

Guidelines for Developing a National Budget Brief

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Please note that these guidelines (now in the second version) and the accompanying Excel-based template (first version) are working drafts that are intended to be periodically updated based on user feedback.

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INTRODUCTION

Background on budget briefs

In 2015, UNICEF's Regional Office for Eastern and Southern Africa (ESARO) began encouraging country offices to develop budget briefs. Through the region-wide initiative, the number of budget briefs produced increased significantly. While just two country offices produced a total of six briefs in fiscal year 2015, this included 18 offices and more than 80 briefs in fiscal year 2017. Reflecting the utility and impact of these products, the Regional Priorities (2018-21) formalized the requirement for all offices to develop annual budget briefs as a minimum standard to support engagement in public financial management (PFM) processes. All published briefs are available on the [ESARO budget brief website](#).

Within this context, the budget briefs serve four main purposes:

1. Analyze and monitor budget allocations to sectors that are important for children in the current fiscal year;
2. Assess the efficiency, effectiveness, equity and adequacy of past spending to the extent possible;
3. Inform advocacy, through key messages for policy and financing changes; and
4. Increase staff knowledge on budget issues that are linked to sector results.

Objectives of the guidelines

These guidelines are intended to support the efforts of country offices to develop a national budget brief. The specific objectives include:

- Present strategic approaches based on lessons learned and good practices;
- Describe key concepts and address common misconceptions;
- Clarify accountability and responsibilities;
- Deconstruct a good budget brief; and
- Provide detailed guidance on developing content for the brief, including an outline.

Structure of the guidelines

The guidelines are presented in two parts as follows:

Part I. The Process

- Shared accountabilities: Who does what within the country office
- Characteristics of a good brief: Key considerations to bear in mind when analyzing data and drafting content
- Data: A list of suggested sources
- What to do: How to get started and ensure the budget brief is fit for purpose

Part II. The Template

- Section by section guidance: Describes the objectives, key considerations, possible data sources and content that should be included in each section of the brief and also presents sample figures and tables
- Outline: Provides a sample structure for the brief

Companion Documents

These guidelines are accompanied by two companion documents, which are available on [ESARO's budget brief external webpage](#):

- **National Budget Brief Template:** This excel-based tool should be used to produce all figures for the budget brief. Country offices are encouraged to change and produce additional figures where they see fit. However, any changes or additions should be an improvement on the figures presented in the template.
- **Budget Brief Impact Action Plan - A Short Guide:** The national budget brief should be accompanied by an action plan that describes how the main recommendations will be transformed into actions and influence. This companion document provides step-by-step guidance for developing an action plan, which covers: (i) key asks; (ii) expected results; (iii) target audience; (iv) partners; (v) actions; and (vi) progress. It also includes customizable examples (e.g. for indicators, activities) along with a sample template presented in the Annex. Importantly, the plan should take no more 1-2 hours to develop; it is intended to be a light exercise to give the office – and partners involved – clarity about what needs to be changed and how this can happen.

PART I. THE PROCESS

Responsibilities

The social policy team in the country office should lead the development of the national budget brief, incorporating information from the sector briefs and consulting with other sections as required. Specifically, the social policy team should be responsible for: (i) collecting macroeconomic, fiscal and demographic data and other documentation from government counterparts; (ii) supporting the analysis of the data; (iii) drafting the different sections of the brief; (iv) developing and refining the key messages and recommendations; (v) sharing the draft with government counterparts for review and validation; (vi) disseminating the brief to relevant partners; and (vii) developing and leading the implementation of a budget brief impact action plan to operationalize the main recommendations of the brief.

Senior management has an important role as well. The Representative and Deputy Representative should be responsible for: (i) setting the agenda around the series of budget briefs within the overall context of the office-wide policy advocacy action plan; (ii) ensuring that section leads understand their roles and responsibilities; (iii) providing close oversight so that the brief is developed according to agreed timelines; and (iv) supporting the implementation of the impact plan through high-level advocacy and discussion, as required.

Characteristics of a good brief

Past experiences show that high-quality budget briefs have distinct features. The following is an initial list that should be kept in mind while analyzing data and writing content.

- **Logical structure:** The brief should be written in “title sentence” format whereby the first sentence of each paragraph clearly states the main point of the paragraph, while the following sentences elaborate and add detail. The majority of paragraphs should be describing data and information contained in tables, figures, etc.
- **Succinct and clear:** You are writing a budget “brief” – the aim is to be as comprehensive as the data will allow and short enough to describe the important points. A brief is not a place for comprehensive discussion or rambling!
- **Accuracy:** The analyses need to be factually correct. It is imperative that all data work is checked and double checked. Heed the “four eyed principle,” whereby two individuals review and validate tables, figures, etc. and the underlying data and calculations.
- **Plain and simple language:** Briefs are for wide circulation and advocacy. Non-technical language should be used as much as possible. With that in mind, the briefs are designed to relate to the national budget. Technical terms used in the national budget should be explained in the briefs.

