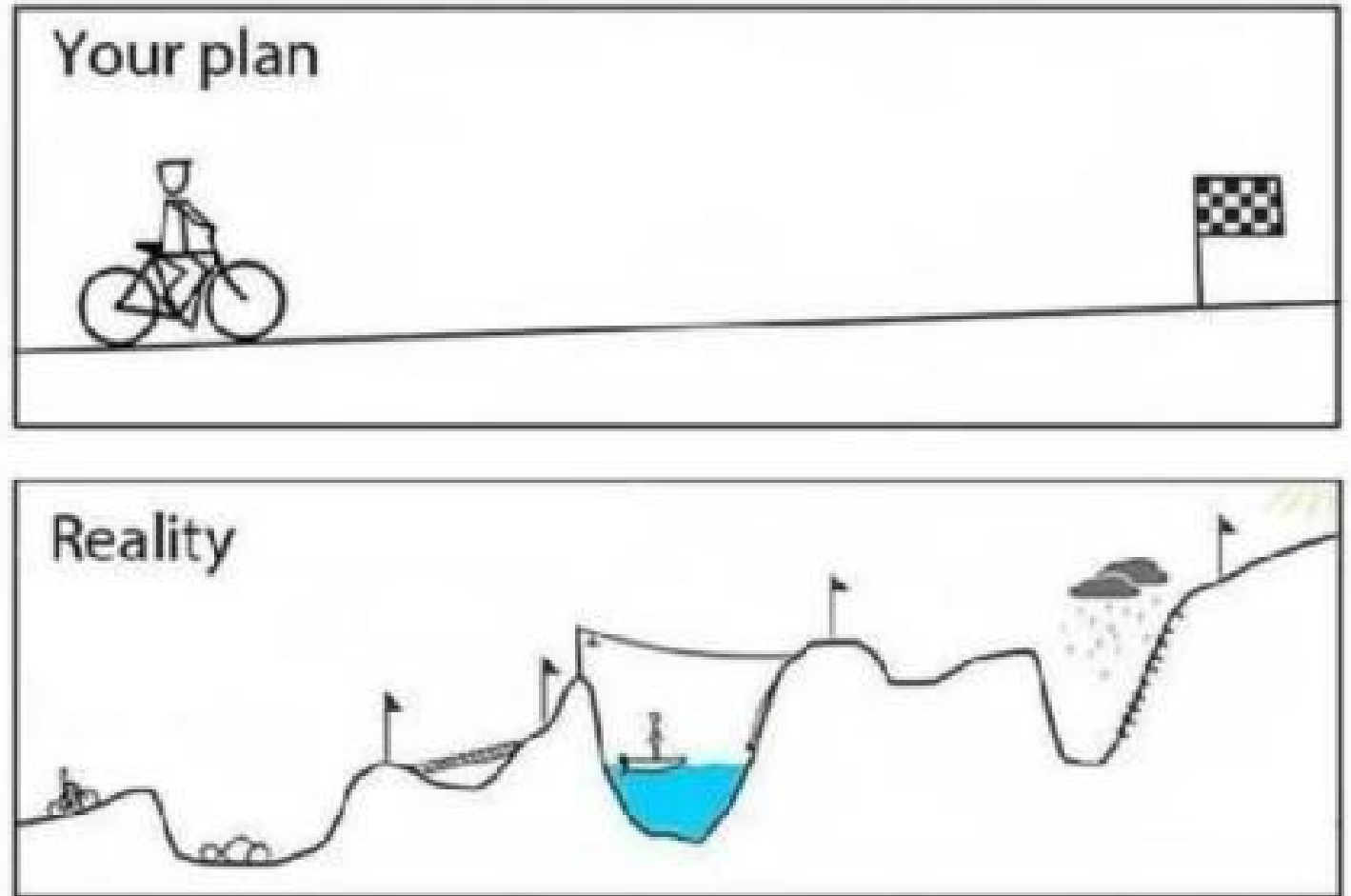


Linking strategic planning and budgeting

Ivor Beazley

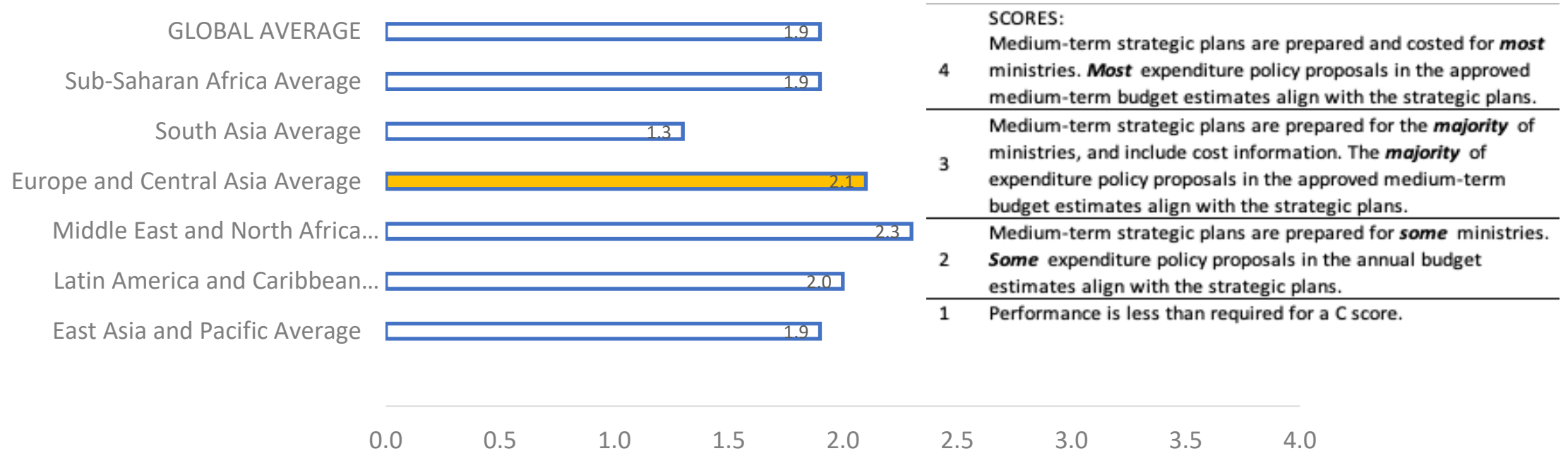
Sarajevo, April 2024



Performance on linking
strategic planning and
budgeting

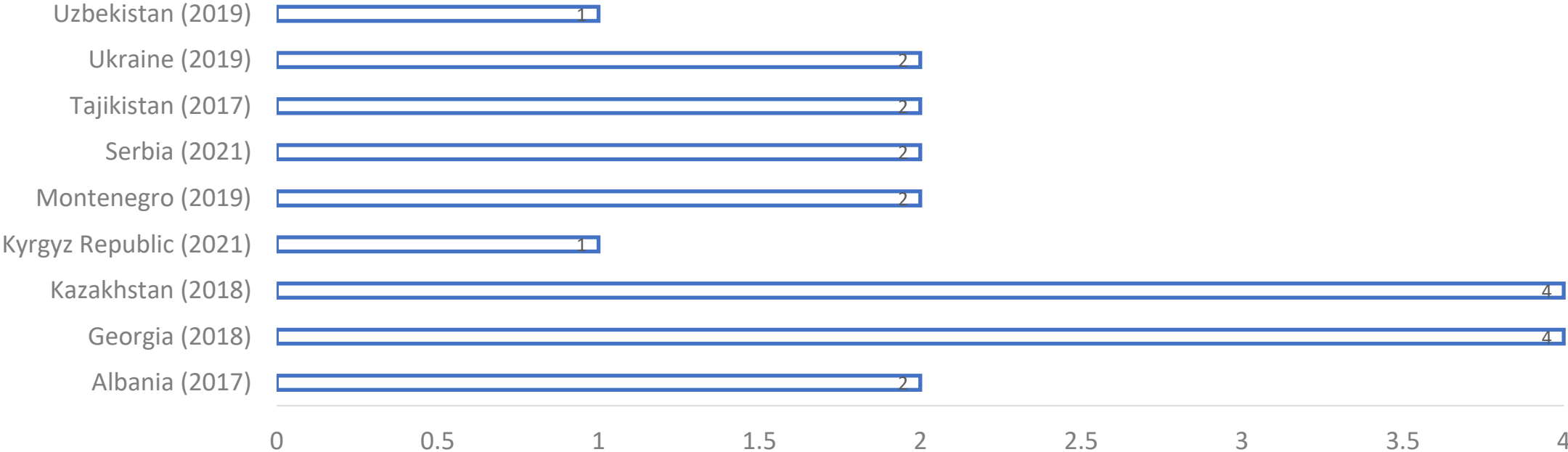
Country performance in aligning plan and budget – evidence from PEFA

Regional Average Score for Most Recent Assessments of PEFA Indicator on
