

PFM Through a Strategic Planning Lens with a Performance Focus

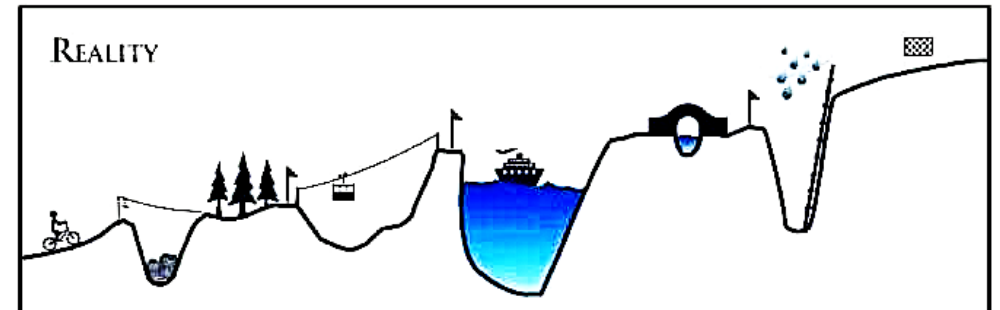
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Presentation outline



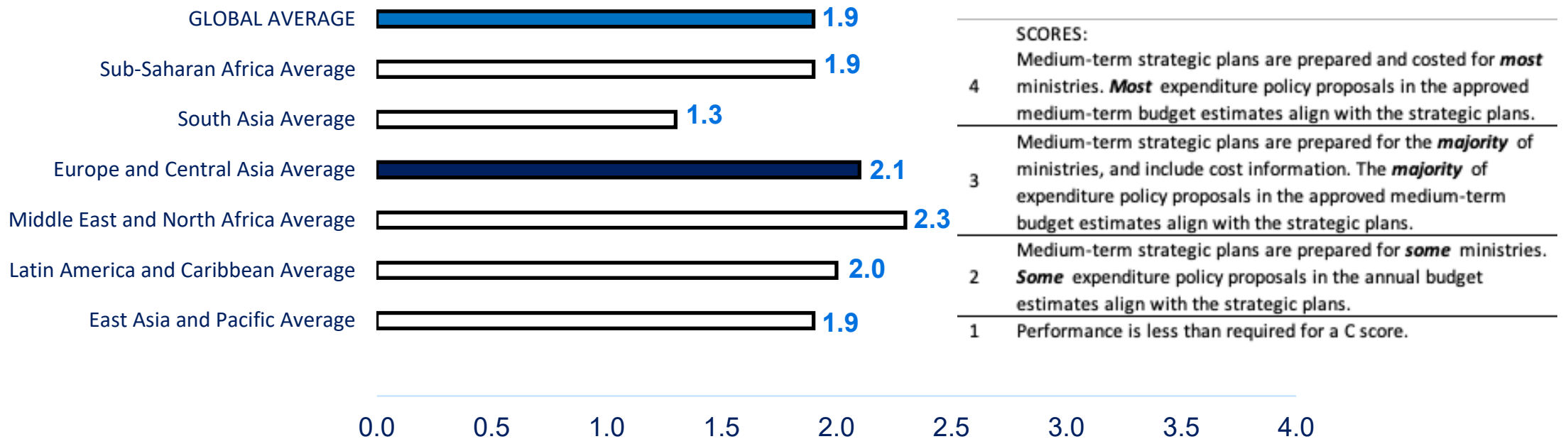
- I. Strengthening links between strategic planning and budgeting
- II. Use of performance information for evidence-based policymaking
- III. Ongoing efforts to align PFM with strategic planning in PEMPAL countries and the example of Bulgaria



Aligning strategic planning and PFM

Analysis of global PEFA scores shows that the alignment of strategic plans and medium-term budgets (which are effectively the base/first phase of all PFM processes) is **a weak area of PFM**.

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



International guidance on good practice



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 a real force in setting boundaries for the development of budget
- ❑ Close working relationships between MoF, center of government (e.g. prime minister's office, cabinet office, or planning ministry)
- ❑ Processes for reviewing existing expenditure policies, including tax expenditures

OECD Good Practices for Performance Budgeting

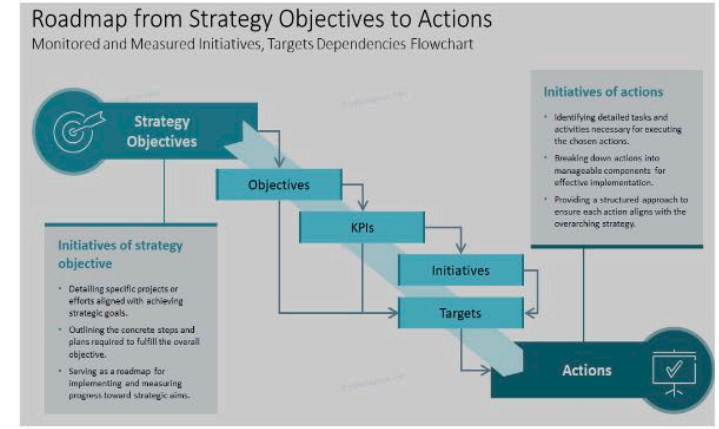
- ❑ Budget proposals are systematically linked to relevant development plans, government program commitments, and other statements of strategic direction and priority

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.

