

# Budget and strategies: the path to alignment. World practices

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# KEY FINDINGS

The effectiveness of strategic planning is determined not by the number of documents, but by the quality of the consistent system that has been built – from long-term goals to programmes and budget decisions. In EU and OECD countries, this logic works as a unified architecture in which priorities are tested for resource capacity and fiscal consistency.

European requirements set mandatory standards for areas where relevant funding is involved. The Common Provisions Regulation (CPR) and sectoral acts establish a clear link between "objective - indicator - measure - funding" and require programmes to be linked to budgetary decisions. The updated EU economic governance rules complement this with medium-term fiscal and structural plans that combine reforms, investments and budgetary trajectories. This makes strategic planning part of the budgetary process rather than an autonomous practice.

Poland, Latvia, Lithuania and Estonia apply different models, but all are based on structural coherence between strategies, programmes and multi-annual budgeting. In Poland, the Development Policy Act enshrines the "strategy – operational programmes – financing" system. In Latvia, strategic planning has more political flexibility, but medium-term plans still determine the resource framework. Lithuania and Estonia integrate programme documents into three- or four-year spending limits, ensuring stability of priorities.

New Zealand demonstrates the highest level of integration: the long-term fiscal statement, medium-term fiscal strategy and annual budget function as a single cycle, and welfare impact assessment adds an extra dimension to decision-making. This model shows how strategic and budgetary processes can be fully integrated.

The overall conclusion of the study is that there is a need to develop a comprehensive architecture for strategic and budgetary planning:

- a clear hierarchy of documents,
- rules for transitioning from strategy to programmes,
- integration of medium-term financial frameworks and co-financing mechanisms,
- internal adaptation of European approaches (primarily CPR).

Such a system allows strategic documents to be transferred from the realm of intentions to a systematic management framework and avoids policy fragmentation.

# 1. INTRODUCTION

International organisations, in particular the World Bank, note that a comprehensive system of long-term strategic planning and management of public investment in Ukraine has not yet been established. A significant number of strategic documents have been created in various areas, but the overall strategic course does not always follow a single logic: individual areas may be developed with different priorities or even contradict each other. In the absence of a unified framework approach, this leads to a lack of focus in strategic guidelines.

According to the Ministry of Economy, Environment and Agriculture, there are 333 strategic documents in force at the state level, of which only 21 contain specific amounts of funding from the state budget. This means that over 94% of the documents do not have this resource link. In addition, 102 strategies formulate more than 600 objectives. Such a large number of documents without a clear financial basis creates a significant gap between declared intentions and the possibilities for their implementation.<sup>1</sup>

As part of this study, in-depth interviews were conducted with executive authorities involved in strategic planning and budgeting. The results provided a general idea of how the system works in practice. In particular, interaction is more coordinated in the short term, but in the medium and long term, there is a noticeable lack of coordination between different areas. In such conditions, individual policies may be implemented in parallel, which complicates the formation of a common development vector. Ensuring cross-sectoral coordination is a prerequisite for avoiding imbalances and forming interrelated decisions. In addition, the need to explore possible ways of effectively coordinating strategic planning with budgetary planning to ensure maximum achievement of public policy goals was identified.

This problem is also outlined in government documents. The concept of a national strategic planning system, adopted in August 2025, identifies key challenges: a fragmented legislative field, a significant number of unrelated documents, different monitoring systems, and weak links between strategic and budgetary documents<sup>2</sup>. The concept proposes the creation of a consistent structure – from the long-term Development Strategy of Ukraine to the activity plans of ministries and the budget declaration

In this context, the analysis of international experience is particularly valuable. The practices of the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD) show how strategic goals, measures and budgetary decisions are combined into a single cycle and how policy coherence between sectors is ensured. Such approaches provide guidelines for building a more coherent system in Ukraine.

The aim of this work is to analyse global models and identify practices that can contribute to the coherence of the Ukrainian strategic and budgetary planning system. This forms the basis for a system in which strategic objectives are defined in a harmonised manner, reflected in budgetary decisions and backed up by the necessary resources – both during and after the war.

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<sup>1</sup> <https://zakon.rada.gov.ua/laws/show/853-2025-p#n9>

<sup>2</sup> <https://www.kmu.gov.ua/npas/pro-skhvalennia-kontseptsii-natsionalnoi-systemy-stratehichnoho-planuvannia-i-853>

## 2. COMMON EUROPEAN FRAMEWORK

The synchronisation of strategic goals and budgetary needs falls within the sovereign powers of member states on an individual basis. However, there are pan-European mechanisms that help prevent the creation of purely declarative strategic documents that are not backed up by financial calculations and planned budgetary expenditures: :

- If the strategy is implemented through programmes financed by European Union funds (ERDF, ESF+, CF, etc.) (hereinafter referred to as the EU), the European Commission (hereinafter referred to as the EC) will require a logical framework of objectives, indicators, financing, links to programmes and the national budget. Without this, the programme cannot be approved, even if the strategy exists.
- If the strategy concerns areas where the EU has its own powers (e.g. agriculture or the environment), its content is determined by EU sectoral acts. These oblige Member States to adopt coordinated national plans. Failure to comply with these plans may constitute a breach of EU law and risk losing access to relevant funding if it is linked to the implementation of such plans.
- Finally, under the renewed economic governance framework, Member States must submit fiscal and structural plans in which reforms and investments are aligned with EU priorities. This means that chaotic strategies that are not linked to the budget will carry no weight with Brussels and will not be integrated into this process.

Let us consider each of these mechanisms in more detail.

### 2.1. CO-FINANCING FROM EU FUNDS

EU financial management is based on the principle of alignment between strategic priorities and budgetary resources. According to EU Regulation 2021/1060 (Common Provisions Regulation<sup>3</sup>, CPR), programmes applying for funding from EU funds must be aligned with Union policies and backed by budgetary commitments at national level.

The Regulation requires that all operational programmes be structured according to a results-oriented programming logic: **strategic objective** → **expected results** → **indicators** → **funding**. For each policy objective, measurable indicators must be established, the cost of achieving the results must be calculated, and appropriate sources of funding must be secured – from the EU budget, the national budget or other sources.

When approving programmes, the EC assesses not only the technical quality of the document, but above all the degree of integration of funding into the national strategic framework. Programmes that do not demonstrate a clear link between objectives, results and financial resources cannot be approved.

For Member States, this means that the preparation of strategic documents must be closely linked to budget planning. Expenditure planned to be financed from EU funds must be included in national or

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<sup>3</sup> <https://eur-lex.europa.eu/eli/reg/2021/1060/oj/eng>

local budgets as a share of co-financing, with a breakdown by year and priority. This approach not only prevents the creation of declarative strategies without resource backing, but also increases the transparency and efficiency of EU funds.

## 2.2. AREAS OF EUROPEAN RESPONSIBILITY

The EU has shared competence in most areas relating to strategic planning: Member States retain the right to shape their own policies, but within the common EU framework. This defines the principles, standards and expectations for the coordination of objectives and funding. As a result, only some sectors are subject to mandatory requirements for financial detail in strategic documents, while in other areas the EU limits itself to requiring economic analysis or general consistency with Union policies.

