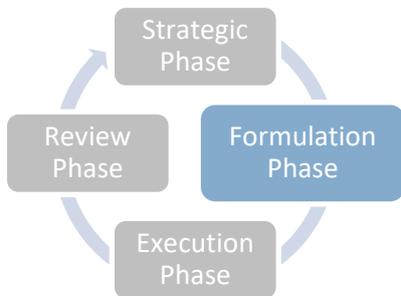


PROGRAMME BUDGETING

- ▶ Programme budgeting is a type of **budget classification** that groups expenditures with related **policy objectives**.
- ▶ This can promote budgetary decisions that more closely **align with government priorities**.



WHAT IS PROGRAMME BUDGETING?

The formulation phase involves the preparation of budget proposals by line ministries in negotiation with the central budget authority. This leads to an appropriations bill, detailing annual expenditures to be approved by legislature. The nature in which expenditures are presented for approval and eventually executed varies, depending on the type of classification. Across the OECD, there has been a move towards the classification around programmes, which group together expenditures with related policy objectives. Compared to an input-based classification, which specifies the inputs required to provide public goods and services, programme budgeting directs resource allocations towards the results of public spending.

Input vs programme budget classifications in the health context

<i>Input</i>	Wages, good and services, transfers, capital expenses
<i>Programmatic</i>	Health Protection and Promotion, Maternal Health, Improved Service in Hospitals, Ministry Support Services

WHY IS THIS IMPORTANT FOR THE HEALTH SECTOR?

- ▶ Health ministries can actively engage in the definition of programmes. This shifts the focus away from inputs required to provide health services, towards the objectives. Moreover, by engaging health officials, budgetary decisions will more closely align with health sector priorities.
- ▶ Rather than rigid input controls, managers have greater flexibility over programme funds, so that spending can be redirected as health needs change. Greater control over the choice of inputs for health officials can also increase the efficiency of public spending.
- ▶ Programmes provide a framework for accountability, by holding programme managers accountable for

results. Programmes can also help increase the transparency of how public funds are spent.

CONSIDERATIONS FOR SUCCESSFUL IMPLEMENTATION

- ▶ *How should programme budgets be designed?*

OECD countries use a hybrid system to design programmes. In the health sector, programmes are designed around health policy objectives, the type of service or administrative or support services. In general, *disease-specific programmes or interventions are integrated into broader programmes*. Ultimately, the design should reflect the priorities and responsibilities of the health ministry or entity, creating a clear link between the funds and the programme activities and objectives.

- ▶ *What are the risks?*

Programme budgeting reduces the control over inputs for the Ministry of Finance, increasing risk by allowing opportunities for the misuse of budget funds. To mitigate this concern, some countries that have moved towards programme budgeting have maintained separate line item controls for certain expenditure items, such as the administrative costs of core ministries.

- ▶ *What are the prerequisites?*

A programme budget does not eliminate the need for other types of classification, and information on inputs must be available to be able to fully cost programmes. Without this, comparing programme alternatives becomes problematic. Programme budgeting also requires strong cooperation of ministries of health, to define the scope of programmes.

- ▶ *What is the link to performance budgeting?*

Performance monitoring frameworks are often associated with the introduction of programme budgeting. Indicators track the performance of the pre-defined outcomes of budget programmes, strengthening accountability for results. This link, between budget programmes and key performance indicators, provides a framework for integrating performance and monitoring into the budget.



FUTHER READING

OECD (2019), *OECD Good Practices for Performance Budgeting*, OECD Publishing, Paris.