Recognizing that this weak link is a key problem affecting the adequate implementation of PPB and noting the lack of detailed international guidelines, **BCOP recently developed General Guidance on Linking Strategic Planning and Budgeting** (which has been referenced internationally, incl. by the OECD) **and is currently working on a KP on better use of performance information.**

Planning vs. budgeting - contrasting perspectives

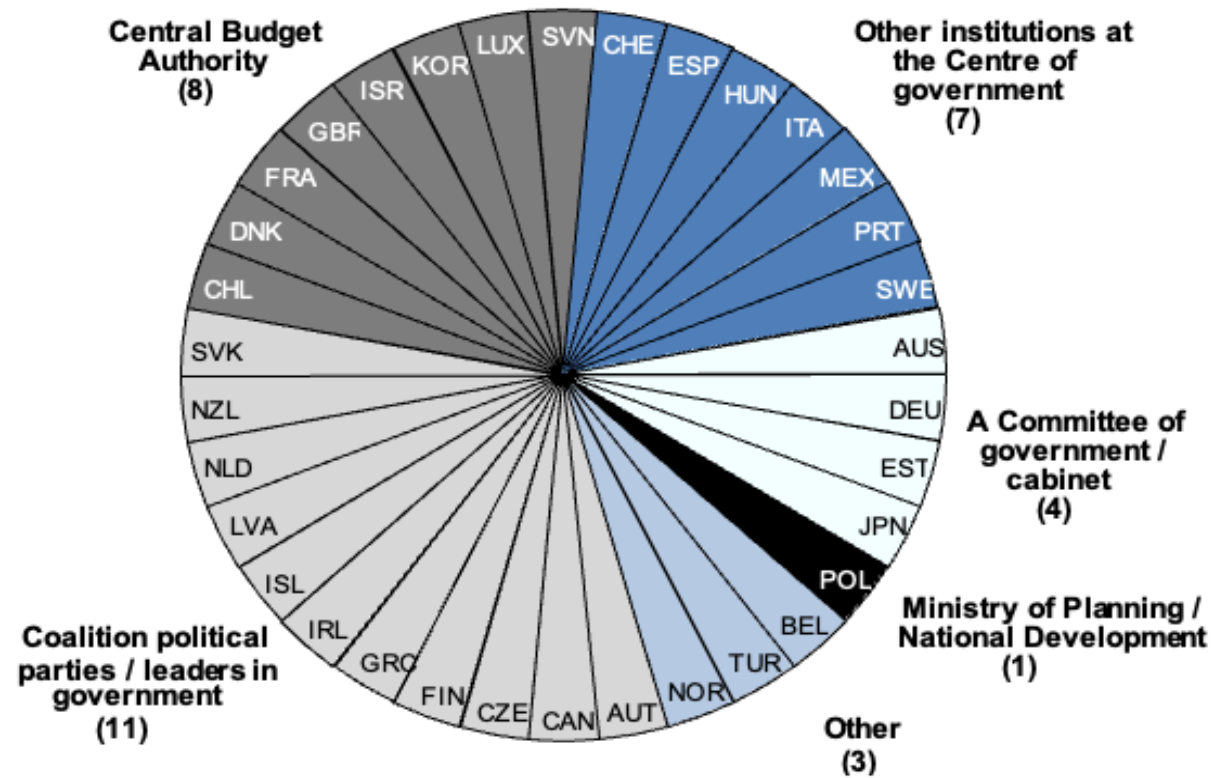


Institutional responsibilities for strategic planning

❑ **Institutional separation** for strategic planning and PFM responsibilities **contributes to the challenges of alignment.**

❑ Institutional roles and responsibilities for strategic planning are diverse

- there are at least six models in OECD countries
- In PEMPAL countries, the strategic planning function is most commonly in a ministry of planning/economy or attached to the center of government/president



