



# General Guidance on Linking Strategic Planning and Budgeting

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# Executive Summary

**Evidence from PEFA assessments, and OECD surveys, shows that the links between strategic planning and budgeting are a weak point in budget practices worldwide.** This weakness has also been reflected in the concerns of Ministries of Finance participating in the PEMPAL Budget Community of practice over several years, leading to the commissioning of this paper.

**This paper seeks to identify good practice principles and examples.** The OECD Principles of Budgetary Governance, the PEFA Framework and the OECD Good Practices on Performance Budgeting offer some principles, but these are pitched at a high level of generality, so this note aims to provide more detailed guidance as well as illustrative examples drawn from practices across a wide range of countries.

**Strengthening the links between strategic planning and budgeting requires changes to both processes.** Strategic planning and budgeting are both directed towards enabling governments to achieve important objectives, whether it is delivering services effectively and efficiently or enacting important reforms. However they are fundamentally different in character, and the inherent tensions between planning and budgeting perspectives are necessary and can be constructive. Planning has a medium to long-term outlook whereas budgeting is focused on the very short term. Planning asks “what resources do we need in order to achieve our ambition?”, whereas budgeting asks “what’s the best we can do with the resources we have?” Planning typically focuses on how to achieve a limited set of policy priorities that are transient in nature, bring about change, whereas budget programs and budget commitments are comprehensive and stable over the long-term. This creates natural limits on the extent to which the two processes can or should be integrated.

**In recent decades, governments in OECD and PEMPAL member countries have introduced similar reforms designed to give budgeting a more strategic character, moving away from traditional bottom-up, incremental approaches to budgeting.** Strategic budgeting tools that have been widely adopted internationally include.

- medium-term fiscal frameworks, which support the government’s overall economic development strategy,
- medium term expenditure frameworks, which provide forward budget estimates allowing ministries to make longer-term plans,
- performance budgeting, which links resource allocations to government goals at the level of programs and activities
- spending reviews, which can be used to reallocate or free up expenditure to align with strategic priorities of the government
- capital budgeting, which identifies and costs strategic investments in infrastructure
- ex-ante evaluation, which filters proposals for new spending.

**Strategic planning has also been evolving, although without the consistent international trends observable in budgeting.** Recent years have shown a general resurgence of interest in national planning, in response to various crises including the 2008 financial crisis, the COVID pandemic, conflict and interest to achieve complex, cross sectoral objectives such as digitalization of government, environmental sustainability and well-being. This gives grounds for optimism that renewed government efforts to improve the alignment of strategic planning and budgeting could succeed. Despite these efforts, evidence from OECD surveys and PEFA assessments

shows that the link between planning and budgeting remains a weak spot in budget practices in many countries, meriting further analysis and reform efforts.

**While it is hard to identify any single country with an ideal approach, several countries reviewed as part of this study offer practical, if isolated, examples of how these principles can be put into practice.** For example, Bosnia-Herzegovina offers an example of coordination between strategic planning at national level and medium-term fiscal perspectives; Ireland has made progress in aligning strategic planning and budgeting frameworks around the period of office of the elected government; Bulgaria is in the process of regulating the strategic planning framework to facilitate alignment with medium-term fiscal and budget perspectives; Estonia has successfully combined medium term planning and budgeting perspectives in its State Budget Strategy; South Africa has developed a framework for linking strategic planning and budgeting; and Chile has developed an effective system for evaluating and filtering new projects in relation to strategic objectives prior to inclusion in the budget.

**Key elements of a model approach suggested in this report are as follows:**

- **Government provides a legal and institutional framework for linking strategic planning and budgeting processes over the medium term.** The framework identifies the key strategic documents and processes that need to be linked, provides guidance on the content of the documents to facilitate alignment and sets out a timetable and processes that link them.
- **A consistent and limited set of strategic plans is specified that are linked to key budget processes.** Amongst these would be a medium-term national level plan, ideally covering the period of an administrations mandate (3 to 5 years), and sectoral strategies for each line ministry or agency. Depending on pre-existing institutional arrangements, other strategies may be added to the core list such as a national infrastructure strategy, or EU treaty-based requirements for strategic documents. Other strategies that are important at sectoral level should be referenced in individual ministries budget submissions.
- **Medium-term national development plans are constrained by the medium-term fiscal framework, thereby limiting what is included in the national plan.** Initiatives included in the medium-term national development plan should be costed, and funding sources identified. The inclusion of different scenarios may be helpful for planning purposes (e.g. base, high and low case) allowing for the possible addition of new activities or programs depending on the availability of funding in the outer years.
- **Spending reviews are used to reprioritize spending in line with strategic planning goals.** The selection of spending review areas and objectives should support the strategic objectives of the government. A comprehensive spending review at the start of the governments term of office has proved a useful tool for identifying savings and reallocating resources across government in support of new strategic priorities. Rolling programs of targeted spending reviews are also valuable tools supporting reallocation within sectors to support the government's strategic objectives.
- **The medium-term expenditure framework (MTEF) provides the fiscal parameters for the development of medium-term sector plans.** Sector strategic plans should be prepared respecting the budget envelope provided by the MTEF. As in the case of national development plans, sectoral plans should be costed, and funding sources identified. The inclusion of different scenarios may be helpful for planning purposes (e.g. base, high and low case) allowing for the possible addition of new activities or programs depending on the availability of funding in the outer years. Planned new activities, policies and programs should be costed and evaluated in relation to strategic objectives and prioritized for inclusion in the strategic plan.
- **Shifts in resource allocation, and new spending, are justified based on how these contribute to strategic objectives.** Use of templates that link spending proposals to objectives and indicators in strategic documents can provide a basic discipline. Similarly, additional statements in the budget that explain resource shifts over the medium-term are helpful in explaining how the budget process supports the government's policy priorities.

- **Multi-year performance budgets, prepared by sector ministries and agencies, reconcile strategic plan objectives with the available resources.** Budget officials are ultimately responsible for reconciling government ambitions and the budgetary resources that are available. This where “top-down” budgeting meets “bottom-up” budgeting. Where budget limitations prevent full realization of strategic objectives this should be reflected in variances (or adjustments) in performance targets.
- **Where multiple spending programs support the same crosscutting strategic objectives, these are linked in the presentation of the budget and coordinated during implementation.** Many of the highest priority strategic objectives of government are crosscutting in nature. Examples include climate change, digital government, well-being, and gender equity. One way of doing this is through grouping of programs under “missions” or “policy areas”. Coordination of programs is also essential at the design, budgeting and implementation stages to avoid gaps and overlaps. The Ministry of Finance and the Centre of Government both have important roles to play to ensure coherence across programs, including by setting up inter-ministerial coordination mechanisms.
- **Long term capital investments are linked to strategic plan objectives through a national level Public Investment Plan, or sector investment plan.** The capital investment

planning process should include ex-ante appraisal processes that filter and prioritize investments taking into account their contribution to the objectives set in national and sectoral strategic plans. Other considerations such as cost-benefit analysis will also be important in developing a prioritized list of new spending options.

**These proposed practices need to be adapted to different national contexts, taking account of established institutional roles and responsibilities, which are especially diverse in respect of planning.**

A key difference is between countries that have a centralized planning function (e.g. in the centre of government or the CBA), and those where strategic planning has been fully devolved to ministries and agencies. A second key institutional divide is between countries that have separate budgeting processes for capital and recurrent expenditure (so called “dual budgeting”) and those where the two processes are unified.

**Adoption of these approaches will also need to be adapted to according to possible capacity constraints.** Successful implementation may depend on improvements in the quality and reliability of individual elements of the strategic planning and budgeting systems, of data and information systems that support planning and budgeting, and the skills of government officials. While crucially important, these issues will be specific to each country and therefore outside the scope of this study.



# Introduction

**This report was developed in response to demand from the PEMPAL Budget Community of Practice (BCOP) that had identified weak links between strategic planning and budgeting as a key problem affecting the successful implementation of program and performance-based budgeting.**

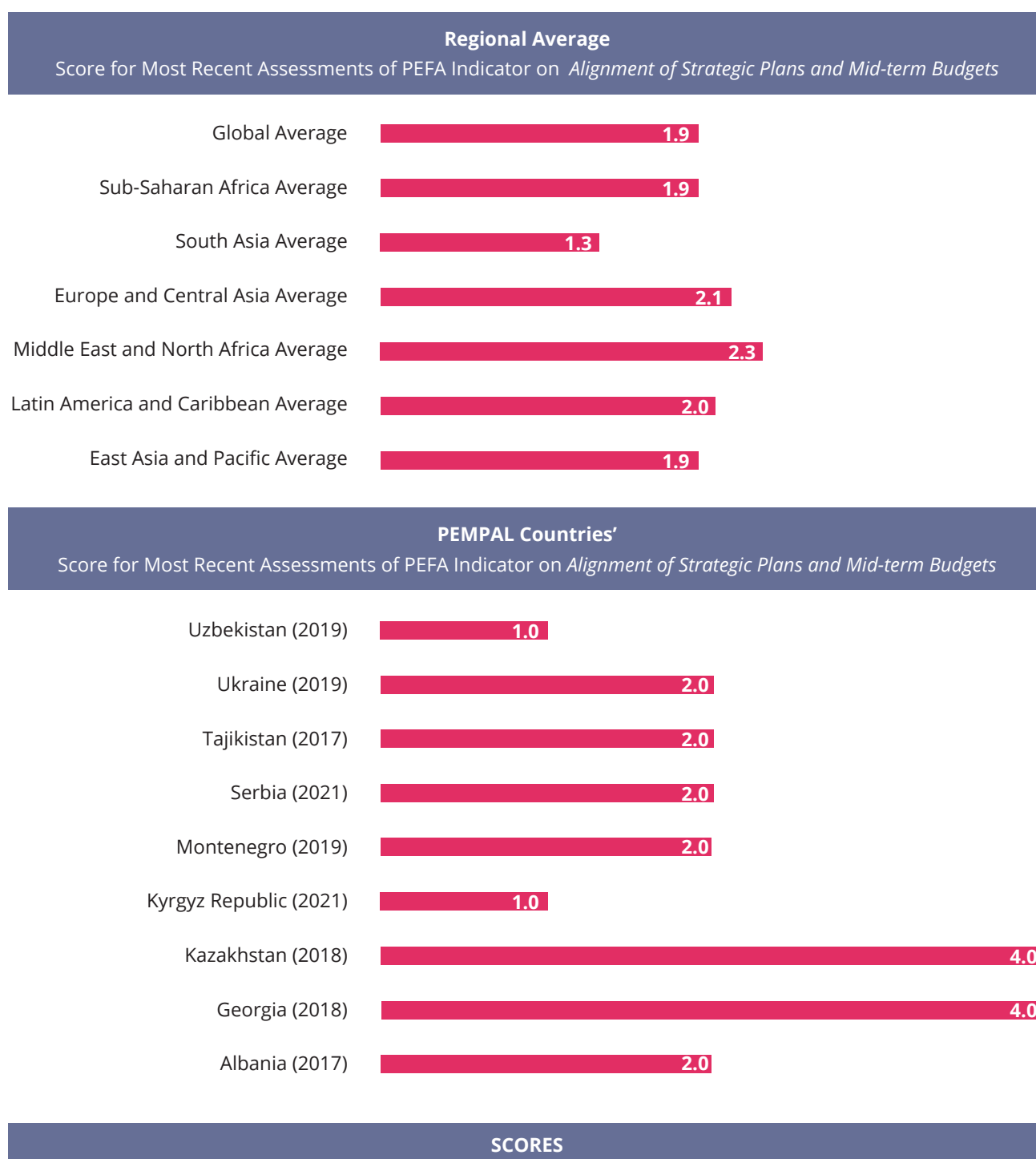
Concern about this being a weak point in the PFM systems is supported by evidence from PEFA assessments of PEMPAL and other countries. PEFA indicator (Pi-16iii) shows generally low scores for alignment of the budget with strategic plans (see **Figure 6**). This also compares poorly with other aspects of strategic budgeting measured under pillar

4 of the PEFA framework, suggesting substantial scope and need for improvements in government's practices. An OECD report on the Centers of Government (2017) also found that Government strategic planning exercises often struggle to define priorities in a sufficiently concrete way to engage and effect change in line ministries. Broad or poorly defined priorities can often result in line ministries retrofitting the status quo; arguing that what they are doing anyway is likely to contribute to government priorities and is therefore aligned with the overall strategic plan.

**Figure 1.** PEFA Scores for alignment of strategic plans and mid-term budgets

	<b>Average score on Pillar IV: Policy-based Fiscal Strategy and Budgeting</b>	<b>Score for PI-16 Alignment of Strategic Plans and Mid-term Budgets</b>
Albania (2017)	3,2	2
Georgia (2018)	3,4	4
Kazakhstan (2018)	3,2	4
Kyrgyz Republic (2021)	2,8	2
Montenegro (2019)	3	2
Serbia (2021)	3	2
Tajikistan (2017)	2,5	2
Ukraine (2019)	2,3	2
Uzbekistan (2019)	2,5	1



**Figure 2.** Comparison of scores for PEFA PI-16(iii) between regions and PEMPAL member countries

4	Medium-term strategic plans are prepared and costed for most ministries. Most expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.
3	Medium-term strategic plans are prepared for the majority of ministries, and include cost information. The majority of expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans. Medium-term strategic plans are prepared for some ministries.
2	Some expenditure policy proposals in the annual budget estimates align with the strategic plans.
1	Performance is less than required for a C score.



## Objective

**The objective of this note is to provide additional guidance on how to create more effective linkages between strategic planning and performance budgeting, supported by illustrative examples from selected countries.** The guidance has been

developed primarily for the members of the BCOP Program and Performance Budgeting Working Group (PPBWG) of the PEMPAL, representing ministries of finance from countries in Central and Eastern Europe and Central Asia.