- **Emphasis:** Decide how important a section is and how relevant it is to the country context. Not every section may be necessary. For example, if the analysis shows that there are no major issues regarding budget execution, the section can be dropped to keep the document succinct. Issues can be emphasized by including them upfront in the key messages and recommendations section and by addressing the most important issues first.
- **Answers the “how” and the “why”:** Rather than just giving an overview of budget information e.g. allocations to the social sectors have decreased as % of the budget over the last four years, it is important to describe how the national budget has been increasing while allocations to a particular sector, like education, have remained stagnant, which could, for instance, reflect increasing priority to infrastructure spending in line with the government’s strategic plan to prioritize economic growth.
- **Brings out the child lens:** A UNICEF-supported budget brief is unique from budget analyses produced by other partners (e.g. UNDP, World Bank) because of its focus on the child. As such, it is important to clearly link the different analyses and findings to families and children as much as possible.
- **Presents inflation adjusted trends:** When analyzing spending trends over time, it is imperative that data are adjusted for inflation and presented in real terms; note that the companion [National Budget Brief Template](#) calculates this automatically.
- **Crafts well-informed, feasible recommendations:** Sensible and well-researched recommendations help to transform briefs from information into advocacy. However, no recommendation is preferable to a poor recommendation. Also, not every issue facing a country has a simple solution. For instance, improving fiscal space by increasing domestic revenue may also increase inequality, undermine PFM reforms and dampen economic growth. In addition, recommendations need to be informationally objective – that is, they should reflect data and evidence rather than opinions or beliefs about what is the best course of action, which could undermine the potential influence on budget negotiations and processes.
- **Supports ideas for future research and program interventions:** Where the analysis shows deficiencies in the information available, this could be the impetus for UNICEF to provide technical support or guide future research. Findings in the brief may also inform the programming priorities of different sections.
- **Follows the UNICEF style book:** The style guide provides instruction on spelling, language norms and referencing. It may be helpful to use footnotes while drafting. However, endnotes should be used for presentation so that the references allow room for graphics and do not disrupt the flow of the narrative.

Data

The budget brief will require budget data from national and international sources (for comparisons), including information on social development issues in the opening section. A list of possible data sources is included at the start of each section in the template in Part II.

It is important to note that budget data come in many different forms. The first is based on the budget classification system. Here there are three common systems used to present budget information, which include **administrative** (where budget data is aligned with the institutional structure of the government), **functional** (where budget data is aligned with different objectives or functions), **economic** (where budget data is aligned with inputs) and **program** (where budget data is aligned to the strategic objectives of the government) (see Box 1 at the end of this section for more information).

At the same time, for any given year there can be multiple types of budget information reported, including budgeted, approved, disbursed, outturn and audited (see Box 2 for more information). For the budget briefs, it is important to get budget allocations for the current fiscal year (the approved amounts) as well as actual expenditure (audited amounts) for as many historical years as possible to allow for analysis of budget execution performance as well as expenditure trends over time.

Macro-fiscal data and information

- ✓ Annual budget, consolidated spending reports, audit reports
- ✓ Mid-year budget, financial statements, annual report or financial report
- ✓ Budget speeches
- ✓ National Poverty Reduction Strategy or National Development Plan
- ✓ Census data
- ✓ [IMF World Economic Outlook \(WEO\) database](#)
- ✓ [IMF Article IV Staff Reports](#)
- ✓ [African Economic Outlook Country Notes](#)
- ✓ [UNECA Country Profiles](#)
- ✓ [OECD-Development Assistance Committee database on Official Development Assistance \(ODA\)](#)
- ✓ [Open Budget Survey country report](#)

Social development data

- ✓ [World Development Indicators \(WDI\) database](#)
- ✓ [UN DESA 2015 Revision of World Population Prospects](#)
- ✓ [UNICEF data](#)

Budget data matrix

Document	Years of Data Availability				
	Proposed	Approved	In-Year	Year-end/ Provisional	Audited
Expenditure: Administrative					
Expenditure: Economic					
Expenditure: Functional					
Expenditure: Program					
MTEF		
Revenue Framework					
Debt Framework					
Fiscal Framework		
Revenue Measures					
Budget Speech	

Box 1. Budget classification systems

1. **Administrative classification:** Breaks budget allocations down to ministry, department, agency (MDA) or other public entity, basically replicating the existing institutional structure of the government; these entities are responsible for managing the allocations assigned to them in the national budget.
2. **Functional classification:** Groups financial allocations according to their strategic objectives and broad purposes (e.g. for economic affairs, environmental protection, housing and community amenities, health, social protection).
3. **Economic classification:** Divides the budget into economic inputs, mainly wages and capital, to understand how the government is producing goods and services; the two main distinctions with economic classification include: (i) recurrent spending (principally on salaries for employees, but also continuous operational costs like electricity and internet for buildings or gas for vehicles); and (ii) capital spending (includes spending to develop new infrastructure or purchase vehicles or computers – also called development spending in some countries).
4. **Program classification:** A program is a group of activities aligned to the policy objectives of the government. Compared to functional classification, a classification by program takes into account the government's policy objectives and how these policies will be implemented. Programs may be divided into sub-programs which group together related activities and projects (e.g. increasing enrollment of girls under the primary education program, vaccination and disease prevention under increasing agricultural productivity).

For more information, see: Jacobs, D., Hélis, J-H, and D. Bouley (2009) "[Budget Classification](#)," Technical Note, Fiscal Affairs Department, IMF.

Box 2. Key budget terms

- **Budget Estimates or Proposed Budget or Estimates of Expenditure:** The budget as presented to Parliament.
- **Approved Budget or Approved Estimates:** The budget as approved by Parliament, taking into account revisions during the approval process.
- **Revised Budget Estimates:** The budget as revised during the financial year, often presented at mid-year.
- **Budget Outturn or Final Budget Outcome:** Estimated actual spending at a particular time during the financial year or at the end of the financial year.
- **Audited Budget or Actual Budget:** Spending verified by the Supreme Audit Institution and presented to Parliament; this presents the final (or actual) spending figures for a given fiscal year.
- **Disbursed Funding:** Funding transferred from a central agency to a spending agency.
- **Utilized Funding:** Funding used (actually spent) by a spending agency.
- **Variance:** The difference between approved spending and actual spending.
- **Virement:** The transfer of funds between line ministries, programs, policy areas, expenditure categories or line items.