Source: OECD

Strategic budgeting tools



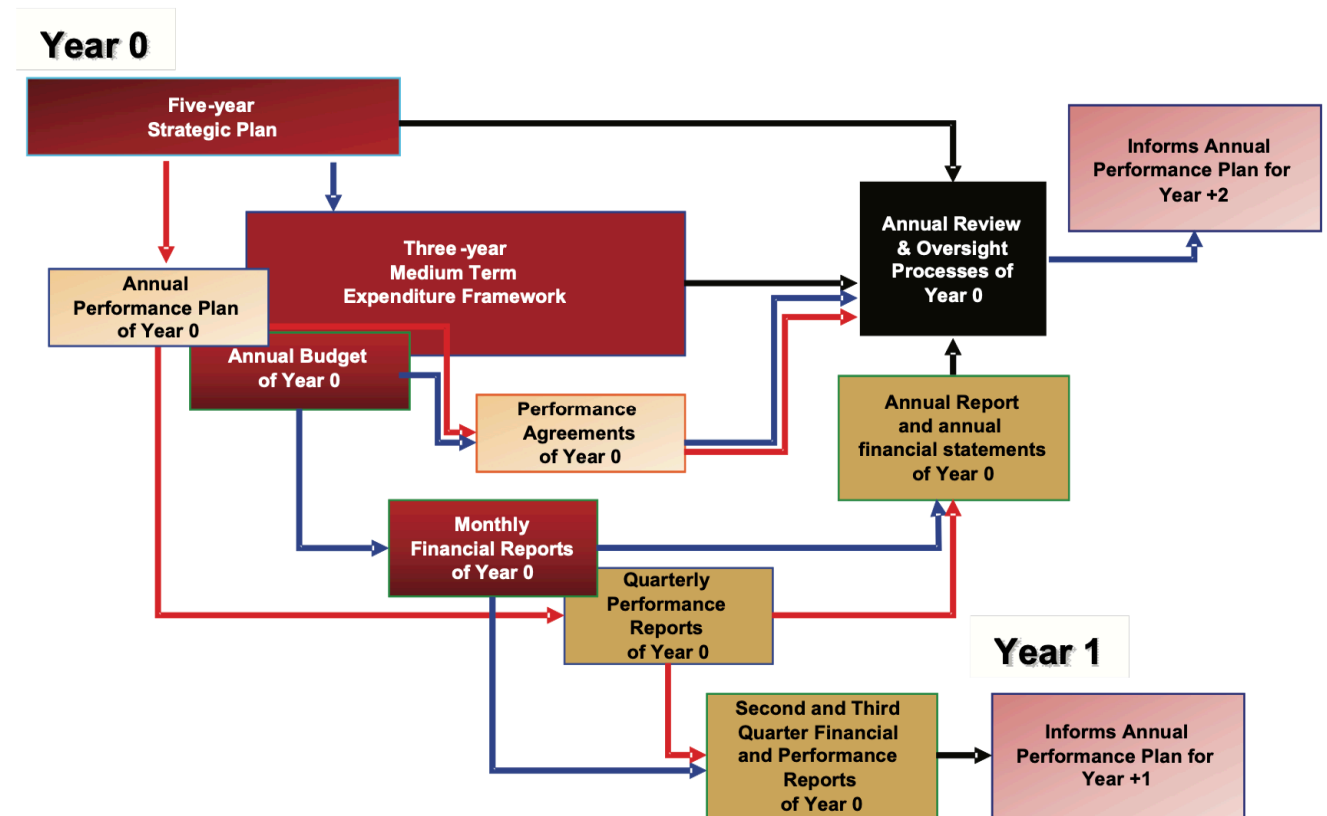
- **Medium-term fiscal frameworks** – that support the government’s overall economic development strategy.
- **Medium-term expenditure frameworks (MTEFs)** – that provide budget estimates for future years that allow ministries to make spending plans in support that help them achieve strategic goals.
- **Program and performance budgeting (PPB)** – that systematically links resource allocations to government goals through programs with indicators and targets.
- **Spending reviews** – that free up resources to align with strategic priorities of the government.
- **Capital budgeting** – that costs long-term strategic investments in infrastructure etc.
- **Ex-ante evaluation** – that typically includes a filter for new spending proposals based on their contributions to national priority objectives.

