforms, do not have clear measurement of results against targets and, the most important and necessary requirement to implement good performance-based budgeting system is political commitment (Jukan, K. Nadzakovic. M, 2022).

In this line, Albania undertook numerous reforms in the establishment of capitalism and free market, big scale privatization, for a functioning democracy. In relation with economic policies and specifically, the budgetary policy, Albania has realized several reforms to modernizing this policy area.

In a prior study of public budgeting and governmental performance movement to improving public services in Albania (Ismaili, 2015) in the years 2013-2014, using questionnaires directed to CBA and line ministries (11 central budgetary institutions) specifically the economic and budget directories and sectors, resulted that even if the chosen budgeting format was considered very important in budgetary decision-making, the actual program budgeting format was not known sufficiently, and the budgetary allocations were based mostly on inputs and line items. Even if different performance measures existed, there was not a link between the measured performance information and resource allocations (funds). Thus, performance information in the CBA and the line ministries, was not used as evidence for the upcoming budget allocations in Albania.

The Organic Budget Law (OBL) no.57, 02.06.2016 “On the Management of the Budgetary System in the Republic of Albania”, changed in 2016, gave the parliament the possibility to review and decide on the MTBP ceilings, at program level (in the medium term). Also, a thoroughly revised Standard Budget Preparation Guidelines (SBPG) was adopted at the beginning of 2018, to reflect internationally accepted best practices, and during 2019 and 2020 took place extensive coaching and review of its implementation. Another important law is the Law on the Financial Management and Control, 2010 (changed with the Law no. 110 and no.14). Albania has an Economic Reform Programme, as a country that aspires to EU integration (2024-2026).

The country has a top-down budgeting process, led by the CBA, the Ministry of Finance, with: the strategic phase when are determined the ceilings for every line ministry and the technical one, when the ceilings are detailed. It has adopted a program budgeting format, with a focus on performance measurement. The procedure for formulating the yearly budgetary requests from the budgetary institutions is related with program planning, and with projects and activities that are in process or new programs. In relation with performance measurement there are performance measures or Key Performance Indicators (KPIs). The object of performance measures are the expenditures, and the country has introduced measures based on outputs and outcomes. Performance measurement is done by the budgetary institutions themselves.

Regarding the use of performance information as a base to decisions regarding resources allocation, the MoF expert response (Jakupi, 2024) was that this happens in most of the cases, especially during the negotiation stage. Also, the CBA uses this information in most of the cases (25-50% of the budgeted resources) as a base to decisions about resource allocation. The process of public budgeting in Albania is positively affected by interest groups, and by law, because every line ministry should invite in the consultation process the NGOs and academia in the respective sectors.

The major recently undertaken reforms in Albania in public budgeting or budgetary policy are

(Jakupi, 2024): MoF in collaboration of the involved units, has worked to achieve the objective in the PFM Strategy documents, to develop a credible medium term macro-fiscal framework that supports MTBP (Medium-Term Budgeting Program) preparation. Efforts are made for a prudent and stringent procedural MTBP framework that encapsulates the NSDI (National Strategy for Development and Integration) and sector strategic priorities, as well as to strengthen processes and institutions for prioritizing, and implementing all capital projects. Special focus is on revenue collection performance and strengthening revenue management, as well as to ensure efficient and effective use of the approved budget resources by improving the transparency, efficiency and unification of the implementation of internal financial control rules in the process of executing the state budget and financial reporting of the government; comprehensively controlling medium term commitments within the limits set by the budget and related laws, regulations and instructions; ensuring that the government financing needs are met with the lowest cost; establishing an effective and efficient public procurement system in Albania in line with international best practices, that guarantees a high level of transparency, accountability, control and value for money. Progress is made concerning the transparency of public finances by improving the coverage, quality and accessibility of information on public finances by producing timely and reliable government financial statistics; publishing in year and annual financial reports; engaging the public in the planning and execution of the budget, as well as working on accounting to be in compliance with appropriate International Public Sector Accounting Standards and on improving asset management. Concerning effective internal control, the aim is to strengthen the implementation of Public Internal Financial Control system on central and local government levels, by increasing the effectiveness of managerial accountability in all public institutions, strengthening the internal audit function in the public sector and improving the efficiency of Public Financial Inspection. The other objective is strengthening the budget audit by applying the International Organization of State Audit Institutions (INTOSAI) standards.

