

The Public Financial Management (PFM) Cycle

Establishing Functional PBOs in Africa

11 and 12 June
Bamako, Mali



Module objectives

PFM stands for Public Financial Management and it is linked how government raise public resources and manage these public resources and the immediate and medium-to-long-term effect of these sources on the economy and citizens.

- the issues related to the PFM system.
- the essential components of a functional PFM system (getting the basics right).
- the role of the legislature throughout the budget process.

Why do Parliamentarians need to understand the PFM cycle?

Parliamentarians, as elected officials representing their constituencies, play a critical role throughout the PFM cycle. There are 5 main components of getting the basics right in PFM:

- **Strategic budgeting:** translating broad plans and policy goals into concrete programmes to benefit citizens;
- **Sustainability of the budget (including debt):** Ministry of Finance ensures allocative efficiency among spending MDAs and keep debt levels to a minimum;
- **Robust conceptualisation of capital expenditures:** Capital expenditures (notably infrastructure) ought to be conceptualised through the annual and medium-term budgeting processes;
- **Programme-based budgeting (PBB):** Aligning planning and budgeting systems to ensure that outputs and outcomes are associated with public policy objectives; and
- **Prudent budget execution:** Legislative oversight is integral to reviewing budget execution reports to ensure public resources are used in the manner they were approved.

Strategic
Budgeting

Budget
Preparation



Legislative
Debate



Enactment

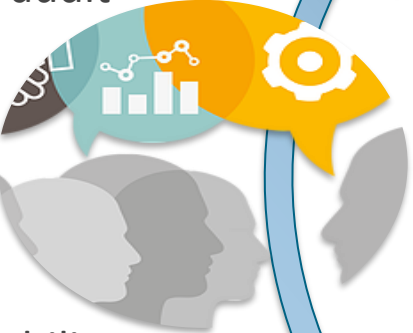


Resource
management



Internal Control
& Audit

Reporting &
accounting



Accountability

External audit



What is the legislature's role throughout the PFM cycle?

- **Budget Formulation:** The legislature plays a role in determining the budget priorities in the medium-term.(approval of MTEFs, MTDS, etc.);
- **Budget Approval:** During legislative debate of the executive's budget proposal, MPs scrutinise what is to be implemented taking into account existing revenue and debt levels;
- **Budget Execution:** The scrutiny of budget execution reports by legislative committees are essential to accountability;
- **Budget Evaluation:** Legislatures can also conduct post-hoc review of budget execution by reviewing year-end report, financial statements, and external audits of the SAI.

Thank you