Alignment of Strategic Plans and Mid-term Budgets



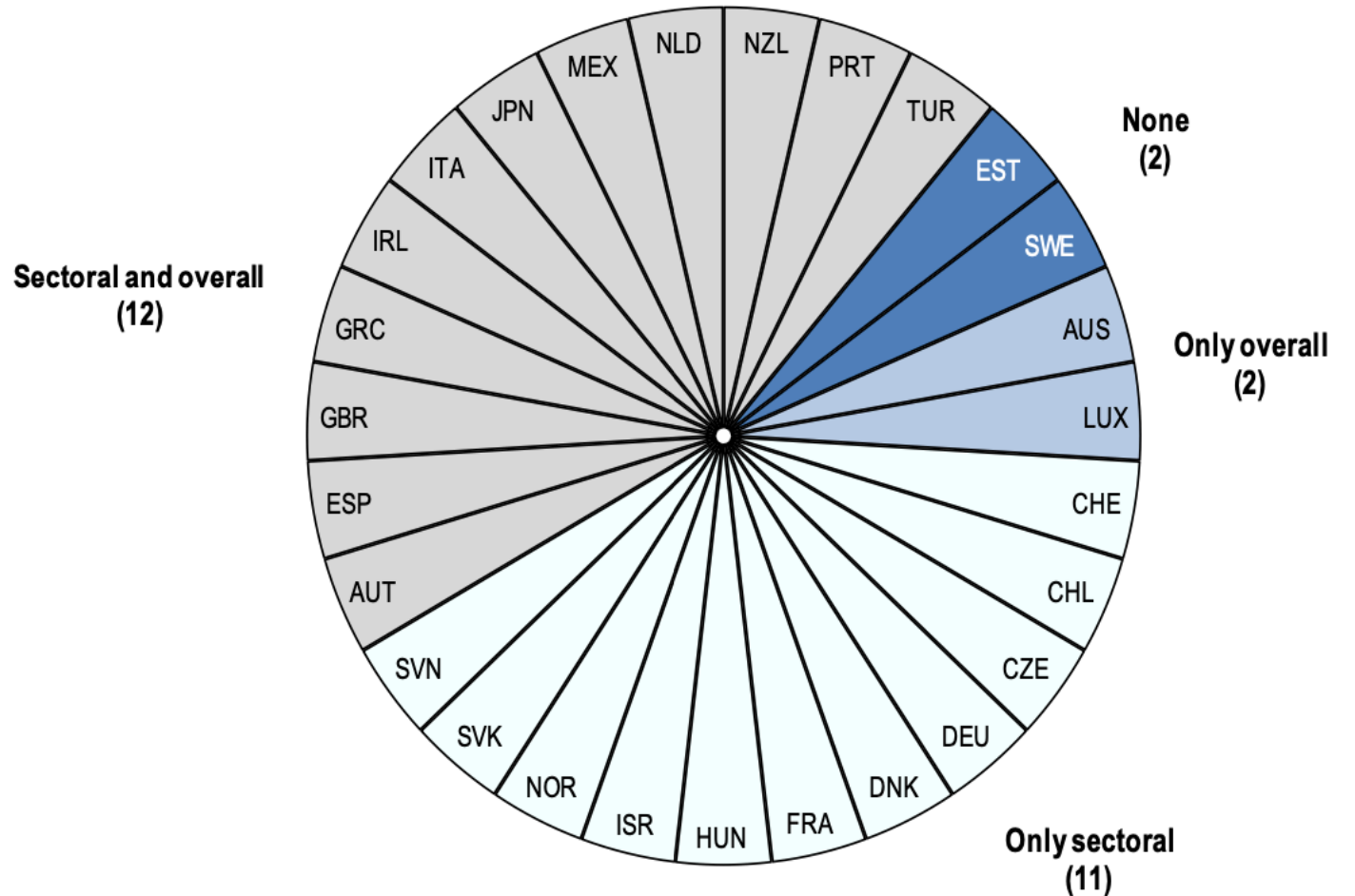
PEMPAL countries' scores

PEMPAL Countries' Score for Most Recent Assessments of PEFA Indicator on *Alignment of Strategic Plans and Mid-term Budgets*



Public investment planning

Less than half of OECD countries have sectoral and overall public investment plans.



Contrasting planning and budgeting

Strategic planning – objectives and evolution?