## Methodology

**This study is based on desk-based review and interviews with public officials based on questionnaires.** The report makes extensive use of publicly available reports prepared by national governments, international organizations and academics. In addition, interviews were carried

out with officials in several countries based on questionnaires to provide additional insights into how good practices have been applied in practice, fill knowledge gaps, and identify practical challenges in improving the alignment of strategic planning and budgeting.



**The note covers a core set of strategic planning tools at national and sector level that typically influence the budget process, together with a range of strategic budgeting tools currently used to align budgets to the strategic goals of government over the medium-term.** These include:

- national development plans, and
- sector development plans,
- program and performance budgeting,
- capital investment planning and economic and fiscal forecasting,
- medium terms fiscal frameworks,
- multiyear expenditure frameworks,
- public investment plans, and
- spending reviews.

**The report analyses experience in applying these tools and the extent to which they are effective, individually or in combination, in aligning plans and budgets.** It describes recent innovations made by governments around the world to strengthen linkages and identifies examples of good practice.

**The report also considers institutional arrangements for management and coordination of these processes and how these can be improved.** Here, it is important to recognize that

government institutions vary greatly in terms of their roles and responsibilities. For this reason, they develop policies, strategies and plans in very varied ways and following their own timelines. For example, some plans relate to implementation; others are about possible responses to uncertain future developments. Some relate to short-term social or economic challenges, whereas others have very long-time horizons extending to 10 or 20 years. This is particularly the case for infrastructure but is also relevant to research programs and economic regulation. This note does not attempt to advise on how institutions should conduct their policy and planning processes but provides guidance on budget-related information requirements.

**Based in this analysis, the note offers general recommendations on good practice principles, supported by examples.** Implementation issues are discussed in the final section but will require further interpretation and adaptation based on individual country circumstances.



# Strategic planning - analysis

**Strategic planning is a systematic process for turning long-term goals and priorities of government into actionable plans, detailing the activities, sequencing and inputs needed to achieve the goal.** Strategic planning should include an analysis of the current situation, and consideration of alternative ways of achieving the intended result. This requires logical analysis and understanding of the relationships between inputs, activities and results at different levels, as well as intervening factors or risks that may prevent inputs resulting in outcomes and impact. These basic concepts and relationships are illustrated in **Figure 3**. This general concept can be applied to almost any area of government activity, large or small.

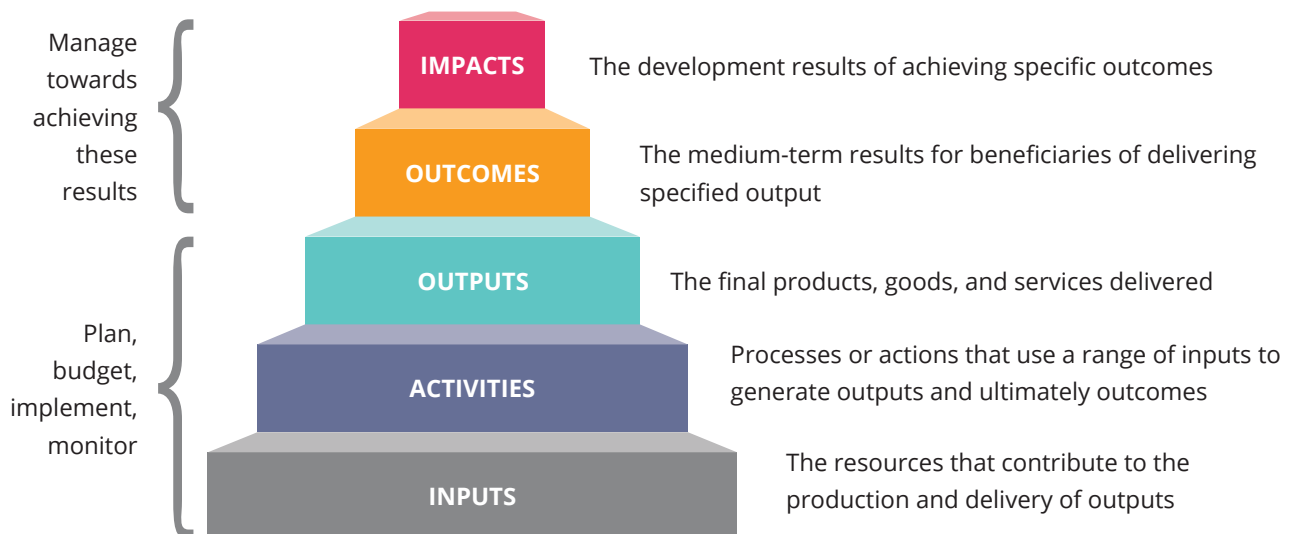
**An initial challenge facing most governments is to rationalize strategic plans in order to identify which ones are relevant for budget decision making.** Since government institutions vary

greatly in terms of their roles and responsibilities, they develop strategies with very varied scope and objectives, subject to no particular rules. For example, some plans relate to implementation; others are about possible responses to uncertain future developments. Some relate to short-term social or economic challenges, whereas others have very long-time horizons extending to 10 or 20 years. This is particularly the case for infrastructure but also for other areas such as scientific research programs and economic regulation.

**This study focuses on a limited set of strategic plans that are of a recurring nature and influence budget decisions at national level.** These include:

- national development plans,
- sectoral development plans,
- plans driven by international treaty commitments such as EU Treaty on

**Figure 3.** Key Performance Concepts



Source: South Africa – National Treasury

**Although strategic planning concepts have very wide application, historically governments have been strongly influenced by a limited number of models.** Those developed by the Soviet Union and France in the mid twentieth century, have perhaps been the most influential. The Soviet approach, developed by the state planning commission (GOSPLAN) in the 1920s was based on identifying and directing the total resources available in the economy, including finance, labor and materials towards priority goals through a supply management or balancing process. The centerpiece of the system was a 5-year plan and an annual plan. Centrally planned economic management enabled a process of rapid industrialization and urbanization (albeit at a high social and environmental cost) leading to the Soviet Union emerge as a superpower.<sup>1</sup> The Soviet planning system was widely emulated but gradually fell into disrepute as centrally planned economies performed poorly, hampered by lack of accurate data, including on costs, ideological bias leading to poor results, inaccurate reporting and a growing informal sector.

**France offered an alternative model of planning that provided a more general indication of the directions of economic development rather than (as in the Soviet model) providing specific targets for individual plants and firms.** By the late 1960s, y influenced by the Soviet and French models, development planning had spread to most European and other developed countries, as well as to many emerging market economies (see Waterston 1969; and Caiden and Wildavsky 1974). A strong motivation for strategic planning was governments' involvement in major long term infrastructure projects and industrial policy.

**In recent years strategic planning has revived, spurred by events that have served to remind governments of the need for longer term strategic planning to ensure long-term economic development and manage risks.** Interest in strategic planning has waxed and waned over the years. Interest decreased from the 1980s when government investment slowed, and capital investment was increasingly outsourced to the private sector. Events such as the 2008 financial crisis, the 2020-21 COVID pandemic, heightened international tensions and the increasing evidence of climate change have all highlighted the need for governments to act

strategically. National development plans more than doubled in number from 62 to 134 between 2006 and 2018.

**The EU has become an important driver of medium-term strategic and fiscal planning in many countries.** Eurozone members are subject to the requirements of the Treaty on Stability, Coordination and Governance (TSCG), the fiscal compact and regional development funding within the EU. Another large group of accession candidates are required to produce strategies and plans in relation to EU, structural funds and accession requirements related to public finances.

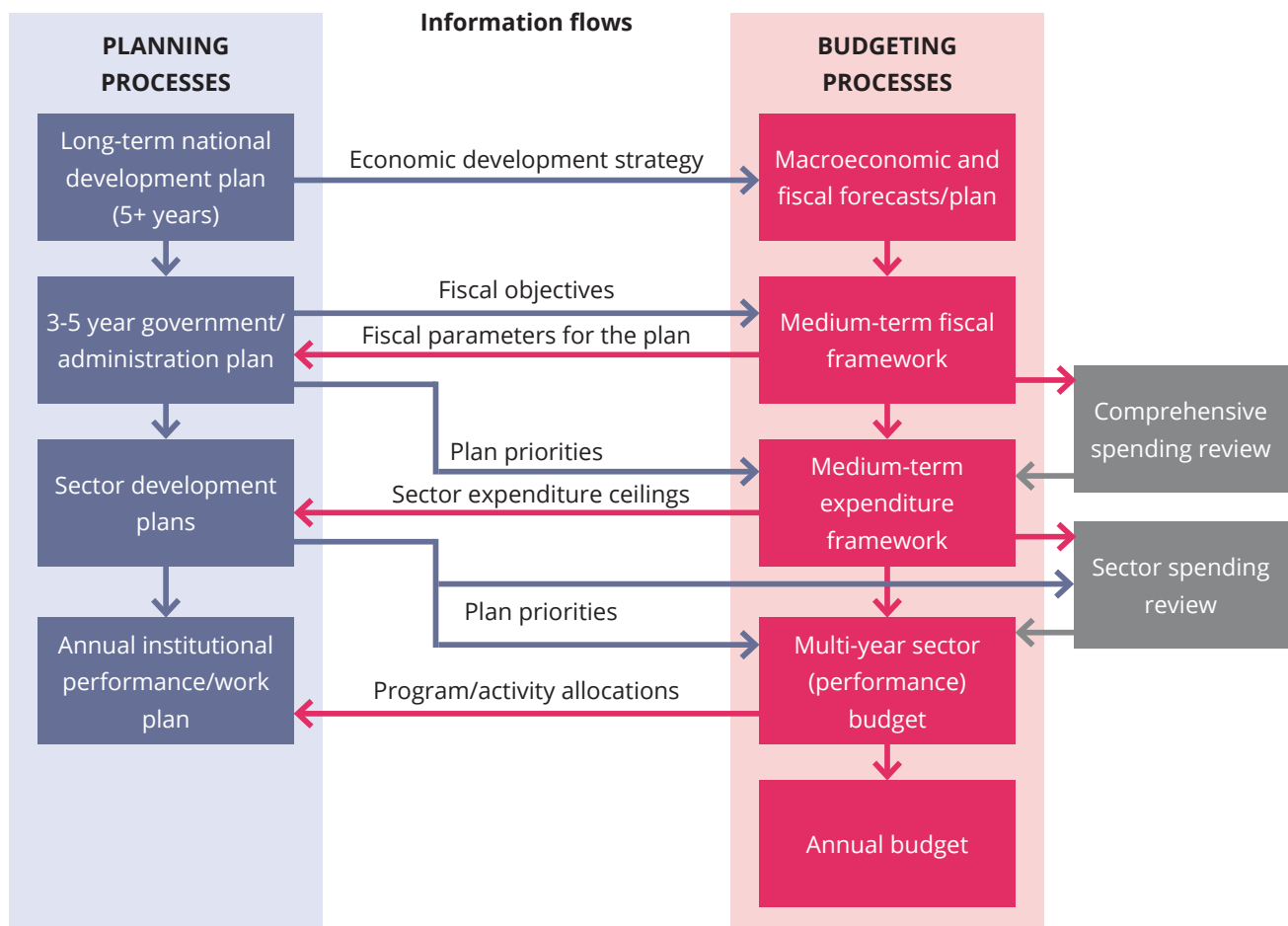
**The applications of strategic planning concepts in government are many, and governance of strategic planning systems is also complex and varied.** Nevertheless, there are common features of strategic planning systems, namely national development plans, sector development plans and public investment plans that provide important reference points for fiscal and budget planning. These common elements of strategic planning are the focus of most recent efforts to systematize and strengthen alignment with strategic budgeting processes, including medium-term economic forecasts, and medium-term fiscal and budget frameworks prepared at national, sector and sub-national levels.

**A conceptual framework for how strategic planning and budgeting process should be linked is set out in Figure 4.** This shows the parallel streams of top-down approaches to planning and budgeting and the key pieces of information that should be exchanged to support alignment.

## Long-term national development plans

**National strategic plans are the key reference point for the development of all other strategic plans including the government's fiscal strategy, sectoral strategies and the medium-term budget framework.** National strategic planning systems typically start from an apex level, long-term national development plan or strategy that starts

<sup>1</sup> The Soviet Planned Economy, Richard Conolly, Oxford University Press, 2020)

**Figure 4.** Conceptual Framework for aligning strategic planning and budgeting processes

Source: Author

with a national vision, which is then developed and deepened through levels of goals, objectives, policy initiatives and programs and may extend down to major projects. These should show clear links to NDP objectives and provide the main justification for new spending programs or budget reallocations.

**The most common timeframe for national development plans is five years but, in many cases, these have a 10 or even 20-year time horizon.** There is no fiscal counterpart to the typical 10-year national development plan that is the apex of the strategic planning framework in many countries. However, some countries do link long term strategic plans to fiscal plans. For example, Bulgaria's 10-year National Development Plan identifies government priorities and impact areas each of which is linked to one of the UN Sustainable Development Goals and each of these has related performance indicators, targets. EU values are used as an additional

benchmark. The NDP includes information about financing parameters and finance sources. Financing is indicative and includes financing from EU which has 7-year perspective. (Finance information for NDP comes from MOF, objectives should cascade down.)

**One of the most important limitations of long-term national development plans is that they are generally not costed and are prepared without reference to medium-term fiscal frameworks.**

A 2019 survey (Chimhowu, Hulme, and Munro) showed that 79 out of 107 national development plans had "no specific costing associated with the plan implementation, with only vague references to sources of finance. Even in cases where national development plans include cost estimates these are rarely broken down by budget year and are not regularly updated.