What to do

1. **Ensure government ownership:** A critical starting point is to inform the Ministry of Finance or Treasury that UNICEF is planning to develop a national budget brief based on the approved budget for the current or upcoming fiscal year along with the latest macroeconomic, fiscal and social development information. In addition to facilitating access to budget data and other information, this initial consultation will help to ensure an audience to deliver and act on the recommendations once the brief is finalized. Where possible, country offices are strongly encouraged to jointly publish the brief with the Ministry of Finance or Treasury; their main roles would be to review and approve the draft, and also to provide the official logo to be included on the title page.
2. **Get budget data:** In addition to the approved budget for the current or forthcoming fiscal year, the country office should get the national budget information for the past three years at a minimum – and ideally five – along with other macro, fiscal and social development information, including projections where available. Please see the “Data requirements” section above to assist with sourcing and requesting data.
3. **Write the brief:** Use the guidance and template presented in Part II of this document together with the accompanying [National Budget Brief Template](#) to analyze the data and develop the content. Once drafted and reviewed by all relevant staff in the country office and ESARO, it should be shared with counterparts for feedback and validation. Any comments or data issues should be addressed, after which the brief can be finalized.

Note: Once using the excel-based National Budget Brief Template to organize and analyze the budget and other data for the first time, subsequent briefs should build on the previous database to produce updated figures and tables. This will ensure consistency and comparability of information over time to

understand whether specific trends are getting better or worse, and also significantly reduce the time to generate analyses and produce a new brief.

4. Develop an action plan: To effectively operationalize the main recommendations from the brief, it will be important to put together a short action plan to give the office clarity about what needs to be changed and how this can happen. The plan should broadly include: (i) key asks (lifted directly from the brief); (ii) expected results; (iii) target audience; (iv) partners; (v) actions; and (vi) progress. As mentioned earlier, customizable examples and a very short template plan are provided in the [Budget Brief Action Plan - A Short Guide](#). This is a light exercise that should not take more than 1-2 hours.

5. Execute the action plan and document progress!

PART II. THE TEMPLATE

Preface

- This is optional, but you can consider including a short paragraph that summarizes the purpose of the briefs and its link to the series being produced. While this could be presented on the cover page or one of the first pages, including as a footnote, it could also go on the last page of the document. Sample text is provided below:

This budget brief is one of **four** that explore the extent to which the national budget addresses the needs of children under 18 years in **name of country**. The briefs analyze the size and composition of approved budget allocations to sectors that affect children in fiscal year **2019/20** as well as offer insights into the efficiency, effectiveness, equity and adequacy of past spending. The main objectives are to synthesize complex budget information so that it is easily understood by stakeholders and to put forth practical recommendations that can inform and make financial decision-making processes better respond to the needs of children and poor households.

Key Messages and Recommendations

Objectives

- Provide one sentence summaries of the most important key findings and accompanying recommendations, presented in order of priority.

Key considerations

- This section serves as the conclusion of the brief (there is no standalone “Conclusion” section). It is deliberately positioned at the start of the document and written in succinct, bullet point format to focus attention on what matters. The single page presentation also allows this to be used as a standalone summary note for dissemination and advocacy purposes. Please also note that the key recommendations should serve as the foundation for developing the budget brief impact strategy.
- This should be the final part of the brief that is written; there is a short “takeaways” sub-section at the conclusion of each section in the brief, which will facilitate the development of this content.
- Each finding needs to be accompanied by a specific recommendation or ask – what we want the government to do.
- The recommendations need to be meaningful and actionable.
- The draft messages and recommendations should be widely shared to get suggestions for improvement, including with the social policy team, the communication team, senior management, development partners, civil society actors (where relevant) and ministerial counterparts.
- There should not be a key message and recommendation for each section and every issue covered in the brief. It is, therefore, important to be highly selective so that only the most important issues are featured.

- The key messages and recommendations should be presented in order of priority from highest to lowest – e.g. if the government could only change one thing, that should appear first.
- Suggested length for this section: 1 page.

Content

- **Findings and asks on aggregate spending trends and priorities:** Summarize overall national and key sector spending trends (security, justice, social sectors). This should include nominal and real changes for recent years as well as discussion of the main spending priorities. If your government is undergoing budget cuts, be sure to highlight any actions or proposals that will adversely impact poor households and children and make a compelling case for ring-fencing social sector spending. Based on the findings, formulate asks to improve overall spending on the social sectors.
- **Findings and asks on spending imbalances:** Discuss overall spending on recurrent and capital items, and identify areas that can be improved, including notable waste (e.g. excessive salaries, bloated civil servant system, abusing allowances). Based on the findings, formulate asks to enhance the efficiency of spending.
- **Findings and asks on budget credibility and execution:** Describe any major variations between the overall approved budget and actual expenditure and compare to social sectors, if there are big differences. Based on the findings, formulate asks to strengthen overall budget credibility and execution. Refer to the national PFM and/or cash management reform strategy. Emphasize reforms that could help to address shortcomings in credibility/execution if the reform plan is lacking in this area.
- **Findings and asks on sources of financing of the national budget:** If relevant, present trends on aid and the main sector beneficiaries, making sure to note whether aid is recorded on budget. Also highlight any worrisome trends in terms of revenue (e.g. drop in global commodity prices impacts resource envelope for social sectors) and borrowing (growing interest payments crowding out social sector investments). If evidence is available, summarize opportunities to create fiscal space. Based on the findings, formulate asks to reverse widening financing gaps or better maximize the use of aid or existing budgets to ensure sustainable financing for the social sectors. If aid is not recorded on budget, be sure to put forth a specific ask.
- **Findings and asks on new developments in PFM:** Based on country context and data availability, there could be a number of specific messages in regard to new budgeting reforms or practices, budget transparency, adherence to budget calendar timelines, issues to do with planning, execution and audit, etc. For example, if budget data are not available for specific sub-sectors or themes that are important to children (child, protection, nutrition, water and sanitation, etc.), there should be an ask for the government to make them available. Formulate appropriate asks based on the findings.

Examples

- More than 80% of the current budget is supporting salaries, which leaves very limited support for needed capital investments in the social sectors. The government is strongly encouraged to review the balance of the budget to ensure that it responds to the critical needs of children and vulnerable families.