In a number of areas, secondary EU law explicitly requires Member States to include sections in their national plans or strategies that assess financing needs and potential sources of financial coverage (public, private, European). Such documents are legally binding instruments for the implementation of EU policy in Member States:

- **Energy and climate.** Integrated national energy and climate plans (NECPs) are a basic example. EU Regulation 2018/1999<sup>4</sup> requires an assessment of investment needs and sources of financing. Member States must assess how much investment is needed to achieve decarbonisation targets and determine from which sources (budget, private sector or EU funds) they will be financed.
- **Agriculture.** The strategic plans for the Common Agricultural Policy are the most detailed in financial terms. EU Regulation 2021/2115<sup>5</sup> requires a financial plan with tables showing the distribution of funds between priorities, years, funds (EAGF, EAFRD) and national co-financing.
- **Nature and biodiversity.** For the Natura 2000 network, Directive 92/43<sup>6</sup> requires a prioritised framework for action with an estimate of funding needs and an indication of possible sources (EU, national or private funds).

## 2.3. STRUCTURE AND FISCAL PLANS

In 2024, the EU reformed its economic governance system by adopting EU Regulation 2024/1263<sup>7</sup>, which introduced a new logic for medium-term budgetary planning in Member States. This reform became a key link between the strategic objectives of EU policy and the budgetary trajectories of national governments, enshrining the requirement for systemic coherence between political priorities, reforms, investments, and expenditures

Each Member State is now required to prepare a Medium-Term Fiscal-Structural Plan (MTFSP), a document that combines elements of budgetary, structural and investment planning. Its purpose is to

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<sup>4</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02018R1999-20231120>

<sup>5</sup> <https://eur-lex.europa.eu/eli/reg/2021/2115/oj/eng>

<sup>6</sup> <https://eur-lex.europa.eu/eli/dir/1992/43/oj/eng>

<sup>7</sup> <https://eur-lex.europa.eu/eli/reg/2024/1263/oj/eng>

show how the government plans to achieve EU goals in the areas of sustainable development, green and digital transformation, resilience and defence capability, without compromising fiscal discipline.

The necessary elements of the MTFSP include

- a description of the priority reforms and investments needed to achieve the EU's common goals;
- an assessment of their impact on fiscal indicators (deficit, debt, primary balance);
- budget revenue and expenditure projections for at least four years, broken down by government function;
- coordination with national programmes and EU mechanisms, including recovery plans, energy, climate, social and defence strategies.

The fiscal-structural plan serves as a kind of "bridge" between strategic documents (energy, digital, social, environmental strategies) and actual budget expenditures, demonstrating that the state has not only set goals but also allocated resources to achieve them.

### 3. EXAMPLE OF POLAND

Poland has a fairly well-developed strategic planning system. Since joining the EU, the system has been operating in accordance with EU standards and requirements. Prior to EU accession, strategic planning in Poland focused on fulfilling the conditions for accession within the framework of the convergence policy (see, in particular, J. Sawicka, M. Chciałowski, 2023).

The strategic planning system in Poland consists of three levels in terms of planning periods:

- long-term strategies for a period of at least 15 years;
- medium-term strategies with a planning period of 4 to 10 years, other medium-term documents, in particular at regional and sectoral level;
- short-term documents for a period of one to several years.

In terms of planning areas, strategic documents can be general strategies for the socio-economic development of the country, regional development programmes, spatial planning programmes at the national and regional levels, thematic and sectoral programmes.

The main features of the strategic planning system are defined in the Law on Development Policy<sup>8</sup>, which outlines approaches to the preparation of strategic documents (hereinafter referred to as the Law) at the national and regional/sectoral levels, as well as their financing. According to the Law, a high-level development strategy for the country is developed at least once every seven years and must include a definition of the implementation system and the overall financial framework. The Law does not require the strategy to specify the exact amounts of funds needed to implement its objectives/measures.

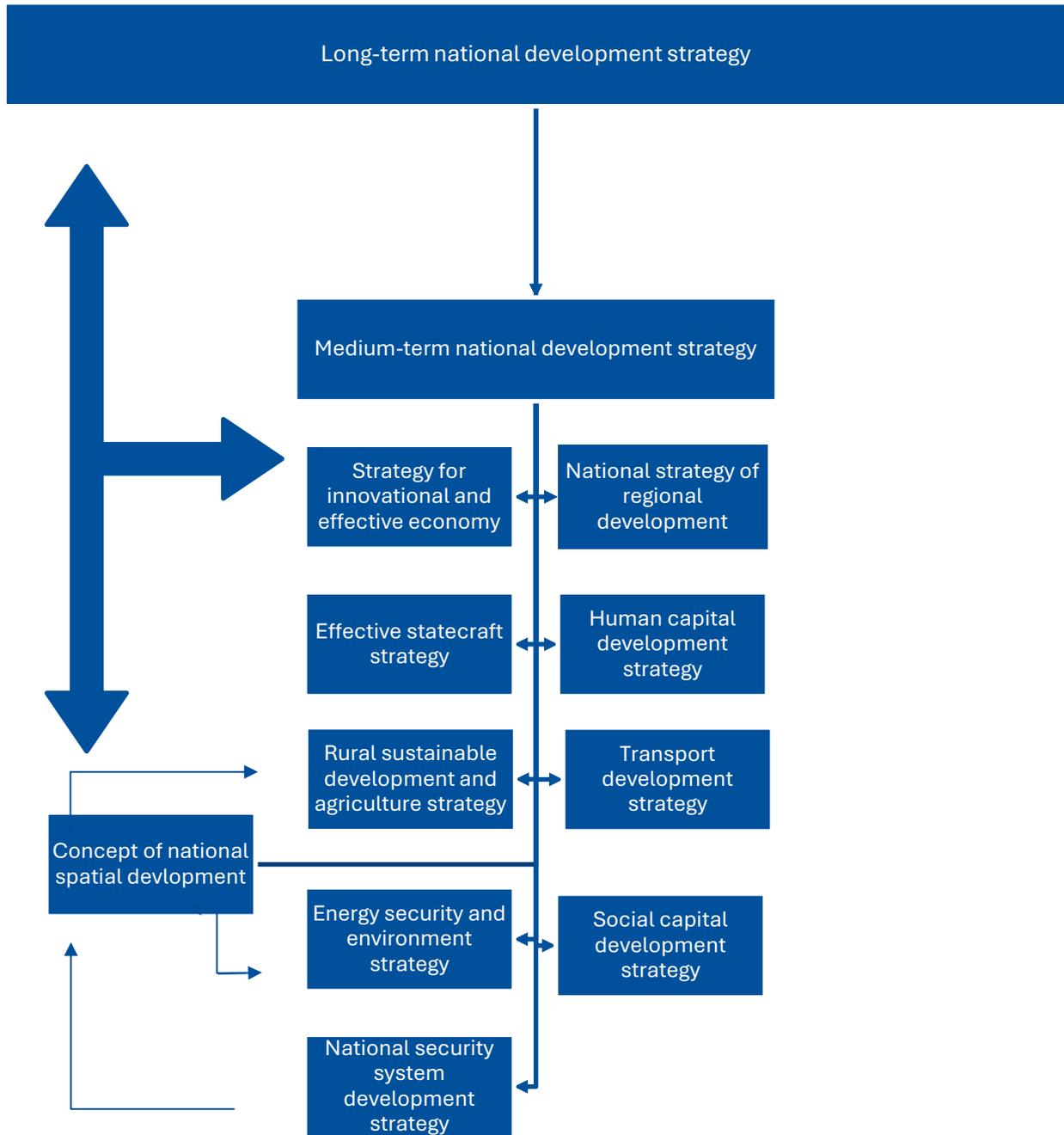
According to the Law, details of financing are contained in national and regional operational programmes developed to implement the strategy. In particular, the Law stipulates that a component of operational plans is a financial plan, which specifies the sources of funding for the implementation of the programme, the amount of funds allocated for the implementation of the programme and its distribution among individual priorities, and information on the amount of co-financing at the programme and priority levels. In the case of co-financing of measures from EU funds, the requirements of European regulations are taken into account.

