PEMPAL

SUCCESS STORIES

Budgeting

Program and Performance Budgeting, Spending Reviews, and Links to Strategic Planning

Context

The evolution from traditional line-item input-based budgeting to the more sophisticated program and performance budgeting (PPB) has been a significant leap toward enhancing government spending effectiveness and accountability. **PPB is the primary tool for linking budget with strategic objectives. Spending reviews are a tool for expenditure reallocation and/or savings.**

PEMPAL Impact

The Budget Community of Practice (BCOP) Program and Performance Budgeting Working Group (PPBWG) has provided extensive advice to member countries on design and implementation of PPB and spending reviews. It has examined numerous country cases and taken regular stock of PPB and spending reviews in member countries, with benchmarking to OECD countries and advice tailored to PEMPAL countries. Additionally, it has examined and advised on performance indicators, program structure, regular and rapid spending reviews, and links with strategic planning. PPBWG partners closely with the OECD.

Since 2018, the working group held 22 learning events (including parts of plenary meetings), in person and via videoconference. **Over 120 documents and presentations were developed and shared.** PPBWG produced six knowledge products: *Performance Indicators in PEMPAL Countries: Trends and Challenges*; *Performance Budgeting and Spending Reviews in PEMPAL Countries: Practices, Challenges, and Recommendations*; *Conducting Rapid Spending Reviews to Identify Measures for Budget Balancing*; *Spending Reviews: Trends in PEMPAL Countries Benchmarked to Trends in OECD Countries*; *Spending Review Practices in the Netherlands*; and *General Guidance on Linking Strategic Planning and Budgeting*. Three additional products synthesized new advice in PPB and spending reviews, including OECD advice and country cases.

BCOP's work has contributed to impressive progress in PPB. **All member countries have implemented PPB or plan to.**

Country examples of how BCOP's PPBWG impacted the member countries' progress:

- **Azerbaijan:** Integrated lessons learned from the **strategic budget planning** applied in Austria, as well as Bosnia and Herzegovina's approach in this area, into the ongoing budget reforms.
- **Bosnia and Herzegovina:** Redesigned **program and performance budgeting system** (at the level of Federation), including structural simplification of program budgeting and streamlining and improving the quality of performance indicators, as well as directly **linking budget planning with strategic planning** (including performance indicators).
- **Bulgaria:** Improved the key performance indicators for policy areas for **program budgets** in the medium-term budget documents and implemented rapid **spending reviews** of pandemic measures.
- **Croatia:** Improved **spending reviews**, working on further improvements in **program and performance budgeting** and linkages with **strategic planning**.
- **Georgia:** Improved the **performance budgeting** in the planning stage to link the budget and performance better, and to improve the program budgeting structure.
- **Kazakhstan:** Introduced **spending reviews** (included in the new Budget Code).
- **Kyrgyz Republic:** Working on **defining and coding budget programs**.
- **Moldova:** Implemented and improved **spending reviews**, improved **performance indicators** for program budgeting, **budget tagging**.
- **North Macedonia:** Improved **program budgeting** and considering **spending reviews**.
- **Ukraine:** Improving (with changes made in the Budget Code and other regulatory acts) the **program and performance budgeting** methodology, including improvement of **performance indicators**, and introducing **spending reviews**.

Next steps

A new BCOP working group will be formed on Budgeting for Development, aiming to advance toward budgeting reforms that align with government strategic planning and public sector management goals. Priority areas will include strategic mid-term budgeting, performance management, tools for prioritizing spending against strategic priorities, integration of budget tagging, strategic capital budgeting, and advanced monitoring and evaluation tools that feed into the budget process.

Figure. PEMPAL BCOP Countries with Program Budgeting and the Performance Targets Set at the Program Level

Source: Based on BCOP's thematic work and surveys modelled after the OECD surveys

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