# The Relationship Between Strategic Planning and Budget Setting in the Public Sector

## Definition

*Strategic planning provides the policy direction, objectives, and outcomes that define what government seeks to achieve. Budget setting operationalises these priorities by allocating financial, human, and capital resources to programmes and services. In effective public financial management systems, the budget is not a separate technical exercise, but the financial expression of the strategic plan. Alignment between strategy and budgeting ensures policy coherence, fiscal discipline, accountability, and results-based service delivery.*

## Strategic Planning and Budget Setting: The Public Sector Relationship

### 1. Strategy sets the direction — the budget provides the means

Strategic planning defines:

- **Vision and mission**
- **Strategic objectives**
- **Policy priorities**
- **Outcomes and impacts**

Budget setting translates those priorities into:

- **Financial allocations**
- **Staffing levels**
- **Programme funding**
- **Capital investment**

➡️ ***Strategy answers "what and why"; the budget answers "how and with what resources".***

### 2. Policy priorities → Programmes → Budgets (the results chain)

A well-functioning system follows a logical chain:

**National policy / political priorities**
↓
**Sector strategies (e.g. justice, health, education)**
↓
**Ministerial strategic plans**
↓
**Programmes and services**
↓
**Annual and medium-term budgets**

This ensures **traceability** between political commitments and public spending.

### 3. Medium-Term Frameworks link strategy and finance

In modern public financial management, this linkage is institutionalised through:

- **Medium-Term Fiscal Framework (MTFF)** – macro-fiscal limits
- **Medium-Term Budget Framework (MTBF)** – sector ceilings
- **Medium-Term Expenditure Framework (MTEF)** – programme budgets

These ensure that:

- Strategic objectives are **financially realistic**
- Policies are **costed**
- Reforms are **sequenced over multiple years**

**4. Performance-based budgeting connects objectives to money**

Strategic planning and budgeting align through:

| Strategy Element | Budget Element |
|---|---|
| Strategic objective | Budget programme |
| Outcome | Programme objective |
| KPI | Performance indicator |
| Target | Output target |
| Risk | Budget contingency/control |

This creates **results-based budgeting**, where funding is justified by impact, not just inputs.

**5. Governance and accountability linkage**

Strategic plans:

- Define **who is responsible for what**

Budgets:

- Define **who controls which resources**

Together they enable:

- Ministerial accountability
- Parliamentary scrutiny
- Audit and oversight
- Performance management
- Value-for-money assessments

**6. What happens when they are not aligned**

When strategy and budgeting are disconnected, you get:

- “Paper strategies” with no funding
- Incremental budgeting unrelated to priorities
- Donor-driven projects outside national plans
- Politically driven allocations
- Fragmented service delivery
- Weak reform implementation