Multi-annual financing of the operational programme from the state budget or foreign sources is determined by the provisions on public finances, and from special-purpose funds – on the basis of the relevant provisions. The Minister of Regional Development is responsible for the coordination, distribution and use of these funds.

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<sup>8</sup> <https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20062271658/T/D20061658L.pdf>

Figure 1. Strategic planning in Poland



Source: [I. Kostetska, 2023](#).

A draft regional operational programme involving funding from the state budget or foreign sources received through the government is prepared by the provincial government in cooperation with the minister responsible for regional development. The amount of funding for such programmes is determined by the government and specified in the "voivodeship contract", which contains the amounts of funding for the regional operational programme from the state budget or foreign sources, broken down by priorities, the conditions for the transfer of these funds, and the amounts of co-financing from regional budgets.

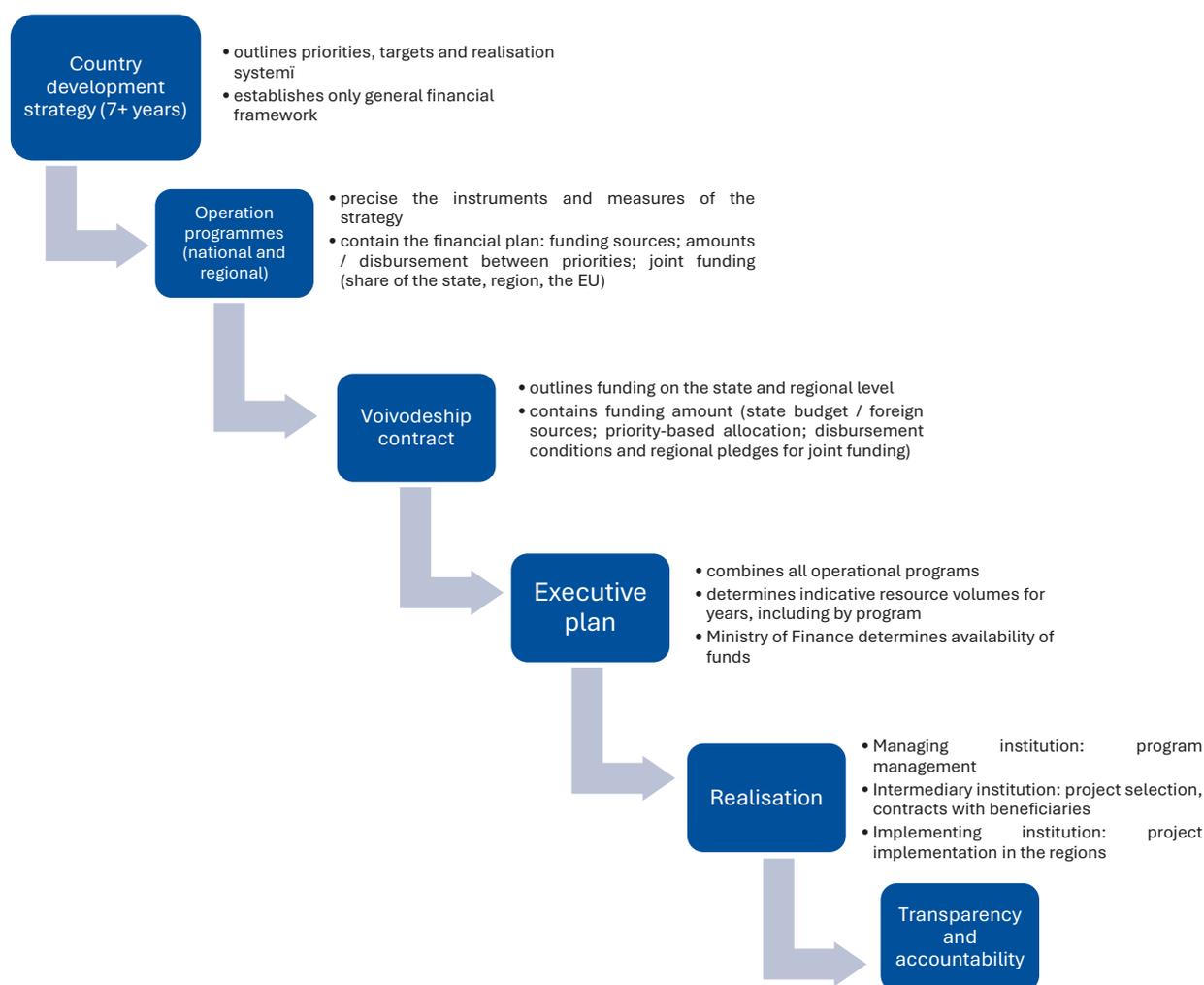
To ensure the implementation of operational programmes, the Act also defines the institutional management architecture, establishing three key roles: managing, intermediary and executive institutions. These roles are responsible for the management, monitoring, control and implementation

of programmes. In addition, an accountability mechanism is provided for: each year, the provincial government submits information on the implementation of the regional operational programme, including financial indicators, to the regional council.

A publicity requirement has also been established: operational programmes, their changes and descriptions of priorities are subject to mandatory disclosure by the managing institution to ensure transparency and stakeholder access to information

In addition, depending on the term and available funds from both national and foreign sources, operational programmes may be combined into an implementation plan. In turn, the implementation plan details the sources of funding for its implementation, the indicative amount of funds allocated to finance national and regional operational programmes, and the indicative distribution of funds. The amount of state budget funds available for the implementation of the executive plan in the following years of its implementation is determined by the Ministry of Finance.

Figure 2. The strategic planning process in Poland, according to the Act on the Implementation of Development Policy<sup>9</sup>



Source: CES visualisation.

<sup>9</sup> <https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20062271658/T/D20061658L.pdf>

### 3.1. FINANCING OF LONG-TERM STRATEGIC DOCUMENTS

Currently, Poland's longest-term strategy is the framework Concept for the Development of the Country until 2050<sup>10</sup> (hereinafter referred to as the Concept), approved in 2025. It contains Poland's strategic goals and vision, focuses on the long term, integrates social, economic and spatial planning, and offers four development scenarios depending on various challenges. Although the Concept does not contain specific goals and measures, it serves as a strategic diagnostic basis for further strategies and policies, such as the Strategic Plan for the EU's Common Agricultural Policy. Although the Concept does not specify funding amounts, it introduces coordination mechanisms, including financial ones, such as programme and sectoral contracts, which are intended to improve cooperation between the government and local authorities, particularly when applying for EU funds.

### 3.2. FINANCING OF MEDIUM-TERM STRATEGIC DOCUMENTS

A draft Strategy for the Development of Poland until 2035<sup>11</sup> (hereinafter referred to as the Strategy) is currently under development and public discussion. The draft contains a thorough analysis of Poland's current socioeconomic development. Based on this analysis, the main problems/risks have been identified and measures to overcome them have been proposed.

