

LINKING STRATEGIC PLANNING AND PROGRAM AND PERFORMANCE BUDGETING (PPB):

Key Concepts and General Advice Based on PPBWG's Previous Work

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A proper PPB reform is more than just a budgeting reform..



- With PPB, budget takes on greater roles of being the government's strategic document and a communication tool, in addition to the financial/accounting perspective:
 - ✓ a greater focus on expected results
 - ✓ a greater focus on accountability for results (as opposed to compliance)
 - ✓ clearer and more “accessible” budget
 - ✓ practical and targeted linkages between strategic and budget planning

...and the potential benefits of PPB go beyond budgeting

- Budget users (line ministries and agencies) are provided with a **better management tool** by linkages with strategic planning
- Government is provided with a more direct **tool for policy prioritization**, i.e., for putting government priorities in action
- Parliament is provided with a **better oversight tool** with data on program level and contextual information on performance
- Citizens are provided with a **transparency tool** with increasing clarity and context

PPB PROMOTES CULTURE OF PERFORMANCE AND USER-ORIENTATION

PPB is intrinsically linked to strategic planning



- PPB is the systematic use of performance information to inform budget decisions and to install greater transparency and accountability throughout the budget process, by providing information to legislators and the public on the purposes of spending and the results achieved (*OECD definition*).
- Splitting the budget into programs is the basis for PPB, but, the **program's goal** and **performance indicators** are its heart.
- A **budget program** is a grouping of government activities in relation to a specific set of policy objectives (the guiding principle should be the mid-level outcome). **Performance indicators** are measures for tracking progress in achieving expected results of programs; they are categorized according to the level of expected result that they measure: **output indicators** (which measure goods and services delivered) and **outcome indicators** (which measure what is achieved for the final users and are in most cases additionally affected by external factors).
- There should be a link **between functional, institutional, and program classification**: the budget of each institution (line ministry/agency) is divided into programs; however, budget programs can also be aimed at the achievement of cross-cutting objectives. Key objectives should be identified in country-level strategic documents (national development strategies, sectoral strategies, government programs) and reflected in the institutional-level strategic plans/work plans.

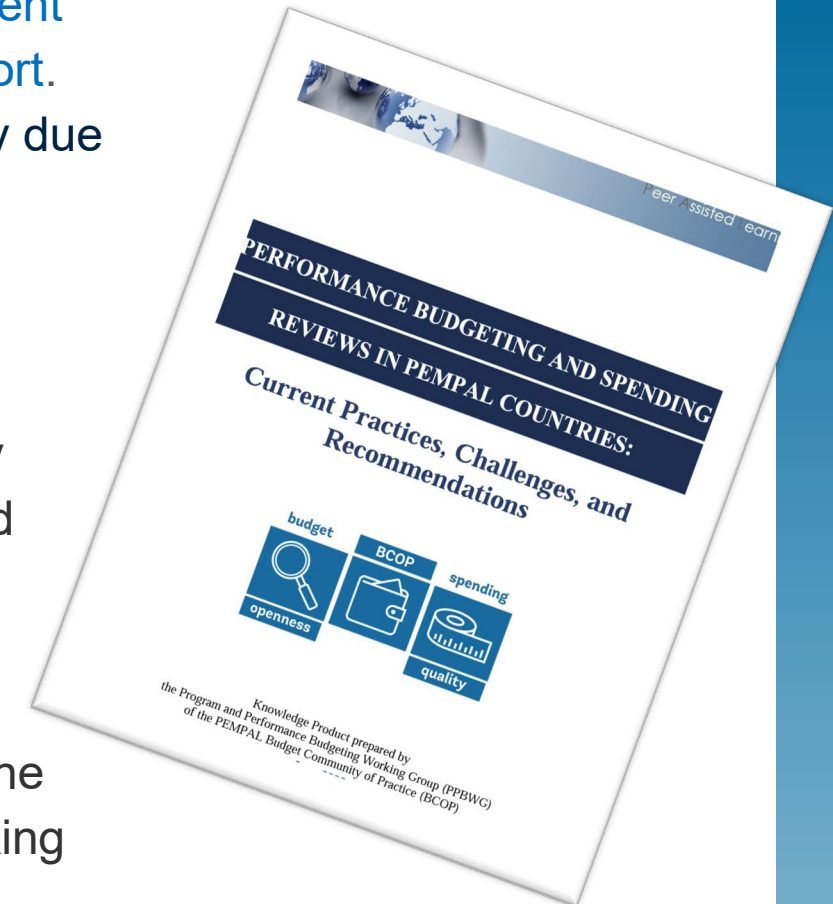
BCOP's PPBWG has had some discussions on the linkages between PPB and strategic planning



In initial PBB efforts in many of the PEMPAL countries, there was insufficient involvement/ownership of the line ministries and insufficient political support. Early efforts were also insufficiently connected to strategic planning, partly due to weak and/or unstandardized whole-of-government strategic planning.

