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Abstract

The relationship between budget offices and line ministries is evolving across OECD countries. Effective budgeting now depends on strong internal finance functions within line ministries, collaborative engagement across the budget cycle, and sustained investment in skills and systems. This paper discusses how this partnership can be strengthened to ensure budgeting supports both fiscal sustainability and the effective delivery of government priorities.

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Executive summary

The relationship between the budget office and line ministries has changed substantially in many OECD countries. While traditionally focused on detailed control of individual spending items, budget offices are now expected to guide the overall shape of the budget while enabling better policy outcomes across government. At the same time, line ministries are taking on greater responsibility for allocating and reallocating resources, managing their budgets over the medium term, and being accountable for the results achieved with public funds.

This shift has not happened by chance. It reflects the combined effects of repeated economic shocks, tighter fiscal constraints, new budgeting frameworks, and rising public expectations for how governments manage money and deliver results. Tools such as top-down budgeting, multi-year expenditure frameworks, programme and performance budgeting, and spending reviews have placed new demands on both sides and reshaped how they work together. Beyond supporting fiscal discipline, budget offices now play a broader role in co-ordinating policy, guiding resource allocation, and supporting improvements in financial management across government. In parallel, line ministries are expected to plan more strategically, manage within expenditure limits, and take greater ownership of trade-offs and efficiencies.

Top-down budgeting has been central to this transformation. By establishing expenditure ceilings early in the process, governments encourage line ministries to take a more active role in shaping their budgets, making trade-offs, and planning ahead. When embedded in a medium-term framework, this approach strengthens predictability and creates space for more strategic dialogue between the budget office and ministries. Digital tools and better access to real-time data have further supported these developments, making processes more transparent, reducing administrative effort, and enabling faster and more informed decision-making.

These changes, however, require a cultural shift. Modern budgeting systems depend not only on updated rules and tools but also on new ways of working: co-ordination, dialogue, and mutual trust. Changing the relationship between budget offices and line ministries cannot be achieved solely through procedural reforms. It requires professional capability on both sides, shared understanding of policy and financial pressures, and consistent behaviours throughout the budget cycle. Experience from OECD countries highlights three pillars that are critical to making this transition effective:

- Strengthened expertise within both the budget office and line ministries to plan, manage, and reallocate resources.
- Effective interaction throughout the budget cycle, built on clear roles, structured processes, and regular communication.
- Active participation of line ministries in the design and implementation of budgeting reforms, ensuring relevance and ownership

Despite progress, important challenges remain. Capacity gaps persist in many ministries, particularly in costing, strategic planning, and performance analysis. Fragmented digital systems limit the availability and use of financial and performance data. In some cases, increased autonomy for line ministries has not been matched by strong internal finance functions capable of supporting prioritisation and efficient resource use.

Without credible financial management capacity within ministries, the benefits of top-down budgeting, greater flexibility, better planning, and more informed decision-making, cannot be fully realised.

Budget offices themselves also face new pressures. Their role increasingly requires both deep technical expertise and a solid understanding of policy, the ability to interpret data, and strong communication skills. Rather than focusing solely on reviewing line items, they must engage with ministries' substantive work: understanding drivers of spending, operational realities, and future pressures. This enables them to assess trade-offs, identify risks, and guide reallocations across government. Building and sustaining this capability requires consistent investment in training, career development, and professional networks.

These institutional developments take place within a broader governance and political context. Budgeting is a technical process, but primarily a political one: ministers set priorities, negotiate trade-offs, and are accountable for results. Parliaments authorise expenditures, oversee implementation, and ensure democratic legitimacy. As political priorities evolve, budget offices and line ministries must adapt while safeguarding transparency, discipline, and alignment with fiscal objectives. Strengthening their relationship should therefore support informed political decision-making, reinforce accountability to the legislature, and help ensure that public resources are used effectively.

In this context, the Centre of Government (CoG) plays an important complementary role. While the budget office focuses on fiscal discipline and resource allocation, the CoG provides strategic direction and ensures coherence across major policy priorities. Close co-ordination between the CoG and the budget office helps align political priorities with budget decisions, ensures consistent signals to ministries, and supports more effective implementation. Where this co-ordination is strong, governments are better able to manage trade-offs, maintain fiscal discipline, and deliver whole-of-government results.

Looking ahead, there are clear opportunities to further improve how budget offices and line ministries collaborate. Continued reform and innovation can help ensure that budgeting systems support both fiscal sustainability and meaningful policy impact.

Key areas for further development include:

- Strengthening the finance function in each line ministry to ensure ministries can plan, reallocate, and monitor resources effectively, and serve as credible counterparts to the budget office.
- Investing in skills and systems across government to improve costing, trade-off analysis, risk management, and performance-informed budgeting.
- Enhancing digital infrastructure, data integration, and analytical capacity, linking systems across institutions and building the ability to interpret and act on financial and performance information.
- Fostering a culture of trust and shared accountability through structured engagement mechanisms, joint review processes, and continuous dialogue.

Reinforcing top-down budgeting and medium-term planning to provide predictability, support prioritisation, and strengthen the link between budgets and results.

These reforms require long-term commitment, political, institutional, and professional. Building capability is not a one-off exercise: it depends on ongoing investment in training, peer learning, and networks that connect practitioners across ministries. As governments face increasingly complex policy challenges and uncertain fiscal conditions, the way budget offices and line ministries work together will be central to maintaining fiscal discipline, improving value for money, and delivering better outcomes for citizens. The experience of OECD countries demonstrates that with the right structures, skills, and relationships in place, this partnership can become a powerful driver of more effective and sustainable public financial management.