- Government defines objectives, strategic planning identifies the policy changes, activities, investments and other resources required to reach them within a defined timeframe.
- Strategic planning models developed by the Soviet Union and France, now practiced in some form by most countries.
- Interest in strategic planning waned in the late 20th century, with growth NPM ideas of small government, outsourcing and privatization. and over the years.
- Current resurgence of interest in government as a strategic actor, motivated by multiple crises, conflict, COVID, climate crisis.
- Large development budgets (internal or external), especially for infrastructure, are linked to interest in strategic planning (e.g. EU structural funds).
- Interest in “strategic foresight”, what may be just around the corner?



Budgeting – objectives and evolution?

- Modern budgeting evolved in the 19th century. As government revenues grew and constitutional government emerged, there was a need to regularize the process of allocating revenue and accounting for expenditure.
- In the late 20th century budgeting evolved into the concept of public expenditure management (PEM). (Ref. A contemporary approach to Public Expenditure Management (Allen Schick, 1998))
- The objectives of PEM became more ambitious and more strategic, with a longer-term perspective, supporting macro fiscal policy (MTFF), aligning the budget with policy goals (MTEF and PBB) and promoting efficiency in public spending /value for money (e.g. SRs).



Planning vs. budgeting- Contrasting perspectives

Strategic planning is long-term, aspirational, with a narrow focus on change.

Strategic planning is often unconstrained by resource limitations, or these are secondary.

Strategic planning asks what do we need to do to achieve our goals?

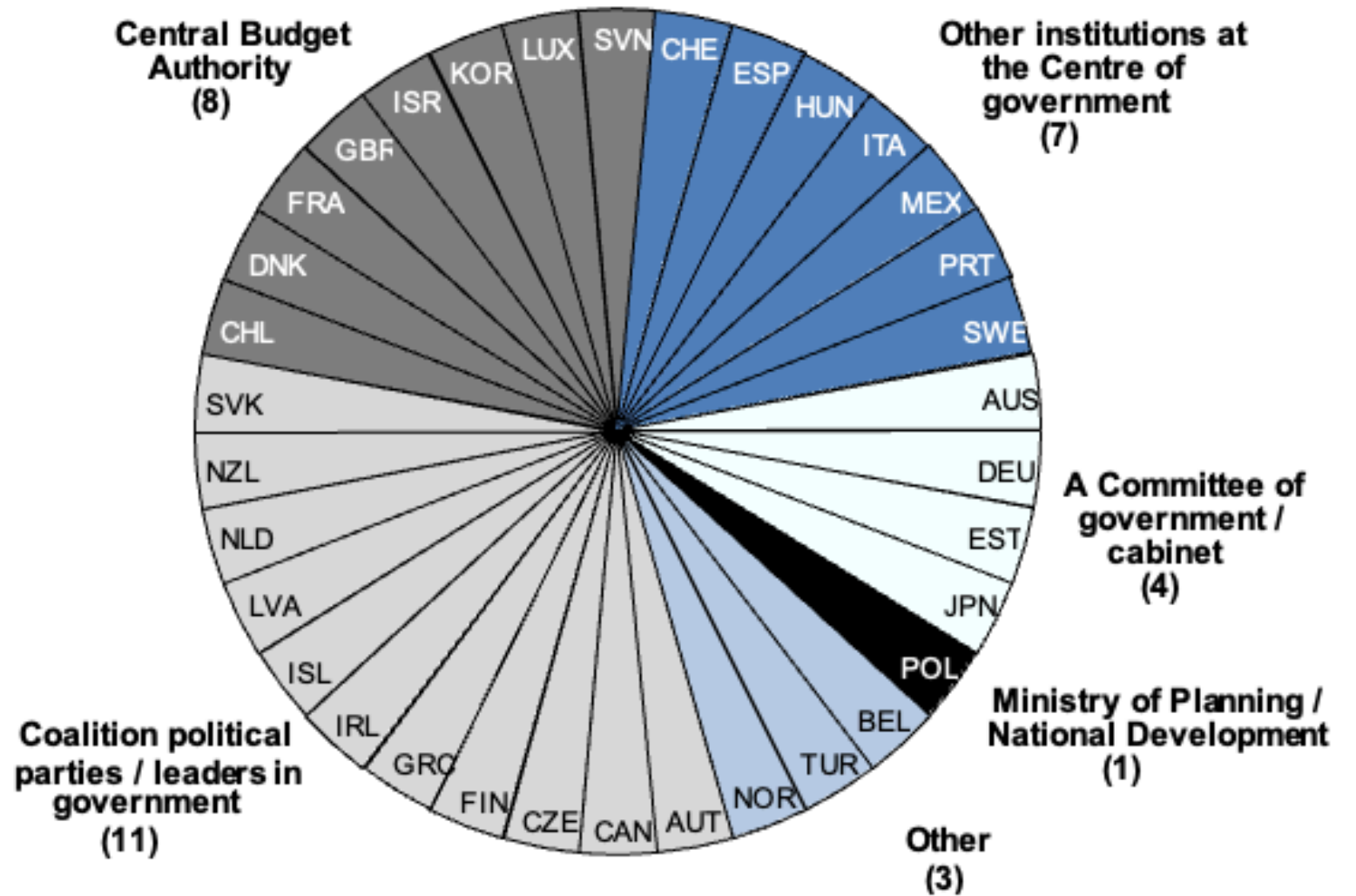
Budgeting is holistic, covering all of government spending every year

Budgeting is focused on the short term, with the main focus on the current year.