## Medium-term national development plans

**The most common type of national strategic plan in OECD countries is a medium-term national development programs that extends over the term of a government, typically 3-5 years.** These set out, in concrete terms, the policy program of the administration and typically focus on how a limited set of government policy objectives will be achieved. In some countries these strategies are explicitly linked to the government's economic and fiscal strategy. For example, in Iceland each new government must publish a policy statement and strategy for the next

five years. The Policy Statement and the Strategy reflects the government's objectives and emphasis concerning the economic policy effect of public finances, tax policy, and prioritization of spending (source OECD 2019 Report).

**Broad objectives set out in national medium term development plans then cascade down to the level of sectoral plans.** Concrete alignment with budget plans takes place at the level of annual budgets, which are directly aligned with annual performance plans, annual operational plans and the allocated budget as illustrated in **Figure 5**.

**Figure 5.** South Africa: Relationships between strategic planning and budgeting processes

Financial Years	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Medium Term Planning and Budgeting	MEDIUM TERM STRATEGIC FRAMEWORK					MEDIUM TERM STRATEGIC FRAMEWORK					...
	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework	Budget Prioritisation Framework
	Medium Term Expenditure Framework			Medium Term Expenditure Framework			Medium Term Expenditure Framework			MTEF ending 2031*	
Strategic Plans	...	Five Year Strategic Plan					Five Year Strategic Plan				
Annual Performance plans	APP	APP	APP	APP	APP	APP	APP	APP	APP	APP	APP
Annual Operational Plans	AOP	AOP	AOP	AOP	AOP	AOP	AOP	AOP	AOP	AOP	AOP
Annual Allocated Budgets with MTEF projections	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget	Allocated Budget

\*The 2028/29 MTEF ends in the 2030/31 financial year.

Source: South Africa, Department of Planning Monitoring and Evaluation

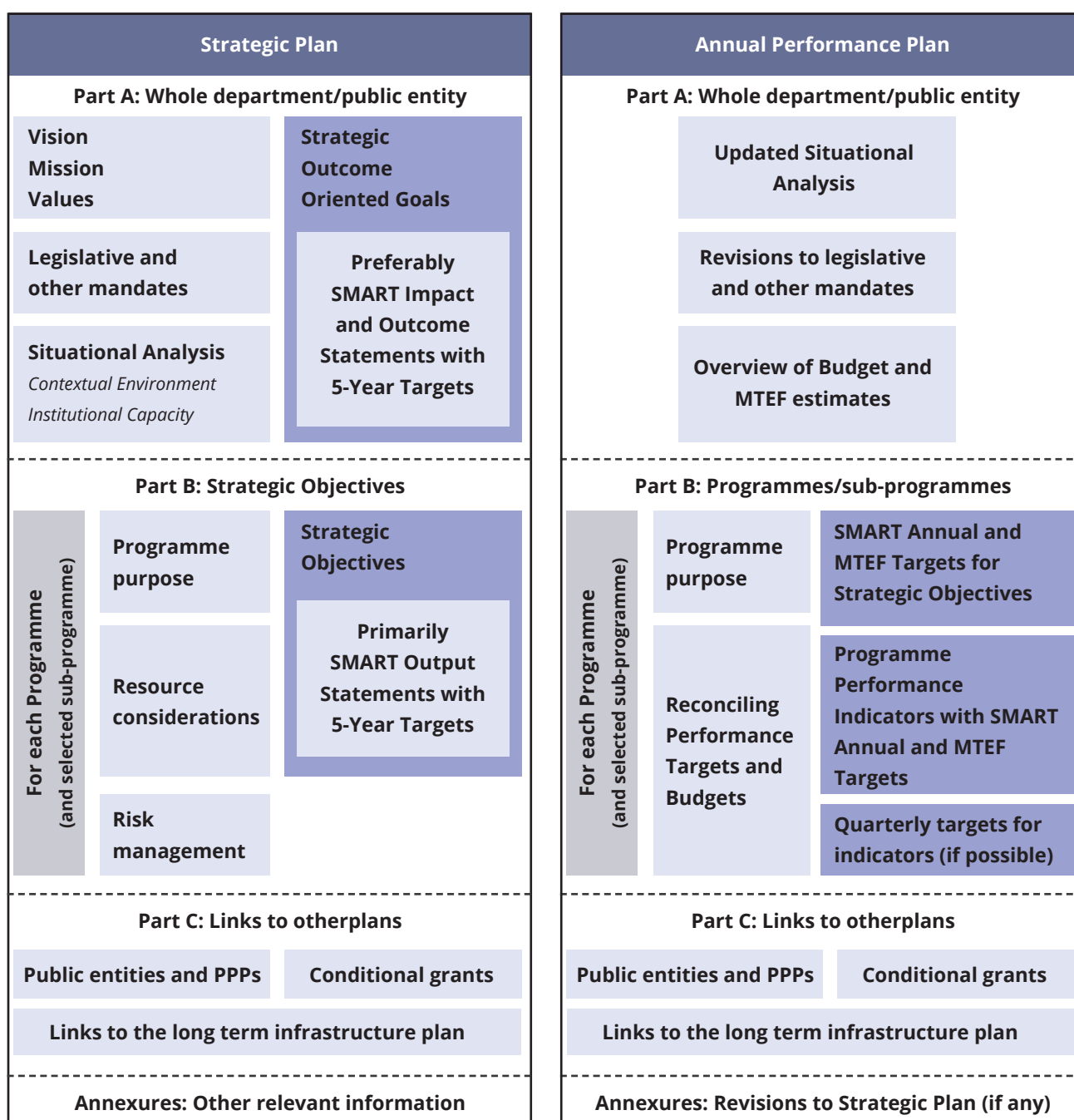
## Sectoral development plans

Planning by line ministries for their respective sectors is the process that provides the bridge between policy formulation and resource allocation, translating policy objectives into a set of proposed actions that can then be costed and included in the budget. This is also the process whereby top-down policy initiatives are reconciled with demands coming from the bottom up. Sector plans also need to accommodate policy priorities that require coordinated government-wide actions, such as

action in response to climate change and gender and integration of concepts such as “social inclusion” or “well-being”.

Sectoral plans are critical for the alignment of the budget with policy objectives since they provide a counterpart or reference point for sectoral allocations in Medium Term Expenditure Frameworks. They should provide justifications for changes in budget allocations. The example below (Figure 6) sets out the required content of sector/ ministry level strategic plans and related annual plans in the case of South Africa.

Figure 6. Structure and content of Strategic Plans and Annual Performance Plans





**More detailed templates for departmental strategic plans and annual performance plans are provided in Annexes A and B.**

## Strategic planning – recommendations

**A limited framework or set of strategic plans should be defined that provide a medium-term perspective, are recurring in nature, and are linked to the allocation of resources at national and institutional level.** This core set of plans needs to be prepared on a consistent basis across all ministries under the guidance of a central body. This framework should include, at a minimum:

- A medium-term national development plan that covers the governments term of office and is prepared within limitations established by governments fiscal policy framework (normally 3 to 5 years). In countries where there is an established system of national development planning covering a longer period, the medium-term plan would be a shorter-term version.

- Within the medium-term national plan, strategic programs and activities to deliver priority objectives should be identified and costed. The program structure should be agreed with the CBA and line ministries, consistent with the program structure of the budget.
- Sectoral strategies are prepared by each institution co-terminus with the medium-term national development plan. These must be prepared within the budget constraints specified in the Medium-Term Expenditure Framework.
- Sector strategies should define outcome-oriented objectives for their sectors that are explicitly linked to the achievement of national development plan objectives. Sector plans should elaborate programs and activities and related performance indicators and targets that will deliver sector specific goals. They should also set out how programs and activities contribute to the achievement of shared or cross cutting objectives in the national development plan.

**Depending on the administrative system of the country the requirements may be specified in law (e.g. planning or organic budget law) or set out in budget regulations and procedures.** Examples of each approach are provided by the cases of Bosnia-Herzegovina (**Box 1**) and Lithuania (**Box 2**).

### Box 1. Bosnia-Herzegovina: Law on Development Planning and Management

The Federal Ministry of Finance (FMF) initiated the development of the improved PPB system in coordination with changes to the strategic planning system with the objective of bringing the two processes into closer alignment. Preparation was closely coordinated by the Development Programming Institute of the Federation of Bosnia and Herzegovina leading to the adoption of the Law on Development Planning and Management in the Federation of Bosnia and Herzegovina (FBiH) and the subsequent adoption of the

2021-2027 Development Strategy of FBiH in 2022). The Law on Development Planning and Management prescribes the following key strategic documents: FBiH development strategy, sectoral strategies, 3-year institutional plans developed by each budget user, and annual institutional plans developed by each budget user. The 2021-2027 Development Strategy of FBiH includes 4 strategic goals, 18 priorities, and 78 measures. Performance indicators are defined for all of these levels.

**Box 2.** Lithuania: Strategic planning and budgeting reform

The Ministry of Finance, together with the Office of the Government and Central Project Management Agency implemented Strategic Planning and Budgeting Reforms over the period 2017-2024. The purpose was to develop a high-quality strategic planning system, strengthen performance budgeting, medium-term expenditure and program management, to ensure reallocation and execution of public finances in accordance to the needs for the sustainable socio-economic development.

In 2020 a Strategic Management Law was adopted. This established the principles of the strategic management system, defining the levels, types of planning documents, their interrelationships and influence on the planning of progress funds and operational funds, determines the participants of the strategic management system, their rights and duties, and consolidates the management provisions of the strategic management system.

A National Progress Plan (NPP) serves as an “umbrella” strategic document for all of the state’s performance areas over a 10-year period). It specifies state strategic goals, objectives, and impact indicators. It also sets out horizontal principles, financial projections for the period of 10 years, including state budget projections, planned EU and other financial assistance and other financing sources. To achieve the strategic goals and progress objectives set by the NPP, appropriation managers prepare 4-10-year documents – development programs and plan progress measures. Strategic, objectives and impact indicators, together with approved

progress measures and their result indicators, are transposed to appropriation managers’ 3-year strategic action plans. This ensures that all progress measures are derived from strategic documents and are based on analysis of alternatives, and on cost-benefit analysis. Budget programs may also include continuous measures with their own indicators, which may or may not be directly related to progress.

The medium-term (3 years) budget is closely integrated with the state’s strategic management framework by creating clear links between budget programs and strategic documents, such as development programs, and by linking the performance indicators set in the budget and strategic documents. Non-financial impact indicators for 15 performance areas in Budget Law have been approved since 2021. Impact indicators, along with the main objectives that the annual or three-year budget focus on, are derived from the NPP.

Programme budgeting rules were reviewed and updated, the structure of budget programmes was improved, appropriations limits and ceilings for 3 budgetary years were defined, performance areas were introduced in the budget documents, and periodic spending reviews were established.

In 2023 the amendments to the Budget Structure Law and related laws were adopted, which will be used to prepare and approve the first detailed and binding medium-term (3 year) consolidated budget for 2025-2027. Previously only general aggregated levels of 3-year revenue and expenditure were approved by the Parliament.

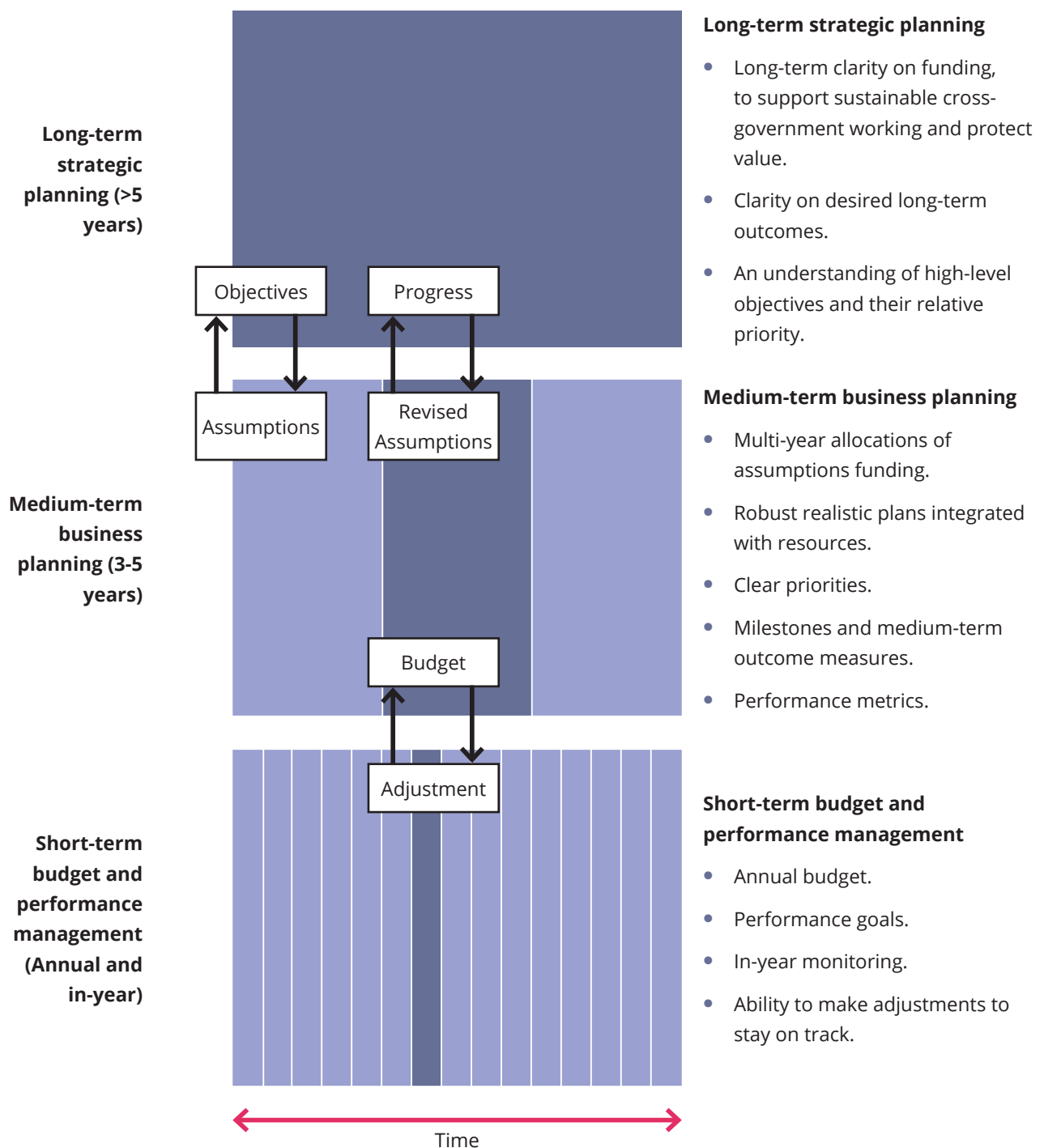
*Source: Lithuania – Ministry of Finance*

**Defining a limited set of strategic plans that are explicitly linked to the budget process should not preclude other longer-term plans and strategies. 10-, 20-, or 30-year strategies, and more detailed strategic plans developed by individual agencies to achieve specific results.** Each institutions medium term plan should provide an overview of these other plans and explain how these are linked and what part of them will be achieved under the medium-

term plan. Wherever they contain information that is relevant to budget planning these other strategic documents should be specifically referred to in the budget proposal.