Good practice example: MoF provides framework/guidance in South Africa



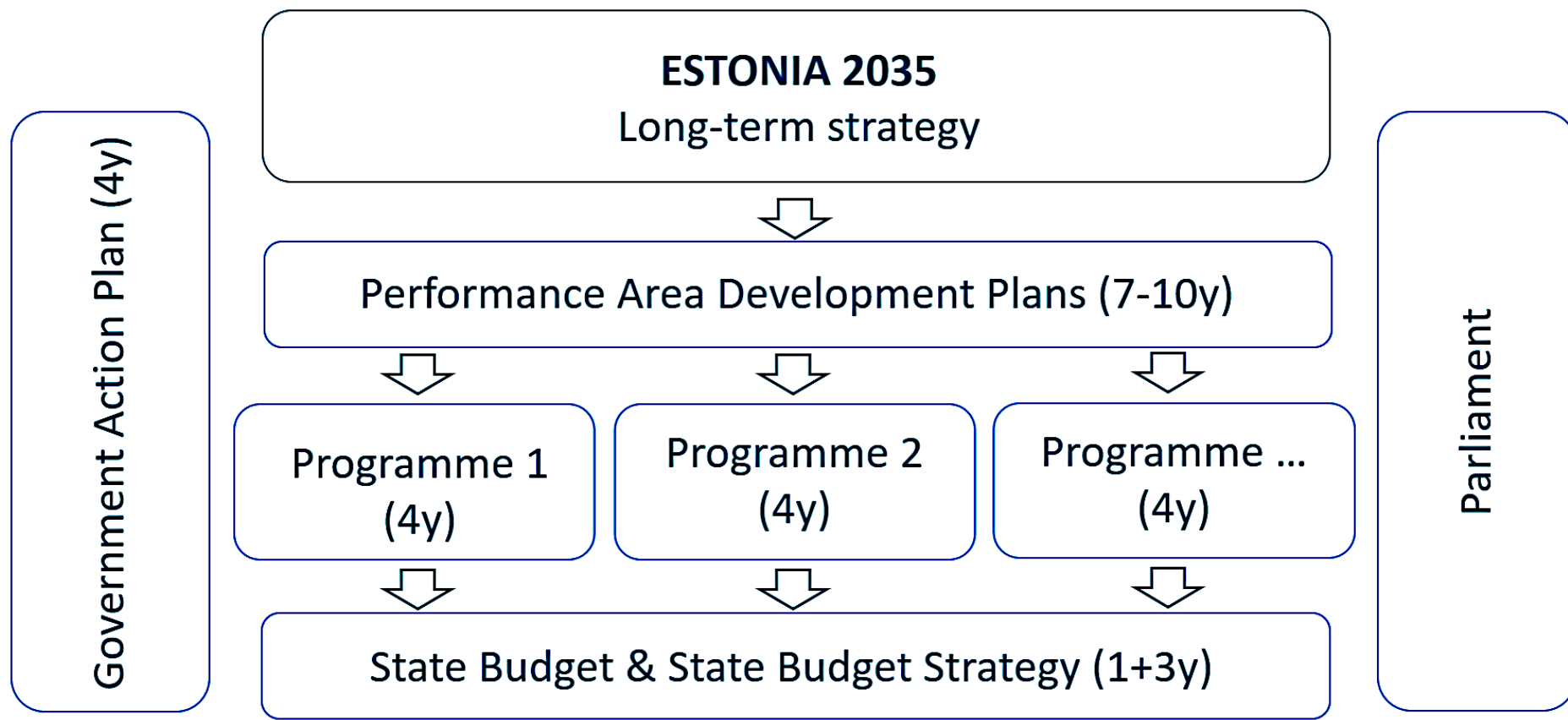
Framework content

- 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 the 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 a timetable for strategic planning and budgeting that allows for the necessary exchanges.



Source: National Treasury South Africa

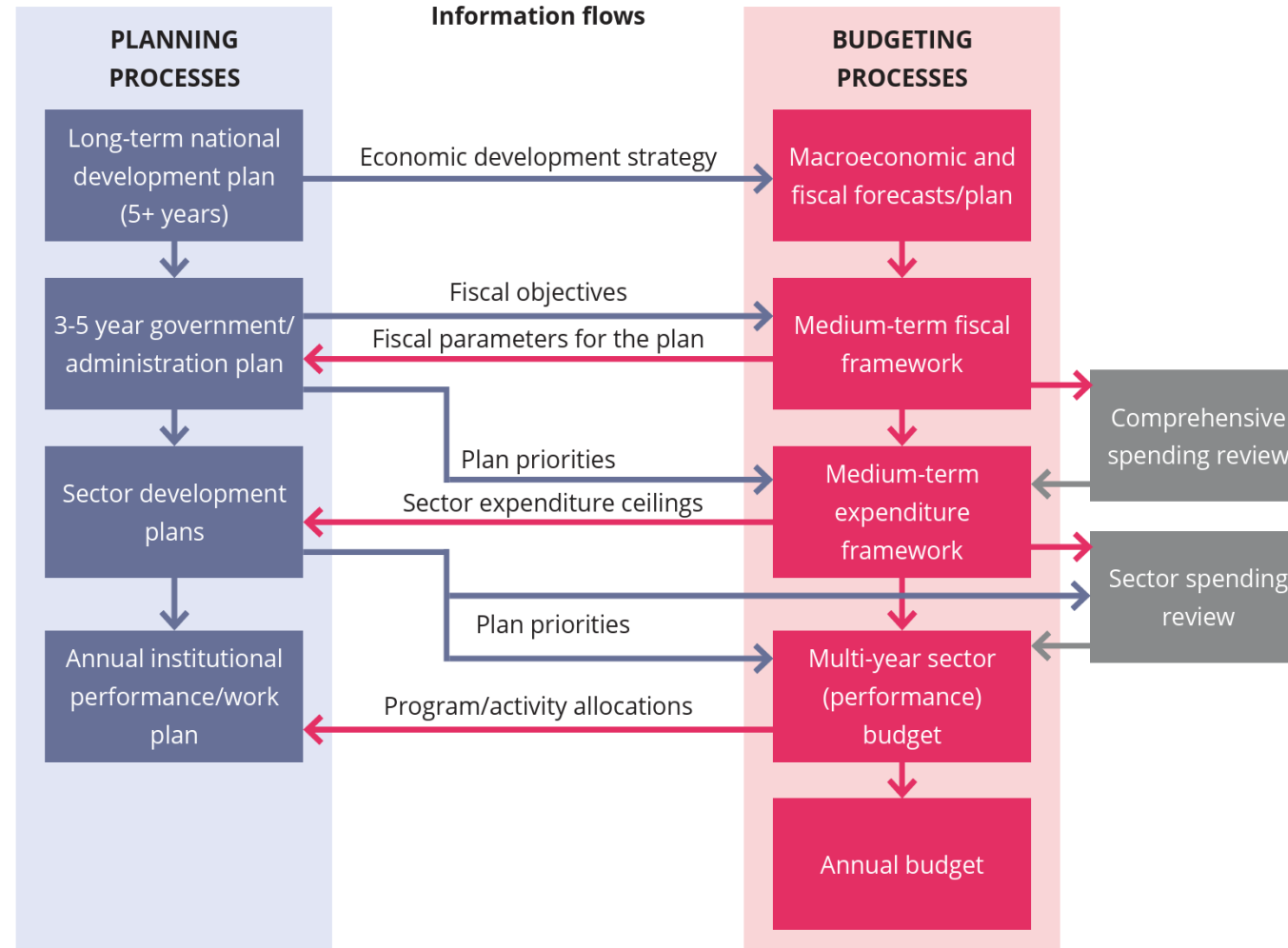
Good practice example: Integration of planning and budgeting in Estonia



Source: Ministry of Finance of Estonia

Conceptual Framework developed by PEMPAL BCOP for alignment of strategic planning and budget processes

- A model framework for how strategic planning (identifying the key strategic documents) and budget processes should inform each other, with the information flows.
- The government sets the timetable and content of the documents. The Centre of Government or MoF leads and oversees the process.
- Not all of these elements exist in every country, but a recommendation is that the Government adopts a conceptual framework for alignment, describing the information flows, content, timing, etc., and that this is incorporated into guidance on the preparation of both strategic planning documents and budget/PFM documents.