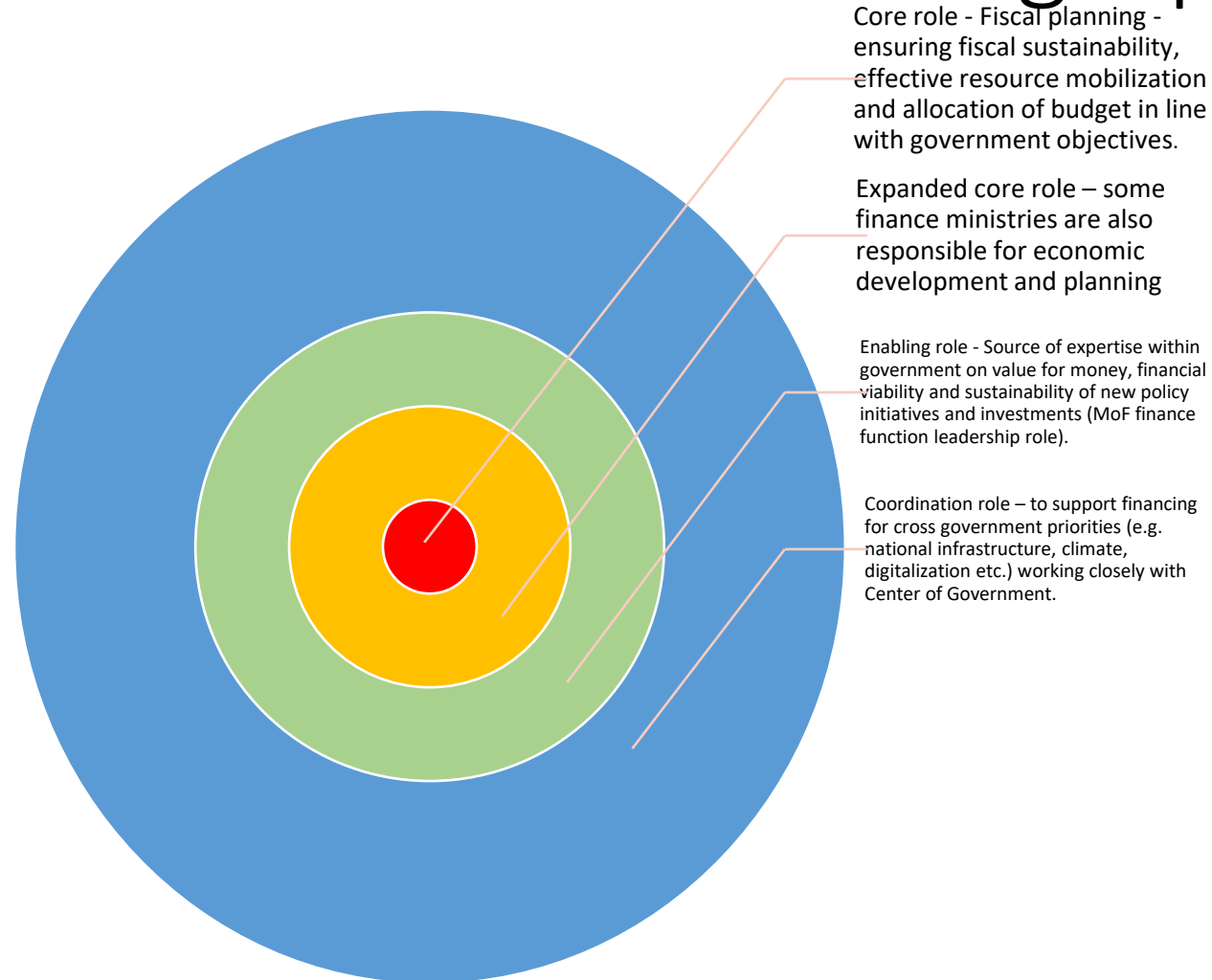
Budgeting asks what's the most we can achieve with limited available resources?

Institutions

Institutional responsibilities for strategic planning



Finance ministries' role in strategic planning?



Toward good practice

Existing guidance – high level

OECD Principles of Budgetary Governance

- Strong medium-term perspective in the budget
- Structure the budget allocations in a way that corresponds with national objectives
- MTEF has real force is setting boundaries for the development of budget
- Close working relationships between MoF, centre of government (e.g. prime minister's office, cabinet office or planning ministry)
- Processes for reviewing existing expenditure policies, including tax expenditures

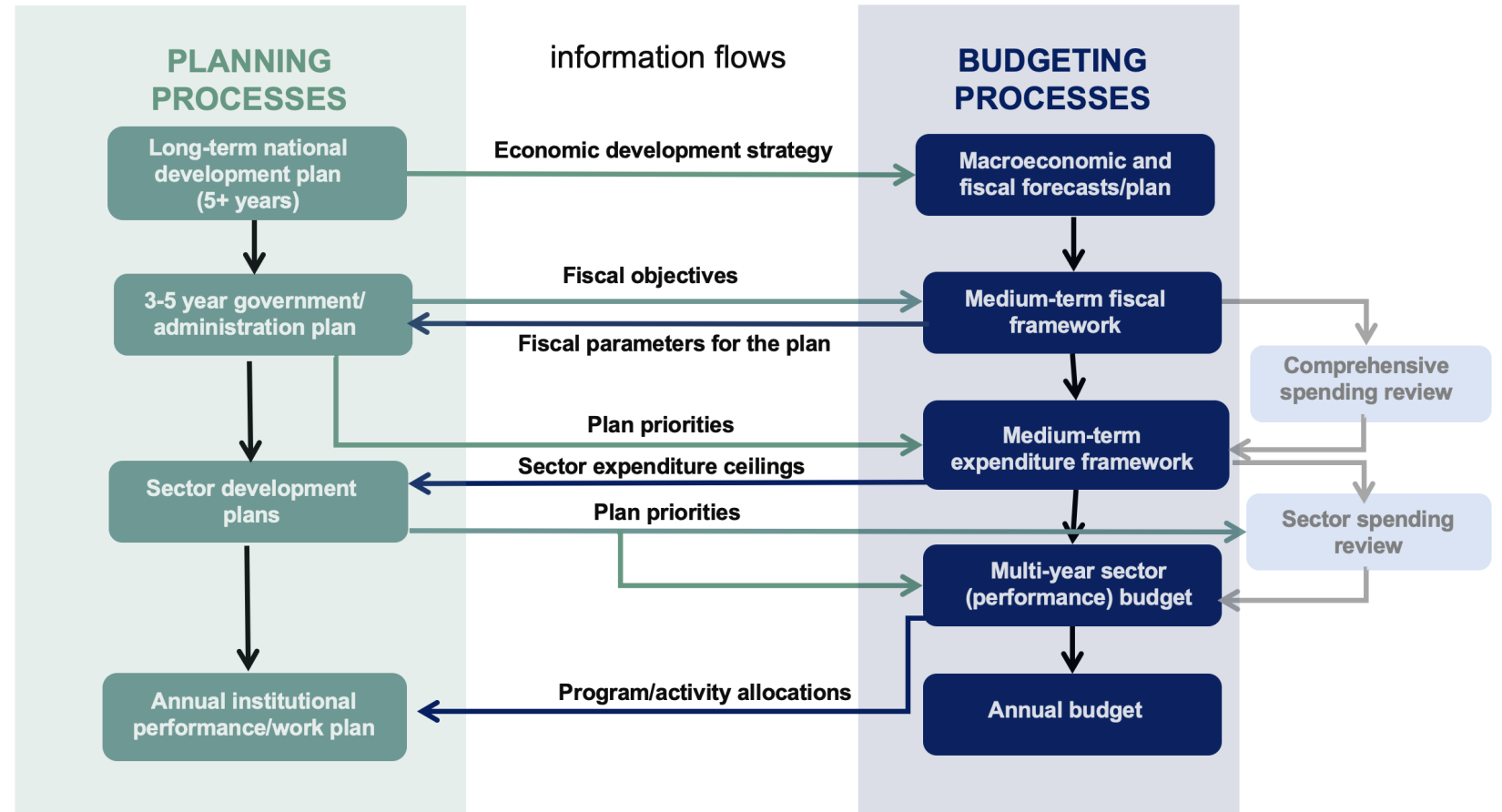
PEFA (PI 16)

- Strategic plans identify resources required to achieve medium- to long-term objectives and planned outputs and outcomes.
- The plans identify the cost implications of current policy commitments, including any funding gaps, and prioritize new expenditure policy proposals consistent with government policy objectives.