BCOP' knowledge product (KP) [Performance Budgeting and Spending Reviews in PEMPAL Countries: Practices, Challenges, and Recommendations](#) (2020) presented survey data, benchmarked to survey data for OECD countries, and provided food for thought, organized around and supplementing the 2019 *OECD Good Practices in Performance Budgeting*, with considerations for PEMPAL region.

The OECD is currently developing Performance Budgeting Framework. The first draft was presented in the February 2023 meeting of the OECD Working Party on Performance and Results, attended by the BCOP.

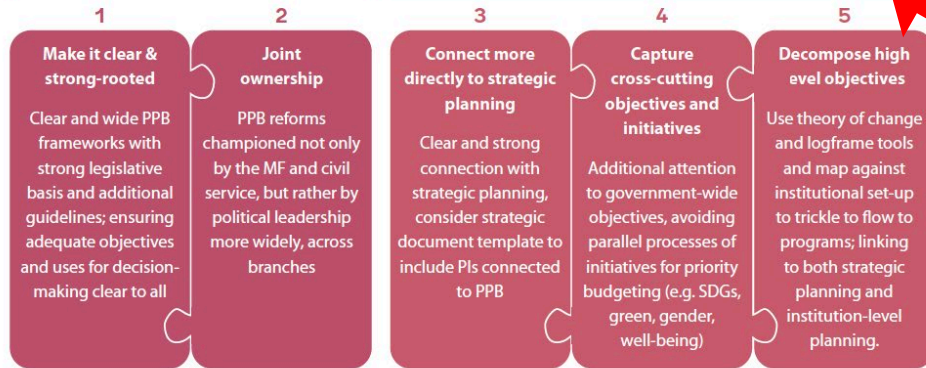


General advice from the PPBWG's 2020 KP (1)

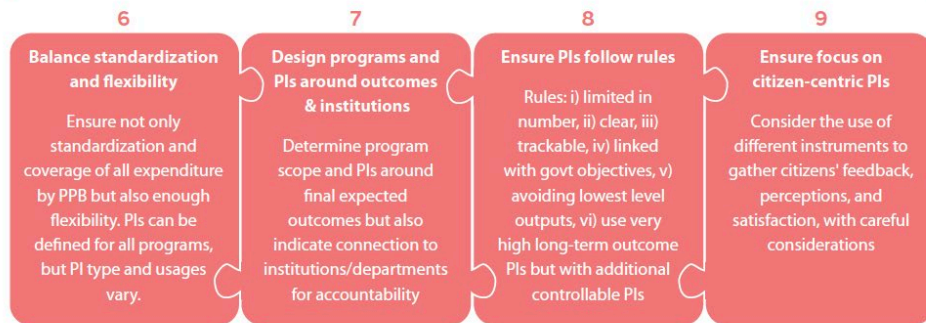


Rationale and objectives of performance budgeting

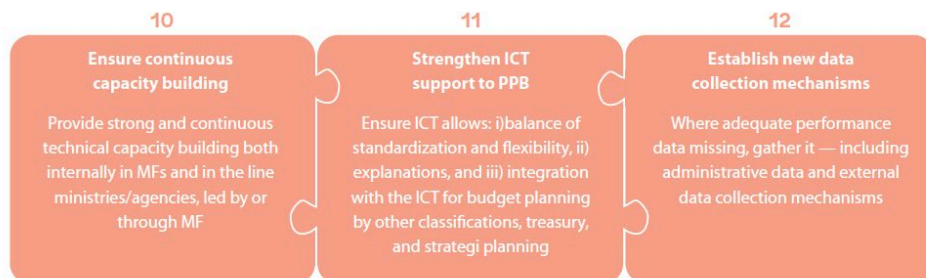
Alignment of expenditure with the strategic goals and priorities