The Strategy does not contain specific amounts for financing the measures. At the same time, the section "Financial Framework" defines the following approaches to budgeting for the measures:

- The allocation of national funds for the measures provided for in the Strategy will take place within the framework of the annual budgetary process, taking into account the current situation of public finances, the need to ensure their stability and compliance with national and European fiscal rules.
- A number of fiscal recommendations are also provided for the duration of the Strategy, in particular maintaining defence spending at no less than 3% of GDP an increase in healthcare spending to 7% of GDP in 2027, an increase in the Social Insurance Fund deficit by 0.6% of GDP from 2025 to 2028, and spending on energy transformation in the amount of PLN 1.8 trillion in 2026-2035.
- The Strategy is the main document determining decisions on the allocation of European funds. Although most of the funds provided for in the EU budget for 2021-2027 have already been spent, the remaining funds are expected to be reallocated to the Strategy's measures
- The Strategy's objectives and measures will form the basis for negotiations on budgeting and the use of EU funds under the next financial framework for 2028-2034
- The Strategy also contains a list of other potential sources of funding (without specifying amounts), such as national institutions and development funds, public-private partnerships, etc:
- When the government changes/a new president is elected, changes to the current strategies or certain clarifications may be made, which may be accompanied by both the setting of goals and the definition of the necessary amount of funding.

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<sup>10</sup> [Khttps://www.gov.pl/web/fundusze-regiony/koncepcja-rozwoju-kraju-2051](https://www.gov.pl/web/fundusze-regiony/koncepcja-rozwoju-kraju-2051)

<sup>11</sup> <https://www.gov.pl/web/fundusze-regiony/strategia-rozwoju-polski-do-2035-r--ruszaja-konsultacje-publiczne>

Thus, after Tusk was elected Prime Minister at the end of 2023, in February 2024 the government announced a new Economic Development and Investment Plan, "Poland: A Turning Point"<sup>12</sup> (hereinafter referred to as the Plan), which begins in 2025. The Plan identifies six strategic areas for improving Poland's competitiveness and contains the estimated amounts of funding for the relevant measures. For example, the "Investments in Research" measure provides for the allocation of €120 mln for the creation of a National Science Centre and approximately €360 mln for universities. The Plan's energy transformation provides for the allocation of €15.5 bln over the next 10 years. The "Development of New Technologies" measure provides for the creation of a "Deep Technology Fund" worth around €71 mln, as well as targeted investments in artificial intelligence (AI), including the expansion of the AI plant in Poznań. The "Infrastructure Development" measure provides for investments of €43 bln, primarily in ports and railways. Other measures include capital market development, deregulation and business support. Some of the measures will be financed by the Next Generation EU programme allocated to Poland in 2024.

Poland also has a number of sectoral/regional medium-term programmes. The 2023-2027 EU agricultural development programme<sup>13</sup> (CAP Strategic Plan) includes both measures and planned funding for these measures from both EU and national funds. The fisheries development programme<sup>14</sup> is also financed by EU funds and the national budget.

There is also a Strategy for the Development of Social Capital (Interaction, Culture, Creativity) until 2030<sup>15</sup>, adopted in 2020. The "Financial Framework" section of this strategy sets out indicative amounts of funding for culture, education and cultural heritage protection from the state budget for 2021-2025 (without detailing by year)

Poland's Migration Strategy for 2025–2030<sup>16</sup> aims to enhance security through more effective control, regulation and integration of migrants. However, it is considered to be very general and does not define clear directions or instruments for implementation. In addition, it does not indicate the sources of funding for its actions and does not take into account existing state policy, which limits its usefulness and effectiveness.

### 3.3. FUNDING OF SHORT-TERM STRATEGIC DOCUMENTS

Development programmes for provinces, counties, municipalities, and other sectoral and industry programmes can be either medium-term or short-term and are financed within the funds allocated during budgeting and their development. At the same time, short-term programmes may be based on medium-term frameworks and the funding specified therein, as indicated in national and regional operational plans, and for each budget year –within the limits of the possibilities determined by the

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<sup>12</sup> <https://www.gov.pl/web/premier/polska-rok-przelomu--premier-przedstawil-plan-gospodarczy-na-2025-rok#:~:text=%E2%80%9ERok%202025%20b%C4%99dzie%20rokiem%20pozytywnego,rozwoju%20Polski%20na%20nadchodz%C4%85cy%20rok>

<sup>13</sup> [https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/poland\\_en](https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/poland_en)

<sup>14</sup> <https://www.gov.pl/web/uw-lodzki/program-fundusze-europejskie-dla-rybactwa-na-lata-2021-2027>

<sup>15</sup> <https://isap.sejm.gov.pl/isap.nsf/download.xsp/WMP20200001060/O/M20201060.pdf>

<sup>16</sup> <https://www.gov.pl/web/premier/odzyskac-kontrolę-zapewnić-bezpieczeństwo---strategia-migracyjna-na-lata-2025---2030>

Ministry of Finance during the budget process. However, there are no details regarding such short-term documents.

## 4. EXAMPLE OF LATVIA

Strategic planning in Latvia is based on the *Law on the Development of the Planning System*<sup>17</sup>. This law establishes three time periods for the development of national development documents:

- long-term period – up to 25 years,
- medium term – up to 7 years,
- short-term period – up to 3 years.

### **Hierarchy and principal documents**

The main document for long-term development planning is the Sustainable Development Strategy of Latvia (currently the *Sustainable Development Strategy of Latvia until 2030 or Latvija2030*<sup>18</sup>), and for medium-term planning, it is the National Development Plan (currently the *National Development Plan for 2021-2027*<sup>19</sup>).

The hierarchy of documents is as follows:

1. Strategy (long-term document) – highest,
2. Plan (medium-term document) – subordinate to the Strategy,
3. Short-term documents are subordinate to the medium-term Plan (short-term documents are not specified in detail in the law).

*The Sustainable Development Strategy and the National Development Plan* are developed by the Cabinet of Ministers and approved by Parliament.

### **Principles and management**

*The Law on Development Planning* establishes the basic principles of development planning, one of which is the principle of **financial feasibility**. According to this principle, when developing a strategic document, it is necessary to assess the forecast of available and medium-term resources and propose the most effective solutions, taking into account the costs required to achieve the set goals.

*The National Development Council* was established to effectively implement and oversee the *Strategy* and *Plan*. It is a collegial coordinating body whose purpose is to ensure the link between development planning and financial planning, as well as to coordinate decisions taken by state and local authorities.

In order to align national long-term development priorities with the priorities of the current Government, the Cabinet of Ministers shall prepare a *strategy for Government action* for the entire term of

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<sup>17</sup> <https://likumi.lv/doc.php?id=175748>

<sup>18</sup> <https://www.mk.gov.lv/en/media/15132/download?attachment>

<sup>19</sup> <https://www.mk.gov.lv/en/media/15165/download?attachment>

the Parliament. *The Government's action strategy* should include definitions of the scope and timing of the implementation of the priorities set out in the *Latvija2030* strategy and its subordinate planning documents, including the National Development Plan, for the relevant period. In addition, the strategy is intended to define the medium-term framework of the state budget for the implementation of these tasks.

In order to effectively achieve the objectives and avoid the isolation of strategic planning from budget planning, the Cabinet of Ministers appoints a minister with the status of Deputy Prime Minister who is responsible for planning. He participates in the state budget planning process, ensuring the stability and consistency of the fiscal policy implemented by the state with the adopted development strategies, and represents the Cabinet of Ministers in cooperation with Parliament and other institutions on issues of state development planning, implementation and supervision of the implementation of *Latvija2030* and the National Development Plan.

### Features and issues

The main feature of Latvia's strategic documents is the political nature of the strategic planning mechanism. **In Latvia, a strategic document reflects intention** rather than obligation. This intention is taken into account by the authorities when determining current operational goals and measures. At the same time, it does not require strict implementation, and strategic measures can be extended, postponed or modified as necessary due to external conditions and for more effective achievement of the strategic goal.

The main long-term document, *Latvija2030*, notes that Latvia's current planning system is weakly linked to budget planning, medium- and long-term assessment, and that systematic modelling of the fiscal impact of policy measures is not practised. ся.