OECD Good Practices for Performance Budgeting

- Budget proposals are systematically linked to relevant development plans, government program commitments and other statements of strategic direction and priority.

Conceptual Framework - alignment of strategic plan and budget processes



Framework and Guidance: Example South Africa

Framework content

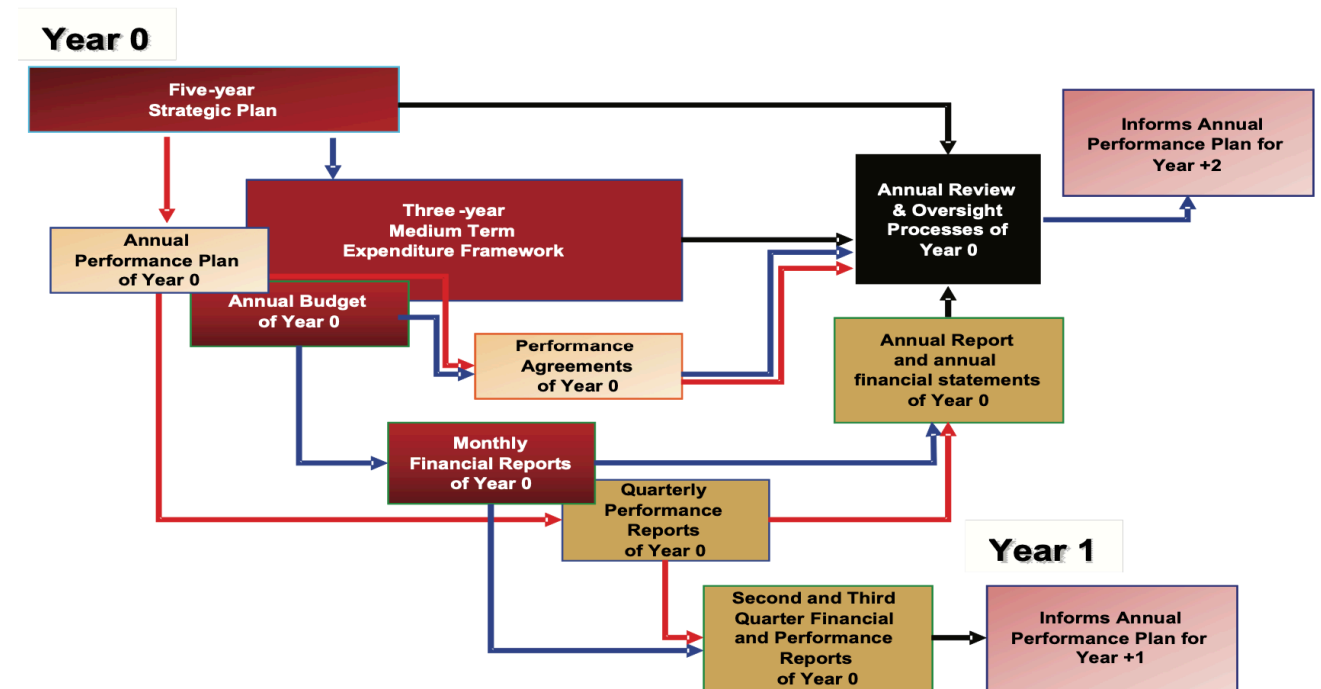
The location of the framework within the constitutional, legal and political arrangements that govern planning and budgeting.

Description of the key strategic documents of the planning and budgeting cycles, information flows and critical inter-relationships.

Provide standard formats, content descriptions and timelines for preparation of the key documents

Define consultation processes (e.g. cabinet committee), including institutional roles and responsibilities, information flows and stakeholders, to ensure effective consultation and information exchange.

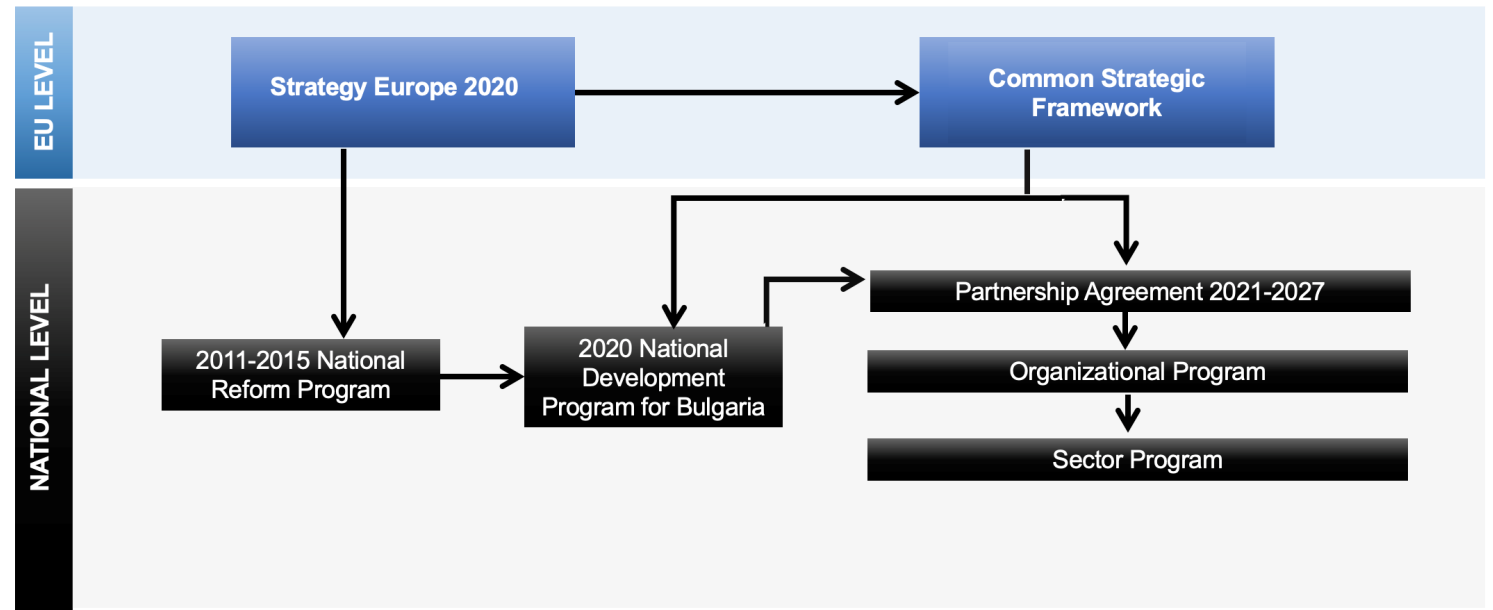
Define an overall timetable for strategic planning and budgeting that allows for the necessary exchanges to take place.