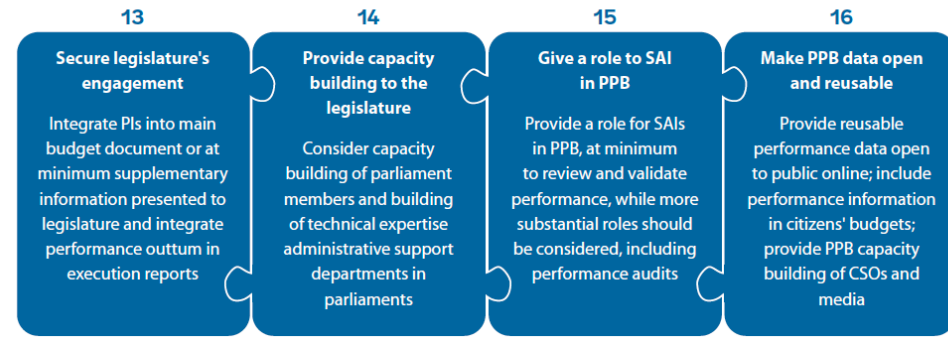
Flexibility to handle the varied nature of government activities and the complex relationships between spending and outcomes:



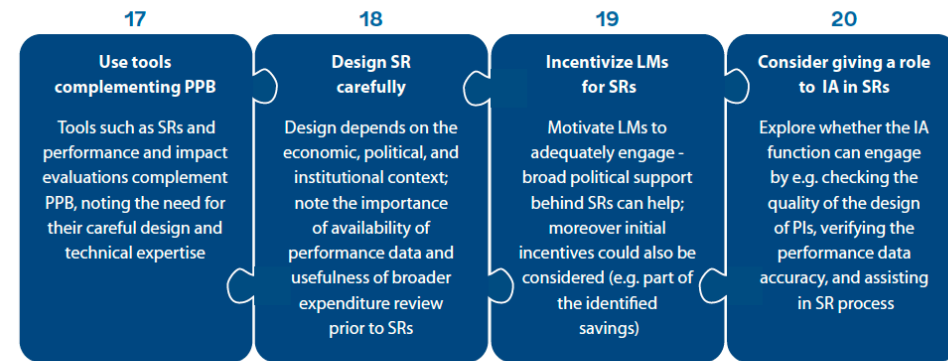
Investing in human resources, data and supporting infrastructure:



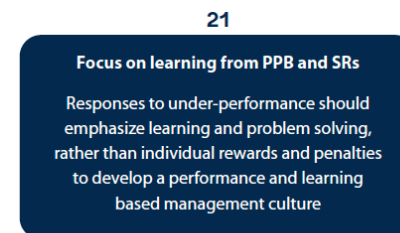
Facilitating oversight by the legislature and civil society



