

Linking performance and strategic planning

07/02/2024



1.

- Link budget process with medium-term planning

2.

- Strengthen programme budgeting by linking budget allocations to policy outcomes

3.

- Link performance budgeting and strategic planning

» 1.

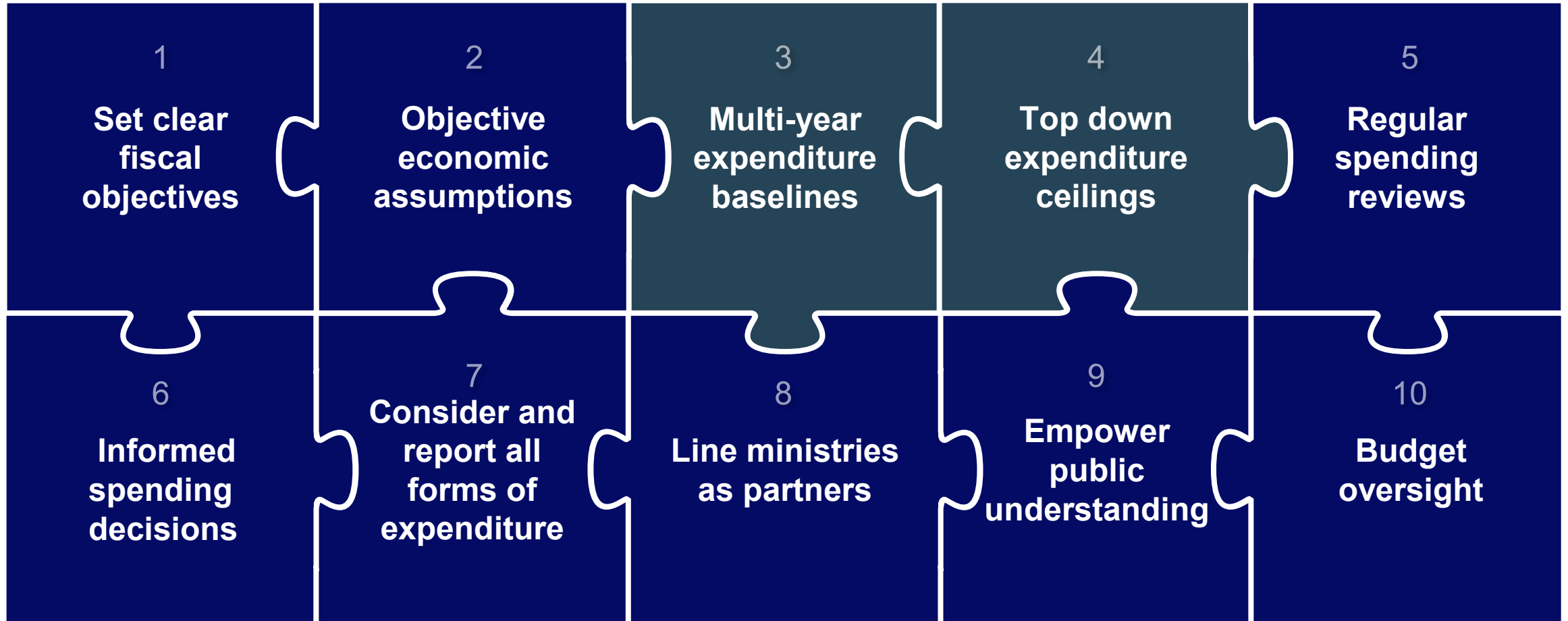
**Link budget process
with medium-term
planning**