1 The evolving relationship between the budget office and line ministries

The relationship between the budget office and line ministries has changed substantially in many OECD countries. While traditionally focused on detailed control of individual spending items, budget offices are now expected to guide the overall shape of the budget while enabling better policy outcomes across government. At the same time, line ministries are expected to take on greater responsibility in allocating and reallocating resources and budget execution, and to be ready to be held accountable for the results delivered with public funds.

While many OECD countries have strengthened and streamlined the dialogue between the budget office and line ministries, in some administrations – particularly outside the OECD area – the budget office continues to interact directly with numerous sub-entities rather than a single line-ministry counterpart (Pot and Šušteršič, 2024^[1]). Such arrangements can complicate co-ordination and weaken strategic dialogue between the Ministry of Finance and the relevant ministry.

This requires a cultural shift within both budget offices and line ministries, focusing on co-ordination, dialogue, and mutual trust. For this partnership to thrive, budget offices must be prepared to delegate greater flexibility within a disciplined fiscal framework. In return, line ministries must take on a more proactive role in public financial management, as they are often best placed to assess policy trade-offs, design policy interventions, and ensure value for money. Without this shift, budgeting risks remaining a compliance exercise rather than a tool for managing public resources effectively.

To balance top-down fiscal constraints with bottom-up contributions, the budget office must work closely with line ministries to ensure alignment and accountability. In some countries, mechanisms such as multi-year frameworks and spending reviews have helped create more structured and transparent interactions between the budget office and ministries, though results vary.

However, moving away from the traditional "command and control" role of budget offices has not been easy. While budgeting has always involved centralised processes, periods of fiscal consolidation often prompt a re-centralisation of decision-making authority with budget offices tightening control. This reflects concerns about fiscal risk but can also limit the flexibility and initiative of line ministries. This ongoing evolution underscores the importance of adaptability, balancing fiscal challenges with the need for collaboration and shared responsibility.

1.1. Drivers of this changing relationship

The shift in the relationship between budget offices and line ministries has not happened by chance. It reflects the combined effects of economic shocks, fiscal constraints, institutional reforms, and rising public expectations for how governments manage money and deliver results.

1.1.1. Economic and fiscal pressures

Until the 1970s, increased public spending in most OECD countries was largely sustained by strong economic growth. In the decades that followed, many governments relied more heavily on deficits and debt to finance expanding budgets. Over the past twenty years, a series of major fiscal challenges has intensified spending pressures. Crises such as the global financial downturn and the COVID-19 pandemic have been layered onto longer-term drivers of expenditure, including demographic ageing, rising healthcare costs, climate and defence related spending needs.

These pressures have placed sustained strain on public finances. Fiscal space is now more limited, and governments face more difficult choices. In many cases, they have sought to meet new priorities not by increasing overall expenditure, but by reallocating existing resources, finding efficiency gains, and in some cases pursuing structural reforms in areas such as pensions, labour markets, and healthcare systems. These reforms are aimed at containing costs, and also at improving the resilience and responsiveness of public services in the face of long-term challenges. In response, budget offices tightened their focus on overall spending limits. Many have introduced or reinforced expenditure ceilings, applied stricter fiscal rules, and used tools such as spending reviews to examine whether existing programmes still justify their funding. They have become more focused on ensuring that total spending stays within limits, while trying to guide choices about how that spending is used.

In context of constrained public finances, line ministries are expected to set priorities within fixed budgets, explain how their spending supports their policy responsibilities, and find lower-value activities that can be reduced or phased out. This has increased the need for better internal financial management, stronger oversight and clearer cost estimates. Some ministries have strengthened these functions in response, but the capacity to do so varies widely across countries and sectors.

These developments have changed the procedures and the working relationships across government. Budget offices cannot manage these pressures alone. Whether resources are used well depends on whether line ministries can take on these responsibilities, and whether they are supported to do so. In response to these pressures, many governments have introduced reforms to the structure and process of budgeting, aimed at supporting more disciplined planning, better resource allocation, and stronger engagement between budget offices and line ministries.

1.1.2. Budgetary reforms

Faced with sustained fiscal pressures, many OECD countries have made deliberate changes to how budgets are planned and managed. These reforms have aimed to strengthen fiscal discipline while also improving how public funds are allocated and used. One major shift has been the widespread adoption of top-down budgeting. Rather than negotiating budgets from the bottom up, governments increasingly set overall expenditure limits at the start of the process, leaving line ministries to make decisions within fixed ceilings. This approach reinforces the budget office's role in maintaining aggregate control, while placing more responsibility on line ministries to plan, prioritise, and reallocate within their envelopes.

Multi-year frameworks have been another important development. Setting spending plans over multiple years rather than one year at a time provides a more stable basis for planning and help ministries align their policy and budget decisions with fiscal realities. They also aim to shift the focus away from annual budget battles toward longer-term trade-offs.

Programme and performance budgeting has further built on this foundation. By linking spending to specific objectives and expected results, these approaches seek to improve the quality of budget decisions and ensure that money is directed toward effective policies. They rely heavily on the ability of line ministries to define clear goals, measure progress, and adjust spending based on performance—not just maintain spending levels.

Spending reviews have been introduced in many countries as a tool to support reallocation. Rather than simply reviewing new proposals, spending reviews provide a structured way to examine existing programmes, identify savings, and free up resources for higher priorities.

