

# **Strategic Planning and the Annual Budget: *‘Whole-of-government’ approaches***

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The Hague, 26-27 June 2014

# What problems need to be addressed?

- Different **TIMESCALES**
  - *Annual budget process v. multi-annual planning process*
- Different **PEOPLE**
  - *Ministry of Finance v. Ministry of Planning, Centre of Government*
- Different **LANGUAGE**
  - *Budget: line items, departmental allocations*
  - *Plans: strategic programmes, whole-of-government objectives*
- Different **LEVELS**
  - *Whole-of-government goals*
  - *Ministry objectives – outputs and outcomes*
  - *Personal accountability*



# What tools are used to address these challenges?

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- **Medium-term expenditure framework (MTEF)**
  - Aligns resource allocation with strategic / government-wide developmental objectives
- **Performance-related budgeting**
  - Not just what the public is *spending* – but what it is *buying*
- **Transparent and participative approaches**
  - Citizens and parliamentary engagement
- **Quality and relevance of plans and budgets**
  - Evaluation of programmes; Periodic spending reviews
  - Note the need for professional skills and competencies

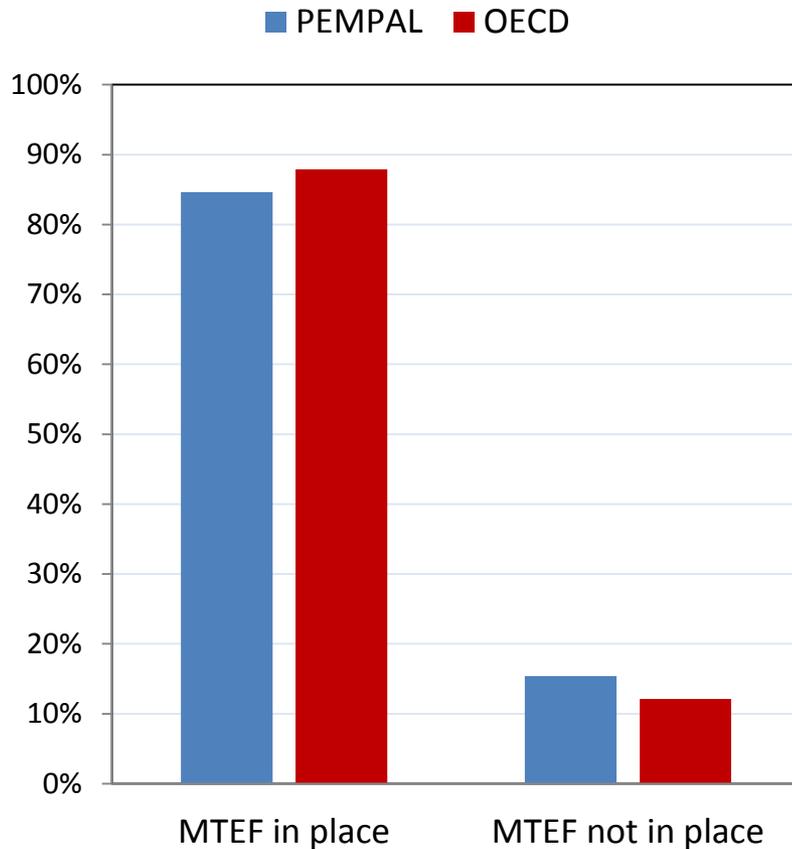
# What makes for an effective MTEF?