**Effectively linking strategic planning and budgeting processes depends on them meeting a threshold of quality.** The key characteristics or pre-requisites are illustrated in **Figure 7**.

**Figure 7.** Pre-requisites for an effective planning and spending framework



**Some countries may need to link additional strategic plans that are an established part of their planning cycle and link to budget decision making.** Common examples in PEMPAL and OECD countries include:

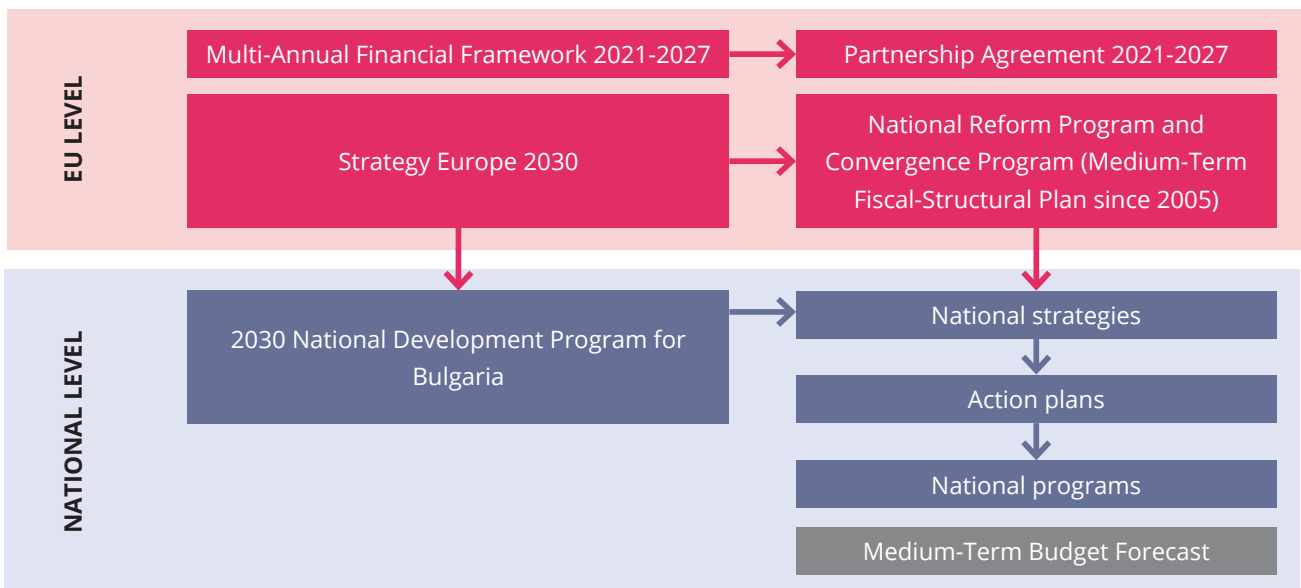
- Structural reform plans required by the EU under the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union
- National infrastructure development plans, especially in cases where this capital and recurrent budgeting processes are separate.

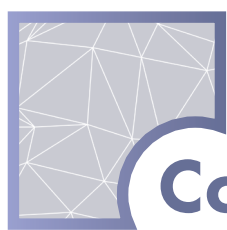
**Examples are provided by Bosnia-Herzegovina, and Bulgaria which has defined a core set of strategic plans that are linked to the budget process (see Figure 8).** This provides for links at both national and EU levels, matching requirements under the treaty.

**The center of government or the CBA should provide guidance on how to link strategic planning and budgeting processes.** Guidance should include a conceptual framework, plan formats, consultation processes and timetables to ensure effective overall coordination.

**The structure of performance areas and programs within the budget should be agreed with the central body responsible for planning to ensure coherence of the budget structure and national development objectives.** However, the comprehensive nature of the budget means that the relationship is one way, i.e. while all national development priorities should be reflected in budget programs, not all expenditure programs, especially those that have a stable and long-term character such as social insurance, need to be justified based on national strategic objectives.

**Figure 8.** Bulgaria: strategic planning framework





# Comparison of planning and budgeting

**When considering how to align planning and budgeting, it is important to recognize and respect their essential objectives, and to understand where they converge and where they differ.**

Planning is essentially “an organized, conscious and continual attempt to select the best alternatives to achieve specific goals.” Waterston (1969, 28). Strategic planning is essentially aspirational and expansionist in character with a time horizon stretching out over the medium-term (3-5 years) or long-term (10 or more years, e.g., “Vision 2050”). Planning has a medium to long-term outlook whereas budgeting is focused on the very short term. Planning asks, “what resources do we need in order to achieve our ambition?”, whereas budgeting asks “what’s the best we can do with the resources we have?”

**Long term national development plans are most often developed without reference to the budgetary resources needed to achieve them.** If resources are covered in the plan, this is secondary to the objective. Strategic plans will identify what resources are needed to achieve a goal and possible sources of financing, including but not necessarily limited to the budget.

**At the most basic level the budget is a document that forecasts and authorizes the annual receipts and expenditures of the state.** The budget envelope for the year ahead is derived from forecasts of government revenue and other financing available and limited funds are then allocated across various government functions, considering competing demands for funding.

**Budgets have developed from plans of a government’s revenues and expenditures for a period of generally one year ahead into comprehensive systems for allocating and**

**managing public resources over the medium term.**

They comprise a determination of the macroeconomic and fiscal framework, the preparation and issuance of budget instructions, the preparation and examination of budget proposals, negotiations on those proposals, the prioritization of competing proposals for funding, and the submission of these proposals for legislative approval (Schiavo-Campo 2007).

**The focus of strategic planning is typically narrower than the budget.** Strategic planning is focused on dynamic and transformative policies that will deliver governments policy objectives. These are transient in nature. Many governments chose to focus national strategic planning on cross-government transformational initiatives such as the development of national infrastructure, digitalization, environmental sustainability, social inclusion and wellbeing, that are not aligned with the structure of government or with budget programs.

**In contrast, the budget necessarily covers the full range of government activities.** Large areas of government expenditure, e.g. pensions and social insurance are essentially static or very slowly evolving. As such, they may not feature at all in the government’s policy program. Such profound differences create natural limits on the extent to which the two processes can or should be integrated.

**Therefore, governments should not attempt to fully harmonize planning and budgeting, even over the medium-term.** What should be possible is to ensure that:

- The governments strategic objectives and economic forecasts inform the development of the governments overall fiscal plan (MTFF) and strategic budget allocations (MTEF).

- The development of medium-term national strategic plans and sectoral plans respect the limits provided by the MTFF and the MTEF and are costed.
- All strategic plan priorities flow through into the content of budget programs, as shifts in allocations, new sub-programs and/or activities and changes in targets. In some cases, it may be necessary to restructure programs, but this should generally be avoided unless the case is very strong.
- New spending initiatives (bottom-up spending proposals) are evaluated against the priorities set out in strategic plans. These should be clearly referenced.



## Strategic budgeting

**In recent decades governments worldwide have taken major steps to make budgeting more strategic by aligning resource allocation to results with a medium -term perspective.** Bottom-up budgeting, whereby ministries requested incremental budget increases for new and expanded activities on an annual basis has been largely replaced by a “top down” approach driven by a medium-term fiscal strategy and sectoral allocations linked to policy priorities through programs.

**A broad international consensus has emerged around a core set of strategic budgeting tools that have been adopted, in different combinations, by many PEMPAL countries.** These include:

- Medium term fiscal frameworks
- Medium term expenditure (or budget) frameworks
- Performance budgeting
- Spending reviews
- Public investment plans

This rest of this section looks in more depth at how each of the tools helps align the budget to strategic

goals and identifies good practices that could be more generally applied to strengthen alignment.

## Medium Term Fiscal Frameworks – analysis

**A medium-term fiscal framework sets out the government’s plan for the medium-term in relation to revenues, expenditure and debt.**

MTFF is based on economic forecasts and sets out the government’s policy stance on fiscal aggregates, and any fiscal rules that the government adopts, or is required to comply with under international agreements. MTFF provides support to the government’s economic and social objectives by ensuring economic stability and it provides key parameters for planning activities and expenditures over the medium term.

**Fiscal policy objectives and rules are an important constraint affecting budgetary policy.** Fiscal rules are in force in 28 OECD countries. Several OECD

countries have a legislative provision to establish medium-term fiscal objectives which are not, in themselves, legally binding but which function instead as elements of political accountability.

**For countries that are members of the European Union, MTFF is an obligation under the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG).** Under revised rules introduced in 2024, member states are required to prepare a national medium-term fiscal structural plan for 4-5 years, depending on the term of the national legislature. In their plans, member states commit to a multi-year public net expenditure path, setting out how they will deliver investments and reforms that respond to the main challenges identified in the context of the European Semester, and in particular country-specific recommendations.

**The European Commission also provides a 'reference trajectory' for member states whose government debts exceeds the 60% of gross domestic product (GDP) or whose deficit exceeds 3% of GDP.** This indicates to the member state indicating how it can ensure that, by the end of a fiscal adjustment period of four years, government debt is on downward path, or will remain at prudent levels over the medium-term. The reference trajectory must be consistent with:

- a debt sustainability safeguard, to ensure a minimum decrease in public debt levels and
- a deficit resilience safeguard, to provide a safety margin below the Treaty public deficit reference value of 3% of GDP, in order to create fiscal buffers.

## Medium-term Fiscal Frameworks – recommendations

**Countries develop an MTFF that supports the medium-term development plan and ideally both should match the period of office of the government (3-5 years) or its medium-term planning horizon.** For example, in Ireland the government's fiscal plans are aligned with its policy program for the term of the government (see **Box 3**). Medium-term strategic plans at national and sectoral level should be consistent with the forecasts in the MTFF, at least for the period covered by the MTFF.

### **Box 3.** Ireland: Linking MTFF and program-based budgets to the government overall policy program

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. The parameters for developing the budget are determined by the annual summer economic statement that sets out the overall fiscal framework (MTFF) of revenues, spending and debt. Based on this each department prepares its Revised Estimates Volume (REV) or budget proposal in consultation with the Department of Public Expenditure. Within the DPE, dedicated teams of analysts work on the budget or "Vote" for each ministry, who prepare the budget in consultation with the finance teams in each

ministry and consult closely throughout the year on budget execution and any supplementary estimates.

The detailed budget estimates for each ministry/department are presented based on both economic classification basis and on a programmatic basis. Each program is clearly linked to the "statement of strategy" through its high-level goal. Performance indicators and targets are presented as part of the REV. One of the government's primary objectives in adopting this programmatic and performance linked approach is to communicate clearly what they want to spend money on and why.

## Medium-term Expenditure Frameworks – analysis

**A medium-term expenditure framework (MTEF) provides a structured approach to integrating fiscal policy and budgeting over a multi-year period.** MTEF links multi-year budget estimates to fiscal forecasts, fiscal policy objectives and fiscal rules. Forward estimates of expenditures in the MTEF become the basis of budget negotiations in the years following the budget and are reconciled with final outcomes in fiscal outcome reports.<sup>2</sup>

**The multi-annual approach provides clarity about the resources the ministries and agencies will have available over several years.** This supports a strategic approach to resource allocation, committing resources to finance longer-term structural changes and investments that will improve service delivery and performance in the medium term and helping to resist short-term budget pressures.

**MTEF is a top-down approach to budgeting, with the CBA imposing spending ceilings that ensure the allocations decided in the budgetary process are consistent with aggregate fiscal objectives.** For this approach to translate into successful outcomes, line ministries and agencies need to follow a disciplined approach to their own internal planning and budgeting processes, respecting the fiscal parameters set out in the MTEF and costing and prioritizing expenditure proposals based on strategic priorities.

**MTEF is a valuable planning tool that sets program objectives and spending levels 3-5 years ahead.** As such it represents a significant enhancement to government capabilities in many countries. Few OECD countries have distinct planning ministries or processes. Instead, they mainly rely on budgeting and often on sectoral ministries to develop policies and plans for the medium term and beyond. Since annual budgeting is an inadequate planning tool, owing to its short time horizon and the tendency to define issues principally in financial terms.

**Successful implementation of MTEF has delivered many benefits.** They have improved the

effectiveness of public spending by harmonizing public expenditure with national priorities, and supporting policies that require an extended time for implementation, such as large capital projects, new programs, and government restructuring. MTEFs have also supported fiscal discipline, by ensuring that budget estimates are prepared consistent with fiscal limits and available resources.