All of these reforms have strengthened the role of line ministries in managing public money. They are expected to deliver policy, but also to assess what is working, manage costs, and make room for new initiatives without breaching fiscal limits. This represents a fundamental change in the relationship with the budget office. While the budget office remains responsible for setting boundaries and ensuring discipline, effective budgeting now depends heavily on the ability of line ministries to manage within those boundaries.

This raises a critical question: are line ministries ready to meet these expectations? Without a strong internal financial management function, the ability to make difficult trade-offs and prioritise will not be there and the benefits of reform risk being lost. Building this capacity, and building trust between line ministries and the budget office, has become central to the success of modern budgeting.

1.1.3. Demand for transparency and data-driven budgeting

There is a growing demand for greater transparency. Public expectations around the use of public funds have evolved, with citizens, parliaments, and oversight institutions increasingly seeking clearer and more credible explanations of what governments are spending, and what they are achieving. In response, many countries have started introducing digital tools that track budgets, monitor implementation, and report on results in a more accessible and timely way.

These systems allow both budget offices and line ministries to access shared data, follow spending in real time, and adjust plans as needed. They have improved transparency and made it easier to compare spending with performance. But the availability of data is not enough. Using it well depends on whether line ministries have the skills to interpret it, understand risks, and make informed decisions.

Budget offices cannot do this alone. They are well placed to manage the overall framework, but it is line ministries that understand the details of policy and service delivery. Their ability to use data to plan, adjust, and explain spending choices is critical to ensuring that budgeting supports both fiscal control and effective policy. Without strong line ministries as partners, the full value of data systems, and of transparency itself, cannot be realised.

1.2. Key changes in roles and responsibilities

Line ministries are now expected to take on a broader set of responsibilities; not just delivering policy but making informed decisions about how limited funds are used within fixed budgets. In this model, the budget office sets the overall limits based on macroeconomic and fiscal policy goals. Line ministries are then expected to develop budget proposals within those limits. This requires more than technical compliance. It demands that ministries prioritise their policy goals, weigh trade-offs, and manage their allocations to support delivery over the medium term.

While this logic is clear in many reform frameworks, implementation has been uneven. In some countries, line ministries continue to focus on marginal increases and rely on historical baselines, rather than planning within hard constraints. But where the model has taken hold, it has led to earlier, more focused discussions, shifting greater responsibility for budget outcomes from the budget office to line ministries.

To meet these expectations, line ministries need strong internal finance functions that do more than manage procedures. These functions must be able to integrate policy and budget planning, assess costs and risks, and monitor performance over time. Equally, they must be able to communicate effectively across the ministry and serve as the single point of contact with the budget office during budget preparation and execution. This requires investment in staff, systems, and analytical capacity, something that remains a work in progress in many countries.

Equally important is the working relationship between the budget office and line ministries. Trust is not created through formal rules alone. It depends on regular communication, transparency in how decisions are made, and consistent follow-through. Desk officers and policy analysts can play a key role in this process, not just as reviewers, but as contact points who help explain rules, test proposals, and support more informed negotiation.

In short, line ministries are not just implementers of budget decisions, they are central to making the system work. Without their capacity and co-operation, efforts to strengthen budgeting will remain limited, no matter how well-designed the tools or frameworks may be.

Table 1 summarises how the roles and expectations of line ministries have shifted in many OECD countries, and what these changes require in practice.

Table 1. Traditional and emerging roles and behaviours of line ministries

Traditional roles and behaviours	Emerging roles and behaviours
Strong focus on inputs and activities	Focus on policy outcomes and results of spending
Emphasis on annual, incremental budget changes	Medium-term planning aligned with government priorities and value for money
Strict compliance with budget execution rules, limited flexibility	Greater decision-making within expenditure ceilings, including during execution
Limited transparency and accountability	Greater transparency and clearer accountability for results
Budget units focused on financial control, limited co-ordination with policy teams	Closer co-ordination between finance and policy units to develop integrated proposals
Passive compliance to centrally defined limits	Active engagement with the budget office during planning and negotiation
Siloed operations; task duplication across ministries	Increased co-ordination across ministries on shared and cross-cutting issues
Resistance to change and reform	Active participation in implementing budget reforms (e.g. performance budgeting, spending reviews)
Limited centralised efforts in capacity building	Focus on building internal capacity and professional development
Ministry-specific IT systems, with limited interoperability	Systems integrated with government-wide platforms (e.g. IFMIS) for better reporting

1.2.1. Budget offices: Managing aggregates and shaping incentives

OECD countries have introduced a range of budget reforms and are enforcing firmer top-down limits on public expenditure. As a result, spending control is increasingly focused on managing multi-year expenditure baselines and ensuring these remain consistent with the government's fiscal objectives.

The shift towards aggregate fiscal controls has changed the work of the budget office. It has required stronger teams for budget policy co-ordination, which are responsible for enforcing expenditure ceilings and shaping the incentives created by the fiscal framework. Budget analysts are expected to be more forward-looking and policy-oriented, identifying potential problems before they materially impact public finances. These changes have influenced how the budget office and line ministries interact, moving from detailed control of line items toward managing budget totals across sectors.

However, maintaining a focus on aggregates does not mean ignoring programme or sector-specific risks. Budget offices must still understand the structure, drivers, and emerging pressures within different

spending areas. Without sufficient insight into policy and operational realities, there is a risk that ceilings will be set unrealistically, savings targets will be poorly designed, or fiscal risks will accumulate unnoticed. The challenge is to strike the right balance: to focus daily work and decisions on maintaining fiscal discipline at the aggregate level, while maintaining enough sectoral knowledge to assess proposals critically, identify early warning signals, and support informed dialogue with line ministries.

