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)