Source: National Treasury South Africa

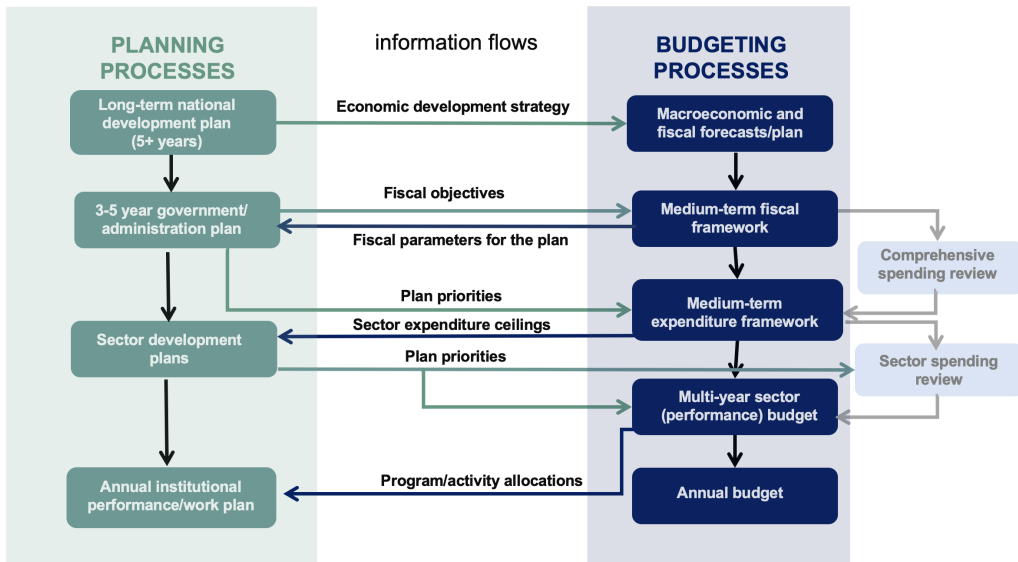
Budgets reference a limited and uniform set of strategic plans

BULGARIA: Strategic Plan Framework



Source: Ministry of Finance, Bulgaria

Medium-term Fiscal Framework - alignment



National development strategy is co-terminus with the medium-term fiscal framework, matching the period of office of the government (3-5 years). E.g. in Ireland the government's fiscal plans are tied to the Programme for Partnership Government which is the government's policy program for its period of office.

MTFF provides the fiscal strategy that underpins the governments policy objectives, taking into account macro-economic outlook and respecting established fiscal rules.

Medium-term plans at national and sectoral are developed within the fiscal parameters provided by the MTFF. Plans are costed and financing sources identified. May include base case/high/low funding scenarios based on different possible fiscal outcomes in outer years.

Medium-term Expenditure Framework - alignment

MTEF systematically refers to national strategic priorities as set out in the NDP/policy program of the government as the primary justification for discretionary changes in expenditure allocations.

MTEF allocations discussed in a joint committee of stakeholders (chaired by CoG or CBA, and including any separate planning agency and sector ministries).

Allocations in the MTEF provide key financial parameters for the development of sector level multi-year strategic plans.

Communicating strategic shifts in budget

ANNEX C: Statement of strategic budget shifts Sweden

| | 2023 | 2024 | 2025 |
|---|------|------|------|
| <i>A stronger economy with more people in work</i> | | | |
| Temporarily reduced tax on petrol and diesel | 6.73 | 6.86 | 6.86 |
| Extension of housing allowance supplement | 0.52 | | |
| Tax cut for people over 65 years of age in work | 0.77 | 0.77 | 0.77 |
| Strengthened adult vocational education (<i>yrkesvux</i>) and more work experience placements | 0.45 | | |
| Maintain the current level of unemployment insurance | 5.82 | 6.35 | 6.64 |
| A higher commuting deduction | 1.81 | 1.81 | 1.81 |
| Increased funds for completion of European Spallation Source | 0.36 | 0.57 | 0.53 |
| Increased R&D deductions | 0.10 | 0.20 | 0.20 |
| <i>Increased security and equity</i> | | | |
| Increased funding for the Swedish Police | 0.90 | 1.21 | 1.17 |
| Strengthened judicial system | 0.31 | 0.46 | 0.66 |
| Increased funds to Swedish Security Service | 0.16 | 0.30 | 0.36 |
| Preventive initiatives | 0.91 | 1.02 | 0.59 |
| Better opportunities for recovering proceeds of crime | 0.06 | 0.12 | 0.12 |
| Greater possibilities for covert and preventive coercive measures | | 0.27 | 0.27 |
| Increased capacity in the Swedish Prison and Probation Service | | | 1.16 |
| Stricter rules for parole | | | 1.20 |
| <i>A reliable welfare system</i> | | | |
| Better textbooks | 0.69 | 0.56 | 0.56 |
| Greater access to special needs teachers, special needs education initiatives and special classes | 0.60 | 0.90 | 1.00 |
| Timeout and behavioural intervention schools | 0.05 | 0.10 | 0.10 |
| Social services teams | 0.08 | 0.25 | 0.25 |
| More treatment places and strengthened health care | 2.00 | 0.50 | 2.00 |
| Obstetrics care | 0.20 | 1.50 | 1.50 |
| Extension of sickness allowance exemption due to deferred treatment | 0.21 | | |
| Support for combating ill health and loneliness in older people | 0.30 | 0.30 | 0.30 |
| Sport and recreational activities card for children (<i>Fritidskort</i>) | 0.05 | 0.73 | 0.79 |
| Increased government grants to municipalities and regions | 6.00 | 6.00 | 6.00 |

