

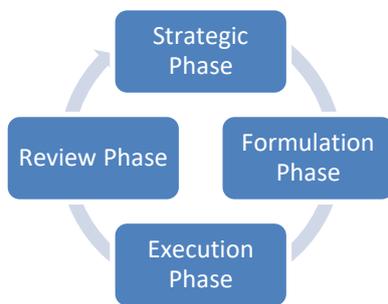
# THE BUDGET PROCESS

- ▶ A knowledge of the budget process can help **align the dialogue** between budget and health officials.
- ▶ It provides a space for **mutual understanding of each other's priorities and constraints**, and demonstrates areas of improvement for both parties.
- ▶ This can ensure the **efficient and effective allocation** of resources to the health sector.

## WHAT IS A BUDGET?

The budget is a central policy document of government, showing how annual and multi-annual objectives will be prioritised and achieved through the allocation of resources.

The budget process



### ▶ **STRATEGIC PHASE**

*What are the objectives for public spending?*

- Setting fiscal objectives, making macroeconomic projections, and setting limits on expenditure and revenues
- Alignment of budgets with the medium-term strategic priorities of government
- Engagement with parliament and stakeholders

### ▶ **FORMULATION PHASE**

*How will resources be allocated?*

- Decisions on the distribution of resources across government activities and programmes
- Budget negotiations with line ministries
- Integrate performance, evaluation, and value for money
- Participation of Civil Society

### ▶ **EXECUTION PHASE**

*How will resources be monitored and controlled?*

- Release of funds as allocated in the formulation phase
- Mechanisms to monitor and control execution
- Rules on the flexibility of budget appropriations

### ▶ **REVIEW PHASE**

*Have budget resources been used appropriately and effectively?*

- Role of Independent Fiscal Institutions and Supreme Audit Office
- Review of the budget process and materials

## WHY IS IT IMPORTANT FOR THE HEALTH SECTOR?

The budget process enables health officials to understand the mechanisms used to allocate resources for the health sector. Taking an active engagement helps align the budget process with health sector priorities, directing resources towards current and evolving health needs. However, the institutional arrangements in health inherently create a number of budgeting complexities:

### ▶ *Health is a complicated expenditure area*

Different institutional arrangements of health systems affect the budgeting process. The classic distinction is between a national health system, where the bulk of health expenditures are in the government's budget, or social insurance systems, which have a separate budget for health. In reality, many systems are mixed, containing both budgetary and extra-budgetary components. Further, health may be decentralised, to varying degrees, to the sub-national level.

### ▶ *Budgeting for cross-sectoral priorities*

Rigid budget formulation practices, such as the focus on health sector inputs rather than outcomes, lead to budget silos. Budget reform can breakdown silos to address cross-sectoral priorities such as AIDS, malaria and TB interventions.

### ▶ *Multiple sources of revenues*

Health services are often funded from multiple revenue sources, including taxes, social health insurance contributions, partner fund, and private sources. This leads to information gaps around total levels of funding, making it difficult to ensure a stable and predictable flow of funds.

### ▶ *Coordination challenges between Ministry of Health and the Central Budget Authority*

Coordination challenges exist between budget and health officials, including the lack of capacity of the central budget authority to assess policy proposals of health ministries, resulting in a weaker negotiation power. Some countries across the OECD have established formal or informal institutions, through which budget and health officials can co-operate.



## FURTHER READING

- OECD (2015), *Recommendation of the Council on Budgetary Governance*;
- OECD (2019), *Budgeting and Public Expenditures in OECD countries 2019*.