MTBF is more strategic than annual budgeting

Elements	Annual budgeting	MTBF	Advantage of MTBF
Budgeting Method	Incremental	Multi-annual	Medium term policy vision
Planning Period	1 year	3-5 years	Strategic planning
Spending plans	Based on optimistic expected revenues	Spending ceilings based on prudent forecasts of revenues	Realism in budget preparation
Role of Line Ministries	Limited to compliance	Active participation in budget process	Direct involvement of spending agencies: sense of common purpose: more fiscally responsible and cooperative behavior
Use of allocated funds	Rigid	Flexible across programs and consecutive years	Flexibility supports efficiency in spending
Predictability of allocations over time	No	LM know resource envelope for MT horizon	Easier planning and more confident policy making
Spending adjustments to reflect changing circumstance	Ad hoc	Systematic revisions, no need for short term spending cuts due to the longer time horizon	More efficient spending

MTBF is reliant on other elements of budgeting





Key inputs for formulating MTEF

- Government wide policy objectives
- Medium-term Fiscal Strategy Paper setting out government priorities
- Medium term sectoral strategies
- Baseline fiscal targets, which require:
 - Medium term revenues projections
 - Medium term expenditure projections



- Monitoring alignment between the budget and Government medium-term strategic plan
- Spending Reviews
- Performance information



Link budget process with medium term planning

- Improves alignment and co-ordination between the Government's medium-term strategic outlook and the allocation of resources in the budget
- **Without reliable forecasts – bureaucratic exercise that is taken seriously by nobody**
- With reliable MTBF, we can take seriously the presentation of the budget on a programme basis and eventually think about performance budgeting

» 2.

**Strengthen programme
budgeting by linking
budget allocations to
policy outcomes**



- **Programme budgeting** is where budget information is grouped according to the objectives of a government and funds are allocated to result-based programmes with a common goal, associated with a specific end-result
- Programme budgeting attempts to assess results of **programmes in relation to objectives** and allocates expenditure by a broader definition of programmes rather than by detailed line items
- For programme budgeting to work, discussions on detailed line items should be reduced and, instead, **budgetary discussions should focus on the “bigger picture”**



Improving the structure and presentation of the budget

- Restructuring the budget according to the key objectives of the government enables the government to:
 - **Prioritise expenditure:** It allows to focus on priority needs in the various areas of the government (e.g., higher education, primary healthcare), and specify the amount resources that will be allocated to address these priorities
 - **Increase transparency:** It provides greater understanding to a wide range of stakeholders on how funding supports the delivery of functions of the government
 - **Strengthen accountability:** Units can be held accountable for the achievement of the desired outcomes which are measured by performance indicators (*provided they are let to manage their own resources*)
 - **Improve relevance:** It allows aligning strategic planning and budgeting processes making the budget document relevant for decision-makers



Prerequisites for an effective programme budgeting system

- Well defined programme structure reflecting the key objectives of the government
- Budget discussions focusing on higher-level issues instead of detailed inputs
- Line ministries having control over programme expenditure
- Strong reporting mechanism to be able to hold units accountable for results achieved

» 3.

Link performance budgeting and strategic planning



Performance budgeting defined

- The systematic use of performance information to **inform decisions and discussions** around the budget
- Benefits of performance budgeting include increased **transparency** and **accountability** throughout the budget process
- Shifts the focus away **from inputs** (“how much funding will I receive?”) **towards measurable results** (“what can be achieved with the funding I received?”)
- No one-size-fits-all design to performance budgeting, but several factors can **facilitate its success**, such as clear, transparent objectives and incentives for major stakeholders, and a practical design of the process



The OECD Performance Budgeting Framework

- The OECD Performance Budgeting Framework provides building blocks to guide countries in **developing and strengthening** their approach to performance budgeting.
- It consists of four building blocks:
 - Tools and methods for developing good quality performance information
 - Accountability and transparency
 - An enabling environment
 - Use of performance information to inform decisions around the budget





- Linking performance information to national strategic plans involves **aligning individual performance objectives and indicators with the broader goals and objectives laid out in the strategic plans**. This ensures that the performance at various levels of a government contributes directly to the overarching strategies and priorities
- The priorities of the government laid out in coalition agreements or national strategies should be **the anchor of the overall performance framework**
- Performance information developed as part of the performance budgeting framework should be well structured, where performance indicators **measure progress towards achieving performance objectives** and these **performance objectives are linked to the overarching strategies**