- The current budget allocates 13 times more to the security and public administration sectors than to all of the social sectors combined, meaning that children remain fully dependent on foreign aid. Next year's budget must give greater priority to social sectors, which remain gravely underfunded and can help address the extreme levels of poverty and vulnerability in the country.
- At 12 percent of the total allocations for education and 8 percent for health, the current budget falls far short of meeting the government's commitments to Education for All and the Abuja Declaration. Given the severe human capital deficits, the government is strongly encouraged to develop a fiscal space strategy to address the investment gaps in line with international targets.
- Around 60 percent of the budget is financed by oil earnings, which results in unpredictability and undermines budget planning processes. A near term priority should be diversifying revenue sources, with a special focus on the agriculture sector, as well as to continue to implement PFM reforms.
- Domestic revenue increased by more than 30% in real terms since 2014-15, yet the amount of resources still falls far short of financial needs to ensure basic services for children and vulnerable families in the country. The government should continue to work closely with international financial institutions to enhance fiscal space, taking a close look at the potential benefits of introducing more progressive tax approaches as well as improving the efficiency of tax administration.
- Aid dependency in key sectors for children remains unsustainably high, especially as overall support is declining. It is vital that donors increase support to ensure that recent gains for children are not reversed.
- The majority of donor resources are spent off-budget, which undermines budget planning and implementation processes and heightens the risk of duplicating services. In line with OECD-DAC best principles, donor funding should increasingly flow through national systems. This is a joint agenda, which requires the government to prioritize strengthening the PFM system to minimize fiduciary risk and donors to reduce project-based support modalities.
- Estimated at 302% of revenue in 2017, public debt remains very high, with overall levels projected grow along with rising debt service payments. In line with recommendations from the IMF, the government should reduce domestic borrowing and undertake measures to ensure responsible debt management to ensure sustainability and that debt repayment does not crowd out resources to human capital sectors.
- Although program-based budgeting (PBB) started strongly in FY2017-18, there remain gaps regarding the articulation of performance targets, grouping of activities under outcome areas and engendering allocative efficiency, taking into consideration sectoral and national priorities. To maximize the potential efficiency gains of PBB, the PFM Act and accounting practices should be amended to reflect this change alongside technical assistance to the Ministry of Finance to social sector ministries.
- Protracted budget negotiations have delayed the release of budget ceilings, which has impacted the quality of budgeting. The Ministry of Finance should work closely with the Cabinet to ensure that budget releases strictly adhere to the budget calendar.
- The MTEF is disconnected from historical trends, which undermines the benefit of the reform that was completed in 2016. The Ministry of Finance should prioritize updating MTEF projections to provide sectors with more realistic budget ceilings, which would strengthen planning processes and improve budget credibility.

Sources: Adapted from select budget briefs.

Section 1. Macro and Socioeconomic Context

Objectives of the section

- Discuss recent macroeconomic and social development trends and key national strategy documents in order to contextualize the subsequent discussions on fiscal issues and how they relate to children.

Key considerations

- The size, design and performance of the budget will be affected by the economy as well as by political and environmental shocks. If your country is affected by political uncertainty, drought, crop failure, refugee inflows/outflows, etc., it will be important to weave those impacts into the narrative.
- Data on macroeconomic trends should come from the Ministry of Finance/Treasury (almost always included in the pre-budget statement and the budget speech); if not, you can get data from the [IMF's World Economic Outlook database](#).
- Similarly, national statistics should be relied on for social development and population indicators; if not available, data can be sourced from the [World Development Indicators \(WDI\) database](#) (for social development) and from [UN Department of Economic and Social Affairs 2015 Revision of World Population Prospects](#) (for population).
- A country's annual budget should reflect the national development priorities as reflected in key policies, strategies, plans, etc.
- Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources

- National strategic plan or vision, subsidiary policies, global databases (e.g. World Bank, IMF), survey reports (DHS, MICS, census).

Content

- **Macroeconomic trends:** Describe the current state of the economy and how it is moving (key indicators should be presented in a table – see Box 3). This should capture:
 - *Economic growth:* Briefly summarize recent and projected (if available) GDP and per capita real GDP trends (adjusting overall economic growth by the size of the population and by inflation), including nominal and real changes over the latest five-year period; how does this compare to neighboring countries?
 - *Structure of the economy:* Highlight the key sectors that contribute to overall economic output – e.g. agriculture, industry, mining, services – including any recent developments that have impacted growth and forward-looking forecasts, if available. If your economy is heavily reliant on natural resource exports, be sure to discuss the impact of changes in global commodity prices on national revenue and hence the ability of governments to invest in priority and other sectors like international trade that also underpin economic growth and revenue.
 - *Employment:* Describe recent trends, including under-employment and informal employment. Here, it is important to note the fundamental link between child well-being and having one or more parents employed in the formal sector.
 - *Inflation:* Present recent price changes. All countries have a consumer price index (CPI) that tracks average annual price changes. Be sure to include food inflation if available in your country, and to note the detrimental impact that rapid inflation can have on the ability of poor households to afford basic foodstuffs. If

your country is experiencing double-digit price changes, an important recommendation will be to ensure that benefits, like cash transfers, are adjusted or indexed price levels.