Bosnia&Hercegovina has undertaken several reforms in direction of democratization. Focusing on the public budgeting reforms, the CBA is the Ministry of Finance and Treasury, MoFT. The public budgets are based on the OBL, the Law on the Financing of the Institutions of Bosnia&Herzegovina. The budget year coincides with the calendar year and follows a top-down budgeting approach. The country has a medium-term budget projection that is the Framework Budget Document (FBD), that is a three-year projection of revenues and expenditures. It uses COFOG classification of expenditures, as an internationally standard of classification. The applied format is program budgeting, with planned programs and activities. Bosnia&Herzegovina periodically publishes a Budget for Citizens of the Institutions of BiH. Another important document is that of The Global Framework of Fiscal Balance and Policies in Bosnia&Herzegovina (2024-2026).

After the independence and the creation of the state in 2008, Kosovo has embarked on the way of reforms in different areas. In Kosovo, public budgeting is regulated by the OBL, Law on Public Finance Management and Accountability, 2008 (LPFMA) and the CBA is Ministry of Finance, Labour and Transfers. It has applied a Program budgeting format, that divides programs and subprograms. In Kosovo there is a top-down budgeting process, with funds limits imposed on line ministries, in order to achieve the goal of fiscal stability and the sustainment of the requests of budgetary organizations that should be in accordance with the Government Declaration of Priorities in the Medium-Term, and with the improvements in achieving the results-based budgeting and performance. Kosovo has a medium-term expenditure framework (2024-2026) and it applies the multi-year concept of the planning of the capital projects. From 2015 onward it has adopted an Economic Reform Programme, ERP, as a country that wants to be a part of the EU.

Public Expenditure and Financial Accountability, PEFA report (2022) suggests that efficient use of resources for service delivery is observed in performance of public services, and the general use of competitive procurement methods. The country has adopted Public Financial Management Reform Strategy (PFMRS) for 2016-2020, and government priorities are stated in the MTEF, and the Budget Law, based on the National Strategy and ERP. Across different budget-related documents, information is published semi-annually and annually on policy and sector objectives, activities, key performance indicators, outputs and outcomes, for all ministries. Based on PEFA report, information on resources received by frontline service delivery units for the Ministry of Education and Ministry of Health is collected and recorded and reports can be extracted from the system (KFMIS) at any time, but it has been not extracted and used. Kosovo National Audit Office undertakes evaluations of the efficiency and/or the effectiveness of service delivery, in form of performance audits (even if for less than 25% of all budget organizations) and publishes the reports on its website.

Montenegro has adopted the Budget Law, OBL, in August 2009, and the CBA, the Ministry of Finance directs the process of public budgeting. Based on the article 20 of the OBL it has a top-down budgeting process and a classification of expenditures. Montenegro applies a program budgeting format, where can be identified programs, tasks and activities of budgetary institutions, for the efficient and effective funds management, in relation with programs and subprograms, for the achievement of strategic goals in accordance with the economic policy. The article 51 of the OBL is related with the performance measurement of the programs. It has adopted performance measures and their object are the activities of the offered programs. The reforms in PB are ERP from the 2015 onward, a new Fiscal Strategy and Public Finance Management Reform, a Medium-Term Budgeting Framework; COFOG classification, Gender-responsible Budgeting; BMIS and SAP (for budget planning, monitoring and reporting) as a tool to a Budget Implementation Report, that produces semi-annual and annual Budget Performance Reports. Also, Montenegro has a Budget for Citizens, as a mean to transparent and responsive government.