As the roles of line ministries evolve, budget offices must also be willing and able to support that transition. This includes building and maintaining the expertise to engage effectively with finance functions in line ministries, and to act as a credible partner throughout the budget cycle, not only as an enforcer of rules. It also means rethinking the skills required within the budget office itself. This shift requires moving beyond a narrow focus on transactional control toward a more policy-informed role, one that upholds fiscal discipline while enabling more deliberate and informed budget decisions across government. Austria's example shows how budget offices can take a more strategic role in their engagement with line ministries – a model increasingly relevant across OECD countries (Box 1).

Box 1. Reforming the Budget Office role in Austria: From control to co-ordination

Austria's multi-year budget reform, implemented between 2009 and 2013, fundamentally reshaped the role of the Budget Office within the Ministry of Finance. The reforms introduced a top-down budgeting approach, integrated performance budgeting, and embedded a medium-term expenditure framework in the constitution.

A key ambition of the reform was to make the Budget Office more agile, shifting from a highly centralised, line-item approval role to one focused on steering aggregates, supporting programme-level planning, and facilitating more informed decision-making. This required rethinking internal processes and analyst roles.

Budget analysts were reorganised into “mirror units” aligned with line ministries, creating clear institutional interfaces. Their responsibilities expanded beyond monitoring compliance to include assessing spending proposals in light of priorities, fiscal ceilings, and performance targets. Analysts also became key contact points for dialogue throughout the budget cycle, contributing to more continuous and policy-informed engagement.

The reform placed emphasis on strengthening the Budget Office's analytical capacity, including the introduction of standardised performance indicators and enhanced costing practices. At the same time, it relied on line ministries gradually taking more ownership of planning.

While implementation has faced certain challenges, Austria's reform experience remains a reference point for how budget offices can evolve to support more forward-looking, outcome-aware budgeting while safeguarding fiscal discipline.

Source: Steger (2012^[21]), Budget Reform in Austria: From traditional to modern budgeting.

Where budget offices adopt this broader role, they strengthen the overall functioning of the budget system. By reinforcing shared responsibility and enabling more capable partners across government, they create the conditions for a more credible, transparent, and outcome-focused approach to managing public resources.

1.2.2. Line ministries: Greater autonomy and responsibility

Greater autonomy has come with greater responsibility for line ministries to ensure that spending is controlled and delivers value for money. Budgets are now negotiated using fewer, larger budget lines —

often through the implementation of programme budgeting. While line ministries will continue to seek additional resources, the budget office increasingly expects them to first explore options for reallocating existing funds to meet new spending pressures. Requests for additional funding are considered more carefully and are typically expected to be supported by evidence that internal reprioritisation has been assessed and, where possible, undertaken.

Changes to fiscal frameworks have also broadened the responsibilities of line ministries. They are now expected to set spending priorities, plan and execute their budgets, and ensure value for money across their portfolios. These changing expectations highlight the importance of building strong internal finance functions within line ministries. These units must co-ordinate with policy teams, oversee financial planning and execution, and ensure that budget holders manage resources effectively. They play a central role in linking policy objectives with financial realities and in supporting better prioritisation, control, and accountability. In practice, this requires systems and procedures, but also skilled professionals who can advise senior leaders, engage with the budget office, and guide internal decision-making.

A well-established example of such a model is found in the Netherlands (Box 2), where each ministry has a finance directorate that plays a central role in budget preparation, control, and engagement with the Ministry of Finance.

Like the budget office, line ministries need to become more strategic and less transactional - focused on managing the framework for budget management and the overall financial health of the ministry.

Box 2. Relationship between the Ministry of Finance and line ministries in the Netherlands

In the Netherlands, each line ministry has a strong financial directorate that functions as its “internal ministry of finance.” These directorates go well beyond routine financial administration and are responsible for three core functions:

- supervision of aggregate spending
- advising on priority setting and reallocation within the ministerial portfolio
- overseeing the efficiency and effectiveness of spending programmes

The finance director is also the main budget advisor to the minister and leads the relationship with the Budget Office.

Budget co-ordination between the Budget Office and finance directorate of line ministries is supported by a structured, institutionalised process of negotiation. Budget proposals and revisions are typically discussed directly between the Budget Office and the financial directorates of line ministries. According to finance directors, most issues (around 80% to 90%) are resolved at this working level, with only a small share requiring higher-level involvement.

Responsibility for the state budget is shared. The Minister of Finance submits the overall budget to Parliament and is accountable for macroeconomic assumptions, taxation, and key fiscal aggregates. However, line ministers are responsible for their own budget chapter and represents it during Parliamentary debate, reinforcing their ownership of spending decisions and outcomes.