- **Social development trends:** Describe important social development issues. Note that key indicators should be presented in a table – see Box 4. This should capture:
 - *Population dynamics:* Provide a brief demographic overview, including the size of population and child population as well as any noteworthy trends, such as the youth bulge, the opening or closing of the window to take advantage of the demographic dividend (represented by the dependency ratio), rapid urbanization.
 - *Poverty:* Write a short description of overall poverty rate and concentration among specific groups/regions; also present income and multi-dimensional child poverty rates (from the latest MODA report).
 - *Key social indicators:* Highlight 2-3 pressing issues based on the country context. Some ideas are provided below and be sure to customize in the summary box:
 - Health: high infant mortality, poor immunization coverage, etc.
 - Education: high numbers of out of school children, high pupil-teacher ratios, low performance on exams, low transition rates, etc.
 - WASH: high rates of open defecation, stalled progress on access to an improved water or sanitation source, etc.
 - Child protection: prevalence of violence against children, child marriage or female genital mutilation, etc.
 - HIV/AIDS: low usage of ARV drugs, high numbers of orphans for HIV/AIDS, etc.
- **Key national policies and multi-year strategy or planning documents:** Summarize the main instruments (Poverty Reduction Strategy Paper, National Development Plan, Growth and Development Strategy, etc.), how closely they shape or impact on budgeting processes, whether targets are being reported annually and performance against those targets.
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Box 3. Suggested macroeconomic indicators (latest year)

- ✓ GDP per capita (in local currency) (consider using Gross National Income if remittances are significant)
- ✓ GDP per capita (in US\$)
- ✓ Real GDP per capita growth rate
- ✓ Trade balance
- ✓ Unemployment rate
- ✓ Informal employment rate
- ✓ Inflation rate
- ✓ Food inflation rate

Box 4. Suggested social development indicators (latest year)

- ✓ Total and child population
- ✓ Population growth rate
- ✓ Poverty rate (based on national poverty line)
- ✓ Proportion of people living below international poverty rate \$1.90
- ✓ Child poverty rate (income and multi-dimensional if available)
- ✓ HDI ranking

Customize the following:

- ✓ Life expectancy: females/males
- ✓ Infant mortality rate
- ✓ Primary school net attendance rate
- ✓ Literacy rate
- ✓ Open defecation rates
- ✓ Child marriage rates
- ✓ HIV rates

Examples: Refer to Section 1 of the [National Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

Figure 1.1. GDP and real GDP per capita growth, 2012 to 2020 (as %)

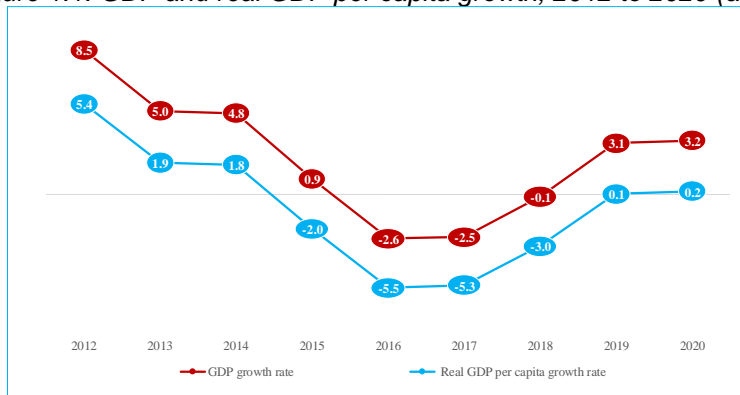


Figure 1.2. Sector contribution to GDP, 2010-17 (as % of GDP)

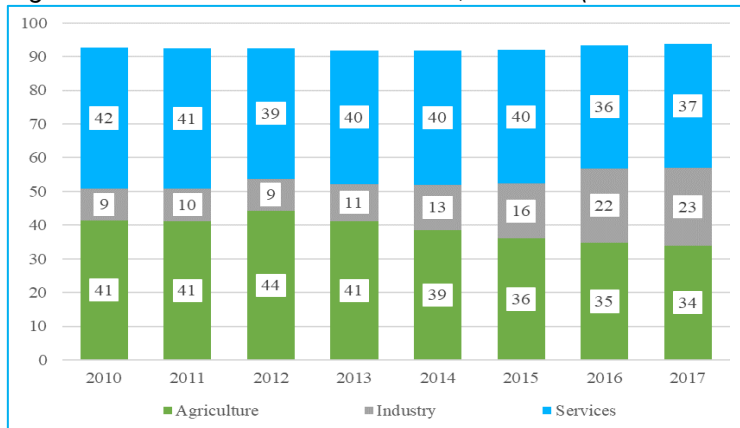


Figure 1.3. Inflation trends, 2011-2020 (annual percentage change of consumer price indices)

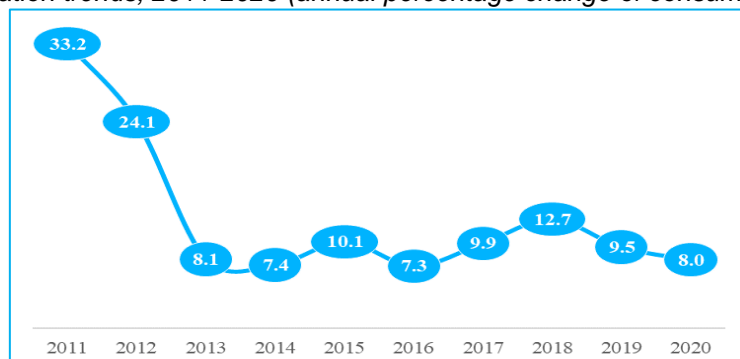


Figure 1.4. Food, non-food and overall inflation trends, latest 12 months (annual percentage change of food, non-food and overall price indices)

