



Improving the Links between National (and Sector) Plans and Budgets for Sustainable Development in Pacific Island Countries

A Practical Guidance Note

March, 2018

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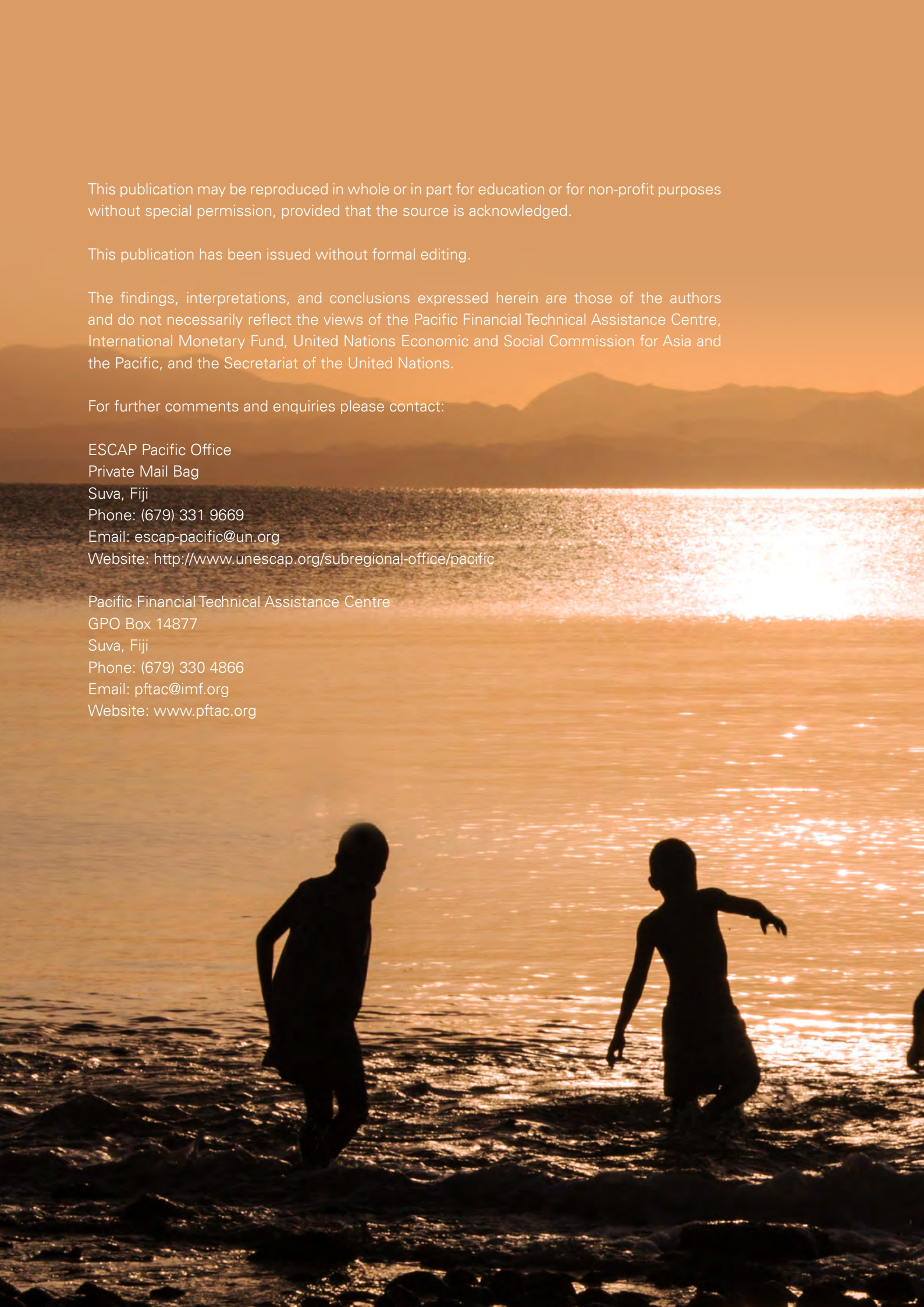
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1. Introduction and Purpose

Sustainable development requires the integration and balancing¹ of economic, social, and environmental considerations to best serve the public interest of current and future generations. To this end, public expenditure planning, and improvements in linking national development plans, sector plans and the budget are essential.² National and sector plans are important and remain a good policy guide for identifying development priorities, but they may be aspirational and are not meant to be implementation documents in themselves. Plans must be turned into action through the formulation of implementable policies and strategies, and linked to resource allocation through the budget process. National budgets (and their associated documents) are therefore the most powerful tool for governments to identify and implement policy priorities, create opportunities and deliver key services.

While development plans (both national and sectoral) have been produced by almost all Pacific Island Countries (PICs) over many decades, typically, these plans have been developed with few direct links to the annual budget process. This has resulted in limited resources allocated to planned priorities, and consequently there has been variable success in the achievement of development objectives. Poorly designed plans, for example, which may not necessarily reflect government priorities or are not feasible, compound the problem, as does the short-term horizon (usually the immediate fiscal year) of most budgets. Such issues combine to result in high opportunity costs in the use of resources available to countries. Strengthening the linkages between national and sector plans and national budget development has been recognised as a priority by PICs.³ However, implementation across the region has been slow and remains in progress.