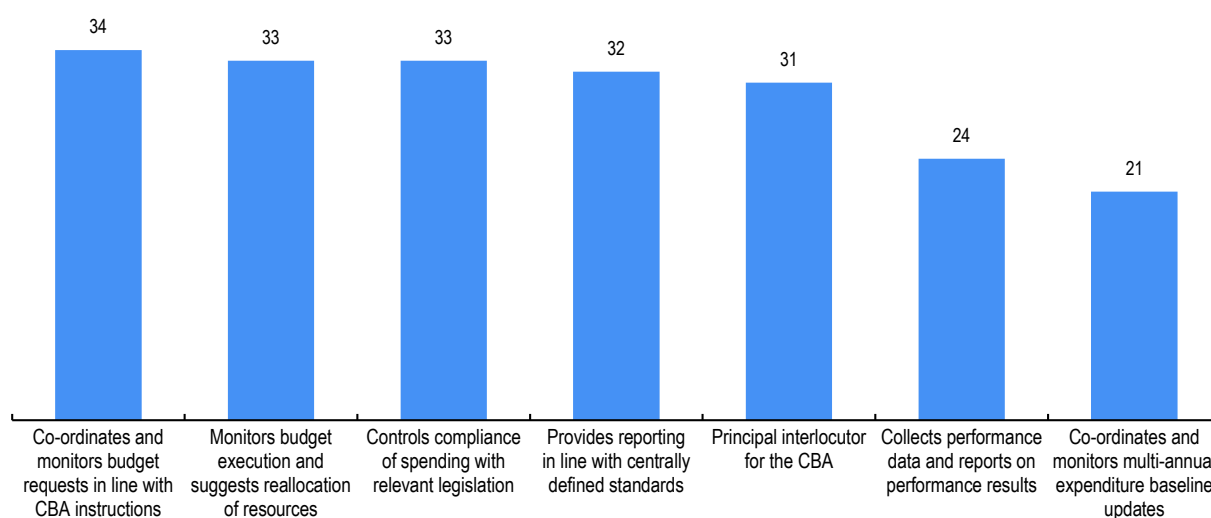
A strong sense of professional community supports this system. Finance officials across government often rotate between the Budget Office and line ministry finance directorates over the course of their careers. Many finance directors have previously served as section heads or budget analysts in the Budget Office. This mobility fosters a shared set of values – focused on efficiency and aggregate fiscal discipline – which underpin co-operation and trust between institutions.

Source: Kraan (2021^[3]), The finance function of line ministries in the Netherlands.

As core responsibilities, line ministries prepare their annual budget proposal, support its implementation and prepares the ministry's financial reports. In 31 out of 34 OECD countries surveyed in 2023, the line ministry was also the principal interlocutor for the budget office (Figure 1). In this role, line ministries relay information between the budget office and the leadership in the line ministry, including the minister, accounting officer and policy leads.

Figure 1. Roles of line ministries in financial management

Number of OECD countries, 2023



Note: Results for 36 countries. Data for Lithuania and Mexico are not available.

Source: OECD (2023^[4]), Senior Budget Officials Survey on Budget Frameworks.

1.2.3. Searching for the right balance between control and autonomy

Moving away from the traditional “command and control” role of the budget office is not always straightforward. Countries have fluctuated between granting greater flexibility to line ministries and reasserting central control, particularly during periods of fiscal consolidation, when governments often recentralise decision-making to contain spending.

The temptation to centralise typically stems from concerns that line ministries are not managing their budgets well or are unwilling to identify credible savings. However, imposing cuts without adequate information can also come at a political cost when services are impacted, as many countries have learned through experience. Centralisation can reduce the incentives for line ministries to take responsibility for their own budgets. It can also raise questions over who is accountable for the line ministry budget to parliament and the public.

While greater flexibility is often desirable, many budgeting systems operate within rules that restrict carryovers between years, impose tight execution controls, or limit how funds can be shifted across categories. These constraints reflect legitimate concerns about fiscal control and legal compliance, but they can also make it harder for line ministries to manage resources effectively in response to changing conditions. This makes it even more important for budget offices and line ministries to maintain a strong working partnership, one based on early engagement, mutual understanding, and shared responsibility for outcomes.

To support this, tools such as spending reviews, programme budgeting, and performance budgeting have played a key role in reducing the information gap between budget offices and line ministries. These instruments offer a stronger basis for dialogue, providing clearer evidence on how funds are used, what results are achieved, and where savings or reallocations may be possible.

Spending reviews can create the political space for a shared understanding of expenditure and reform options within a sector or programme. However, even well-designed reviews cannot cover all major spending areas each year. This has pushed budget offices in many countries to develop closer working relationships with line ministries — both through formal processes and by supporting the growth of the finance function as a partner in budget management and control.

2 Enabling partnerships between budget offices and line ministries

The evolving relationship between the budget office and line ministries reflects a deeper shift in how governments manage public money. Fiscal responsibility remains essential, but it must go hand in hand with the ability to design and deliver effective policies. As pressures on public budgets grow, success increasingly depends on how well budget offices and line ministries work together: one to manage the overall framework, and the other to make informed decisions within it.

This underlines the need to go beyond the introduction of tools and focus on building the institutional and human capacity required to use them well. For the reforms to deliver better outcomes, line ministries must have the skills, systems, and internal processes to take on this greater role. Without these, greater flexibility may not lead to better policy or spending decisions.

Thus, shifting the relationship between budget offices and line ministries is not simply a matter of issuing new rules or introducing new tools. It requires deliberate efforts to build new ways of working, supported by trust, shared understanding, and professional capability on both sides that is not built through formal rules alone. It depends on consistent behaviours and practices. Based on experience from reform efforts in OECD countries, and from the direct practice of budget officials, three key pillars stand out as critical to making this transition effective:

- **Strengthened expertise** within both the budget office and line ministries to manage resources.
- **Effective interaction** between budget offices and line ministries throughout the budget cycle.
- **Active participation** of line ministries in the design and implementation of reforms.