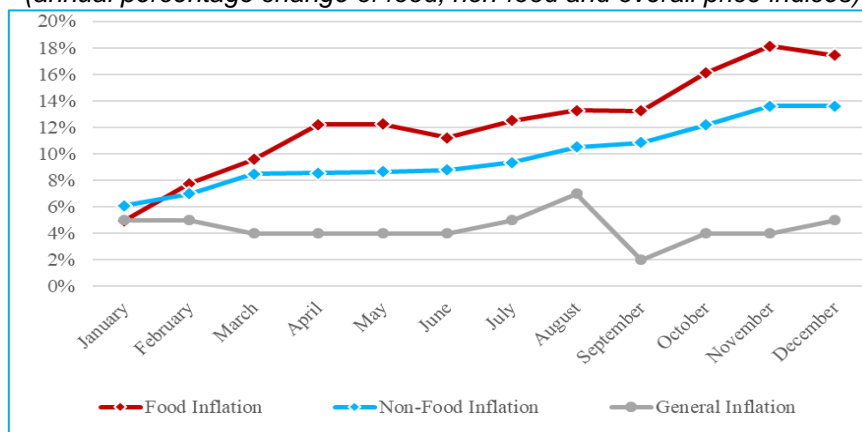


Figure 1.5. Child and adult population projections, 1950-2100

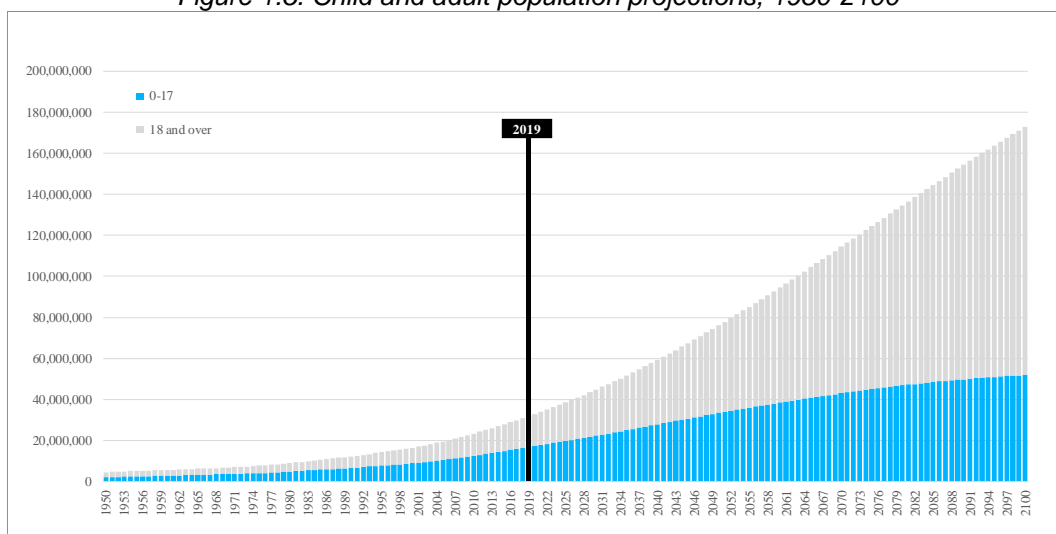


Figure 1.6. Dependency ratio projections, 1950-2100 (children and elderly as % of working age population)

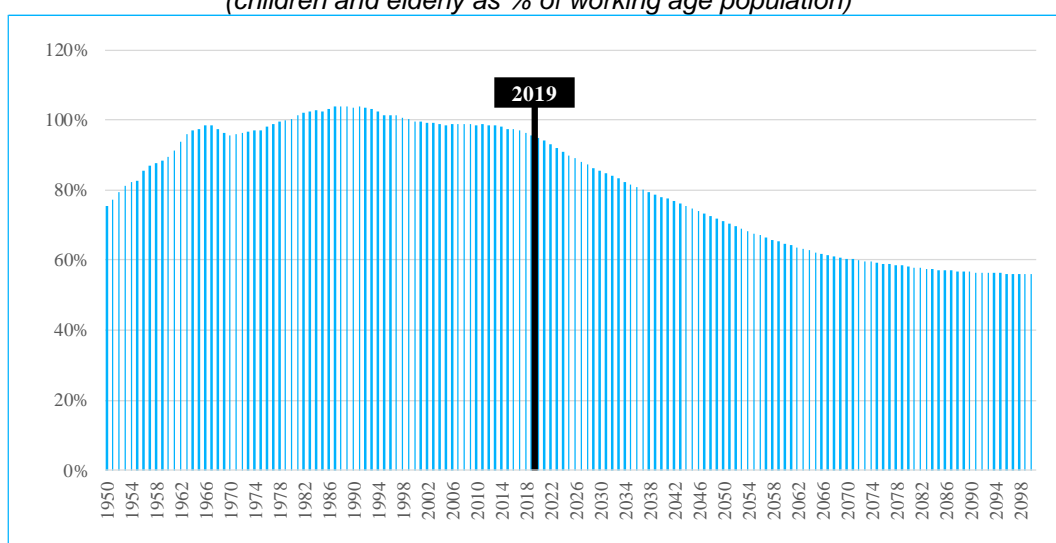
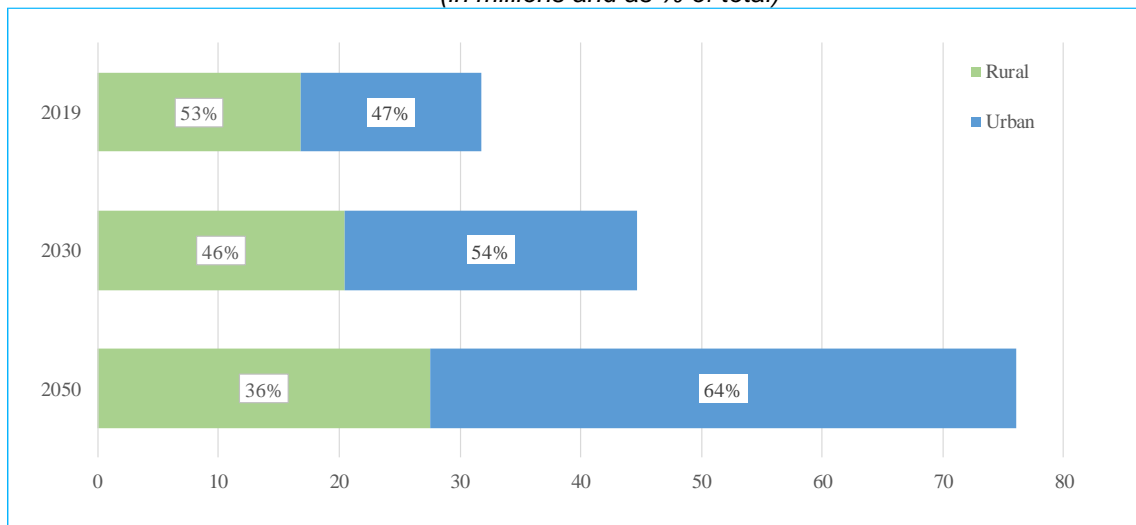