## 4.1. FINANCING OF LONG-TERM STRATEGIC DOCUMENTS

The main long-term strategic document, *the Sustainable Development Strategy of Latvia*, is a document of intent and does not include the necessary funding to achieve the set goals.

*Latvija 2030* stipulates that priorities in the planning and use of public finances must correspond to the selected and approved long-term development directions and priorities of the state

## 4.2. FINANCING OF MEDIUM-TERM STRATEGIC DOCUMENTS

*The National Development Plan for 2021-2027* is Latvia's main medium-term strategic document. National development plans must include:

- strategic objectives and results to be achieved in a specific policy area,
- priorities (including regional development priorities),
- a description of existing problems and ways to solve them,
- impact assessment,
- responsible institutions.

*The Plan* sets out an indicative (preliminary) amount of additional funding for measures aimed at achieving its objectives. The decision on the exact amount of funding is made as part of the annual budget process for the following year, based on the costs and measures proposed in the Plan. Funding from EU structural funds is agreed through operational programmes and relevant regulations approved by the Cabinet of Ministers.

### **Sources of funding**

The measures in the Plan are financed mainly from available budget funds. These conditionally "available" funds **constitute fiscal space**. The measures are also financed from EU Structural Funds, which are coordinated through operational programmes and relevant regulations approved by the Cabinet of Ministers of Latvia.

*The Plan* specifies the following sources of funding for the measures:

- a) national and municipal budgets;
- b) EU funds, programmes and instruments;
- c) other financial instruments.

The financing of the *Plan* from the national and municipal budgets is determined by the Law on Budget and Financial Management. In accordance with the annual budgeting schedule, the Cabinet of Ministers determines the amount of funding allocated for the medium term, the priorities for the specified budget period and the upper limits of fiscal policy. The Ministry of Finance also forecasts GDP, revenues and the budget balance.

If the forecast shows that there will be fiscal space for the Plan's priority measures in the coming years, ministries and other central authorities submit proposals for the implementation of measures and the amount of funding required in accordance with the requirements of the Cabinet of Ministers (if approved for the current period).

Finally, the Ministry of Finance reviews them and provides comments on the real possibility of allocating funds for one or another measure of the *Plan*.

### **Example of a Plan**

*The National Development Plan for 2021-2027* includes six priorities, each of which has two to four areas of focus. **An indicative amount of funding is allocated at the area of focus level**. Each area of focus has objectives with their own indicators and measures necessary for their implementation. Each measure specifies sources of funding but does not estimate its potential volume.

For example, in the first priority, "Strong families, healthy and active population," the area "People-centred healthcare" is estimated at €557.87 mln for the entire period of the Plan. This area includes the measure "Improving access to public healthcare services," which is to be financed from the state budget, EU funds, and local budgets. However, there is no distribution of the expected amounts for this measure or for the objective.

### 4.3. FINANCING OF SHORT-TERM STRATEGIC DOCUMENTS

According to the Law on the Development of the Planning System, short-term documents are developed for a period of up to three years and are subordinate to the medium-term Plan. The short-term plan is approved by the minister responsible for the sector in which the plan is being developed. The Cabinet of Ministers approves the short-term plan only if it provides for cross-sectoral measures (involving several ministries or their subordinate Budget and strategy: the path to coherence. Examples from other countries 15 institutions) or if the Cabinet of Ministers so requires. Institutions report on the implementation of the plan at least once a year.

## 5. EXAMPLE OF ESTONIA

In Estonia, there is no single law that fully regulates the strategic planning system and sets all development time horizons. The system is based on a set of regulations.

Within the current regulatory framework, the following planning time horizons are distinguished:

- long term – 15 years,
- medium term – 7–10 years,
- short term – 4 years.

The basis is the Planning Act<sup>20</sup>, which defines the principles of planning at national, regional and local levels, as well as the interconnection between strategic and spatial documents. Spatial planning, which covers the development of territory and infrastructure, is carried out over a longer period, given the nature of such decisions

It is complemented by the Sustainable Development Act<sup>21</sup>, which establishes the long-term principles of state policy, and government resolutions regulating the preparation of medium-term development plans and programmes<sup>22</sup>.

Short-term planning is ensured through the state budget strategy, which covers the next four budget years and aligns financial resources with the objectives of strategic documents. At the same time, in budgetary terms, these horizons have a different relationship: the four-year state budget strategy is considered a medium-term financial framework, while the short-term document is the annual state budget law, which parliament adopts within the approved strategic limits.

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<sup>20</sup> <https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/502012017006/consolide>

<sup>21</sup> <https://www.riigiteataja.ee/en/eli/520122016001/consolide>

<sup>22</sup> <https://www.riigiteataja.ee/akt/123122019005>

## 5.1. FINANCING OF LONG-TERM STRATEGIC DOCUMENTS

The long-term development of the state is determined by the national strategy until 2035<sup>23</sup>, approved by the government in 2021. The document sets out five main priorities:

- Strong human capital: a healthy, educated and active population.
- Social cohesion and trust.
- A competitive, innovative and responsible economy.
- A safe, high-quality and environmentally sustainable living environment.
- Modern, efficient and citizen-oriented public administration

These goals are the framework for public policy and budgetary decisions. Funding for public programmes and measures is only planned if they are in line with strategic priorities. This approach is enshrined in budget legislation: the medium-term budget strategy is approved by the government and sets spending limits for four years ahead, and the annual budget is formed on this basis and within the established priorities.

Thus, the strategy until 2035 sets a substantive framework within which medium-term and annual financial decisions are made, and state programmes and plans of ministries are aligned with long-term priorities.

A separate element of the system is the spatial dimension of planning. In January 2023, the government began preparing a new national spatial development plan for 2050. It defines the principles for land use, the location of settlements and infrastructure, priorities for the use of land and marine resources, and takes into account security and climate challenges and requirements for the quality of the living environment. The plan replaces the previous document, which was focused on 2030, and is a spatial extension of the development strategy until 2035.

Once approved, which is planned for 2026, this document should ensure consistency between long-term national goals, investment planning, and territorial development.

## 5.2. FINANCING OF MEDIUM-TERM STRATEGIC DOCUMENTS

The medium-term level covers the sectoral strategies of ministries (for 7–10 years) and the State Budget Strategy, the main financial coordination document for four years.

Ministries develop their development plans by defining:

- objectives aligned with the priorities of Estonia 2035;
- measures and results to be achieved;
- preliminary financial needs.

The Ministry of Finance consolidates these documents into a single State Budget Strategy, which:

- sets spending limits for each ministry and policy area;
- sets expected results and performance indicators;
- aligns macro-financial forecasts with policy priorities.