## Medium-term Expenditure Frameworks – recommendations

**During the development of the MTEF, systematic reference should be made to national strategic priorities.** The MTEF should indicate the main shifts changes in expenditure allocations over the period covered (3-5 years). An example from Sweden of a statement of shifts in expenditure allocations over the medium term is attached as Annex C.

**Allocations at sectoral level and below (policy area, program) should be discussed in a joint committee with key stakeholders prior to approval by CoG/cabinet and the legislature.** Key stakeholders include the CBA, the planning agency (if separate from the CBA), and sector ministries.

**Once fixed, the allocations in the MTEF should become the key financial parameters for the development of sector level multi-year strategic plans for a 3-5-year period.** Depending on the level of detail provided in the MTEF, this may extend down to the level of program level allocations.

## Program and performance budgeting - analysis

**Budget program structures provide the bridge that links an institution's objectives to its detailed operational budget.** The addition of performance

<sup>2</sup> OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264307957-en>



**Box 4. Bosnia-Herzegovina: linking budget programs to development strategies**

Budget programs are linked with strategies priorities/measures from the Development Strategy and relevant sectoral, by numerical coding so that each budget program identifies the strategic priority/measure to which it primarily contributes.

Budget users include the relevant key indicators from the Development Strategy and the relevant sectoral strategies in indicators for individual budget programs. Budget users may define additional output indicators, process/ input indicators for activities/projects in their institutional plans.

Budget users develop proposed activities/projects within each budget program in their institutional plans (and cost them). Based on the costs of all activities/projects within a budget program, budget users define the cost of that budget program which they will propose to the FMF for MTBF/annual budget. The key activities/projects are listed within the budget annex on budget performance indicators by budget program, but without the costs (as the budget is based on budget programs only).

*Source: BiH Federal Ministry of Finance, 2024*

budgeting where key performance indicators (KPIs) and targets are systematically used and monitored as part of the budget process further reinforces alignment of the budget to the government's strategic objectives.

**To make this link effective the program structure (including sub- programs and activities) of each institution should reflect its main areas of responsibility and service delivery.** Budget programs need to be broadly stable over time, so that they can be linked to strategic priorities and plans over the medium to long term. Performance targets and indicators also need to be stable to monitor the effectiveness spending over the medium to long term.

**Disconnects between strategic planning and budget programs are common because strategic plans typically focus on new initiatives and change, whereas budget structures are normally stable over the long term.** Much of what an institution does, does not change from one year to the next; or even from one strategic planning period to the next. Therefore, many activities that do not feature as high priorities in the strategic plan are nonetheless essential. Consequently, institutions should not change their budget structures to reflect plan priorities that are of high priority only in a particular period.

**The key principle to follow is that budget programs, activities and associated performance indicators and targets should respond clearly and transparently to the government's strategic objectives.** For example, In Bosnia-Herzegovina the Federal budget is prepared under rules that require systematic reference to a defined set of strategic documents as described above. **Box 4** provides additional details on how this works in practice.

**An additional level above the program level, variously, variously described as missions, policy or performance areas helps to link programs to higher level government objectives by aggregating contributing programs across ministries.** While programs provide the primary link between strategic plans and the budget, programs also have limitations, most notably where strategic policy objectives are transversal and require coordinated actions involving different agencies. Performance budgeting approaches in many countries address this by adding a level above that of the program. For effective coordination of budgets in support of higher-level objectives the government also needs to put in place administrative structures that bring together the main stakeholders and program managers, such as inter-ministerial or cabinet sub-committees.

**Good strategic budget documents clearly explain how resource allocation are shifting over time in response to strategic priorities.** For example, Estonia's State Budget Strategy include a section describing "discretionary budget measures" corresponding to priority policy objectives. Sweden's budget contains a statement setting out changes in resource allocations over the medium term by program (see Annex C). This includes both additional spending and saving initiatives. At the departmental annual preparation of medium-term budgets that include strategic objectives and performance targets have been attempted, for example in the UK, but with limited success. The hardest challenge is to overcome optimism bias and to acknowledge when resources are insufficient to deliver on political commitments.<sup>3</sup>

**The complexity of many of the problems that governments a retrying to solve calls for a logical framework type approach that factors in elements of risks and uncertainty.** Problems often arise where there is poor preparation and lack of clear thinking on the links between budget inputs, outputs and outcomes. The development of new policies and programs can be improved through systematic processes such as logical framework analysis. This ensures greater ensures rigor in program design, costing, selection of relevant indicators and improved risk identification and management. An example of such an approach applied to a new program proposal is illustrated in **Figure 9**.

**The use of templates for budget preparation, requiring ministries to document how spending programs contribute towards strategic goals provides discipline.** Templates are a simple way of ensuring that the strategic priorities of the administration, as set out in key planning documents, flow through to programs in transparent manner. The supreme audit institution can provide support to this process through independent review. They also provide a basis for tagging and reporting expenditures that relate to crosscutting objectives.

## Program and performance budgeting - recommendations

**Strengthen the quality of program design through use of robust analytical processes such as logical frameworks.** This should result in program that are better designed and reconciled with the available resources.

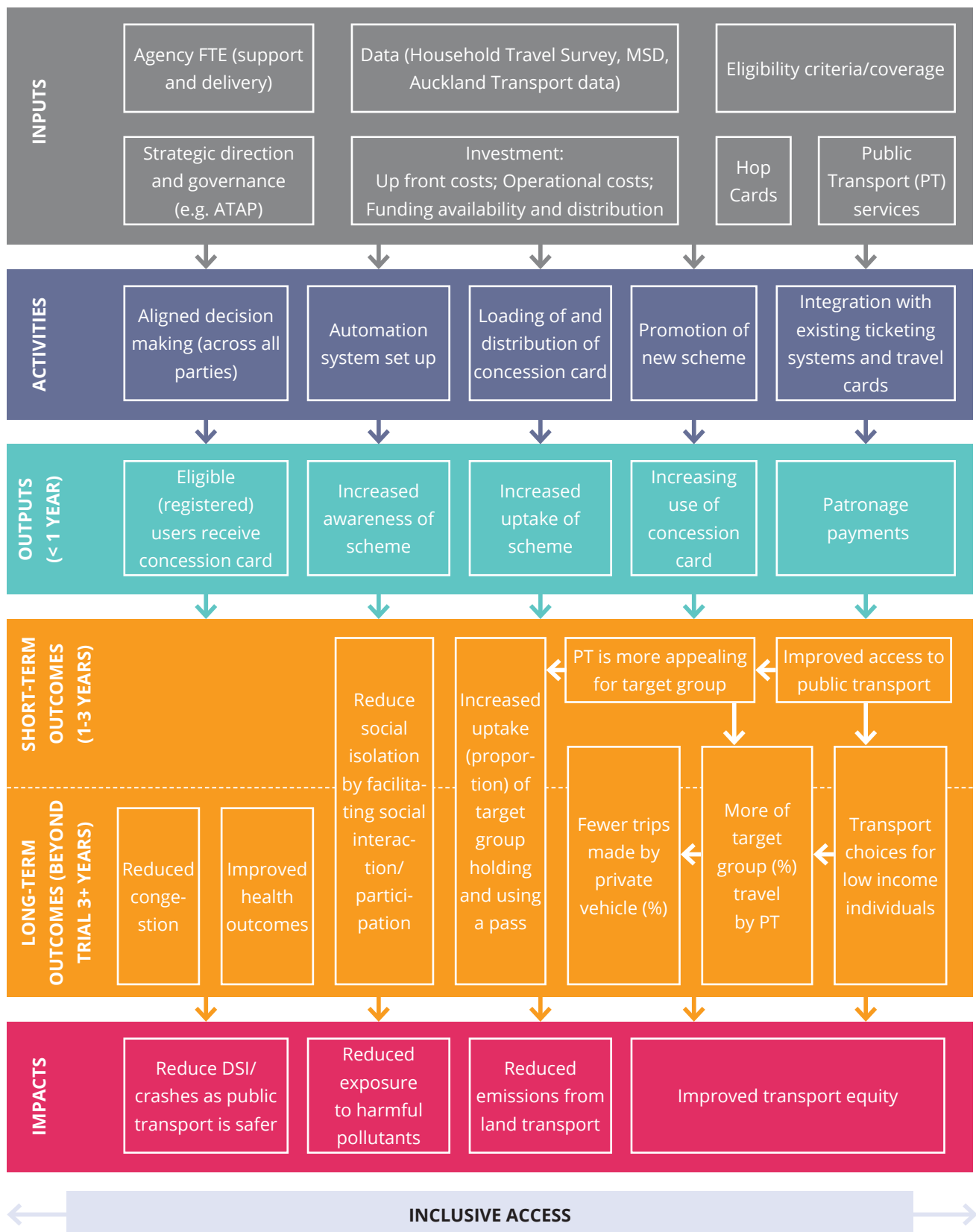
**Budget programs, activities and associated performance indicators and targets should respond clearly and transparently to the government's strategic objectives.** This can be supported through the use of standardized templates ensuring that the strategic priorities of the administration, as set out in key planning documents, flow through to programs in transparent manner.

**Budget documents should also include narrative explanations of strategic shifts in resource allocation that respond to strategic priorities.** This provides additional clarity on how the government's strategic priorities are supported by through reallocations within the budget.

**The addition of missions, policy/performance areas etc. that group related programs provides a bridging mechanism between strategic objectives and spending programs etc. require coordinated actions by multiple agencies.** These high-level objectives need to be reflected in the programs of contributing agencies, including the lead agency, with overall direction from the Centre of Government.

<sup>3</sup> Improving government's planning and spending framework, Report by the UK Comptroller and Auditor General, November 2018

**Figure 9.** 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.*

**Figure 9.** Linking program logic to strategic goals: New Zealand's Community Connect Program - continued

POTENTIAL INDICATORS	
<p><b>Delivery Agencies:</b></p> <ul style="list-style-type: none"> <li>• How much was spent (i.e. inputs) and on what (i.e. activities)</li> </ul> <p><b>Inclusive access (CSC Eligible Audience)</b></p> <ul style="list-style-type: none"> <li>• proportion lower income spending on transport</li> <li>• proportion of lower income population using concession (hop card data)</li> <li>• mode share for people — totals and %</li> <li>• unmet GP need due to lack of transport or other "essential journey"</li> <li>• perception of public transport</li> <li>• employment</li> </ul>	<p><b>Variables of interest: (Among target audience)</b></p> <ul style="list-style-type: none"> <li>• # of trips made (by mode) and purpose (increased social and education trips?)</li> <li>• \$ household spend on transport (by mode)</li> <li>• Perceptions of public transport</li> <li>• Perceptions of the trial</li> <li>• Barriers for accessing public transport</li> <li>• Socio-demographic details (incl. age, gender, suburb, income)</li> </ul>



## Spending reviews - analysis

### **Spending reviews are an important tool for aligning the allocation of resources with government strategic objectives and priorities.**

The key feature of spending reviews that differentiates them from MTEF and program budgeting is that they focus on baseline expenditure, identifying savings within existing public spending programs either to meet fiscal objectives, or to reallocate to higher priority areas. More than three quarters of OECD countries now make use of spending reviews, although almost half (12 out of 30 countries surveyed) use them on an ad hoc basis. Spending reviews have been assessed by OECD countries as being most effective as a tool for reprioritization of spending, and the OECD recommends that they become a permanent feature of the budget preparation process.

**In many countries, spending reviews have evolved from an initial focus on spending cuts across government, so called "comprehensive spending reviews" toward more varied approaches and objectives generally referred to as "Targeted reviews".** These are highly varied and cover a wide range of topics including reviews of specific programs, policy areas, agencies or business processes such as management of fixed assets.

**In several countries spending reviews have become systematized as an annual or multi-annual exercise.** For example, in Denmark, between 10-15 special studies are carried out each year focused on increasing the space for new expenditure priorities. (OECD, 2013: 10, 13). The Netherlands

**Figure 10.** Netherlands: Spending review topics 2021-2024

2021	2020	2023	2024
<ul style="list-style-type: none"> <li>• Financing the energy transition</li> <li>• Spatial planning</li> <li>• Housing of education</li> <li>• Agencies</li> <li>• Real estate of Ministry of Defense</li> </ul>	<ul style="list-style-type: none"> <li>• Public investments</li> <li>• Wealth distribution</li> <li>• Youth criminality</li> <li>• Primary and secondary education</li> <li>• Geriatric care</li> <li>• Simplifying social security</li> </ul>	<ul style="list-style-type: none"> <li>• Climate</li> <li>• Biodiversity</li> <li>• Future proof vocational colleges</li> </ul>	<ul style="list-style-type: none"> <li>• Instruments for the housing industry</li> <li>• Financing enterprises</li> <li>• Efficient higher education</li> <li>• Pensions</li> <li>• Problematic debts</li> </ul>

Source: Netherlands Finance Ministry

and Finland have similar ongoing spending review programs that are updated annually. The Netherlands provides an example of spending reviews that address a variety of issues of high strategic relevance to the government (see **Figure 10**).

**Ireland provides a typical example of the evolution of spending reviews from comprehensive spending reviews, carried out every few years, towards a rolling program supporting wider strategic objectives (see Box 5).**

**Box 5.** Spending reviews in Ireland

Spending reviews have become an integral part of the budget setting process in Ireland. They have evolved from an exercise focused on identifying ways to cut expenditure into a strategic tool, looking at areas of expenditure to identify potential savings or ways to improve performance and policy. As a platform for evidence-informed policy making, objectives include the following:

- increasing the use of a wide range of data sources upon which policy analysis can be conducted.
- fostering engagement, learning and deliberation between Departments in relation to the formulation and implementation of public policy based on policy insights.
- Assessing the effectiveness of public expenditure in meeting policy objectives.
- Effectively feeding policy insights based on data into all stages of the policy process, including at Budget time; and

- Use of evidence and insights to inform programs of reform and initiate reform where appropriate.