Spending reviews as a tool for alignment



- ❑ **Comprehensive spending review process** - feeds into a new government's policy program, identifies savings, and reprioritizes spending in line with government objectives (e.g., UK, Ireland).
- ❑ **Thematic reviews** – again linked to the incoming government program, dependent on government strategic policy priorities, such as digital innovation or climate (e.g. Netherlands).
- ❑ **Sectoral and program reviews** – provide fiscal space for new strategic priorities within the sector and/or for reallocation to other sectors (e.g. Denmark).
- ❑ 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 (e.g., Canada).

Good practice example: Performance management and impact assessments in Austria

- Integration of strategic plan objectives into ex-ante assessment



Good practice example: Communicating strategic shifts in budget in

Sweden

ANNEX C: Statement of strategic budget shifts Sweden

	2023	2024	2025		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	Abolished carbon tax in combined heat and power (CHP) plants and heating plants within the EU ETS	0.10	0.10	0.10
Extension of housing allowance supplement	0.52			Increased subsidy rate for solar cells	0.28	0.28	0.28
Tax cut for people over 65 years of age in work	0.77	0.77	0.77	Support for energy efficiency in single-family dwellings	0.38	0.40	0.40
Strengthened adult vocational education (<i>yrkesvux</i>) and more work experience placements	0.45			Abolished tax relief for data centres	-0.14	-0.28	-0.28
Maintain the current level of unemployment insurance	5.82	6.35	6.64	International climate investments	0.06	0.10	0.10
A higher commuting deduction	1.81	1.81	1.81	The Industrial Leap	0.60	0.60	0.60
Increased funds for completion of European Spallation Source	0.36	0.57	0.53	Expanded charging infrastructure and workplace charging stations	0.54	1.61	1.12
Increased R&D deductions	0.10	0.20	0.20	Abolished climate bonus	2.99	-2.97	-2.97
				Better aquatic environment	0.25	0.25	0.25
<i>Increased security and equity</i>				Restoration of wetlands	0.20	0.20	0.20
Increased funding for the Swedish Police	0.90	1.21	1.17	Remediation of contaminated sites	0.34	0.34	0.34
Strengthened judicial system	0.31	0.46	0.66				
Increased funds to Swedish Security Service	0.16	0.30	0.36	<i>Life for the whole country</i>			
Preventive initiatives	0.91	1.02	0.59	Broadband expansion	0.60	0.60	0.60
Better opportunities for recovering proceeds of crime	0.06	0.12	0.12	Increased road maintenance	1.00		
Greater possibilities for covert and preventive coercive measures		0.27	0.27	Temporary tax cut on diesel in agriculture, forestry and aquaculture	0.38		
Increased capacity in the Swedish Prison and Probation Service			1.16	Strengthened rural health care	0.30	0.30	0.30
Stricter rules for parole			1.20	Investment in new infrastructure	1.00		
<i>A reliable welfare system</i>				<i>A sustainable migration and integration policy</i>			
Better textbooks	0.69	0.56	0.56	Reduced number of quote refugees	-0.39	-0.94	-1.28
Greater access to special needs teachers, special needs education initiatives and special classes	0.60	0.90	1.00	Increased funding to Swedish Migration Agency and the Migration Courts	0.57	0.35	0.14
Timeout and behavioural intervention schools	0.05	0.10	0.10				
Social services teams	0.08	0.25	0.25	<i>Better control of government expenditure</i>			
More treatment places and strengthened health care	2.00	0.50	2.00	Improved population registration through a new census	0.08	0.17	0.17
Obstetrics care	0.20	1.50	1.50				
Extension of sickness allowance exemption due to deferred treatment	0.21			<i>Other reforms and inevitabilities</i>			
Support for combating ill health and loneliness in older people	0.30	0.30	0.30		3.82	6.58	4.50
Sport and recreational activities card for children (<i>Fritidskort</i>)	0.05	0.73	0.79	Effect on general government finances	40.43	39.88	38.03
Increased government grants to municipalities and regions	6.00	6.00	6.00				

Source: Swedish Ministry of Finance

Additional disclosures in the budget document

Alignment with capital investment



- ❑ **Standardized evaluation and filtering process** that includes **strategic alignment with government priorities**, contribution towards the achievement **of measurable results** (KPIs), and **cost-benefit/value for money**, leading to a ranking within a consolidated list or Public Investment Program (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 the recurrent budget.
- ❑ Include a **list of capital investments and funding sources in the sector plan and budget** (or combined budget strategy).

Good practice example: Use of performance information for evidence-based policymaking in the US



- ❑ USA - Foundations for Evidence-Based Policymaking Act (2018). The **legislation mandates the use of evidence** and the steps needed to make this a reality.
- ❑ The Act promotes a culture of data-driven decision-making and **seeks to improve transparency, accountability, and the overall efficiency and effectiveness** of government programs.

Federal Level

• Data Strategy

- Office of Management and Budget (OMB) to create a comprehensive Federal Data Strategy to improve the management and use of data across the government.
- The strategy promotes cross-agency collaboration and the integration of data to support decision-making.