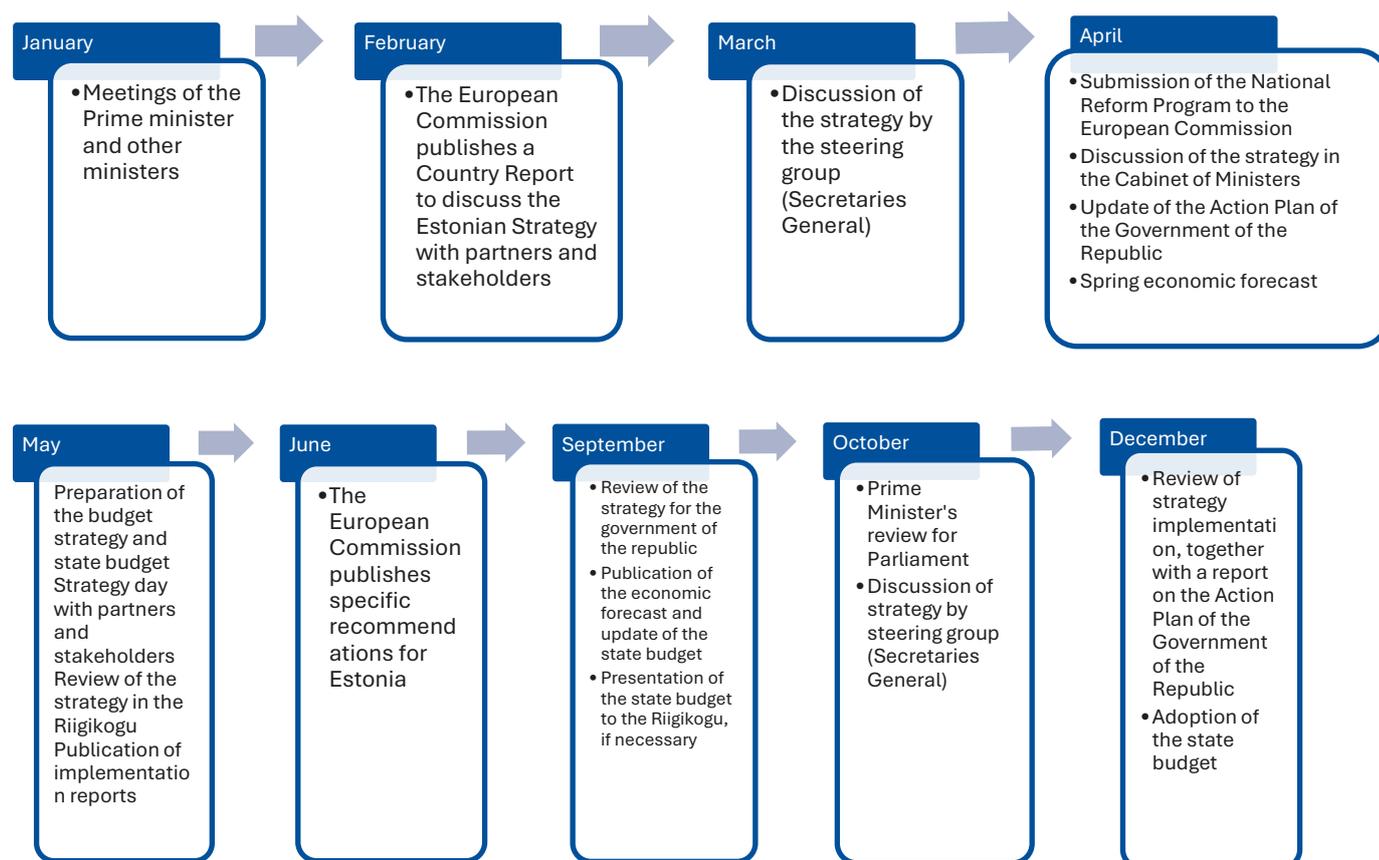
Expenditure limits are binding. If a ministry proposes a new policy or programme, it is required to find compensatory reductions within its limit or initiate a formal amendment to the State Budget Strategy.

The medium-term financial framework acts as a barrier against political volatility, ensuring the stability of budget priorities and the predictability of funding.

### 5.3. FINANCING OF SHORT-TERM STRATEGIC DOCUMENTS

The annual strategic planning cycle in Estonia combines strategic discussions at the government and parliamentary levels with the budget process and the European Semester procedure.

Figure 3. Budget process in Estonia



Source: Estonia 2035<sup>24</sup>.

<sup>24</sup> <https://valitsus.ee/en/estonia-2035-development-strategy/strategy/implementation>

At the beginning of the year, the Prime Minister and ministers hold meetings on the implementation of strategic priorities. After the European Commission publishes its report on Estonia, consultations are held with partners and stakeholders, and the strategy is discussed at the level of ministry chiefs of staff.

In the spring, the government submits the National Reform Programme to the European Commission and updates the government action plan based on the spring economic forecast. At the same time, the state budget strategy and draft state budget are prepared, and consultations with social partners take place. Reports on the implementation of previous priorities are published, and an updated strategic review is submitted to parliament.

In the summer, the European Commission publishes recommendations for Estonia. Based on these, an additional strategic review is conducted in the Government, the economic forecast is updated, and budget assumptions are adjusted if necessary. The draft budget is submitted to Parliament.

In early autumn, the Government continues discussions on the implementation of strategic changes and ensures that priorities are incorporated into the budget process. In autumn, the Prime Minister presents the strategic review to Parliament, and the heads of the ministries' administrative offices hold coordination discussions on the implementation of the agreed priorities.

At the end of the year, the Government conducts a final assessment of the implementation of strategic tasks and the Government Action Plan, after which Parliament adopts the state budget.

The preparation, coordination and review of the long-term development strategy is carried out by the State Chancellery in cooperation with the Ministry of Finance. Implementation is carried out through sectoral plans and programmes, with the involvement of local authorities, the public and private sectors, and civil society organisations.

The reporting system is integrated into the budget planning cycle and is based on the principle of minimising additional administrative burdens. The development strategy serves as a national reform programme within the European Semester. National reports and recommendations from the European Commission are used as input for reviewing and adjusting strategic priorities. Fiscal decisions and the content of the budget strategy are aligned with the defined targets. Before the budget is adopted, the Prime Minister provides Parliament with an overview of the link between the achievement of strategic objectives and the allocation of resources, and parliamentary committees receive thematic explanations.

## 6. EXAMPLE OF LITHUANIA

Lithuania has implemented an updated strategic public finance management system, which has been operating since 2020-2021 on the basis of the National Progress Plan (NPP) – a framework document that defines long-term goals and the instruments for achieving them over a ten-year period.

This plan serves as a guideline for the creation of sectoral development programmes and investment budgeting. The strategic planning system is regulated by the Law on Strategic Management<sup>25</sup>, the Methodology of Strategic Management<sup>26</sup>, as well as the Law on Budget Structure<sup>27</sup> and related acts. An important innovation was the transition from annual to medium-term budget planning through the approval of three-year expenditure limits for all levels of the budget system. This approach ensures a direct link between strategic goals and their resource provision.

A special mechanism for integrating strategy into the budget is targeted allocations for the implementation of priority initiatives, which are formed within the NPP and reflected in the budget programmes of the responsible departments. The budget classification provides for the distribution of funds into two groups: special allocations for achieving strategic goals and operational expenditures for current activities.

A key requirement for the financing of strategic initiatives is their thorough economic justification with a cost-effectiveness analysis. All new initiatives undergo an approval procedure during budget negotiations, where a decision may be made to postpone them in case of insufficient funds.

The budget law approves the indicators set out in the NPP, including their target values – the results that the administrators of the appropriations are committed to achieving. The Lithuanian model combines the long-term orientation of the NPP, medium-term implementation programmes and a three-year budget as a mechanism for securing funding.

### **Key funding principles:**

- Financial forecasts are established taking into account the economic development scenario, the implementation of countercyclical fiscal policy, medium-term financial and economic forecasts, and fiscal discipline rules;
- Funds for progress are planned in detail and supported by cost-benefit analysis;
- If a new progress measure generates additional current expenditures necessary to sustain the results achieved, the ministry's share in the financial forecasts is reduced accordingly.

It is also important to note that a feature of the system is the automatic reduction of future funding limits for agencies whose initiatives generate significant future operating costs. In other words, if maintaining

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<sup>25</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/90386d20bab711ea9a12d0dada3ca61b>

<sup>26</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/5e3aa191a8e511eb98ccba226c8a14d7/asr>

<sup>27</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.428/asr>

the results achieved is costly, the administrator will be able to plan proportionally less funding for progress in the future.