A Steering Group of senior level officials provides high-level oversight of the process; meeting regularly throughout the spending review cycle to ensure analysis is policy relevant, impactful and supports the achievement of overall spending review objectives.

Implementation is overseen by the Irish Government Economic and Evaluation Service (IGEES), which is independent of the Department of Public Expenditure. They prepare ex-ante and ex-post expenditure review papers. Spending reviews may be initiated by IGEES itself, the Department of PE and by ministries. Ideas are presented to the Steering Group. Spending review reports are published and available to the public on-line.

Source: Ireland, Department of Public Expenditure and Reform

The adaptability of spending reviews makes them a valuable counterpart to strategic planning at both national level, sectoral level or for individual programs, helping to improve the impact of programs and to reallocate resources in support of the government's strategic priorities.

## Spending Review - Recommendations

**At the start of a new government's term of office, government should consider initiating a comprehensive spending review process.** The main objective is to free up resources from within the existing baseline to finance new programs and activities that support the new government's strategic objectives. For example, Ireland and the UK have undertaken comprehensive reviews at the start of a new administration as the basis for formulating medium term expenditure plans.

**Alternatively, if there is a well-established process of annual spending reviews, the incoming administration should agree on priorities for a spending review program that aligns with**

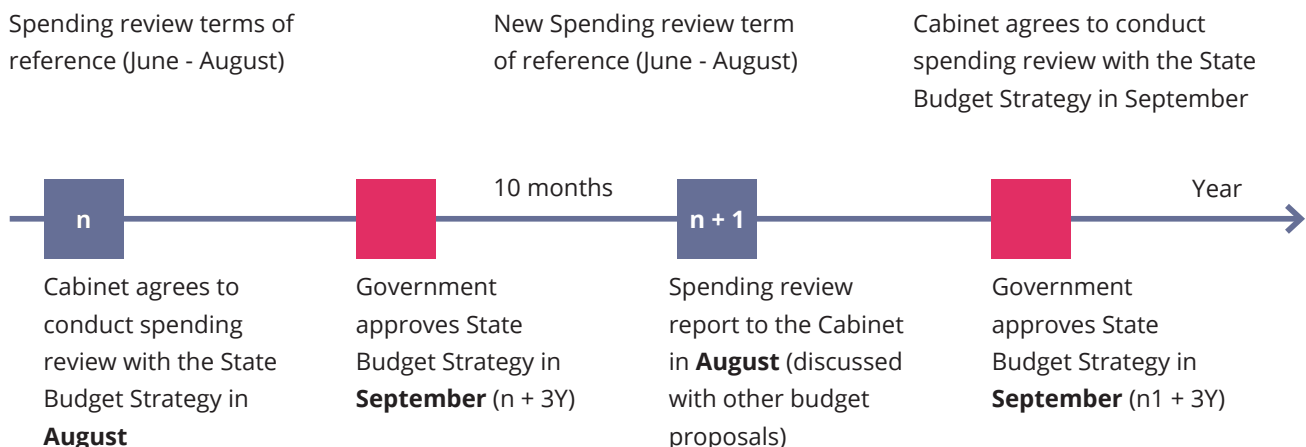
**the strategic priorities and concerns of the government.** This program may be a rolling program as extend over a period of more than one year, as in the cases of Ireland.

**The timing of spending reviews needs to be coordinated with the timetable for budget preparation, including the development of pre-budget estimates, MTEF and sectoral spending proposals.** Advance planning, with SR treated as the first stage of the budget preparation process, is key to their impact. Depending on the complexity of the topic spending reviews may take varying lengths of time to complete. The start date of the spending review therefore needs to be worked backwards from when the report is needed, although it may also be the case that recommended changes in policy will need several years to be fully implemented, with most of the impact felt in the medium term, and not in the budget for the next year. For an example of the spending review timeline see the example from Estonia in **Figure 11**.

**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.**

This is an approach that has been used by the Canadian government, providing some incentives for ministries to identify savings.

**Figure 11.** Estonia: Timeline for Spending Reviews



Source: Estonia, Ministry of Finance



# Public investment planning and budgeting - analysis

**Long term capital investment is one area of expenditure where the value of aligning strategic planning and budgeting perspectives over the medium to long term has long been recognized.**

Important strategic investments need funds to be committed for a multi-year period and protected from short term budgetary pressures. For this reason, it is a common practice to develop a separate process for planning and budgeting major capital spending.

**In 2018, more than half of OECD countries reported having an overall long-term strategic infrastructure vision that cuts across all sectors.**

Even so practices vary widely, and one third of countries had infrastructure strategies at sectoral level only, and then only for a few capital-intensive sectors (e.g. roads, railways, energy, housing, health) and a number of countries fully separate capital and recurrent budgeting.

**Public investment is typically a shared responsibility across levels of government.**

Different levels of government may share responsibility for both policy and funding which makes governance complex. At sub-national level public investment choices should be based on a development strategy linked to creation of opportunities and removal of impediments to growth in each locality. It is also important to seek complementarities and reduce conflict between sectoral strategies. For example, investments in housing need to be complemented by the right investment in power supply and transport networks. Such complementarities often need to be constructed and combined into integrated strategies. In New Zealand, all sub-national governments are required

to develop long term plans that set out spending and investment intentions for the coming ten years. These are designed to ensure investment decisions by sub-national governments are integrated and linked to each community's desired outcomes.

**The planning horizons in the PIP and the MTEF/MTEFA are typically mismatched because most strategic investments require commitments that stretch far beyond the typical 3-year time horizon of the MTEF/MTEFA.** Nonetheless there is no reason why the PIP and sector investment plans should not be consistent with medium-term budget frameworks. In many countries, extra-budgetary financing, (including public private partnerships) and development finance from international bodies is used to supplement budget resources. For this reason, it is important that the PIP clearly identifies the funding sources for each investment and the contributions required from the budget,

**A key mechanism for ensuring alignment with strategic objectives is through a process of evaluation and selection.** In advanced countries the selection process is based on filtering to ensure alignment with priorities set out in strategic plans and cost benefit analysis. In this way a shortlist of costed proposals can be built up into a public investment program (PIP) that supports the goals and objectives in a national development plan. Some countries provide rough estimates of the total cost of these projects, sometimes broken down by year, but the quality of these projections varies widely. In more advanced systems, the public investment program includes a pipeline only of projects that have been subject to prior evaluation.

## Public Investment Planning - recommendations

**Public investment plans should provide clear references linking individual investments to national strategic goals and, at the same time, be consistent with medium-term fiscal and budget frameworks.** The example of Ireland (**Box 6**) illustrates how these principles have been applied in the development of its strategic investment program.

**Selection of individual projects for inclusion in the national or sectoral Public Investment Program is based on consistent evaluation and filtering process.** This should include filters for 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.

**National public investment programs (PIP) should be prepared within the parameters provided by**

**Box 6.** Strategic Investment Planning in Ireland

Ireland prepared a National Development Plan (NDP) for 1989–1994 as the basis for a request for European Union financial support. The second National Development Plan, for 1994–2000, was largely a strategic investment plan. New plans have been prepared at regular intervals and the focus has shifted from European Union financing to national investment priorities. The current plan covers the period 2018–2027.

### Strategic Investment Priorities in Ireland's 2018–2027 National Development Plan

Priorities	Euros (in millions)
Compact growth	14,500
Enhanced regional accessibility	7,300
Strengthened rural economies	8,800
Sustainable mobility	8,600
Strong economy	9,400
High-quality international connectivity	4,800
Enhanced amenity and heritage	1,400
Transition to a low-carbon, climate-resilient society	21,800
Sustainable water and environment	8,800

Priorities	Euros (in millions)
Access to childcare, education, and health services	20,100
Other sectors	3,000
Contingency	7,400
<b>Total</b>	<b>195,900</b>

The NDP 2018–2027 is managed by the Department of Finance. The plan is fully costed, and fully coordinated with the budget process. The NDP provides financing indications that are consistent with long-term fiscal projections, and these will be updated and revised during medium-term and annual budget considerations. Capital investment allocations are provided for a five-year period and will be rolled over annually. The NDP 2018–2027 combines direct investment by the Exchequer of €91 billion and state-owned sector investment of around €25 billion. This will increase public investment from about 3 percent to about 4 percent of gross national income during the period. The NDP includes 10 strategic investment priorities that are aligned with the 10 strategic outcomes in the National Planning Framework and identifies 43 major investment projects or programs. There is a substantial contingency allocation. Annual progress reports show that the NDP has been effective in guiding public investment in Ireland.



**the MTEF.** In countries where investment planning is managed on a sectoral basis, sectoral investment plans should be prepared within the constraints of the MTEF. Recurrent cost implications (operations, maintenance, staffing etc.) need to be identified and reconciled with recurrent budget envelope.

**The timetable for preparation of the PIP should be aligned with the timetable for general budget preparation.** Capital investments should be presented together with all other expenditure in the MTEF and in sector budgets, including funding sources and recurrent cost implications.

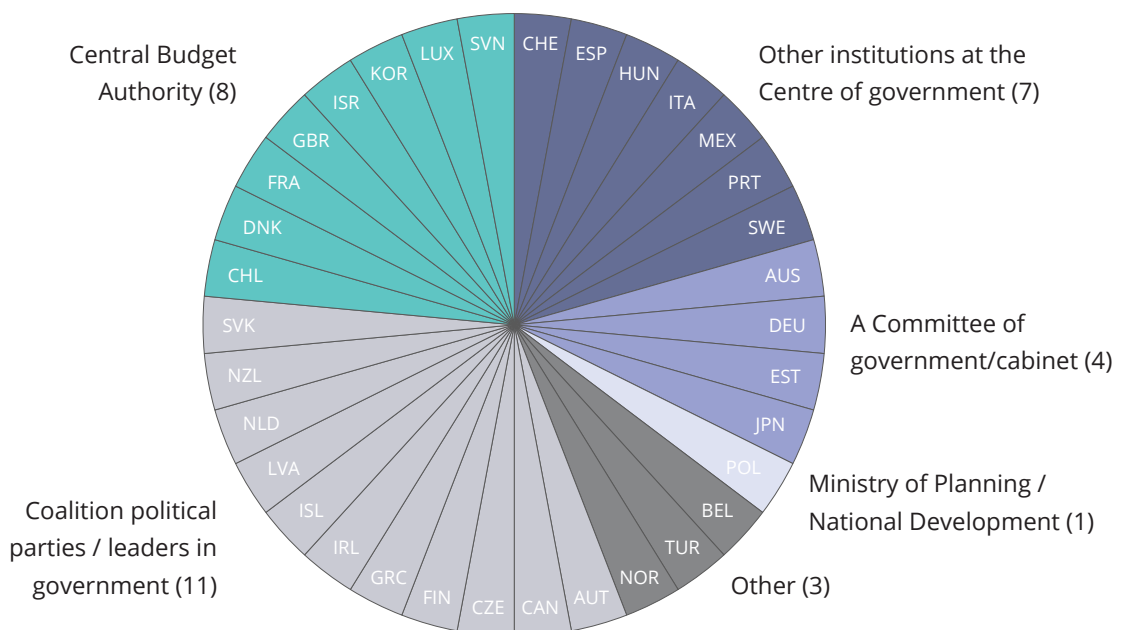


# Institutional arrangements

**Planning and budgeting are separate processes with distinct and different objectives.** The tension between these competing perspectives is potentially constructive, leading to better outcomes. In practice, however, when the two perspectives are often unreconciled. It is common for strategies to be developed without fiscal constraints, and budgets often prepared that show no obvious response

to strategic policy objectives of the government. Institutional separation adds to the challenges of alignment and likely helps account for why the link between strategic planning and budgeting is one of the weakest features of PFM systems internationally as measured by PEFA (Indicator PI16-iii). Differences from one country to the next will also impact how the good practices proposed in this note are applied.

**Figure 12.** Institutions responsible for strategic planning in OECD countries



Source: OECD 2019

### Institutional roles and responsibilities for strategic planning are diverse as illustrated in Figure 12.

A 2019 report by the OECD, identified at least six different institutional models. The most common arrangement is a politically led processes, with the CBA itself (8 countries), and the center of government not far behind. In terms of mechanisms to promote such alignment, these include discussion at Cabinet/ Council of minister (15 countries) and reliance on a medium-term expenditure framework MTEF which explicitly aligns budgetary allocations with medium-term plans and priorities (14 countries).

## Center of Government

**A 2017 survey of the organization and functions of centers of government provides evidence of the critical importance of collaboration between the center of government and the ministry of finance in ensuring that national strategies are properly financed and respect the country's fiscal framework.** Given that budgetary decisions are the single most important factor determining whether strategic objectives can be delivered, discussions on budget alignment with strategic plans merits close collaboration between the CBA and the center of government. It also highlights the role that centers of government play in a significant minority of countries in ensuring that strategic plans prepared by line ministries are also properly costed and respect fiscal constraints (see **Figure 13**). However, strategic

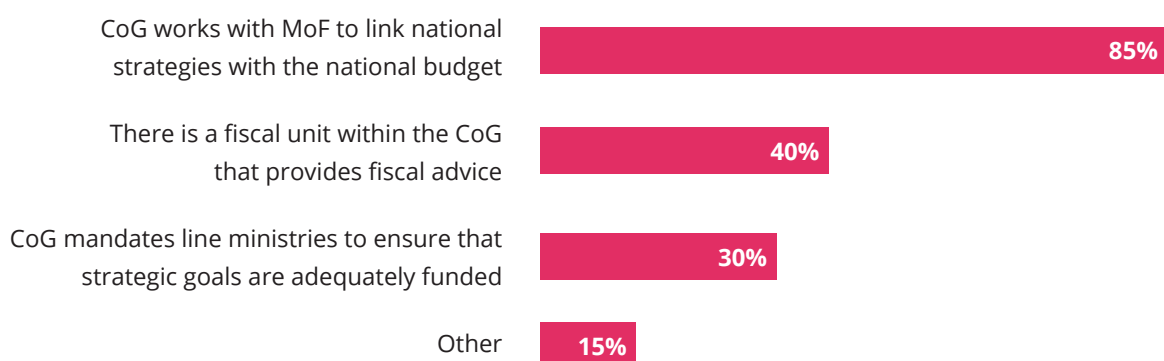
planning for the whole of government was considered a key responsibility of the center of government in only a little more than half of the countries surveyed. CoGs focus is more on co-ordination and oversight than strategic priority setting, for example ensuring that line ministries have longer-term plans, and providing guidance on their design and content.