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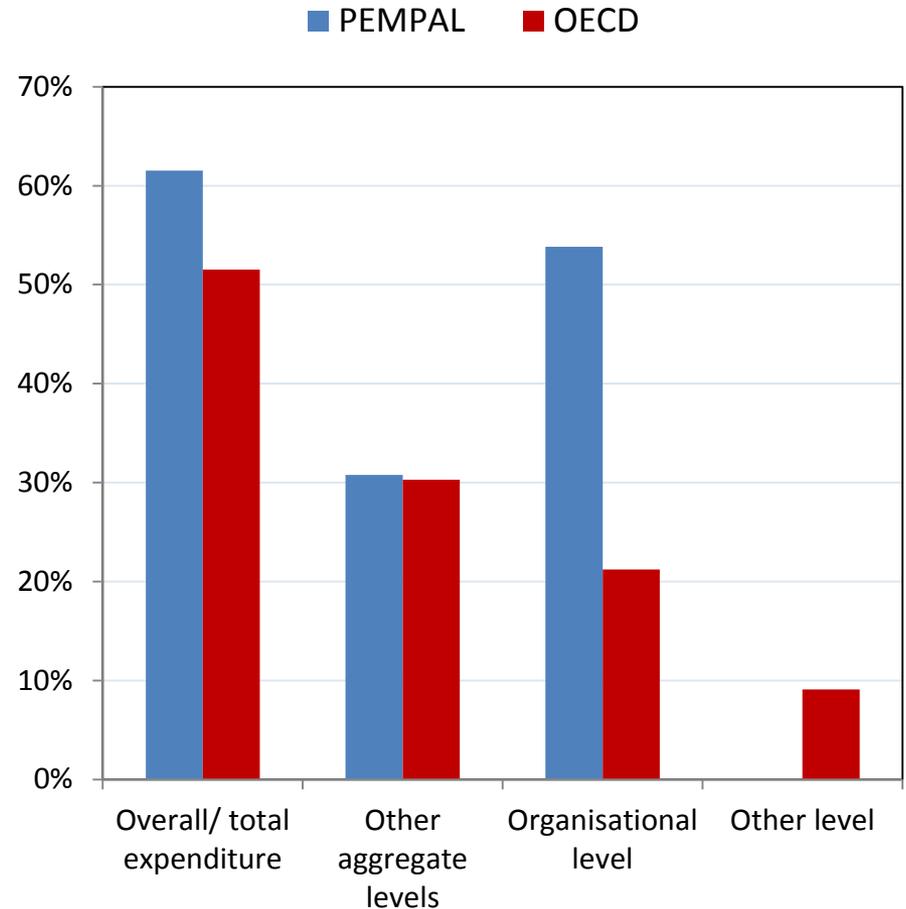
- **MULTI-YEAR**
  - common frame of reference for budgets and plans
  - ambitions, objectives must match with resources available
- **CLEAR OBJECTIVES**
  - single, strategic approach to designing budgets and plans: away from “line items” towards strategic programmes
  - provides link to Performance-based Budgeting
  - Encourages medium-term planning – structural reforms
- **LEADERSHIP**
  - Driven by Centre of Government - all parts of the bureaucracy understand the common, strategic approach
  - MTEF respected as having a fixed, binding character
  - provides link to Accountability