Agency Level

• Evidence-Building Plans

• Data Inventories

- Agencies are required to create comprehensive data inventories to catalog their data assets.
- These inventories must be listed in a public catalog, making information about the data assets available for use by the public and other government entities.

• Key Roles

- A Chief Data Officer (CDO) to oversee data governance and strategy.
- An Evaluation Officer to coordinate program evaluations and ensure their rigor and relevance.
- A Statistical Official ensure the integrity and quality of statistical data

• Program Evaluation

- Strengthens the role of program evaluations in policy and program decisions.
- Agencies must conduct evaluations that are methodologically rigorous and relevant to their missions.

Data quality in performance management



Data Quality Issues

Clear program objectives.

Consistency and completeness.

Relevance.

Attribution

Data Quality Enhancements Examples

Using data from independent Office of National Statistics (UK) and working with ONS as a source of expertise and of high- quality data.

SAIs monitor and comment on the quality of performance indicators contributing to improvement (e.g. GAO in the USA).

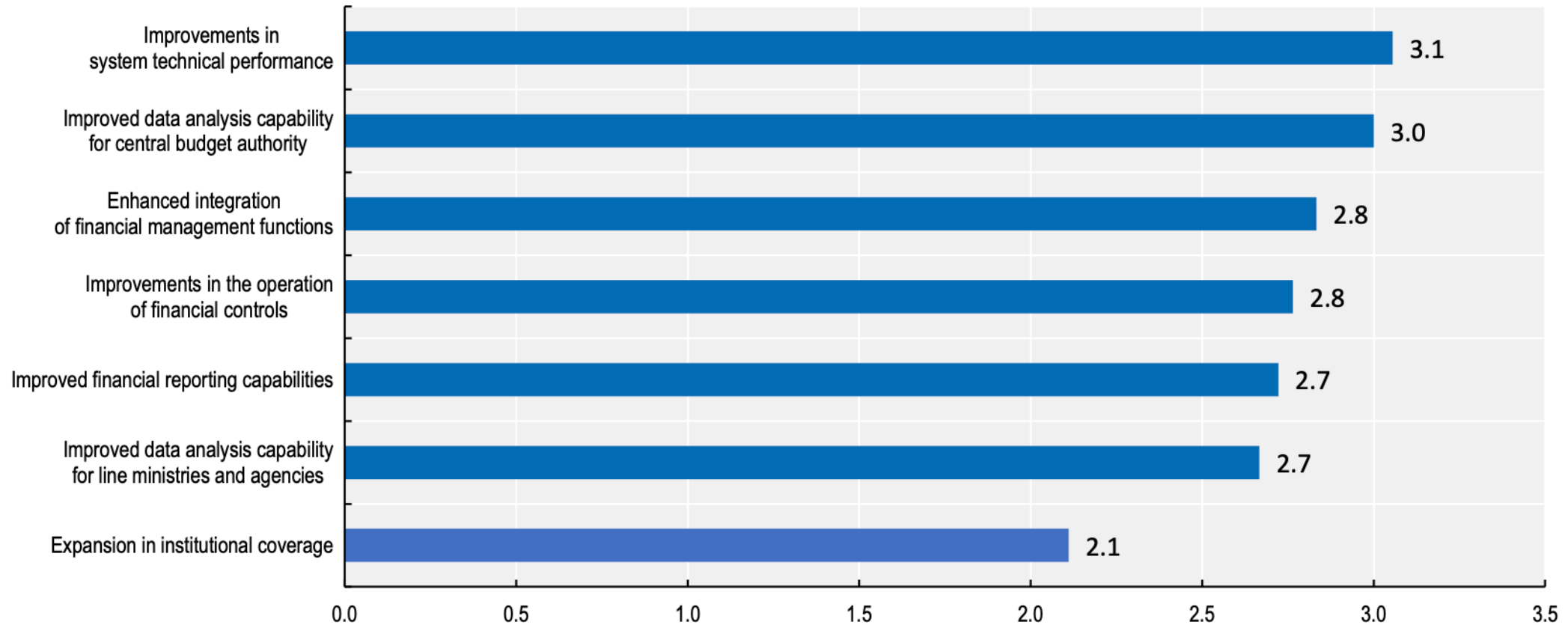
Use of internationally standardized indicators e.g. from OECD or UN.

Actions to improve data governance such as those mandated by the US Foundations for Evidence-Based Policy Making Act.

Systematic review and evaluation of performance metrics including assessment in relation to national policy objectives. (Korea – National Performance Management Act)

Performance data in budget execution/reporting

FMIS - new systems prioritize data analysis capabilities.



0 = not at all important 1 = slightly important 2 = somewhat important 3 = very important 4 = extremely important

Performance Audit



- ❑ Performance audits - **drawing on financial and non-financial data**
 - ❑ effectiveness,
 - ❑ economy and
 - ❑ efficiency.
- ❑ Improving **relevance, reliability, accuracy**, etc. of performance information.
- ❑ **Validating performance figures** in annual reports.

Good practice example: Performance Audits in Australia

From 2001 ANAO began assessing the appropriateness of the performance information in the Portfolio Budget Statements, the reporting of performance information in annual reports, and agency arrangements to identify and collect this information.

Audits have identified that outcome indicators did not measure outcomes, and the targets that were provided were often vague and/or ambiguous.

ANAO recommended the minimum data quality standards should be established and monitored to ensure that the data supplied to Parliament in the budget statements are valid, reliable, and accurate.