Each of these elements reinforces the others. Where they are in place, reforms have a stronger foundation. Where they are missing, efforts to shift budgeting relationships often stall or revert to control-based models. Over time, these practices help shift the relationship from one based on compliance and control to one based on shared responsibility for public finance outcomes.

2.1. Strengthened expertise

The shift to a more collaborative budgeting model places greater technical demands on both budget offices and line ministries. Managing resources effectively, linking budgets to policy outcomes, and operating within medium-term fiscal constraints require a broader and deeper set of skills than traditional budgeting models demanded.

This is particularly true for internal budget offices within line ministries. These units are expected to lead the ministry's budget preparation, monitor implementation, co-ordinate with policy divisions, and engage directly with the budget office.

In practice, they function as the ministry's counterpart to the budget office, translating fiscal constraints into practical plans, ensuring that financial discipline is maintained, and that spending choices are aligned with policy goals. To do this effectively, they must co-ordinate across policy divisions within the ministry, ensure consistency between plans and resources, and secure high-level engagement in key decisions. This requires technical skills, but also seniority and authority, these units must be led by experienced officials who can advise the minister, negotiate with the budget office, and lead internal resource discussions with credibility.

Strengthening expertise must be seen as a continuous investment, not a one-time effort. Both budget offices and line ministries need professionals who can interpret financial and performance data, assess policy trade-offs, model multi-year budget scenarios, and manage risks proactively, as shown in Box 3. Ministries must be able to develop realistic programme proposals that align with both their policy objectives and the available fiscal space. This requires strong analytical capacity, effective co-ordination between policy and finance teams, and the ability to turn plans into credible, well-prioritised budget submissions.

Box 3. Building expertise to support reform implementation in France

As part of the implementation of the new budgetary framework under the LOLF (Loi organique relative aux lois de finances), France established a dedicated “LOLF School” to support the reform. Housed within the Ministry of Finance's training centre, the school played a key role in equipping civil servants across ministries with the technical and managerial skills needed to apply the budget framework.

The training covered a range of topics, including programme structuring, performance measurement, cost analysis, and internal control. Management of human resources in the context of performance budgeting was also addressed. Participation was encouraged for both senior officials and new staff, with a strong emphasis on peer learning and practical application. The school also set clear quality standards, aiming for a minimum 75% participant satisfaction rate.

In addition to formal training, the Ministry of Finance provided tools such as the LOLF Practical Guide and annotated reading guides to help ministries navigate and implement the reform effectively. These resources supported consistent interpretation and application of the new requirements across government. Over time, this approach helped foster a shared understanding of budgeting principles and promoted their integration into day-to-day management practices.

Source: The French Ministry of Economics, Finance and Industrial and Digital Sovereignty (2019^[5]), La loi organique relative aux lois de finances (LOLF).

Building these capabilities demands more than passive training. Workshops targeted technical support, and regular engagement across the budget cycle are critical tools. Continuous communication between budget offices and line ministries, throughout planning, submission, negotiation, and execution phases, helps officials apply skills in real time and respond to emerging challenges. Regular opportunities to seek clarification, review proposals, and adjust assumptions are essential for embedding technical skills into practical budgeting.

Staff rotation policies can play a significant role in strengthening public financial management across government. When designed well, they help build sectoral knowledge, support career development, and create a broader pool of experienced budget professionals. While approaches vary, many systems allow budget analysts to spend a few cycles working with line ministries, helping them understand policy and delivery contexts. In turn, some officials from line ministries may move into roles in the budget office, bringing valuable operational insight. These movements - whether part of formal rotation schemes or informal career paths - contribute to a more connected and capable budget community. They also help embed good practices, promote mutual understanding, and reinforce collaboration between the centre and line ministries.

For budget offices, sustaining expertise also means investing in their own capacity to support and challenge line ministries effectively. Desk officers and policy analysts must combine technical rigor with sector knowledge and the ability to facilitate constructive dialogue. Without this ongoing commitment to building skills and maintaining communication, reforms risk becoming formal exercises rather than practical improvements in how public money is planned, managed, and used.

2.2. Effective interaction

Effective interaction between the budget office and line ministries is essential for shifting towards a more collaborative budgeting relationship. This is not simply a matter of more frequent contact; it depends fundamentally on the design of the budget process itself.

To support more effective interaction, the central budget office should engage directly with the budget offices or financial directorates within line ministries, not with individual policy or operational units. This practice ensures clearer lines of responsibility, avoids fragmented communication, and reinforces the internal finance function as the ministry's single point of contact for budget matters. In doing so, it strengthens the role and professional stature of these internal budget offices, helping to position them as credible actors in planning and resource management. The creation of financial directorates in each line ministry in Greece has been considered instrumental to the success of reform, as shown in Box 4.

Box 4. Creating a finance function in spending ministries in Greece

Greece has undertaken an ambitious overhaul of its public financial management system since the 2008 financial crisis. A cornerstone of this reform agenda was the Organic Budget Law, adopted by Parliament in July 2010. The law introduced a range of key budgeting tools, including a medium-term expenditure framework, and programme and performance budgeting. Just as importantly, it aimed to build financial management capacity within line ministries to improve control over public finances and strengthen accountability across government.

A key institutional innovation under the law was the creation of a General Directorate of Financial Services (GDFS) in every line ministry. These directorates were designed to professionalise financial management and standardise core functions across government. Each GDFS was required to include at least four dedicated units:

- A budget unit – responsible for budget preparation, appropriation monitoring and management, cash forecasting, and fiscal reporting.
- A procurement unit – responsible for overseeing purchasing and procurement procedures.
- An accounting unit – responsible for processing payments, subject to all required financial controls.
- An oversight unit – responsible for supervising the legal entities operating under the ministry's authority.