Figure 1.7. Rural and urban population projections in 2019, 2030 and 2050 (in millions and as % of total)



Section 2. Aggregate Spending Trends and Priorities

Objectives of the section

- Summarize the recent evolution of the national budget, including spending levels and priorities, with an emphasis on support to social sectors.

Key considerations

- All spending in the national budget should be presented in this section, irrespective of funding source (both domestic and donor funding that is reflected on budget). Note that there is no need to distinguish between funding sources at this stage, which will be discussed in detail in Section 6 (“Section 6. Financing the National Budget”). Related, if off-budget spending is significant in your country, it will be important to mention the importance in the narrative of overall spending trends, but then refer to Section 6 where detailed analysis will be presented, if relevant.
- All spending figures should look at the latest five-year period. If MTEF estimates are available for the next 2-4 years, also include those, making sure to clearly note where estimates begin.
- Some of the recommendations can build on those from the social sector budget briefs, for instance if education or health spending falls far short of national or international targets.
- Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources

- Approved national budget, MTEF, audited or preliminary outturns for the past 4 years, approved/draft estimates for the current financial year, outer year projections, budget speech.

Content

- **Size of spending:** Present the evolution of the size of the government budget as % of GDP and compare to neighbors (you can also compare total government spending on a per capita basis if converting to US\$ or PPP).
- **Spending changes:** Describe the growth of the total government budget, including annual % changes in both nominal and real values (see Section 2 of the [National Budget Brief Template](#), which automatically calculates these). Also discuss the causes of any dramatic changes, both negative, which could be due to *policies* (deficit reduction, debt repayment, etc.) or *shocks* (political crises, natural disasters, sudden changes in commodity prices, sudden withdrawal of foreign aid, economic downturn, etc.), as well as positive, such as from a revenue boom (e.g. new resources exploited, strong economic performance, new borrowing, sudden influx of foreign aid, etc.).

Important! If your government is contracting expenditures, it is important to identify the specific spending cuts that will have a direct and indirect impact on children and poor households and advocate to protect those (ring fencing). The most common, dangerous austerity options include:

- Elimination or reduction of subsidies that benefit poor households, including on agriculture, food products, transport, electricity
- Wage bill cuts/caps, including the salaries of education, health and social welfare workers, especially those on the frontlines which can lead to strikes and the halting of basic services.

- Rationalizing and further targeting of safety nets
- Pension reform (affects the disposable income of the elderly, which is oftentimes used to support children)
- Healthcare reform
- **Spending priorities:** This is a key output from the budget brief. The aim of this analysis is to determine what sectors are being prioritized by the government. Comparisons can then be made against national policies and strategies. Here, the objective is to identify the relative importance of various sectors over time.

In terms of the approach, ideally the government has a reporting framework that tracks expenditure against national priorities. If a framework is in place, this should be used if it meets the minimum criteria defined below. Where this framework is not in place, key categories of spending should be grouped into traditional sectors:

- Governance (parliament, president, treasury)
- Security (army, police, prisons)
- Infrastructure (roads, rail, ports)
- Debt repayments and government obligations
- Agriculture and water
- Education
- Health
- Social Protection

Limit the total number of sectors being presented to no more than eight; create an 'other' category that groups together smaller sectors. Ideally, five years of budget data should be presented, which could be historical but also include projections. However, if projections are not very credible, it is better to focus on the historical data. At a minimum, education, health, social protection and WASH spending should be identified and presented as % of total government spending.

For the narrative, describe the government's main spending priorities, emphasizing the relative importance of key social sectors and expounding on any changes in the composition of the budget in recent years. A good practice is to compare spending on key social sectors with spending in sectors, such as security, which can powerfully illustrate the government's financial priority.

- **Spending against other countries:** Compare total government spending in your country with other countries (e.g. neighbors, similar income levels) and/or regional or sub-regional averages. This analysis will offer insights into the size of the public sector and its capacity to impact the broader economy and social progress. To facilitate cross-country analysis, you can use the latest expenditure estimates (as % of GDP) from the IMF's World Economic Outlook database.
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Examples: Refer to Section 2 of the [National Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

Figure 2.1. Nominal and real total government spending trends, FY2011-20 (in billions of local currency, base year is 2011)

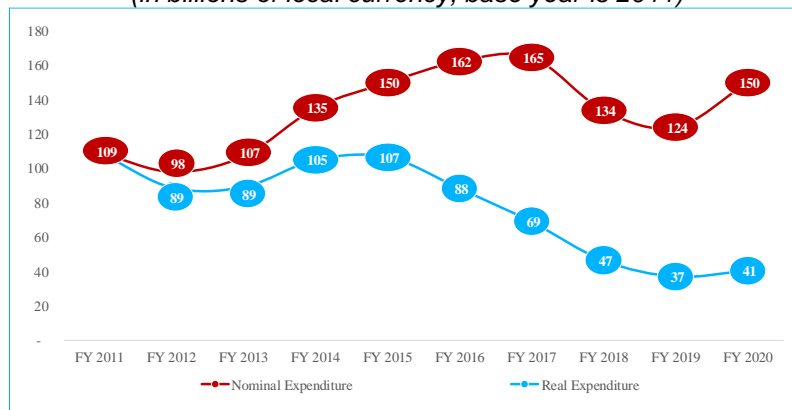


Figure 2.2. Composition of government expenditure, FY2016-20 (as % of total expenditure)