Source: Australian National Audit Office

Good practice example: Cross-Government expert resource center in the UK



A centralized center of expertise supports the use of evidence on performance.

UK – What Works Network

What Works: Some of our findings...

Crime	Education	Local Growth	Health	Early Intervention
'Hot spot' policing - patrolling in small areas where crime has been concentrated - reduces crime and does not simply move it round the corner.	Peer tutoring approaches, where learners work in small groups to provide each other with explicit teaching support, have, on average, a high impact on attainment at a low cost.	Whilst they have intrinsic social value, the local economic impacts of major sporting and cultural projects tend not to be large and are more often zero.	More lives would be saved or improved if people with acute heart failure were routinely treated by specialist heart failure teams.	The Family Nurse Partnership programme has been shown to be effective in the US for improving children's health and development, with the benefits outweighing the costs by around four to one.

These are just a small selection of the Centres' findings to date. Visit the websites listed on the second page for further findings.

Good practice example: MoF expert resource center in France



Ministry of Finance has its own specialized unit using performance data to inform policy.

France: MoF Data Lab

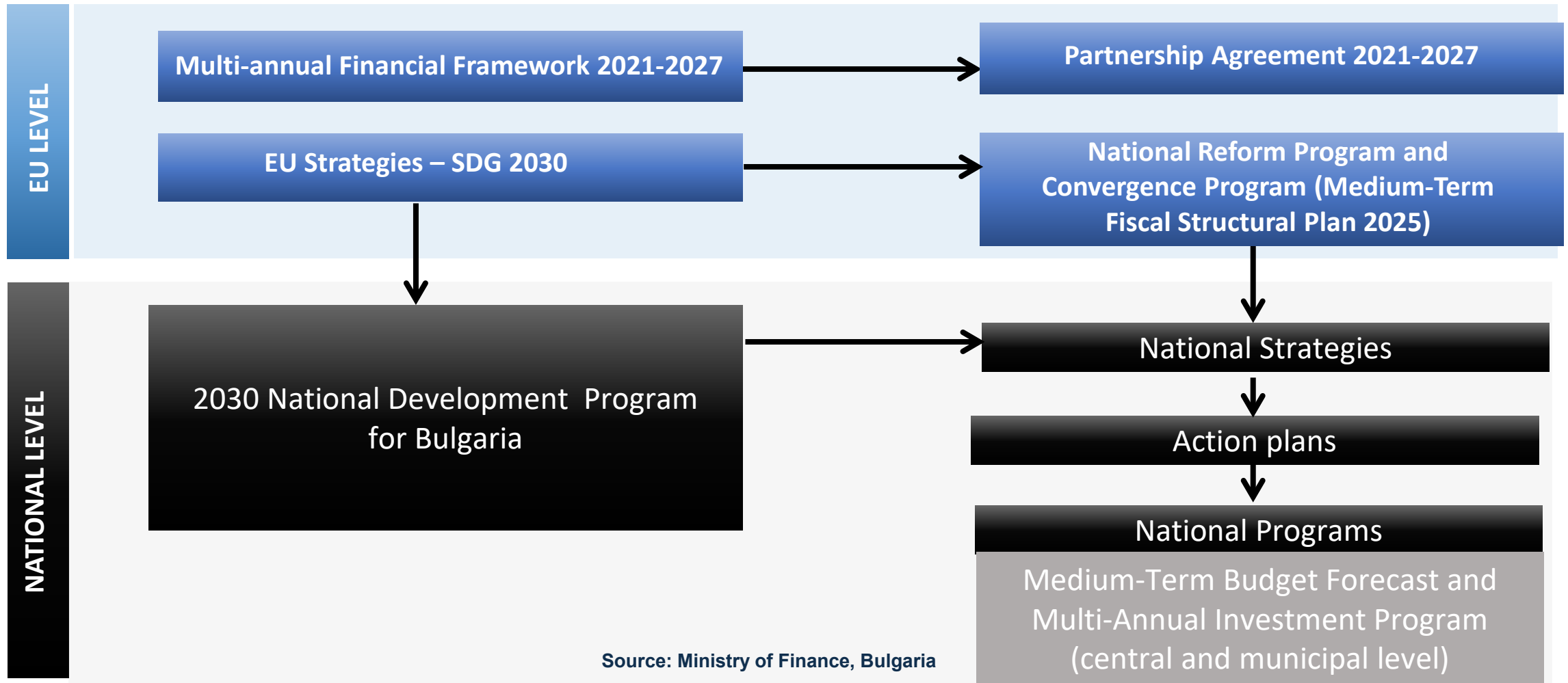
1. **Data science:** team in charge of doing the projects, very specific competences needed, challenge is how to grow the competencies internally (trainings, internal sessions, seminars with external researchers)
2. **Data analytics:** responsible for proper data governance programme. Data governance refers to 1. data knowledge (data catalogue and harmonisation across applications and database), 2. data quality, 3. compliance (mostly personal data protection and secrecy) and 4. data exchange management.
3. **Data engineering:** mostly work on data preparation for use in analytics
4. **Data strategy:** accompany also other projects that want to use our data knowledge

Examples of projects initiated by France include detection of tax avoidance schemes, an early warning system for companies at risk of failure helping to target counselling and or financial aid

Linking the Strategic Planning Framework with PFM in Bulgaria (1)

Governments usually produce a large number of strategic documents.