Complementing tools enforcing performance orientation



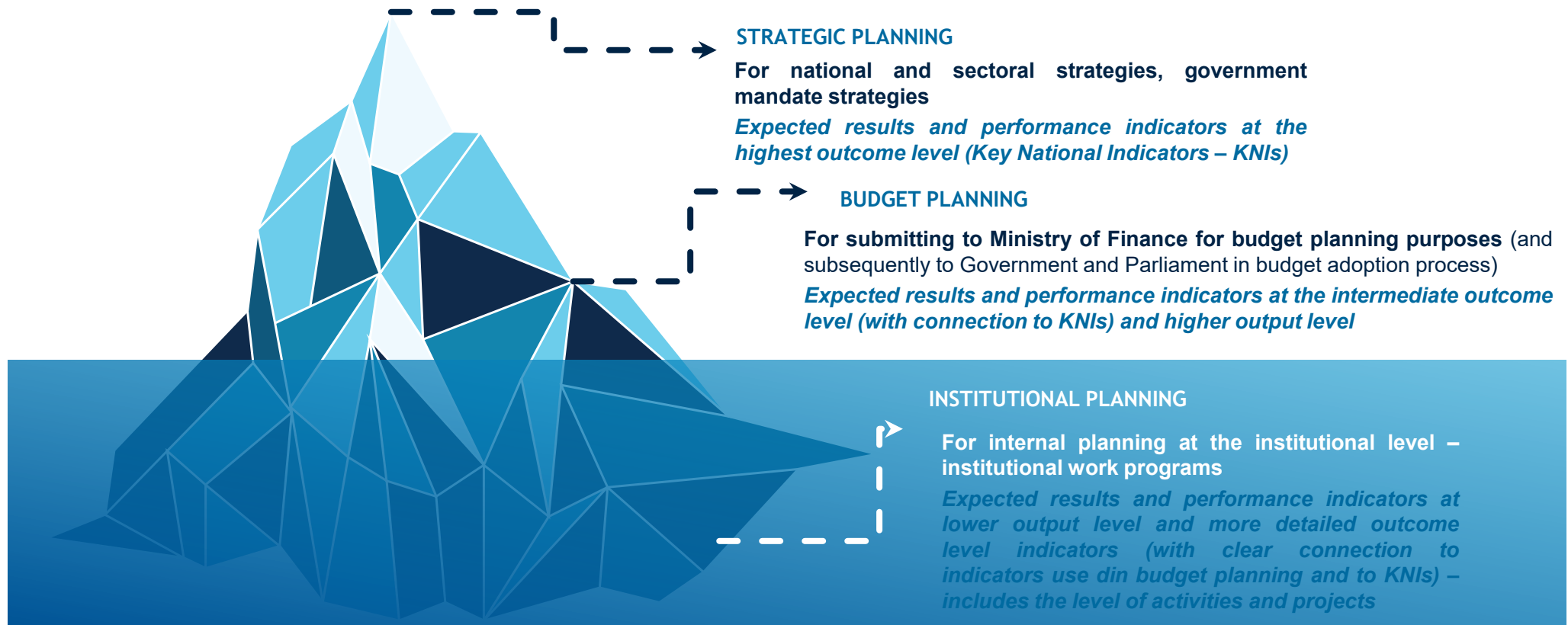
Encouraging performance-oriented behavior and learning



General advice from the PPBWG's 2020 KP (2)



PYRAMID APPROACH IN LINKING STRATEGIC AND BUDGET PLANNING



A clear vertical hierarchy is advised, while ensuring that the program structure and performance indicators used in budget planning are limited to the level that is useful for budget allocation decisions. Not using overly fragmented program structure with too many multiple layers (e.g. programs, subprograms, activities, projects etc.) for budget planning also gives more flexibility to program managers in budget execution.

General advice from the PPBWG's 2020 KP (3)



- ❑ Programs and performance indicators used in budgeting processes should be determined based on their usability in budgeting and policy decision-making and should, in addition to being linked to the government's overall strategic planning documents, also be directly connected to the processes of internal institutional work planning.
- ❑ Careful considerations are needed to design and monitor cross-cutting performance indicators to which multiple ministries and line agencies contribute. Any initiative related to priority budgeting for select high-level government priorities (for example gender budgeting, green budgeting, well-being budgeting, or budgeting towards the SDGs) should be designed with care to ensure complete integration within the program and performance budgeting processes and to avoid parallel separate processes.
- ❑ Highest-level cross-cutting strategic policy objectives should be decomposed into lower-level objectives to flow through individual programs. The starting point for tackling these challenges is to determine a theory of change and causal chain based on policy priorities. There should be indicators associated with each level of expected results, from highest level outcome, through intermediate level outcomes, to outputs. This policy causal chain should then be mapped against the institutional framework.

Illustrative possible design of an interlinked strategic policy planning and budget planning from the 2020