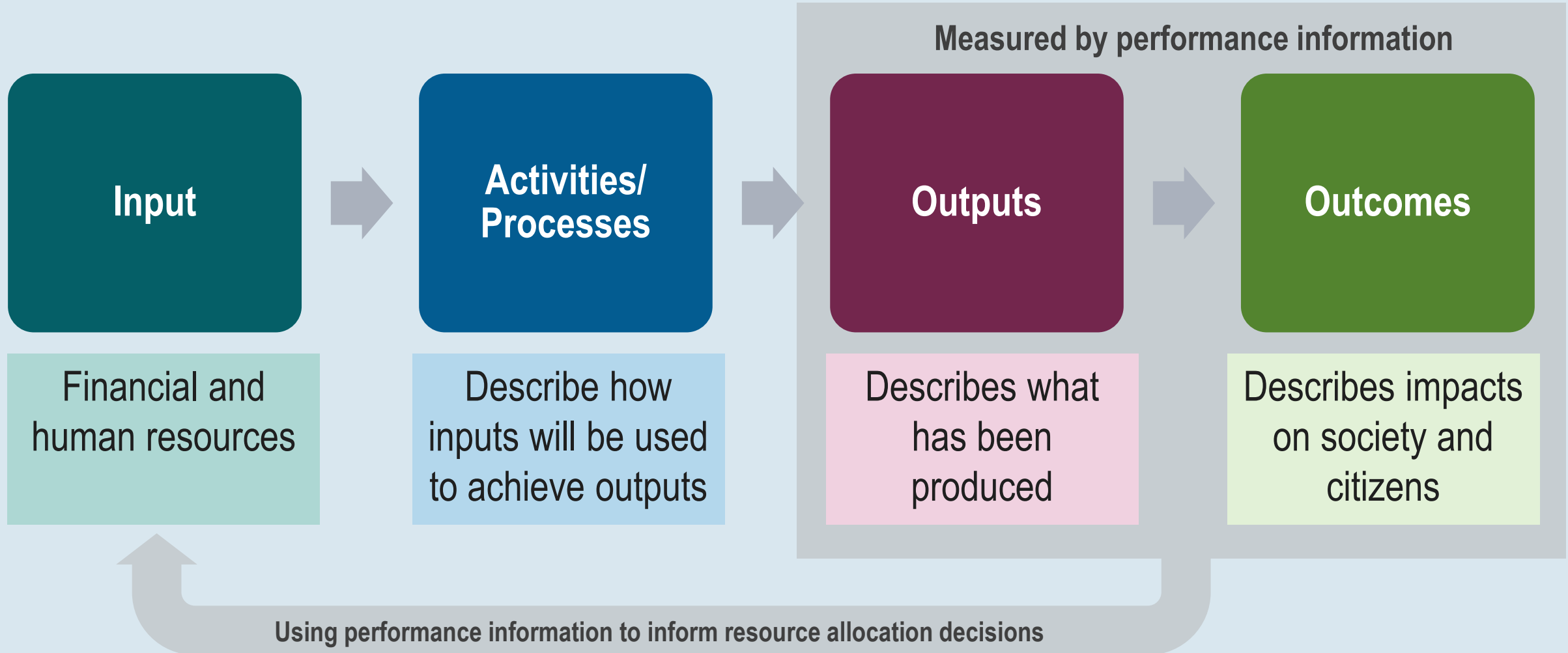


- Strategic planning and performance setting should be regarded as an **integrated process**
- International experience shows that a clear link may be difficult to establish in the early stages of the implementation of performance budgeting, specifically when the programme structure is not yet fully developed
- Using templates for collecting and presenting performance information helps identifying how performance objectives relate to the priorities of the government
- Conducting quality assurance process helps ensuring that the performance information is linked to the strategic plans