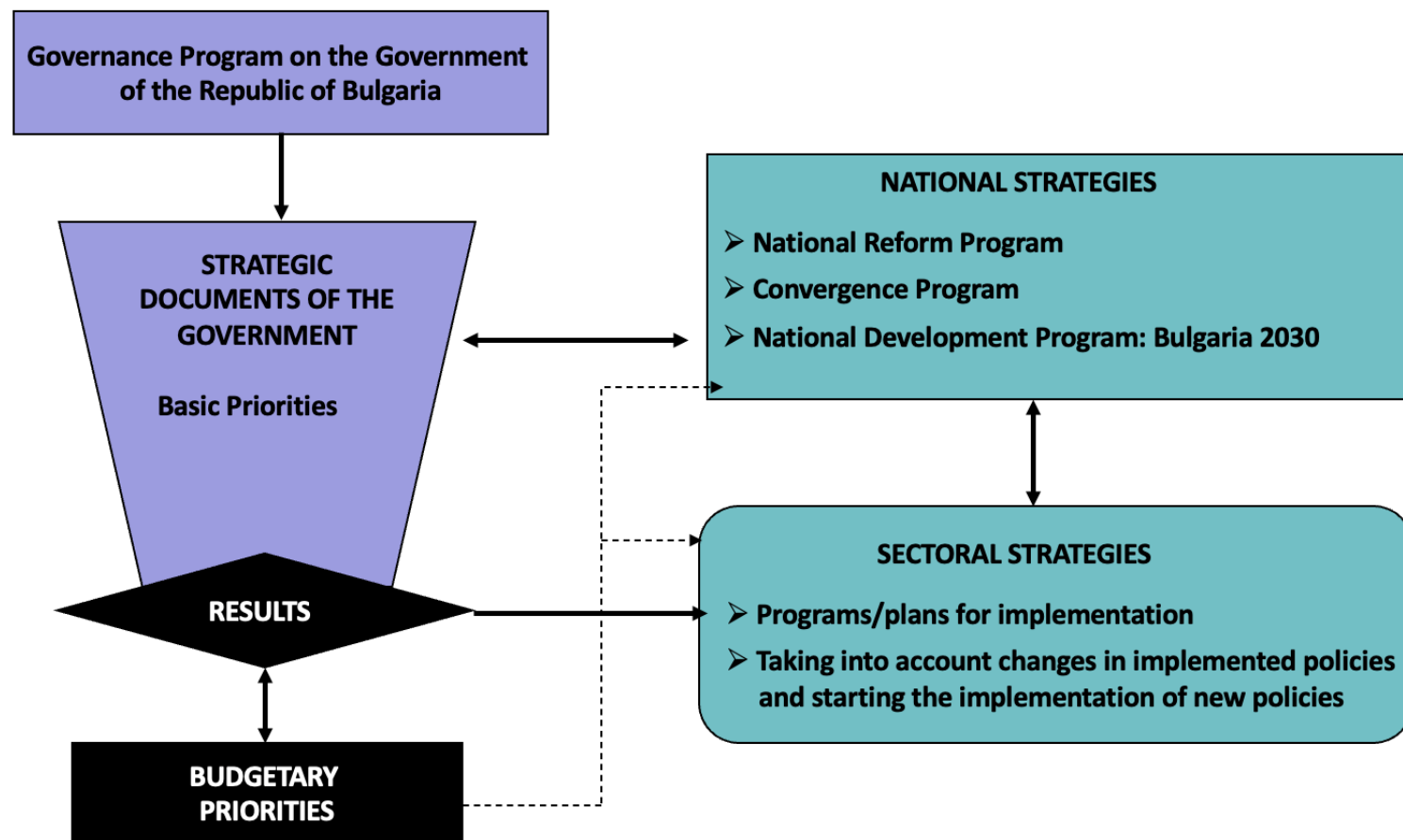
The budget should reference a consistent and limited set of strategic planning documents.



Linking the Strategic Planning Framework with PFM in Bulgaria

(2)

- ❑ To further improve the quality and effectiveness of PPB, **the overall PPB design has recently been streamlined and key performance indicators developed** (using, *inter alia*, the knowledge gained through PEMPAL BCOP).
- ❑ A draft Law on Strategic Planning developed to:
 - prescribe the **hierarchy of strategic documents** and their development and decrease their number;
 - regulate the single national development program as the highest-level strategic document;
 - prescribe **standards for strategic document content and structure**, including performance indicators; and
 - introduce mandatory **impact assessments**.



Trends in PEMPAL countries for better alignment with strategic planning



- ❑ Initial PBB efforts in PEMPAL countries **were overall insufficiently connected to strategic planning**, partly due to previously weak and/or unstandardized strategic planning in many cases.
- ❑ Most PEMPAL countries (as well as many OECD countries) are currently undergoing or planning reforms to improve performance focus and management and its use:
 - establishing formal and targeted **alignment of PPB with strategic planning**
 - **streamlining the PPB structure** - simplicity fosters accountability and transparency; decreasing volume and increasing the quality of performance indicators and defragmenting program scope
 - **introducing/increasing focus on the whole-of-government cross/institutional performance**, including strategic budgeting initiatives (such as gender, green, SDGs, and equality budgeting)
 - increasing the responsibilities and **accountability of line ministries** (as is done in OECD countries)
 - improving **IT systems** for performance data management
- ❑ Going forward, PEMPAL BCOP plans to establish a ***Budgeting for Development*** working group.

THANK YOU!