### **Conditions and procedures for reviewing development programmes**

The strategic management methodology establishes clear criteria under which development programmes are subject to mandatory review. This occurs in three cases.

**First**, a review is necessary if more than 20% of the progress funds allocated to achieve progress goals change. This threshold is a safeguard against excessive volatility: minor adjustments can be made without reviewing the entire programme, but if the changes exceed one-fifth of the budget, this signals a significant change in priorities or implementation conditions.

**Second**, a review is also carried out when the planned performance indicators are reduced. This prevents situations where funding is maintained but the expected results are reduced without good reason.

**Third**, a review takes place when new problems arise, new progress measures are added or monitoring indicators change, the programme is also subject to review. This allows the system to be adapted to new challenges or opportunities that may arise during the implementation period, while maintaining the integrity and coherence of the programme. The reporting mechanism is also defined in the Strategic Management Methodology. An annual implementation report is prepared each year, in which the administrators of appropriations report on the monitoring indicators and results achieved. All data is stored in the Strategic Management Information System<sup>28</sup>.

## **6.1. FINANCING OF LONG-TERM STRATEGIC DOCUMENTS**

The main document for long-term state planning is the National Progress Plan, which sets out the goals, objectives and financial forecasts for their implementation over a ten-year period. The NPP itself is not a detailed multi-year financial law – rather, it forms a framework and a list of sectoral programmes/measures and overall resource potential. The exact amounts and distribution by year or task are in turn detailed in development programmes and in the budget process. Since the financial forecasts of the plan are not fixed and may be adjusted depending on the economic situation, government priorities or the content of planned measures.

Thus, for each strategic objective, the NPP defines sets of measures and indicative funding amounts and is used as a starting point for the formulation of a programme package, which is further detailed in medium-term programmes and three-year budget limits. The measures are co-financed through sectoral/national programmes, EU funds and the national budget. Certain large investment areas (e.g. energy, infrastructure, some decarbonisation or nuclear decommissioning programmes) may have specific financial plans and multi-annual estimates, which are agreed with the national budget and external sources (EU funds, special funds, international loans). Since the NPP contains only indicative

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<sup>28</sup> <https://esinvesticijos.lt/sutartys/strateginio-valdymo-informacines-sistemas-svis-pletra> | <https://finmin.lrv.lt/lt/paslaugos/finansu-ministerijos-valdomos-ir-tvarkomos-informacines-sistemas/strateginio-valdymo-informacine-sistema-svis/svis-naudotoju-vadovai/>

ten-year forecasts, actual funding is secured by including measures in medium-term and annual budget limits.

The mechanism for revising the NPP's financial forecasts is established by the Strategic Management Law and the Strategic Management Methodology, the specific provisions of which are set out above. However, a review in accordance with the established criteria, taking into account economic cycle fluctuations within the NPP for 2021- 2030, has not yet been carried out, as the forecasts are indicative and the amounts planned for specific measures are agreed during budget negotiations and included in the budget, which means that they are strictly justified and planned.

The NPP itself is a long-term document that is not usually cancelled when the government changes or under other circumstances. Rather, it is adjusted to reflect updated policy priorities or changes in macroeconomic conditions.

## 6.2. FINANCING OF MEDIUM-TERM STRATEGIC DOCUMENTS

Medium-term planning in Lithuania is a key link in ensuring the connection between the long-term strategic guidelines of the NPP and the annual budget process. It is at this level that the indicative financial projections of the NPP are transformed into specific budgetary commitments, and the general strategic objectives are detailed into measurable measures with defined resources. In accordance with the amendments to the legislation (Law on the Budget Structure and related acts) adopted as part of the 2020-2021 reform, a medium-term consolidated budget for a three-year period has been introduced into the budget process.

The medium-term consolidated budget of the Republic of Lithuania is approved by the Seimas annually for three budget years by reviewing the indicators of the second and third years of the previous budget and planning the new one, respectively, for the third year. It determines total revenues, appropriation limits and their distribution among individual budgets. The total appropriation limit is formed taking into account public finance forecasts, EU and Lithuanian fiscal rules, and fiscal risks. The unallocated part of the limit should be between 0.5% and 3% depending on the year and is used to compensate for unforeseen circumstances, but cannot be spent at the risk of violating budgetary discipline. When preparing the draft budget, the figures for the second and third years may be adjusted in cases of emergencies, changes in revenue forecasts exceeding 0.5% of GDP, changes in government or the receipt of new EU funds. It is also permitted to reallocate parts of the appropriation limits between budgets or administrators without changing their total amount in order to meet debt obligations, indexations, changes in government priorities or reallocations between areas of government activity.

**Development programmes** are devised to implement the objectives and tasks of the NPP. Development programmes are the main tool for operationalising the NPP. They are developed by ministries and other budget administrators on the basis of the strategic document and serve to detail strategic intentions down to the level of specific measures. Each programme identifies specific progress measures that need to be implemented to achieve the relevant NPP objectives, establishes the institutions responsible for their implementation, defines indicators for monitoring progress and provides preliminary estimates of financial needs. Most development programmes, although designed as medium-term instruments, cover the entire ten-year period of the NPP. This ensures consistency between the long-term strategy

and medium-term implementation. In the budget, funds allocated to development programmes are not shown separately but are included in the total amount of appropriations for administrators.

It is essential that the medium term is defined not simply by forecasts or guidelines, but by binding **limits on appropriations** for administrators for three consecutive years. This means that ministries and other budgetary institutions receive financial certainty regarding the amount of resources they will have at their disposal over the next three years, which allows them to plan multi-year projects and avoid the uncertainty characteristic of traditional annual budgeting.

It should be noted separately that since Lithuania's budget is planned and approved for a three-year period (medium-term), funds are allocated and approved for all three years at once (on a permanent basis). This guarantees institutions financial certainty in the implementation of current projects or activities for at least three years. In turn, the link between strategy, programmes and budget ensures that any changes at the top level of the document hierarchy are implemented through adjustments to development programmes and, as a result, to the budget allocations allocated for their implementation. If an activity is postponed due to a lack of funds in the current budget period, no formal changes are made. Instead, the implementation of the approved measure is simply postponed.

### 6.3. FINANCING OF SHORT-TERM STRATEGIC DOCUMENTS

The short-term budget document in the Lithuanian system is the annual budget. The budget law sets out the main indicators of the state and municipal budgets for the current year (revenues, appropriations, subsidies, share of personal income tax, medium-term fiscal targets) and medium-term indicators of the consolidated budget for three years (total revenues, appropriation limits and their distribution between state, municipal and social funds). Together with the draft, the Government submits detailed information to the Seimas: revenue and expenditure forecasts, fiscal policy, risks, assessment of the sustainability of public finances, data on borrowing, changes in appropriation limits, etc. The Bank of Lithuania provides an opinion on the impact of the budget on financial stability. The Seimas considers and adopts the law in accordance with the established procedure, taking into account the recommendations of the EU.

Thus, the annual budget is prepared on the basis of approved three-year limits and reflects annual changes and current operations (as well as annual stages of implementation of progress measures). At the same time, measures that already have medium-term limits are continued within these limits.

The implementation of short-term measures is reflected in annual reports on the implementation of NPPs/programmes, in which administrators report on KPIs and the use of "progress funds". The data is stored and published (scoreboard/monitoring of NPP indicators) for consideration in the next budget period.