| | 2023 | 2024 | 2025 |
|--|--------------|--------------|--------------|
| <i>Abolished carbon tax in combined heat and power (CHP) plants and heating plants within the EU ETS</i> | | | |
| | 0.10 | 0.10 | 0.10 |
| <i>Increased subsidy rate for solar cells</i> | | | |
| | 0.28 | 0.28 | 0.28 |
| <i>Support for energy efficiency in single-family dwellings</i> | | | |
| | 0.38 | 0.40 | 0.40 |
| <i>Abolished tax relief for data centres</i> | | | |
| | -0.14 | -0.28 | -0.28 |
| <i>International climate investments</i> | | | |
| | 0.06 | 0.10 | 0.10 |
| <i>The Industrial Leap</i> | | | |
| | 0.60 | 0.60 | 0.60 |
| <i>Expanded charging infrastructure and workplace charging stations</i> | | | |
| | 0.54 | 1.61 | 1.12 |
| <i>Abolished climate bonus</i> | | | |
| | 2.99 | -2.97 | -2.97 |
| <i>Better aquatic environment</i> | | | |
| | 0.25 | 0.25 | 0.25 |
| <i>Restoration of wetlands</i> | | | |
| | 0.20 | 0.20 | 0.20 |
| <i>Remediation of contaminated sites</i> | | | |
| | 0.34 | 0.34 | 0.34 |
| <i>Life for the whole country</i> | | | |
| <i>Broadband expansion</i> | | | |
| | 0.60 | 0.60 | 0.60 |
| <i>Increased road maintenance</i> | | | |
| | 1.00 | | |
| <i>Temporary tax cut on diesel in agriculture, forestry and aquaculture</i> | | | |
| | 0.38 | | |
| <i>Strengthened rural health care</i> | | | |
| | 0.30 | 0.30 | 0.30 |
| <i>Investment in new infrastructure</i> | | | |
| | 1.00 | | |
| <i>A sustainable migration and integration policy</i> | | | |
| <i>Reduced number of quote refugees</i> | | | |
| | -0.39 | -0.94 | -1.28 |
| <i>Increased funding to Swedish Migration Agency and the Migration Courts</i> | | | |
| | 0.57 | 0.35 | 0.14 |
| <i>Better control of government expenditure</i> | | | |
| <i>Improved population registration through a new census</i> | | | |
| | 0.08 | 0.17 | 0.17 |
| <i>Other reforms and inevitabilities</i> | | | |
| | 3.82 | 6.58 | 4.50 |
| Effect on general government finances | 40.43 | 39.88 | 38.03 |

Linking budget to strategic plans in medium term context

- Example: South African Treasury
- Generic Template for Sector Strategic Plans

PART A:

Part A: Strategic overview

| | |
|-----|---|
| 1 | Vision..... |
| 2 | Mission |
| 3 | Values |
| 4 | Legislative and other mandates |
| 4.2 | Legislative mandates |
| 4.3 | Policy mandates..... |
| 4.4 | Relevant court rulings..... |
| 4.5 | Planned policy initiatives..... |
| 5 | Situational analysis |
| 5.1 | Performance environment..... |
| 5.2 | Organisational environment..... |
| 5.3 | Description of the strategic planning process |
| 6 | Strategic outcome oriented goals of the institution |

Part B: Strategic objectives

| | |
|-----|--|
| 7 | Programme X (insert name of programme) |
| 7.1 | Strategic objectives..... |
| 7.2 | Resource considerations |
| 7.3 | Risk management..... |

Part C: Links to other plans

| | |
|-----|---|
| 8. | Links to the long-term infrastructure and other capital plans |
| 9. | Conditional grants..... |
| 10. | Public entities..... |
| 11. | Public-private partnerships |

Annexure C

Part A: Strategic overview

Part B: Programme and subprogramme plans

Part C: Links to other plans

Annexure D

Annexure E: Technical indicator descriptions and examples

S. Africa: Template for Annual Performance Plans

Part A: Strategic overview

1. Updated situational analysis

Present updated information on the performance delivery and institutional environment, based on the information gathered during the annual performance-planning process.

The information presented should broadly correlate with what was presented in the Strategic Plan, but it should not be as detailed. The focus should be on noting any changes in the external and/or internal environments that might affect performance.

1.1 Performance delivery environment

Update the explanatory indicators presented in the Strategic Plan to reflect present demand for services and challenges that need to be addressed. Indicate clearly which information has been updated, relative to that presented in its Strategic Plan, and which remains the same. Where information has been updated, analyse the emerging trends to show how these affect performance objectives.

1.2 Organisational environment

Update this information if there have been any significant changes relative to the information presented in the Strategic Plan.

2. Revisions to legislative and other mandates

Notes in point form should be made of any significant revisions to the legislative and other mandates since the Strategic Plan was compiled. Any pending court cases that could have significant implications should be noted.

If there have not been any significant revisions to the legislative or other mandates, simply state: "There have been no significant changes to the [an institution's] legislative and other mandates."

3. Overview of 20XX budget and MTEF estimates

3.1 Expenditure estimates

Table Y.1 [Name of department or public entity]

| Programme | Audited outcomes | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|--|------------------|------|------|------------------------|----------------------------------|------|------|
| | 20XX | 20XX | 20XX | | 20XX | 20XX | 20XX |
| R thousand | | | | | | | |
| 1. Administration | | | | | | | |
| 2. | | | | | | | |
| 3. | | | | | | | |
| Subtotal | - | - | - | - | - | - | - |
| Direct charges against the National Revenue Fund | | | | | | | |
| Total | - | - | - | - | - | - | - |
| Change to 20XX-1 budget estimate | | | | | | | |

| Programme | Audited outcomes | | | Adjusted appropriation | Medium-term expenditure estimate | | |
|---|------------------|------|------|------------------------|----------------------------------|------|------|
| | 20XX | 20XX | 20XX | | 20XX | 20XX | 20XX |
| R thousand | | | | | | | |
| Economic classification | | | | | | | |
| Current payments | - | - | - | - | - | - | - |
| Compensation of employees | | | | | | | |
| Goods and services | | | | | | | |
| of which: | | | | | | | |
| Communication | | | | | | | |
| Computer services | | | | | | | |
| Consultants, contractors and special services | | | | | | | |
| Inventory | | | | | | | |
| Maintenance repair and running cost | | | | | | | |
| Operating leases | | | | | | | |
| Travel and subsistence | | | | | | | |
| Specify | | | | | | | |
| Specify | | | | | | | |
| Other | | | | | | | |
| Interest and rent on land | | | | | | | |
| Financial transactions in assets and liabilities | | | | | | | |
| Transfers and subsidies to: | - | - | - | - | - | - | - |
| Provinces and municipalities | | | | | | | |
| Departmental agencies and accounts | | | | | | | |
| Universities and technikons | | | | | | | |
| Public corporations and private enterprises | | | | | | | |
| Foreign governments and international organisations | | | | | | | |
| Non-profit institutions | | | | | | | |
| Households | | | | | | | |
| Payments for capital assets | - | - | - | - | - | - | - |
| Buildings and other fixed structures | | | | | | | |
| Machinery and equipment | | | | | | | |
| Cultivated assets | | | | | | | |
| Software and other intangible assets | | | | | | | |
| Land and subsoil assets | | | | | | | |
| of which: Capitalised compensation | | | | | | | |
| Total | - | - | - | - | - | - | - |

3.2 Relating expenditure trends to strategic outcome oriented goals

In point form, indicate how the above budget and MTEF allocations contribute to the realisation of the institution's strategic outcome oriented goals. Focus on any change in funding levels.