The GDFS model has delivered significant benefits. By creating a permanent finance function within each line ministry, it has strengthened fiscal oversight, clarified responsibilities, and enhanced co-ordination between ministries and the Budget Office. It has also played a pivotal role in enabling a more top-down approach to budgeting, while supporting a more consistent application of financial rules and procedures across the administration. The reform is widely regarded as a successful element of Greece's broader budget system transformation.

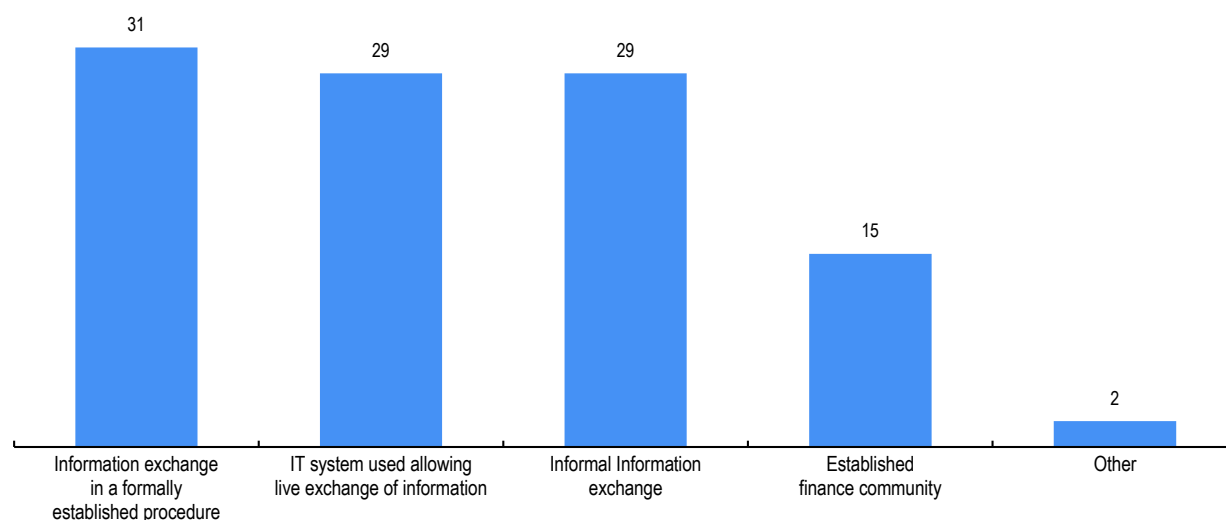
Source: OECD (2019^[6]), Budgeting in Greece.

Strong budgeting practices create the conditions for meaningful communication. A medium-term expenditure framework provides line ministries with earlier and clearer information about fiscal parameters, enabling them to plan more strategically over multiple years rather than reacting to short-term constraints. Top-down budgeting gives ministries greater autonomy within defined limits, while also requiring earlier dialogue about priorities and trade-offs.

Spending reviews and performance budgeting further reshape communication. They move discussions beyond incremental funding requests toward more structured assessments of what programmes achieve, where savings can be found, and how resources can be reallocated to support government priorities. In doing so, they create regular opportunities for line ministries and budget offices to engage not just at the point of budget submission, but throughout the planning and implementation cycle.

Maintaining trust and building a closer partnership requires regular communication and information sharing. In nearly all countries, ICT supports regular flow of information from ministries to the budget office on actual spending and updated spending forecasts (Figure 2). This supplements regular meetings and informal information exchanges.

Figure 2. Interaction between the budget office and line ministries



Note: Data for Lithuania and Mexico are not available. Other includes IT systems for regular exchange of information. Question 31.
Source: OECD (2023^[4]), Senior Budget Officials Survey on Budget Frameworks.

For the interaction to be effective, both sides must also be clear about their roles and expectations. budget offices must provide consistent signals about fiscal limits and policy priorities, and line ministries must be prepared to present well-developed proposals, supported by evidence on costs and results.

To maintain trust, the budget office also needs to apply spending controls in a way that is seen as predictable and fair. This needs to be grounded in a shared understanding of the rules of spending control. The budget office also needs to be transparent about the goals that it is trying to meet through the budget process, recognising that the line ministry is likely to have different objectives.

Where the interaction is structured and timely, it strengthens trust, improves the quality of budget decisions, and reinforces the shared responsibility for public financial management.

2.3. Active participation in reforms

Strengthening the relationship between budget offices and line ministries requires more than consultation. It demands meaningful participation in shaping the reforms that determine how public resources are planned, allocated, and monitored. When line ministries are actively involved in both the design and implementation of reforms, those reforms are more likely to be grounded in practical realities, and more likely to succeed. Without such involvement, reforms risk being perceived as externally imposed, disconnected from the day-to-day work of ministries.

To support this, governments can establish regular, structured platforms for engagement, as shown in Box 5. These may take the form of working groups, technical committees, or periodic reform forums where line ministries can raise concerns, share perspectives, and contribute operational insight. Early engagement helps identify potential obstacles, supports adaptation to sectoral needs, and fosters shared ownership across government.

Box 5. Building internal finance functions in line ministries in Iceland

Iceland's Organic Budget Law (OBL), adopted in 2015, introduced a broad package of budget reforms, including a medium-term expenditure framework, top-down budgeting, and performance and programme budgeting. A central aim of the reform was to improve the internal capacity of line ministries to manage resources well and take on greater responsibility within the new framework.

