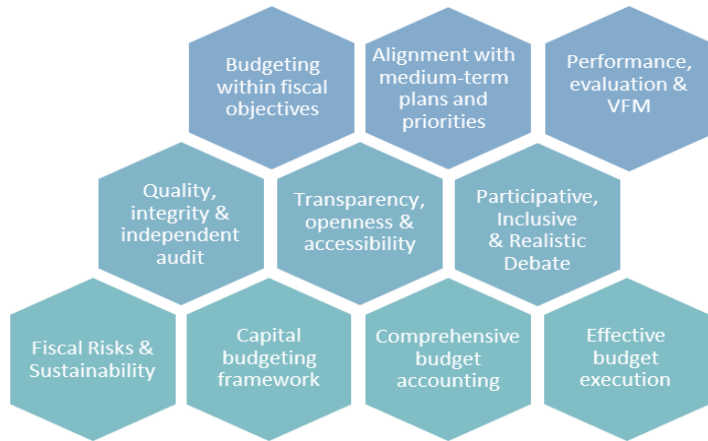


BUDGETARY GOVERNANCE

- ▶ Good budgetary governance, also known as public financial management (PFM), are the rules overseeing the **use of public resources**.
- ▶ In the health sector, a sound PFM framework can ensure **sustainability**, while promoting the **strategic allocation** of resources and their **efficient and effective** use.



WHAT IS PUBLIC FINANCIAL MANAGEMENT

Public financial management (PFM) includes all components of a country's budget process, such as strategic planning, annual budgeting, revenue management, control, accounting, reporting, monitoring and evaluation, and audit and oversight. While the budget process is at the core, PFM covers all aspects that govern the use of public resources.

WHY IS THIS IMPORTANT FOR THE HEALTH SECTOR?

A sound PFM framework is an essential part of modern public governance. For health systems, a strong PFM system can ensure:

- ▶ A sustainable and predictable flow of resources to the health sector
- ▶ Resources are allocated to health care in a way that reflects strategic objectives
- ▶ Achieving maximum efficiency and effectiveness in public service delivery and resource management.

CONSIDERATIONS FOR SUCCESSFUL IMPLEMENTATION

The OECD provides an overview of good practices across the full spectrum of budget activity, specifying ten principles of good budgetary governance, which give clear guidance for designing, implementing and improving budget systems to meet the challenges of the future.

- 1. Manage budgets within fiscal objectives*
 - Clear and verifiable fiscal rules and policy objectives
 - Applying top-down budgetary management
- 2. Closely align budgets with medium-term plans*
 - Develop a stronger medium-term dimension in the budgeting process, recognising the potential usefulness of a medium-term expenditure framework (MTEF)

3. Ensure performance, evaluation and value for money are integral to the budget process

- Presenting performance information to provide useful context on the financial allocations in the budget report
- Endorse the use of spending reviews

4. Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation

- Quality assurance including independent audit
- Acknowledge and facilitate Independent Fiscal Institutions

5. Ensure that budget documents and data are open, transparent and accessible

- Clear, factual budget reports
- Enhance the role of a Citizens budget or budget summary

6. Provide for an inclusive, participative and realistic debate on budgetary choices

- Opportunities for the parliament and committees to engage with the budget process

7. Identify, assess and manage prudently longer-term sustainability and other fiscal risks

- Make explicit the mechanisms for managing fiscal risks
- Publish a report on long-term sustainability of public finances

8. Design the capital budgeting framework to meet national development needs in a cost-effective manner

- Establish capital investment plans that go beyond the annual budget

9. Present comprehensive budget accounting

- Accounting in the budget document for all expenditures and revenues of the national government

10. Actively plan, manage and monitor budget execution

- The full and faithful execution of budget allocations
- Allowing some flexibility for ministries and agencies to reallocate funds throughout the year



FUTHER READING

OECD (2015), *Recommendation of the Council on Budgetary Governance*.