A large orange circle is positioned on the left side of the slide, partially overlapping the text.

Spending reviews - alignment

Comprehensive spending review process – feeds into a new government’s policy program – identifies savings and reprioritizes spending in line with government’s objectives. Examples, Netherlands, Ireland

Thematic reviews – again linked to incoming government program, dependent on government strategic policy priorities, e.g. digital innovation or climate.

Sectoral and program reviews – provide fiscal space for new strategic priorities within the sector, or for reallocation to other sectors.

Depending on the fiscal situation and government objectives the spending review may also allow ministries to make limited use of savings for reinvestment consistent with strategic priorities. (example Canada)

Capital Investment - alignment

Standardized evaluation and filtering process that includes strategic alignment with government priorities, contribution towards achievement of measurable results (KPIs) and cost-benefit (value for money), leading to a ranking within a consolidated list or PIP. (e.g. Chile)

PIP includes ongoing projects and new projects to align with MTEF and respects capital allocation within MTEF.

Ministry project selection/PIP timetable aligned with the timetable for general budget preparation. Recurrent cost implications (operations, maintenance, staffing etc.) need to be reconciled with/ incorporated into recurrent budget.

Include a list of capital investments and funding sources in sector plan and budget (or combined budget strategy).

Budget program alignment

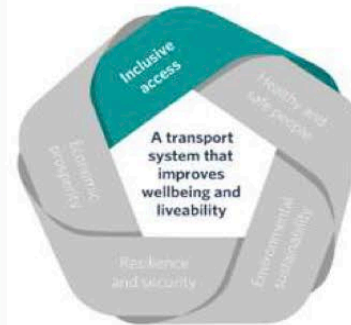
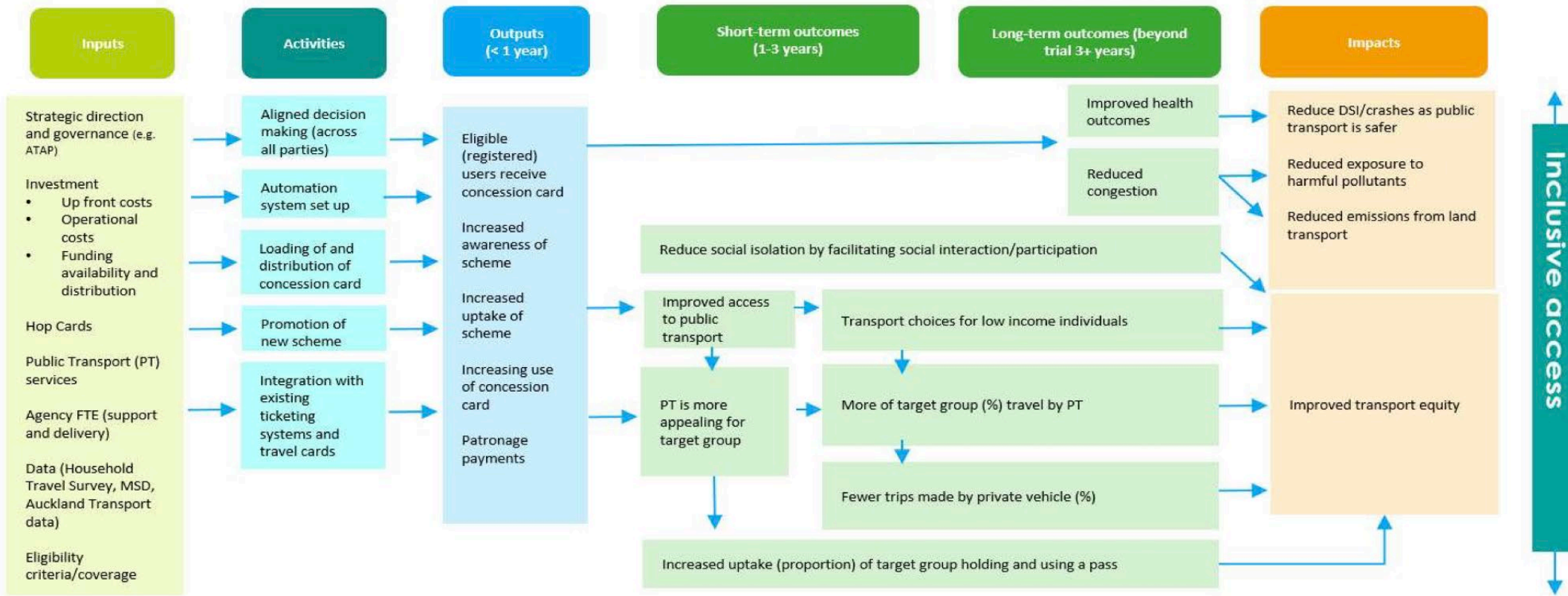
Budget program designs should link directly to government strategic policy priorities, through intervention logic and performance indicators.

Program goals and performance indicators in the performance budget should be consistent with the NDP/policy program, although target values may differ according to the budget resources available.

The addition of missions, policy/performance areas etc. and similar groupings within the program structures can provide a bridging mechanism between strategic objectives and spending programs, sub-programs etc. at the ministry level.

Cross cutting programs that are mirrored in the program structures of line ministries and lead agency also help to align budgets with complex high priority strategic objectives such as mitigation of climate change, social inclusion, digitalization etc.

Linking program logic to strategic goals: New Zealand's Community Connect Program



Assumptions: Concession cards will make transport more affordable, and as a result, more accessible for those on a low-income.

Potential indicators

Delivery Agencies: How much was spent (i.e. inputs) and on what (i.e. activities)

Inclusive access (CSC Eligible Audience)

- proportion lower income spending on transport
- proportion of lower income population using concession (hop card data)
- mode share for people – totals and %
- unmet GP need due to lack of transport or other “essential journey”
- perception of public transport
- employment

Variables of interest: (Among target audience)

- # of trips made (by mode) and purpose (increased social and education trips?)
- \$ household spend on transport (by mode)
- Perceptions of public transport
- Perceptions of the trial
- Barriers for accessing public transport
- Socio-demographic details (incl. age, gender, suburb, income)

Source: NZ Ministry of Transport

Implementation considerations

- A large menu of options and tools has been presented. Not all of them will be relevant so important to pick and chose.
- Institutional arrangements for planning vary greatly. MoF will need to assess its responsibilities and freedom of action.
- The system is a strong as its weakest link. Countries may need to work on the quality of individual processes and quality of data, information systems and skills of government officials.
- Broader capacity issues should be considered, although they are beyond the scope of this study.



Thank you

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