From inputs to outcomes

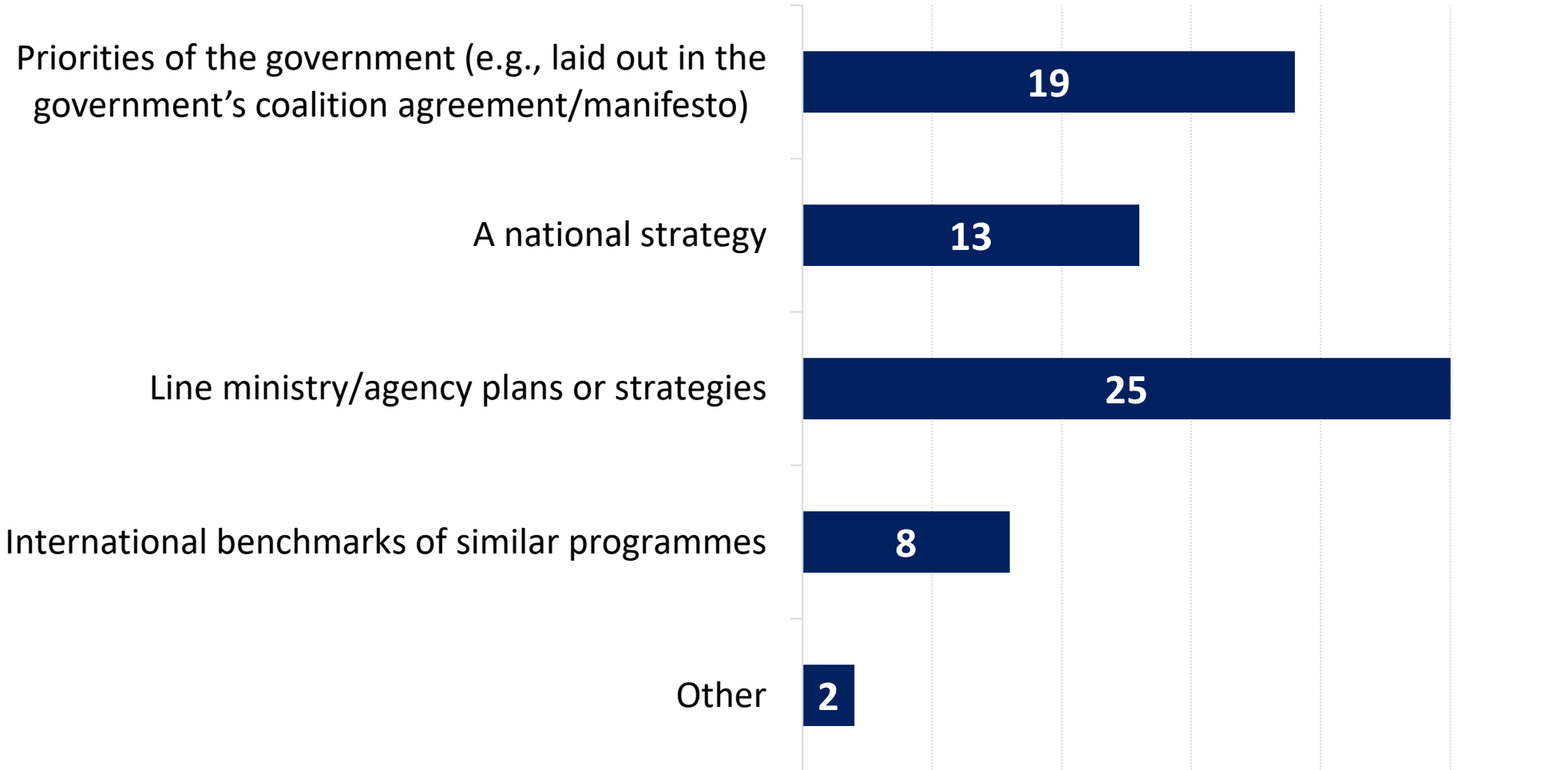
Strategic vision





Ensuring linkages to government's priorities

Linkages between performance information and government priorities in OECD countries