In the Republic of North Macedonia, RNM, the Budget Law (OBL) regulates the process of public budgeting, and Ministry of Finance, MoF as the CBA, leads this process. It has adopted the Program Budgeting Format, and divides the funds between different programs. “European Semester Light” is a reform initiative that serves to improve economic policies and strengthen economic governance through the preparation of economic reform programs (the approach introduced by EU). Amongst the reforms undertaken is also Public Finance Management Reform Programme, “Smart Public Finances (2022-2025). In the country, the preparation of the Economic Reform Programme (ERP) is coordinated by the Ministry of Finance, and results from intensive intersectoral cooperation. The ERP 2024-2026 prepared by the Government of the RNM, was officially submitted to the EU on 17th January 2024. The problem in RNM is related mostly with political factors and ethnic tensions that impede the progress achieved until now in this country.

Public Budgeting in the Republic of Serbia is based on the Budget System Law (OBL) and the CBA is Ministry of Finance, that leads the process. It has adopted the Economic Reform Programme, 2024-2026 (ERP) as a strategic document to further the reforms towards EU integration. Serbia has adopted a Medium-Term Fiscal Framework, a Medium-Term Expenditure Framework, and the COFOG classification of expenditures. The new Public Financial Management Reform Programme 2021-2025, was adopted in June 2021. Fiscal rules were introduced firstly in the Budget System Law in 2010, then a new set of fiscal rules were integrated in the Law amending and supplementing the OBL adopted in December 2022. The country has applied the Program Budgeting Format, with measures and indicators for the programs. In Serbia, it is published annually a Citizens Guide to Budget and functions an e-Konsultacije portal.

2. Conclusions

All the countries part of the study are implementing program-based budgeting formats, and are focused on developing a performance system with measures of outputs and outcomes, to measure the performance of the offered governmental programs. The objective was to examine the level of performance measurement and the use of performance information as evidence in the further resource allocation of public budgets. The comparative analysis of the Western Balkans countries is motivated from the fact that these countries, initiated democratization and underwent a wave of reforms and changes, in the 1990’s and 2000’s, to strengthen their respective institutions and, as part of the process of integration to EU. Several challenges are imposed by political culture and the contextual factors in each state, that usually hinder the implementation of reforms (it requires political will, a change of attitudes and beliefs, trained public administrators, more documentation efforts, time, government capabilities).

This study focus is only on public budgeting reforms and performance measurement, and its use on budgetary decisions for resource allocation, and does not cover other internal developments in WBs, as this could be part of other future studies. It has several limitations related with the difficulties to obtain the necessary data and information to fully explain the chosen budget formats in each country, and their use in resource allocation, without leaving out of consideration time constraints. Future studies in the field of public budgeting can explore further the use of performance budgets and their implementation in achieving results and the policymakers′ engagement in achieving and sustaining best practices and benchmarking.

If performance information is used as evidence to support the decision-making about the allocation of scarce resources, then there should be initiatives to design a good performance management system, in order to gain reliable and valid performance information about offered governmental programs. In this direction, it is necessary the engagement of an independent institution (like Supreme Audit Institution) or the collaboration of government with independent researchers, academia, or think tanks, in each country, that will foster collaborations between budget-makers, policy-makers and researchers.

Barriers to implementing the proposed recommendations for each country are mostly related with the economic conditions of the WBs, that struggle to be competitive, by fighting corruption, unemployment, social conditions related with inequalities, ethnic tensions and divisions, emigration and political factors related with the policymakers will to achieve results in direction of reforms to democratization and European integration.

The comparative analysis of WB countries shows that they are mostly in the beginning of the implementation of performance-based budgeting format (presentational performance budgeting format) because actually there is not yet in place a system of performance management. Also, it is absent the use of performance information on the budgetary decision-making. The WB countries should carefully design performance management systems (performance indicators, output and outcome measures), rely on benchmarking, and should inform and educate the interested parties and citizens about the importance of this process, depending on each country contextual factors, for increased development and the consolidation of democratic processes and institutions.

3. Funding

This article was sponsored partially by University “Aleksandër Moisiu” Durrës (UAMD) with a fund for the scientific research, for the academic year 2014-2015.

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