## Separate planning agency

**Many PEMPAL countries have a centralized agency responsible for the planning function, normally under the centre of government. In OECD countries, this is uncommon.** Planning functions are more commonly under the centre of government. A typical example is France Strategie, (General Commission for Strategy and Foresight) which is part of the office of the prime minister. Typically, such institutions are responsible for long term planning at national level and may also support and guide strategic planning at lower levels (sector/region).

**To improve in process design and management to bring planning and budgeting into closer alignment requires strong coordination between the CBA and any other central body responsible for the planning function.** This may require the direct involvement of a very senior official such as the prime minister or deputy prime minister, at least to initiate the joint reform effort and endorse the recommendations. This may also require changes in legislation governing planning and/or budgeting.

**Figure 13.** Institutions responsible for strategic planning in OECD countries



Source: Survey on Organization and Functions of the Centre of Government, OECD (2017).

## Integrated planning and budgeting in the CBA

Among OECD countries, a significant number integrate overall responsibility for both planning and budgeting functions under the central budget authority. While this makes the task of coordination much easier there is typically a significant divide in terms of skills and outlook between departments with the CBA responsible for the two functions.

## Planning devolved to line ministries/agencies

Many OECD countries have never had a centralized planning process. Strategic planning processes are not centrally defined and there no consistency in the definition of strategic documents apart from externally mandated plans such as those required by the European Commission in respect of the stability and growth pact and the European Semester. In such cases coordination may be easier (e.g. task the Centre of government or the CBA) but the task more substantial, i.e. to define a government-wide package of strategic documents, legislate, develop detailed guidance, pilot, train etc.

Some countries have attempted to use inter-ministerial committees and commissions to better coordinate the work on planning and budgeting and to achieve a balance between the competing policy objectives noted previously. An example is Colombia where a high-level committee composed of cabinet ministers (*El Consejo Nacional de Política Económica y Social, CONPES*), chaired by the president, approves the national development plan, the medium-term fiscal framework, and the annual budget, after the latter has been reviewed by the CONFIS (*Consejo Superior de Política Fiscal*). CONFIS is chaired by the Minister of Finance with full participation of the National Planning Department.<sup>4</sup>

## Recommendations

**Central Budget Authority or Centre of Government manages key exchanges of information between budget and planning authorities during the development of core strategic plans, MTFF, MTBF, and annual budget process.** These will typically involve the prime minister's office, cabinet office or planning body. This is important due to the centrality of the budget process to the achievement of government policy objectives. The forum would typically be a cabinet committee. South Africa provides a good example of a structured overall approach to alignment, promoted by the finance ministry. The National Treasury Framework for Strategic Plans and Annual Performance Plans identifies the key documents, information flows, timetable and content guidelines that ministries and agencies can follow. This includes specifics such as:

- 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.
- Define linkages between medium-term strategic plans, budgets and other related processes, including institutionalized spending reviews and longer-term (e.g. 10-year plans) and shorter term (annual budget and performance plans).

In case responsibility for both planning and budgeting is with the CBA, the focus of coordination should be with the center of government, to establish the overall direction of policy and strategy, and with line ministries and agencies.

<sup>4</sup> Well Spent: How Strong Infrastructure Governance Can Prevent Waste in Public Procurement: IMF



# Towards good practice recommendations

**Existing guidance on linking strategic planning and program/performance budgeting is limited and high level.** The principal sources identified by this study are:

**The OECD Principles of Budgetary Governance. Principle 2 advises that governments should “closely align budgets with the medium-term strategic priorities of government.”** This is broken down into five further sub-objectives or principles;

- Developing a stronger medium-term dimension in the budgeting process, beyond the traditional annual cycle.
- Organizing and structuring the budget allocations in a way that corresponds readily with national objectives.
- MTEF has real force in setting boundaries for the main categories of expenditure for each year of the medium-term horizon.
- Nurturing a close working relationship between the Central Budget Authority (CBA) and the other institutions at the center of government (e.g. prime minister’s office, cabinet office or planning ministry), given the inter-dependencies between the budget process and the achievement of government-wide policies
- Considering how to devise and implement regular processes for reviewing existing expenditure policies, including tax expenditures, in a manner that helps budgetary expectations to be set in line with government-wide developments.

**The Public Expenditure and Financial Accountability assessment tool (PEFA).** This implicitly defines good practice through its

assessment tool. Specifically PI-16, which assesses medium-term perspective in expenditure budgeting has a sub-indicator (iii) which assesses alignment of strategic plans and medium-term budget. This states that:

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

### **OECD Good practices on performance budgeting.**

Good Practice 2: Performance budgeting aligns expenditure with the strategic goals and priorities of the government.

- Budget proposals are systematically linked to relevant development plans, government program commitments and other statements of strategic direction and priority.
- Multi-year budget frameworks provide realistic and reliable fiscal parameters for the preparation of performance budgets.
- The achievement of complex objectives, requiring inter-ministerial collaboration, is supported by central government co-ordination of activities and budgets.

**Building on these general principles this report offers more specific guidance.** For simplicity this is brought together by topic area and summarized in the table below and further summarized in the Executive Summary at the beginning of this report.

**Figure 14.** Summary of specific guidance

Topic	Existing guidance	Additional Guidance
Strategic Planning	Strategic plans should identify resources required to achieve medium- to long-term objectives and planned outputs and outcomes. The plans should identify the cost implications of current policy commitments, including any funding gaps, as well as prioritize new expenditure policy proposals consistent with government policy objectives".	<p>A limited framework or set of strategic plans should be defined that provide a medium-term perspective, are recurring in nature, and are linked to the allocation of resources at national and institutional level.</p> <p>Some countries may need to link additional strategic plans that are an established part of their planning cycle and link to budget decision making.</p> <p>The structure of performance areas and programs within the budget should be agreed with the central body responsible for planning to ensure coherence of the budget structure and national development objectives.</p>
Medium Term Fiscal Framework	No specific guidance on strategic planning links	Countries develop an MTEF that supports the medium-term development plan and ideally both should match the period of office of the government (3-5 years) or its medium-term planning horizon.
Medium Term Expenditure Framework	<p>MTEF has real force in setting boundaries for the main categories of expenditure for each year of the medium-term horizon.</p> <p>Multi-year budget frameworks provide realistic and reliable fiscal parameters for the preparation of performance budgets.</p>	<p>During the development of the MTEF, systematic reference should be made to national strategic priorities. The MTEF should indicate the main shifts changes in expenditure allocations over the period covered (3-5 years).</p> <p>Allocations at sectoral level and below (policy area, program) should be discussed in a joint committee with key stakeholders prior to approval by CoG/cabinet and the legislature.</p> <p>Once fixed, the allocations in the MTEF should become the key financial parameters for the development of sector level multi-year strategic plans for a 3–5-year period.</p>
Program and performance budgeting	<p>Budget proposals are systematically linked to relevant development plans, government program commitments and other statements of strategic direction and priority.</p> <p>The achievement of complex objectives, requiring inter-ministerial collaboration, is supported by central government co-ordination of activities and budgets.</p>	<p>Strengthen the quality of program design through use of robust analytical processes such as logical frameworks. This should result in program that are better designed and reconciled with the available resources.</p> <p>Budget programs, activities and associated performance indicators and targets should respond clearly and transparently to the government's strategic objectives.</p> <p>Budget documents should also include narrative explanations of strategic shifts in resource allocation that respond to strategic priorities.</p> <p>The addition of missions, policy/performance areas etc. that group related programs provides a bridging mechanism between strategic objectives and spending programs etc. that require coordinated actions by multiple agencies.</p>

Topic	Existing guidance	Additional Guidance
Spending Reviews	No specific guidance on strategic planning links.	<p>At the start of a new government's term of office, government should consider initiating a comprehensive spending review process.</p> <p>Alternatively, if there is a well-established process of annual spending reviews, the incoming administration should agree on priorities for a spending review program that aligns with the strategic priorities and concerns of the government.</p> <p>The timing of spending reviews needs to be coordinated with the timetable for budget preparation, including the development of pre-budget estimates, MTEF and sectoral spending proposals</p>
Public Investment Planning	No specific guidance on strategic planning linkages	<p>National public investment programs (PIP) should be prepared within the parameters provided by the MTFF.</p> <p>Public investment plans should provide clear references linking individual investments to national strategic goals.</p> <p>The timetable for preparation of the PIP should be aligned with the timetable for general budget preparation.</p> <p>Capital investments should be presented together with all other expenditure in the MTEF and in sector budgets, including funding sources and recurrent cost implications</p>
Institutional arrangements	No specific guidance on strategic planning linkages	Central Budget Authority or Centre of Government manages key exchanges of information between budget and planning authorities during the development of core strategic plans, MTFF, MTBF, and annual budget process.



## Implementation considerations

**The recommendations in the report represent an idealized model, based on the assumption that the various elements of the strategic planning and budgeting processes are in place and fully functional.** In practice, implementation of the recommendations will look different depending on variations in existing practices and institutions.

**Individual actions from the list of recommendations may also deliver benefits independently and different solutions could be adopted, for example to reconcile/integrate strategy and budget in one document** (e.g. national budget strategy, sector strategy, or a more developed version of MTEF).

**There are also limits to the extent to which integration is possible, given the different objectives and scope of plans and budgets.** For example, if countries are required to comply with EU fiscal rules additional strategic documents need to be brought into alignment. Some countries may choose to combine strategic planning and budgeting in a unified plan (e.g. State Budget Strategy) or sectoral budget strategy, while others prefer to maintain a clear distinction between plans and budgets.

**Governments are advised to ensure that the basic elements of the planning and budgeting systems are robust before building additional structures on top of existing processes.** For example, unless fiscal forecasting is reliable, the MTEF will not provide a reliable basis for medium-term planning.

**Similarly, the quality of the MTEF is heavily dependent on the reliability of the annual budget and underlying costings.** If the current year budget is not credible then forecast expenditure in the MTEF will not be credible either.

**Bringing two highly complex processes within government into closer alignment is a challenging task.** The more so when elements of the existing processes are themselves not fully functional, or operating at a sub-optimal level. Partial implementation of the recommendations would represent a substantial achievement.

**Ministries of Finance also need to work on the availability of data and the capability of data processing systems (e.g. budget planning module of FMIS) to provide support, for example to cost new spending proposals.** MoF may also need to take a leading role in developing systems that can aggregate non-financial performance data and compare this with finance data.



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## Annex A

# Generic Template for Sector Strategic Plans

## Contents

A table of contents should be provided that identifies the individual strategic planning elements, appendices and any other additional material. For example:

<b>Part A: Strategic overview</b> .....	
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 .....	
<b>Part B: Strategic objectives</b> .....	
7. Programme X (insert name of programme) .....	
7.1. Strategic objectives .....	
7.2. Resource considerations .....	
7.3. Risk management .....	
<b>Part C: Links to other plans</b> .....	
8. Links to the long-term infrastructure and other capital plans .....	
9. Conditional grants .....	
10. Public entities .....	
11. Public-private partnerships .....	
<b>Annexure C.</b> .....	
Part A: Strategic overview .....	
Part B: Programme and subprogramme plans .....	
Part C: Links to other plans .....	
<b>Annexure D.</b> .....	
<b>Annexure E. Technical indicator descriptions and examples</b> .....	

## Part A: Strategic overview

### 1. Vision

State the institution's vision.

### 2. Mission

State the institution's mission.

### 3. Values

List the institution's values.

### 4. Legislative and other mandates

Set out the specific constitutional and other legislative, functional and policy mandates of the institution. Focus on the legislative and other mandates that the department is directly responsible for implementing, managing or overseeing — not the entire list of legislation that the institution is subject to in the course of its operations.

#### 4.1. Constitutional mandates

State the relevant section(s) of the Constitution and how the department or public entity is directly responsible for ensuring compliance with this section(s).

#### 4.2. Legislative mandates

State the name of the relevant act and outline the key responsibilities this legislation places on the institution.

#### 4.3. Policy mandates

State the name of the policy and outline the key responsibilities it places on the institution.

#### 4.4. Relevant court rulings

Complete this section if there are any specific court rulings that have a significant, ongoing impact on

operations or service delivery obligations. Name of court case: [outline the impact the court ruling has on the institution's operations or service delivery obligations]

#### 4.5. Planned policy initiatives

Indicate in point form the most important policy initiatives the department plans to continue or initiate in the period covered by the plan. This section applies to departments only.

### 5. Situational analysis

Present broad information on the performance and broader institutional environment based on the detailed information gathered in the strategic planning process. Institutions' various medium and long term policies and plans should also be considered. Budget planning should be informed by identified key policies and plans of institutions.

National and provincial departments in each concurrent function sector should work together to standardise the kinds of information presented here. For example, it would be useful if all departments in a particular sector could present information on different aspects of their services and structure using the same sets of institutional and explanatory indicators.