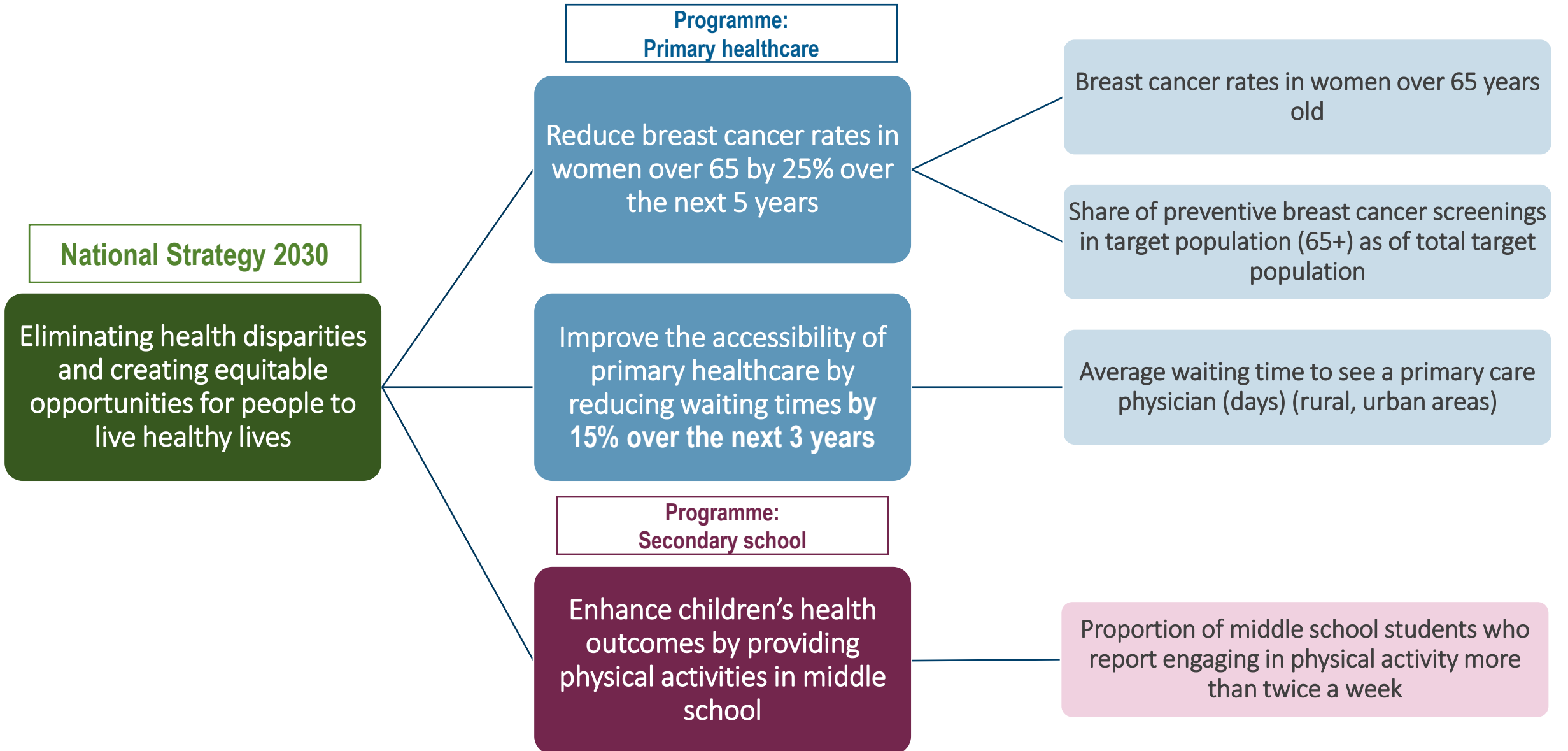


Source: 2023 OECD Performance Budgeting Survey

Note: preliminary data



Linking national goals and performance objectives

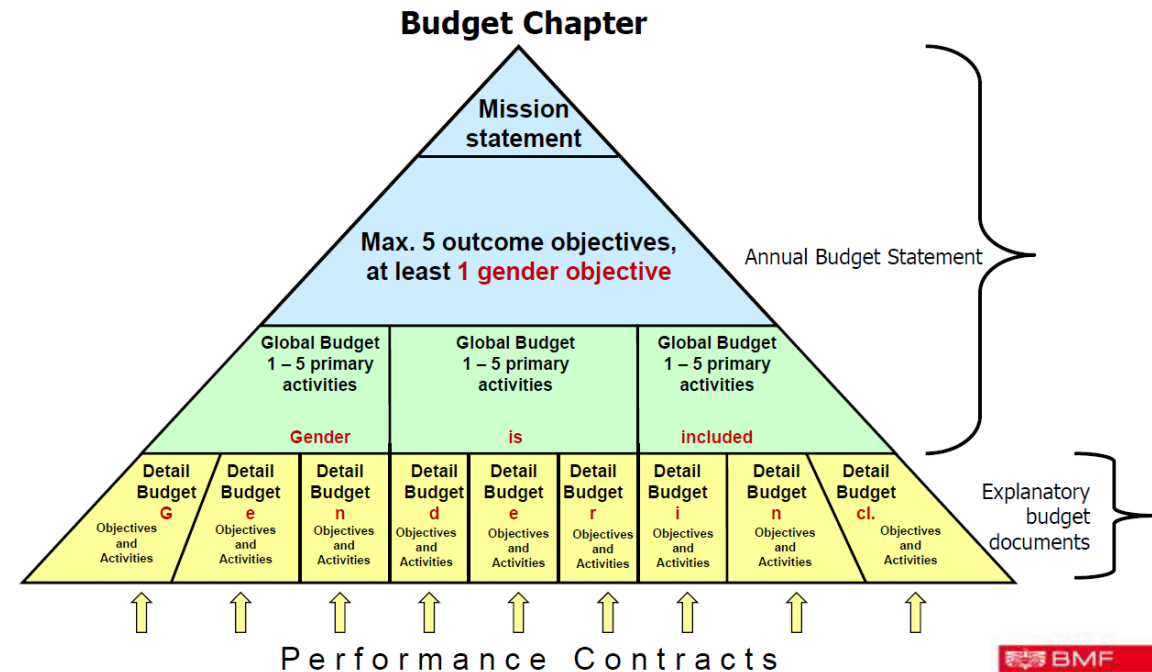




Use of templates to ensure the linkages to strategic objectives

Indicator's identification	Indicator	Title of the indicator and its number
	Programme	Code and name of the associated programme
	Objective	Number and title of the associated performance objective
	<u>Strategic objective</u>	<u>Number and title of the associated strategic objective laid out in XYZ strategy</u>
	Category	Socioeconomic efficiency/ Service quality/ Management efficiency
	Responsible entity	Name of the entity using this indicator in steering public action
Description of the indicator	Unit of measurement	%, days...
	Frequency of measurement	Frequency of calculation, collection or publication of the indicator
	Latest result obtained	Year: Value:
	Calculation method	Formula of calculating the indicator
	Sources of data	Specify the sources of data used for the calculation of the indicator and methods for collection, if applicable
	Contact person	Specify contacts of people responsible for the indicator

- > The performance budgeting system in Austria requires **outcome objectives of budget chapters to align with international strategies** (e.g. EU 2030), **the Federal Government's Programme and sectoral strategies** (e.g. Strategy for Research, Technology and Innovation)
- > The Federal Performance Management Office (FPMO) provides quality assurance of the proposed objectives and indicators, including checking **the alignment of objectives with national and sectoral strategies**. If the objectives and indicators do not fulfil the quality criteria, FPMO will make recommendations to the line ministries to amend the draft during the drafting phase.



Q&A