To this end, specific emphasis was placed on strengthening the finance function within line ministries, ensuring it had the authority, skills, and positioning to work closely with policy departments. This alignment between policy and finance functions was seen as critical to enable planning, credible budgeting, and more effective follow-through. The reform was supported by earmarked funding from Parliament to allow ministries to recruit qualified staff and reinforce their internal capabilities, an approach framed at the time as creating “a finance ministry in every ministry.”

To complement these institutional changes, the Budget Office established a “sounding board” mechanism that brought together representatives from line ministries, both policy and finance staff, for regular discussions. The platform provided a structured space for ministries to raise implementation challenges, contribute practical insights, and shape reform tools and processes from an early stage. This helped ensure the reforms were grounded in the operational realities of ministries.

During the legislative process, the Budget Committee of the Icelandic Parliament stressed the need for ministries to revise their internal processes and strengthen co-ordination between finance and policy teams. It also highlighted the importance of clear procedures and active follow-up, particularly in relation to the preparation of fiscal strategy proposals.

Together, these measures helped ensure that line ministries were not just subject to new budgeting requirements, but equipped and empowered to meet them, through stronger internal capacity and structured engagement in reform implementation.

Source: Government of Iceland (2015^[7]), Public Finance Act.

Participation also improves the credibility and uptake of reform. When ministries are involved in shaping elements such as spending review processes, performance reporting, or medium-term planning tools, they are more likely to embed these practices in their own planning and management routines.

For budget offices, this means going beyond the issuance of guidelines or reform mandates. It requires ongoing dialogue with line ministries about what is working in practice, where adjustments are needed, and what support might help. This two-way engagement strengthens trust, improves the technical quality of reforms, and helps embed a budgeting culture built on collaboration, not just compliance.

3

Going forward: Key recommendations

Despite remaining challenges, there are clear opportunities to build on recent developments in the relationship between budget offices and line ministries. Continued reform and innovation can help ensure that budgeting systems support both fiscal sustainability and meaningful policy impact. But this requires deliberate investment - not just in tools, but in people, institutions, and relationships.

Key areas for further development include:

- **Strengthen the finance functions in each line ministry:** every line ministry should have a clearly defined internal finance unit that acts as the single institutional point of contact with the budget office. These units should co-ordinate all budget-related activity, support internal reallocations – including with relevant sub-entities - and ensure alignment between policy planning and financial management. Building this function also helps reduce fragmentation, improve internal accountability, and foster more consistent engagement with fiscal rules and performance objectives.
- **Invest in skills and systems across government:** budgeting requires more than compliance, it demands the ability to cost proposals, assess trade-offs, manage risks, and use performance data to inform decisions. This capacity must be developed from within line ministries by strengthening internal finance teams that can work across policy areas and support ministers in managing resources effectively. Targeted training, mentoring, and tools tailored to ministry needs can help ensure that finance teams are well-positioned to lead internal budget processes with confidence and competence. At the same time, budget offices must continue to build their own capacity to engage with ministries as partners, providing constructive challenge, technical advice, and guidance.
- **Enhance digital infrastructure and data use:** modern budget systems depend on timely, accurate, and shared data. Governments should invest in integrated IT systems that connect line ministries and the budget office, allow real-time monitoring of spending, and support performance reporting. But systems alone are not enough, people need to be able to interpret and apply the information. Strengthening data literacy and linking analytics to decision-making will be essential.
- **Foster a culture of trust and shared accountability:** trust between budget offices and line ministries is critical to making budgeting systems work well in practice: that line ministries will manage their envelopes responsibly, and that the budget office will provide clear guidance, fair processes, and meaningful support. In practice, ministries and budget offices often pursue different priorities. But even with divergent perspectives, building a constructive relationship is essential. Trust is not created by formal rules alone, it requires early engagement, consistent follow-up, and openness to adjust based on experience. Structured mechanisms such as joint review meetings, collaborative workshops, or budget sounding boards can help reinforce this partnership and support more open, solution-focused dialogue.

- **Ensure co-ordination between the Centre of Government (CoG) and the budget office.** While the budget office manages fiscal discipline and resource allocation, the CoG provides strategic direction and ensures coherence across the government's priorities. Effective co-ordination between the CoG and the budget office helps align political goals with available resources, ensures clear and consistent signalling to ministries, and supports whole-of-government decision-making. When this co-ordination works well, it strengthens prioritisation, reduces conflicting demands, and improves the implementation of strategic reforms.
- **Strengthen top-down budgeting and medium-term planning:** top-down budgeting provides a predictable fiscal framework, giving ministries clarity on limits and the space to plan accordingly. Setting ceilings early in the process helps reduce time spent on negotiation and encourages internal prioritisation. When paired with multi-year frameworks, this approach supports better alignment between policy ambitions and fiscal realities and allows for better use of resources.

This requires long-term commitment; political, institutional, and professional. Capability building is not a one-off exercise. It requires continuous investment in training, peer learning, and the strengthening of networks across ministries. Staff mobility and structured rotation can also help deepen mutual understanding and build a shared community of practice in public financial management.

Above all, reform efforts must focus not only on introducing new frameworks or tools, but on supporting the people who use them. As policy challenges become more complex and fiscal space tighter, strong collaboration between the budget office and line ministries is no longer optional, it is an essential condition for effective, credible, and accountable government.

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