DDRWG 1/19

LEVEL OF EXPECTED RESULTS/PROGRAM STRUCTURE	EXPLANATION OF EXPECTED RESULT LEVEL	LEVEL OF PERFORMANCE INDICATORS	
NATIONAL PRIORITY	Main long-term social goal, which can be connected to a government mandate or to a national development strategy if it exists. Multiple sectoral priorities can contribute to one national priority, depending on how detailed national priorities are.	Highest long-term impact indicators to which policies/programs contribute (could be Key National Indicators – KNIs)	Government-level Strategic Planning
SECTORAL PRIORITY	Key aggregate high-level result/strategic objective to which all main programs within the relevant sector contribute. Defined in sectoral strategies/sectoral development plans. Multiple general budget programs can contribute to one sectoral priority and one or more sectoral priorities can contribute to one national priority. <i>Can be connected to one of ten broad objectives of the first-level of COFOG functional classification, as well as to the seventeen Sustainable Development Goals (SDGs) – alternatively, the SDG connection can be made at the national priority level, depending on how detailed national priorities are, in which case SDG targets would be connected to this level.</i>	Highest-level outcome indicators at sectoral level to which policies/programs contribute (KNIs could also be at this level, depending on how detailed national priorities are)	Sectoral Strategic Policy Planning
GENERAL BUDGET PROGRAM	Highest outcome to which multiple individual programs contribute. One or more general budget programs can contribute to one sectoral priority. Can also be called main program or government program or general program. It is a grouping of government activities in relation to a set of higher-level policy objectives, which can be cross-institutional. <i>Can be connected to 69 areas within the second level COFOG functional classification, as well as to one of 169 SDG targets.</i>	Intermediate to high outcome indicators to which higher-level output indicators contribute, but which can be affected by other factors outside of control of implementing institutions	Budget Planning
PROGRAM	Outcome from a grouping of government activities in relation to a specific set of policy objectives, at the level of an institution/agency/Ministry. Multiple subprograms/activities can contribute to one general budget program and one or more programs can contribute to one general budget program.	Lower-level outcome indicators that are under control of implementing institutions to a great extent and/or higher-level output indicators	
SUBPROGRAM	Activities to use resources to achieve results at program level. Can also be called activity. One or more subprograms/activities can contribute to one program.	Lower-level output indicators and process indicators that are under full control of implementing institutions	Institution-level Planning and Management
INPUT	Resources for implementation of activities	Input indicators	



An example of the possible design of an interlinked strategic policy planning and budget planning from the 2020 PPBWG KP



LEVEL OF EXPECTED RESULTS	EXAMPLE OF NAMES OF EXPECTED RESULTS/ PROGRAM STRUCTURE	EXAMPLE OF EXPECTED RESULTS	EXAMPLE OF INDICATORS
NATIONAL PRIORITY	SAFETY	Increased level of safety for citizens	<i>Percentage of citizens who assess overall general level of safety as high</i>
SECTORAL PRIORITY	CYBER SAFETY	<i>Lower general crime rate (connected to COFOG 03 on public order and safety and SDG 16 on peace, justice, and strong institutions)</i>	<i>Crime rate for targeted crime type/area - e.g., cyber crime</i>
GENERAL BUDGET PROGRAM	POLICE FORCES	<i>Increased effectiveness of police forces (connected to COFOG 03.1 on police services and to SDG relevant target for the specific crime type, e.g. 16.2)</i>	<i>Effectiveness of police forces measured for example by share of cases that are solved</i>
PROGRAM	INVESTMENT IN MODERNIZATION OF POLICE FORCES	Adequately trained and equipped police forces	Share of solved cases per type Number of police officers (or share of all police stations) that are given new training and equipment
SUBPROGRAM	TRAINING EQUIPMENT	Training conducted and equipment delivered	Number of training hours delivered; Number of equipment pieces delivered
INPUT	RESOURCES FOR TRAINING/ EQUIPPING POLICE FORCES	Trainers, new equipment, training plan	Funds used for training/equipment

IMPORTANT Do not get bogged down by the terminology and definition of high-intermediate-low outcomes and outputs: for different types of public services there will be different possible levels, use this overall logic but practice common sense

Concluding summary thoughts – do not lose “the big picture”



- Adequate strategic planning (at both the government-wide/sector level and at the institutional level) linked with PPB has now been recognized as the key success factor in PPB reform.
- *PPB is aspirational, it is how budgeting truly should be (i.e. public resources allocated for delivering results)...*
- ...but it is **one of the most complicated reforms and cannot be championed only by the MF** – political will is essential, as well as ownership by the line ministries and the legislature. PPB is complicated as it reaches beyond just a technical budgeting reform; if done properly, it affects overall ways in how the public sector functions.
- There is **no one-size-fits-all design for PPB and the ways in which it should be connected to strategic planning**. Each country is advised to carefully consider the global advice through the lens of its own unique historical, institutional, administrative, and political context and specificities and to implement the reforms in a step-by-step approach.
- **Simplicity in the design of PPB and the linkages to strategic planning fosters accountability and transparency** – the design should be practical and implementable in order to be truly usable and useful, rather than a tick-a-box burden.
- Do not get the main point out of sight – *PPB is a journey, not a destination!* **The purpose of PPB is a performance-oriented culture, constant learning and problem-solving, and course correction**. It is about constant improvement, not rewards and penalties.
- There have been recent efforts to improve the PPB system in several PEMPAL countries, including the focus on linkages with the strategic planning (e.g., Bulgaria, Georgia, and Bosnia and Herzegovina).