**Adjustment mechanisms** – if priorities change or operational adjustments are needed, they are implemented through:

- Changes in the budget (reallocation/transfer of expenditures to other years, use of the possibility to carry over unused funds under certain conditions);
- Postponement/transfer of progress measures to subsequent years within three-year limits.

If changes are made to strategic documents, then, as already mentioned, all related lower-level planning documents (in particular, the budget for a given year) must also be adjusted accordingly. Since progress measures are directly included in the budget, all necessary updates should already be taken into account in them.

## 7. EXAMPLE OF NEW ZEALAND

In New Zealand, strategic planning does not exist in isolation but is fully integrated into the fiscal framework and budget process. It is based on the Public Finance Act 1989, which establishes the principles of transparency, accountability and intergenerational fiscal sustainability.<sup>29</sup>

The system is designed so that all levels of planning, from long-term forecasts to the annual budget, are interlinked and logically consistent.

Planning covers three horizons:

- long-term – 40 years (Long-term Fiscal Statement);
- medium term – strategic for 10 years (Fiscal Strategy Report) and forecast operational for 5 years (Budget Economic and Fiscal Update);
- short-term – annual budget, which specifies already approved priorities.

### 7.1. FINANCING OF LONG-TERM STRATEGIC DOCUMENTS

Long-term guidelines are set out in the Long-term Fiscal Statement, which the Treasury prepares every four years with a forecast horizon of at least forty years. This is not a political document, but an economic model of state viability. It analyses the structure of expenditure, debt, demographic balance, productivity, health care, pension expenditure, climate risks and resources.

The peculiarity of the New Zealand approach is that objective financial limits are determined first, and only then is the scope for political choice defined. If the forecast shows a deterioration in the fiscal position, the government must justify its policy decisions taking these risks into account.

In 2025, the Treasury released an updated Long-term Fiscal Statement 2025, which models that without policy changes, public debt could rise from 43% of GDP to around 200% in 2065, and the share of spending on pensions and healthcare would exceed 16% of GDP.<sup>30</sup>

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<sup>29</sup> <https://www.legislation.govt.nz/act/public/1989/0044/latest/DLM160809.html>

<sup>30</sup> <https://www.treasury.govt.nz/sites/default/files/2025-09/ltps-2025.pdf>

The document uses the Living Standards Framework (LSF), which covers four types of capital – human, social, natural, and financial-productive – and allows for the assessment of fiscal sustainability, taking into account the impact on well-being and intergenerational fairness.

A short simplified version of the document explains complex models in understandable language, showing how the balance between generations is changing and what debt burden will be left to future generations. This makes long-term planning not only professional but also open to public scrutiny.<sup>31</sup>

## 7.2. FINANCING MEDIUM-TERM STRATEGIC DOCUMENTS

Medium-term planning ensures consistency between 40-year forecasts and annual budgets. It has two levels: strategic and forecast.

The strategic level is formed in the Fiscal Strategy Report (FSR), which covers a period of at least 10 years. In it, the government defines medium-term fiscal policy objectives – the level of debt, deficit, revenue and expenditure, as well as key risk management principles.

The FSR is a policy framework: it shows the planned trajectory of public finances in the medium term and sets the limits within which annual budgets must be formed.<sup>32</sup>

The forecast level is presented in the Budget Economic and Fiscal Update (BEFU), an annual document that accompanies the budget and covers the current, previous and four subsequent financial years.

The BEFU contains detailed forecasts of revenue, expenditure, assets, debt and an assessment of macroeconomic risks. It is used to verify the compliance of current budgetary policy with the strategic guidelines set out in the FSR.<sup>33</sup>

In the medium-term planning process, the Treasury also uses the LSF Dashboard, a set of welfare indicators that reflect the state of four types of capital. These indicators help to assess not only fiscal sustainability but also the social relevance of government programmes.<sup>34</sup>

## 7.3. FINANCING OF SHORT-TERM STRATEGIC DOCUMENTS

Short-term planning is implemented through the annual budget, which does not create new strategic directions but specifies those already agreed upon in long-term and medium-term documents.

Since 2019, the short-term cycle has been supplemented by the Wellbeing Budget, which directs spending towards improving quality of life, not just economic growth. Each initiative undergoes a double assessment:

- fiscal – impact on the sustainability of public finances;
- social – contribution to the well-being of the population in accordance with the LSF.

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<sup>31</sup> <https://www.treasury.govt.nz/publications/lftp/he-tirohanga-mokopuna-2025>

<sup>32</sup> <https://www.treasury.govt.nz/publications/fiscal-strategy-report/fiscal-strategy-report-2025>

<sup>33</sup> <https://www.budget.govt.nz/budget/forecasts/befu2025.htm>

<sup>34</sup> <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/measuring-wellbeing-lsf-dashboard>

Preference is given to programmes that demonstrate a positive effect on wellbeing (e.g. mental health, child poverty, skills development, climate adaptation).

Separately, once every four years, the Treasury publishes a Wellbeing Report, which summarises the state of human, social, natural and productive capital and shows how fiscal policy affects the country's intergenerational sustainability..<sup>35</sup>

Thus, in New Zealand, the annual budget, medium-term fiscal strategy and 40-year fiscal statement form a single continuous system of government planning, where short-term decisions are inevitably linked to long-term consequences. This is an example of the highest level of integration of strategic and budgetary processes among OECD countries.<sup>36</sup>

## 8. RECOMMENDATIONS

The main recommendation for effective coordination of budgetary and strategic planning is the integration of European norms and standards, which will not only influence the strategic planning system but also strengthen European integration efforts.

Full implementation of the Common Provisions Regulation (CPR<sup>37</sup>) is necessary for regional and sectoral strategies.

In Poland, for example, the full implementation of CPR approaches for regional and sectoral strategies is ensured through the national Law on the Principles of Development Policy. The Polish law contains key mechanisms similar to the CPR (operational programmes, management institutions, financing and reporting mechanisms) and was adopted almost simultaneously with the first CPR in 2006. It is important that the law is updated after each new CPR so that the national system fully complies with current EU requirements.

Although the CPR is an EU regulation and does not need to be transposed into national law, its implementation requires amendments to national legislation. The regulation specifies what needs to be done (the existence of managing institutions, programmes, monitoring mechanisms), but does not specify how this should work within the country. Polish law establishes the internal architecture of strategic management and financing: who is the managing authority, how programmes are approved, how multi-annual financial plans work, how co-financing is organised.

Ukraine also needs a **single law** that would define:

- the structure of strategic documents (strategy → programmes → financing),
- institutional roles (managing, intermediary, executive institutions),
- the link with the budget process,

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<sup>35</sup> <https://www.treasury.govt.nz/publications/treasurys-stewardship-reports/wellbeing-reports>

<sup>36</sup> [https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/04/budgeting-and-public-expenditures-in-oecd-countries-2019\\_g1g98ed5/9789264307957-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/04/budgeting-and-public-expenditures-in-oecd-countries-2019_g1g98ed5/9789264307957-en.pdf)

<sup>37</sup> <https://eur-lex.europa.eu/eli/reg/2021/1060/oj/eng>

- multi-year planning and co-financing.

Following the example of Latvia, **appoint a high-ranking official (or institution) with strategic planning powers and the authority** to participate in the state budget planning process, ensuring that fiscal policy is consistent with long-term goals. Various mechanisms for implementing such a level of responsibility can be proposed here. Such powers may be vested in:

- the Deputy Prime Minister for Planning,
- the Cabinet representative in Parliament,
- specialised deputies for each minister who will be responsible for strategic planning,
- a specific ministry with powers to oversee and implement strategic planning.