Framework for analysing public sector planning and budgeting systems

Public sector expenditure consumes a sizable proportion of world GDP and consequently affects the well-being of all of those impacted by public services. It follows from this that optimizing the quality of public sector planning, prioritization and budgeting and effectively measuring its impact is of major importance. Even a few percent improvement in public sector performance can mean increased well-being for many millions.

The detailed mechanisms of the way in which public sector planning and budgeting work within particular countries tend to be entangled with the particular, sometimes idiosyncratic, political and legislative apparatus of the country in question. For an outside observer, it therefore takes time to work out how the system within a particular country works, to strip out the idiosyncratic aspects related to the country’s particular political and legislative processes and to then distil the key features of the system. Identifying the key features of these systems is essential if comparisons are to be made between countries for the purposes of evaluation and comparison of different systems as all justrictions seek to improve the way they do their public sector planning and budgeting.

Working in public sector planning and reporting architecture and operations, the author has had a long involvement in multiple aspects of planning, evaluating and working with one of the most innovative public sectors in the world – the New Zealand system. Recently he has also been involved thinking about Indonesian public sector reform. Indonesia is currently seeking to make the transition, which New Zealand made in 1987, from an inputs to an outputs-based regime.

Naturally any country seeking to make this transition would consider looking at New Zealand as one place to study the best way to make the transition. Due to the initial reforms and several waves of follow-up reform, New Zealand provides a range of lessons regarding making the transition in the best way.

As part of his ongoing work on public sector planning, budgeting and reporting architecture, the author has developed a framework which can potentially be used to analyse any public sector system. There are two models used in the framework. The first is the Public Sector Planning, Budgeting and Reporting Cycle. This sets out the key stages in a country’s public sector system. The institutions and agencies that are responsible for each stage of the process in any particular country can be mapped onto the Cycle in order first to enable a comparison of the way that different institutions and agencies undertake a particular step in the cycle and secondly to identify any potential gaps in a particular country’s system.

The second model within the framework is a deeper more analytical model drawn from outcomes theory that clarifies the issue that confuses much discussion of public sector systems – the issue of accountability in public sector action and the attendant necessity to somehow develop a coherent treatment of the issue of attributing changes to outcomes to particular outputs and the problem of strategic uncertainty which is a problem in the public sector in a way that it is not in the private sector.

The following principles are drawn from outcomes theory.

Principle: The more the specification and ease of measurement of what an agency is required to do, the more flexibility and autonomy the agency can be afforded in doing what it is being required to do.

Principle: Trade-offs should only be delegated to an agency where the controller trusts the agencys governance to make those trade-offs in a way that is likely to be congerent with the way the controller would make the trade-offs.

Principle: A system needs to allow for both the expression of intended outcomes (not requiring proof that these outcomes have actually occurred due to a doers actions) and information about what has actually been proved in terms of the agencies impact on outcomes.

Pricniple: A system needs to allow for the articulation of outcomes and the steps that led to them which are currently not measured or hard to measure.

Principles: