

ERP COSTING GUIDANCE: EXPERIENCE FROM THE FIRST YEAR OF ITS APPLICATION

CEF EAG

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AGENDA

- 2019 activities on articulation and application of ERP costing methodology
- Short overview of key conceptual features of ERP costing methodology
- „Take home“ messages from in-country events on ERP costing methodology
- Clarification of common questions on the subject of ERP costing methodology
- Ideas for potential cost-related topics to be address in future



2019 activities on articulation and application of ERP costing methodology

- Until last year costing of structural reforms under ERP was done in a rather non systematic way
- To address this weakness, a costing methodology (*ERP costing guidance*) was designed to be applied across the region
- An important milestone in the design of the *ERP costing guidance* was Bohinj regional meeting (March 2019)

2019 activities on articulation and application of ERP costing methodology

- Later in spring 2019, in-country events were held with *ERP costing guidance* presented and discussed in details
- In autumn 2019, another set of in-country events was held where *ERP costing guidance* was actually applied for the first time in an ERP preparation
- In January 2020, ERPs 2020-2022 (with *ERP costing guidance* applied) submitted



Short overview of key conceptual features of ERP costing methodology

- Focus on costs of SR measures only
- Focus on „additional costs“ of SR measures only
- Focus on direct, first-level fiscal effects of SR measures only
- Systematic classification of costs under SR measures
- Systematic classification of sources for funding SR measures

„Take home“ messages from in-country events on ERP costing methodology

- *ERP costing guidance* is a useful tool for costing of SR under ERPs.
- In methodological terms, *ERP costing guidance* is consistent, is user-friendly, and is applicable across the line ministries and across the countries
- Participants from line ministries, i.e. the main target group, had no major problems in applying *ERP costing guidance*



„Take home“ messages from in-country events on ERP costing methodology

- The two groups of in-country events (in spring and in autumn) were considered as well designed and carried out
- The inputs provided by CEF for in-country events, i.e. *ERP costing guidance* document, cases, and especially on the spot assistance, were assessed as being of a high quality

„Take home“ messages from in-country events on ERP costing methodology

- During the autumn in-county events, a lot of questions (both very technical as well as very conceptual) were raised, so CEF decided to prepare a document where all the questions are addressed (*Clarification on common questions*)
- Further on, during the in-country events, participants provided a lot of ideas for potential cost-related topics to be addressed in future

Clarification of common questions on the subject of ERP costing methodology

- Technical questions
 - Cash or accrual
 - VAT to be included or not
 - Standardized prices yes or not
- Significant non-public costs /benefits
 - Regulatory measures
- Significant non-public funding
 - Treatment of projects financed via PPPs
- External funding (conditionality, mismatch)
 - Sector budget support under IPA



Clarification of common questions on the subject of ERP costing methodology

- Intra-governmental transfers
 - Grants from governments to local communities
- Macroeconomic instability
 - Treatment of exchange rates over 3 years
 - Inflation risk over 3 years
- Line between direct and indirect costs
 - Social benefits to people laid down in restructuring of public enterprises
- Consistency of costing among documents



Ideas for potential cost-related topics to be addressed in future

- ERP vs other national planning documents
 - Hierarchy of national planning documents
 - Linkage between ERP and NPAA, IPA
 - Several methodologies of costing
- ERP vs national budgetary planning
 - Links between national budget process and ERP preparation
 - Costing / financing vs program budgeting
- Articulation of SR measures
 - How to well articulate a SR measure
 - „Old“ vs „new“ measures (base year problem)