#### 5.1. Performance environment

Summarise key issues in the delivery environment, providing important background information on demand for services and other factors that have informed the development of the Strategic Plan. Present a range of explanatory indicators that reflect the demand for services and the nature of the challenges to be addressed.

#### 5.2. Organisational environment

Summarise the structure of the institution and highlight any important issues. The objective is to provide information on the capacity of the institution and other internal factors that have informed the development of the Strategic Plan.

### 5.3. Description of the strategic planning process

Describe the activities and processes followed to develop the Strategic Plan, including timetables and stakeholders consulted.

## 6. Strategic outcome oriented goals of the institution

State the institution's strategic outcome oriented goals.

Departmental outcomes identified by the Presidency must be reflected here as goal statements.

Strategic Outcome Oriented Goal 1	Provide a short title for the outcomes stated goal
Goal statement	Write the outcomes stated goal out in full — ideally this statement should be SMART

Provide similar information for each strategic outcome oriented goal set by the institution. For each strategic outcome oriented goal complete a technical indicator description (see Annexure E for examples), which should be posted on the institution's website along with the Strategic Plan.

## Part B: Strategic objectives

This section covers the strategic objectives identified to achieve the set goals. The strategic objectives that have been identified should be related to and discussed within the context of the approved budget programme structure.

### 7. Programme X (insert name of programme)

State the programme purpose as stated in the budget documentation. Provide a brief description of the programme: how it is structured, what institutions are responsible for the performance delivery and whether there are any key categories of personnel where the trends need to be monitored. Wherever possible

use succinct tables, graphs and maps to present the information. The description should not exceed three pages.

#### 7.1. Strategic objectives

State the institution's strategic objectives for the programme.

Strategic Objective 1.1.	Provide a short title for the strategic objective
Objective statement	Write the objective out in full — this statement should be SMART
Baseline	What is the present baseline level of performance in relation to this strategic objective?

And so on, for as many strategic objectives as there are for the programme.

For each indicator the institution must complete a technical indicator description (see Annexure E), which should be posted on the institution's website along with the Strategic Plan.

#### 7.2. Resource considerations

Discuss the resourcing issues considered when developing the strategic objectives. The discussion should deal with the following issues, as appropriate:

- Expenditure trends in the programme's budget and how these can be expected to evolve over the five-year period (this analysis should also focus on trends in expenditure by economic classification)
- Trends in the numbers of key staff.
- Trends in the supply of key inputs.

Discuss issues under these headings if they are important to the realisation of the strategic objectives relevant to this programme. Additional headings may be added to this section to address other important resource-related issues. Present the information in succinct tables where possible.

#### 7.3. Risk management

It is important to list and discuss the five key risks that may affect realisation of the strategic objectives

stated for this programme. For each item, include a paragraph describing the risk and a paragraph indicating how the department intends to mitigate its effects.

And so on, for each programme.

## Part C: Links to other plans

It is important to outline links to other plans such as the institution's long-term infrastructure and other capital plans, its conditional grants, plans to review

its public entities and the management of its public-private partnerships.

## 8. Links to the long-term infrastructure and other capital plans

Each department and public entity should have long-term infrastructure and other capital plans that should outline its infrastructure investment needs for the next 10, 20 or even 30 years. Here indicate which of the projects outlined in its long-term capital investment plan the institutions intends implementing or initiating during the period of the Strategic Plan.

**Table X-1. Links to long-term infrastructure plan**

No.	Project Name	Programme	Municipality	Project description / type of structure	Outputs	Estimated Project Cost	Expenditure to date (if any)	Project duration	
								Start	Finish
<b>1. New and replacement assets (R thousand)</b>									
1									
...									
n									
<b>Total new and replacement assets</b>									
<b>2. Maintenance and repairs (R thousand)</b>									
1									
...									
n									
<b>Total maintenance and repairs</b>									
<b>3. Upgrades and additions (R thousand)</b>									
1									
...									
n									
<b>Total upgrades and additions</b>									
<b>4. Rehabilitation, renovations and refurbishments (R thousand)</b>									
1									
...									
n									
<b>Total rehabilitation, renovations and refurbishments</b>									

## 9. Conditional grants

The section applies to departments only. It is important to list and briefly describe each of the relevant conditional grants, also indicating whether the grant will be continued or ended during the period of the plan.

Name of grant	Provide name of conditional grant
Purpose	State purpose of conditional grant
Performance indicator	Give at least one performance indicator that measures performance in relation to the above purpose — this indicator statement must be SMART
Continuation	State whether the grant programme is to continue or be discontinued during the period covered by the Strategic Plan
Motivation	State the motivation for continuing or discontinuing the grant programme

## 10. Public entities

The section applies to departments only. It is important to list and briefly describe each of the public entities that are the responsibility of the department, also providing a list of the public entities to be evaluated during the upcoming five-year period (Table X-2).

## 11. Public-private partnerships

It is important to list and briefly describe each of the public-private partnerships managed by the department, and indicate which partnerships will be ending during the five-year period. Also outline the steps that are being put in place to ensure a smooth transfer of responsibilities in the case of agreements that will expire during the five years covered by the plan (Table X-3).

## Annexure

Institutions may add annexures to present other information deemed relevant to their Strategic Plan, as well as the technical indicator descriptions.

**Table X-2.**

Name of public entity	Mandate	Outputs	Current annual budget (R thousand)	Date of next evaluation

**Table X-3.**

Name of PPP	Purpose	Outputs	Current value of agreement (R thousand)	Date when agreement expires



## Annex B

# Generic Template for Annual Performance Plans

## Contents

A table of contents should be provided that identifies the individual strategic planning elements, appendices and any other additional material. For example:

<b>Part A: Strategic overview</b> .....	
1. Updated situational analysis .....	
1.1. Performance delivery environment .....	
1.2. Organisational environment .....	
2. Revisions to legislative and other mandates .....	
3. Overview of 20XX budget and MTEF estimates .....	
3.1. Expenditure estimates .....	
3.2. Relating expenditure trends to strategic outcome oriented goals .....	
<b>Part B: Programme and subprogramme plans</b> .....	
4. Programme X (insert name of programme) .....	
4.1. Strategic objective annual targets for 20XX .....	
4.2. Programme performance indicators and annual targets for 20XX .....	
4.3. Quarterly targets for 20XX .....	
4.4. Reconciling performance targets with the Budget and MTEF .....	
<b>Part C: Links to other plans</b> .....	
5. Links to the long-term infrastructure and other capital plans .....	
6. Conditional grants .....	
7. Public entities .....	
8. Public-private partnerships .....	
<b>Annexure</b> .....	
Annexure D. ....	
Vision .....	
Mission .....	
Values .....	
Strategic outcome oriented goals .....	
Budget programmes .....	
Annexure E. Technical indicator descriptions and examples .....	

## 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

Use Table Y-1.

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

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

Programme (R thousand)	Audited outcomes			Adjusted appropriation	Medium-term expenditure estimate		
	20XX	20XX	20XX	20XX	20XX	20XX	20XX
<b>Economic classification</b>							
<b>Current payments</b>	-	-	-	-	-	-	-
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							
<b>Transfers and subsidies to:</b>	-	-	-	-	-	-	-
Provinces and municipalities							
Departmental agencies and accounts							
Universities and technikons							
Public corporations and private enterprises							
Foreign governments and international organisations							
Non-profit institutions							
Households							
<b>Payments for capital assets</b>	-	-	-	-	-	-	-
Buildings and other fixed structures							
Machinery and equipment							
Cultivated assets							
Software and other intangible assets							
Land and subsoil assets of which:							
Capitalised compensation	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-



### 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.

## Part B: Programme and subprogramme plans

This section of the Annual Performance Plan is used to set performance targets for the upcoming budget year and over the MTEF for each strategic objective identified in Part B of the Strategic Plan. This is also where institutions should set out performance indicators that will facilitate the assessment of the overall performance of each programme, including issues of equity and value for money in relation to the use of resources.

In the case of departments, the specification of these programme performance indicators needs to be developed in consultation with the National Treasury prior to them being included in an institution's Annual Performance Plan. In the case of public entities,

they need to be developed in consultation with the oversight department.

## 4. Programme X (insert name of programme)

Provide the programme purpose as stated in the budget documentation. Describe briefly any updates to the information presented in the Strategic Plan. The new information should be presented in largely the same format. If the budget programme structure has not changed, state that there are no changes.

### 4.1. Strategic objective annual targets for 20XX

It is important to list targets (Table Y-2) for the budget year and over the MTEF period for each strategic objective specified for this programme in the Strategic Plan. Refer to Annexure D for examples.

### 4.2. Programme performance indicators and annual targets for 20XX

It is important to list the core programme performance indicators (Table Y-3) and any other chosen indicators. Refer to Annexure D for examples.

**Table Y-2.**

Strategic objective		Audited/Actual performance			Estimated performance 20XX-1	Medium-term targets		
		20XX-4	20XX-3	20XX-2		20XX	20YY	20ZZ
1.1.	Short name							
1.2.	Short name							

**Table Y-3.**

Programme performance indicator		Audited/Actual performance			Estimated performance 20XX-1	Medium-term targets		
		20XX-4	20XX-3	20XX-2		20XX	20YY	20ZZ
1.1.	Short name							
1.2.	Short name							

**Table Y-4.**

Performance indicator		Reporting period	Annual target 20XX	Quarterly targets			
				1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
1.1.	Short name	Quarterly					
1.2.	Short name	Biannual					
1.3.	Short name	Annual					

For each indicator, complete a technical indicator definition (see Annexure E for examples), which should be posted on the institution's website along with the Annual Performance Plan.

Indicate in point form how the allocations in the Budget and MTEF have affected performance targets, and what measures are being put in place to realise the strategic objectives set in the Strategic Plan.

#### 4.3. Quarterly targets for 20XX

Set out quarterly targets for the programme performance indicators identified above.

Table Y-4 can be used for programme and subprogramme performance indicators.

#### 4.4. Reconciling performance targets with the Budget and MTEF

*Expenditure estimates (Table Y-5)*

**Table Y-5. Programme name**

Subprogramme (R thousand)	Expenditure outcome			Adjusted appropriation	Medium-term expenditure estimate		
	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Minister*							
Deputy minister**							
Management							
Corporate services							
Property management							
<b>Total</b>	-	-	-	-	-	-	-
Change to 2005 budget estimate				-	-	-	-
* Payable as from 1 April 2005. Salary: R Car allowance: R							
** Payable as from 1 April 2005. Salary:R Car allowance: R							
<b>Economic classification</b>							
<b>Current payments</b>	-	-	-	-	-	-	-
Compensation of employees							
Goods and services of which:							

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

### *Performance and expenditure trends*

Indicate in point form how budget allocations impacted on performance targets and measures

that will be put in place to ensure that the strategic objectives continue to be realised.

And so on, for each additional programme.



## 7. Public entities

The section applies to departments only. Provide specific information on any significant changes to the status quo relating to public entities overseen by the department. Pay specific attention to plans to evaluate public entities.

## 8. Public-private partnerships

The section applies to departments only. Indicate which public-private partnerships will be ending during the five-year period, and briefly outline the steps being put in place to ensure a smooth transfer

of responsibilities in the case of agreements that will expire. Also outline outputs to be achieved through public private partnership projects.

## Annexure

Add any sections to deal with issues of a strategic nature that should be tackled in their Annual Performance Plan. Changes to the Strategic Plan may be included here.



## Annex C

# Statement of strategic budget shifts Sweden

	2023	2024	2025
<b>A stronger economy with more people in work</b>			
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
<b>Increased security and equity</b>			
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
<b>A reliable welfare system</b>			
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		

	2023	2024	2025
Support for combating ill health and loneliness in older people	0.30	0.30	0.30
Sport and recreational activities card for children (Fritidskort)	0.05	0.73	0.79
Increased government grants to municipalities and regions	6.00	6.00	6.00
<b>A stronger national defence and foreign affairs policy</b>			
A stronger national defence	4.26	8.77	9.09
Strengthening of the Swedish Coast Guard	0.03	0.27	0.25
Civil defence	0.91	1.28	1.39
A more cost-effective aid policy	-7.29	-9.51	-12.72
<b>A new effective and ambitious energy and climate policy</b>			
Preparations for new nuclear power plants	0.08	0.15	0.15
Abolished waste incineration tax	0.41	0.45	0.47
Abolished carbon tax in combined heat and power (CHP) plants and heating plants within the EU ETS	0.10	0.10	0.10
Increased subsidy rate for solar cells	0.28	0.28	0.28
Support for energy efficiency in single-family dwellings	0.38	0.40	0.40
Abolished tax relief for data centres	-0.14	-0.28	-0.28
International climate investments	0.06	0.10	0.10
The Industrial Leap	0.60	0.60	0.60
Expanded charging infrastructure and workplace charging stations	0.54	1.61	1.12
Abolished climate bonus	2.99	-2.97	-2.97
Better aquatic environment	0.25	0.25	0.25
Restoration of wetlands	0.20	0.20	0.20
Remediation of contaminated sites	0.34	0.34	0.34
<b>Life for the whole country</b>			
Broadband expansion	0.60	0.60	0.60
Increased road maintenance	1.00		
Temporary tax cut on diesel in agriculture, forestry and aquaculture	0.38		
Strengthened rural health care	0.30	0.30	0.30
Investment in new infrastructure	1.00		
<b>A sustainable migration and integration policy</b>			
Reduced number of quote refugees	-0.39	-0.94	-1.28
Increased funding to Swedish Migration Agency and the Migration Courts	0.57	0.35	0.14
<b>Better control of government expenditure</b>			
Improved population registration through a new census	0.08	0.17	0.17
<i>Other reforms and inevitabilities</i>	3.82	6.58	4.50
<b>Effect on general government finances</b>	<b>40.43</b>	<b>39.88</b>	<b>38.03</b>