When planning and budget systems are well linked, several benefits emerge, including:

- a more coordinated implementation of planned priorities (aligned to government priorities, including the Sustainable Development Goals (SDGs)), and better development outcomes;
- improved accountability for performance by implementing departments/ministries; and
- informed monitoring of performance, to *inter alia*, allow for adapting resource allocations for improved delivery of national priorities.

This Guidance Note outlines selected areas of practice that could be applied in the Pacific context. It builds on findings of three regional workshops on medium-term expenditure planning for sustainable development, organised by United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Pacific Office and the International Monetary Fund-Pacific Financial Technical Assistance Centre (PFTAC) between 2015 and 2017.

Summaries of these Workshop discussions⁴ indicate participants' interest in such guidance, and in tailoring methods and approaches to the regional context. The Guidance Note draws on other literature particularly that related to improving national systems as a means of implementing sustainable development priorities, and another published Guidance Note⁵ that was primarily concerned with linking poverty reduction strategies and budgets.

¹ The need for integrated and balanced policy making is recognised in key documents, including: the 2030 Development Agenda on Sustainable Development; Regional Roadmap for Implementing the 2030 Agenda for Sustainable Development in Asia and the Pacific; and the Pacific Roadmap for Sustainable Development.

² A means of implementation recognised in: the 2030 Agenda for Sustainable Development; Pacific Roadmap for Sustainable Development; and United Nations Pacific Strategy 2018-2022.

³ Examples include: *Forum Eight Principles of Accountability*, adopted by Forum Economic Ministers' Meeting in 1997. Note *Principle 1*, is directly relevant and refers to: budget processes, including multi-year frameworks, to ensure Parliament/Congress is sufficiently informed to understand the longer-term implications of appropriation decisions. Refer also to *Medium Term Frameworks in Public Finance*, PFTAC Handbook, 2006.

⁴ Found at <http://www.unescap.org/subregional-office/pacific>

⁵ World Bank, 2008. Linking the PRS with National Budgets: A Guidance Note, PREM Poverty Reduction Group.

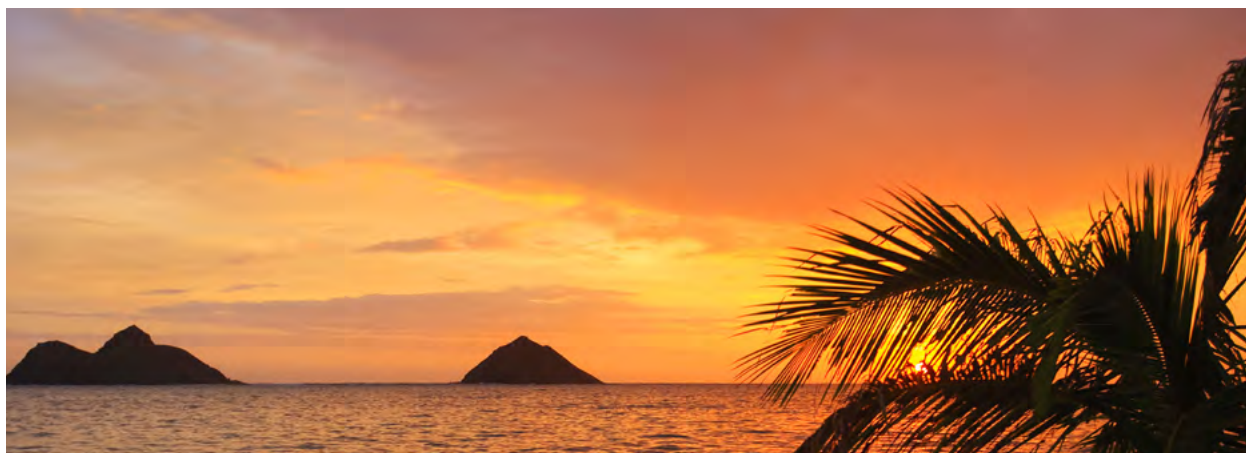
This Guidance Note focuses on three important aspects of the planning/budgeting linkage:

- i. identifying the gaps in the planning and budgeting cycle;
- ii. highlighting ways to strengthen the links between national and sector planning and the national budget cycle, particularly through the introduction of a strategic phase and a medium-term perspective into the budget process; and
- iii. strengthening performance monitoring and reporting aspects of both plans and budgets.

Guidance provided is neither exhaustive nor intended as a blueprint. Rather, selected key strategies/tools/guidelines are offered to help practitioners identify country-specific challenges, options and paths for improvement.

Initial country conditions (including public financial management and planning systems and implementation capacities), require consideration to allow for stepwise and sustainable improvements. The current state of planning and budgeting systems in the PICs is of variable quality. While each country situation is not discussed in this Guidance Note, the typical gaps, issues and constraints in PIC national planning and budgeting systems are clearly outlined. In this context, measures highlighted in this Guidance Note are broadly applicable. However, tailored and country specific actions are needed, and must be paced and sequenced, to fit local realities. As such, this Guidance Note attempts to highlight overall objectives and offers options for incrementally improving practices.

Each section of the Guidance Note covers a short introduction; a review of typical issues and problems; a commentary on emerging good practice; and options to be considered. Each section concludes with a series of self-diagnostic and improvement questions to provide a basis for adapting ideas and methods to national context.



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