# Medium-term Expenditure Framework (MTEF)

## % of countries with MTEF in place

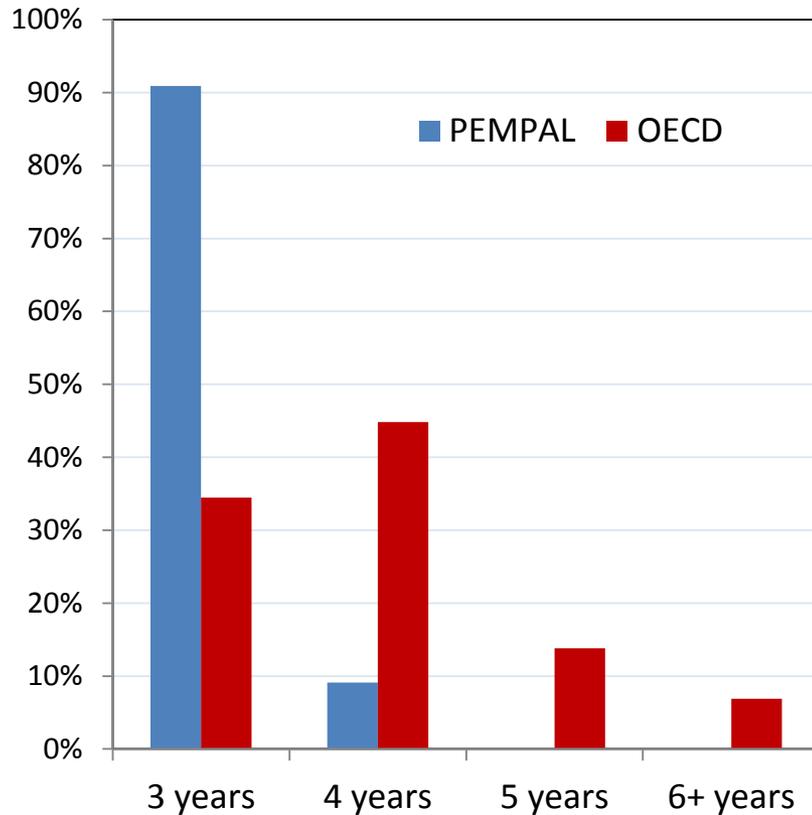


## Levels of ceilings of MTEF

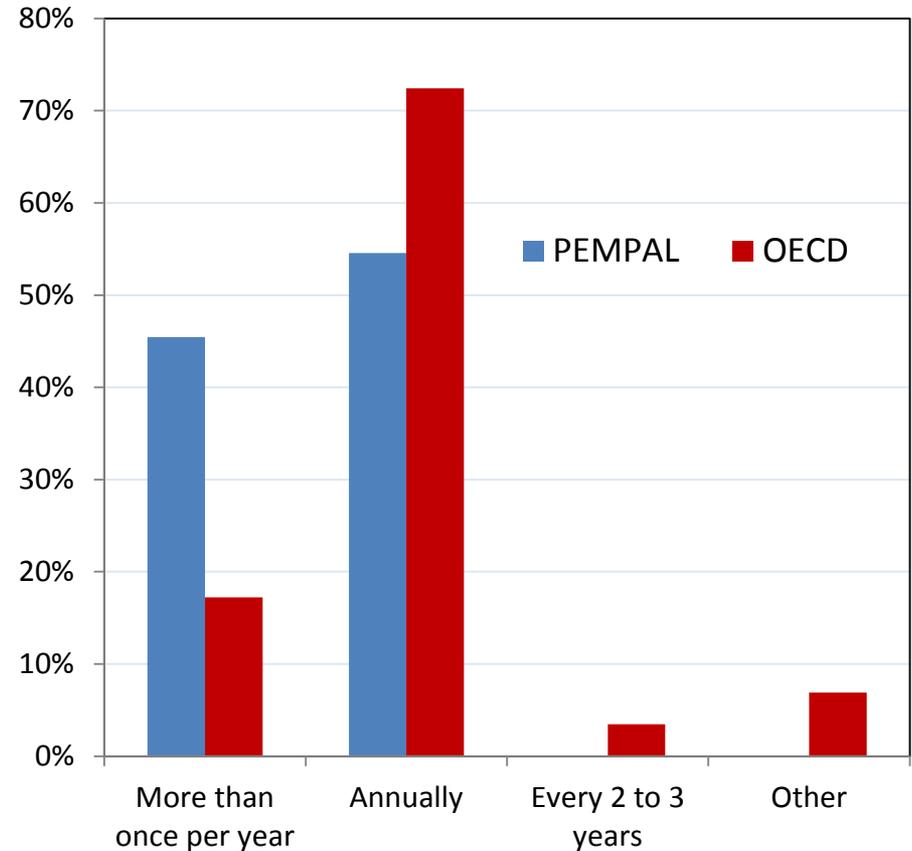


# Length and Revision of MTEF Ceilings

## Length of ceilings



## Frequency of revision of ceilings



# Challenges for MTEF?

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- Multi-year forecasting of revenue and expenditure
  - Potential role for independent institutions
- Political commitment to medium-term discipline
  - Link to fiscal rules
  - Link to top-down budgeting
- Complete coverage of expenditure envelopes
  - Minimise the exceptions
- Deviation from plan?
  - Correction, enforcement, credibility?
  - CULTURE of medium-term planning is what matters

# Performance Budgeting

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- We know how much we are **spending**: but what are we **buying** for citizens?
  - Public services; quality; value-for-money
  - *This question will always arise with budgeting*
- **PRESENTATIONAL APPROACH:**
  - Show performance indicators separately from the budget document
- **PERFORMANCE-INFORMED BUDGETING:**
  - Include performance metrics within the budget document
- **PERFORMANCE-BASED BUDGETING:**
  - Stronger linkage between results and resources; contractual models
- **“MANAGERIAL” PERFORMANCE APPROACHES:**
  - No strong link between allocations and performance
  - Focus is on target-setting, monitoring and accountability: *culture*

# Common factor: stronger role for parliament

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- Performance data should only not be an internal, bureaucratic concern
- It could – and should – excite the interest of parliamentarians
  - Quality of debate
  - Clearer political messages (good and bad)
  - Clearer focus on programme logic, performance, implications for resource allocation and prioritisation
- BARRIERS?
  - Information overload
  - Focus on technical / administrative data (uninteresting)
    - Who controls the data selection?
  - Difficulty of focusing on impacts / outcomes

# Emerging factor: enhanced role for audit institutions?

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- Quality is well-established in financial matters
- Too much uncertainty, variability, in non-financial (performance) matters
  - Performance data is not usually audited or auditable
- Moving from *resources* → *activities* → *outputs* → *outcomes*
  - The frameworks for establishing these “logic models” are often not subject to external quality assurance
  - Essential for identifying, generating and using high-quality performance information
- A value-added role for audit institutions? Or other professional bodies?

# *Towards an integrated, inter-connected budget framework*



# *Towards an integrated, inter-connected budget framework*

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- A clear fiscal constraint, binding over medium term
- A strategic vision of medium-term objectives
- Clear “logic model” for how resources lead to results
- Resources budgeted to fund these objectives
- Evaluation and performance monitoring
- Engagement of public and parliament in the dialogue on performance and priorities
- External quality assurance on financial and non-financial matters
- Annual budget is a key part of the multi-annual process