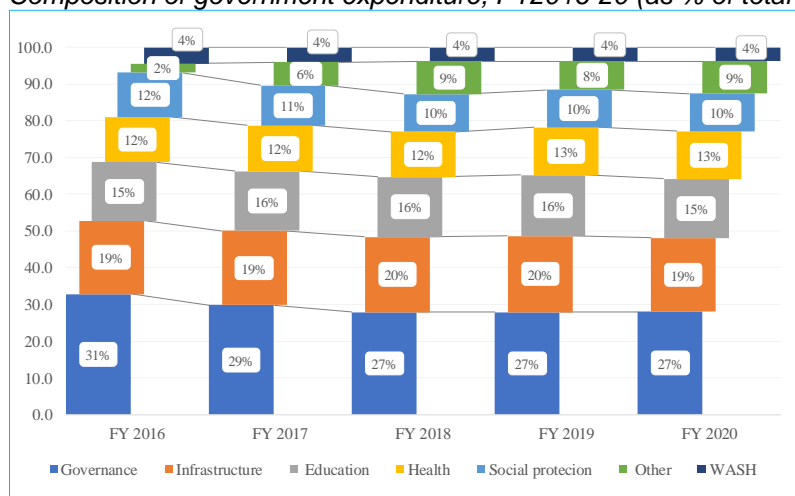


Figure 2.3. Annual change in budget allocations to key sectors, FY2018 and FY2019 (as %)

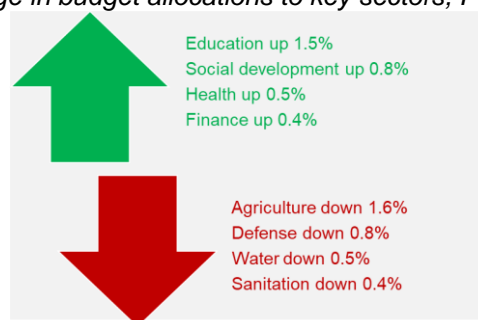
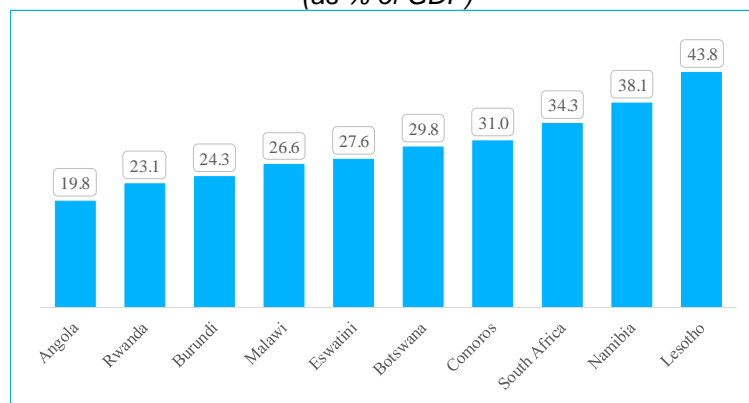


Figure 2.4. General government total expenditure in select ESAR countries, 2019 projections (as % of GDP)



Section 3. Spending Imbalances

Objectives of the section

- Rapidly analyze whether there are any major imbalances in economic inputs (labor and capital) in the national budget and identify wasteful expenditures.

Key Considerations

- The economic classification of the budget allows for identifying the nature of transactions performed by the public sector and the potential impacts of fiscal policy on the broader economy.
- Each country has slightly different accounting standards and classifications. For the budget brief, the government's accounting and reporting standards should be used.
- If your government adheres to the latest guidelines issued by the IMF ([Government Finance Statistics Manual 2014](#)), the national budget should be divided into eight economic classification categories:
 1. Employee compensation (including social contributions, such as pensions paid on behalf of employees)
 2. Goods and services
 3. Consumption of fixed capital (also known as development or capital expenditure, which is primary for infrastructure projects)
 4. Interest payments
 5. Subsidies
 6. Grants (including transfers to subnational governments)
 7. Social benefits (including social security, social assistance and employment-related benefits)
 8. Other expenses (could include property expenses, transfers that were not classified elsewhere, fees paid, claims related to guarantee schemes, etc.)

If your government uses the above structure, it is recommended to condense and rename these categories to simplify the analysis – e.g. (i) salaries and wages; (ii) goods and services; (iii) transfers; (iv) interest payments; (v) capital (or development); and (vi) other. Also, as mentioned earlier, if your government uses alternative categories, then those should be used for the analysis.

- A mix of recurrent and capital spending is required to produce goods and services efficiently. The most common concern is that employee compensation (salaries and wages) and/or interest payments consume a disproportionate amount of the overall budget, which leaves limited resources to deliver basic goods and services and/or develop needed economic and social infrastructure.
- Certain budget items can also consume an inordinate amount of the national budget. Public Expenditure Reviews (PERs) may identify unjustifiable spending on certain items, like travel, allowances, utilities and vehicles. If your country has produced an overall PER (one that analyses all government expenditure) or sector-based PERs within the past 3 or 4 years, these will be important information sources.
- Although more relevant to the social sector budget briefs, rapid changes in government revenues can introduce imbalances in the national budget. For instance, fast growth can allow the government to invest in capital projects with little economic return. In contrast, when faced with a rapid decline in revenues, spending on wages may be protected at the cost of capital and operational spending.

- Government borrowing is justified when the expected returns on investment (growth and subsequent increases in government revenue) are greater than the cost of borrowing (interest rate). Government borrowing that is greater than total capital spending is unsustainable.
- Suggested length for this section: 0.5-1 page, including any graphics.

Possible data sources

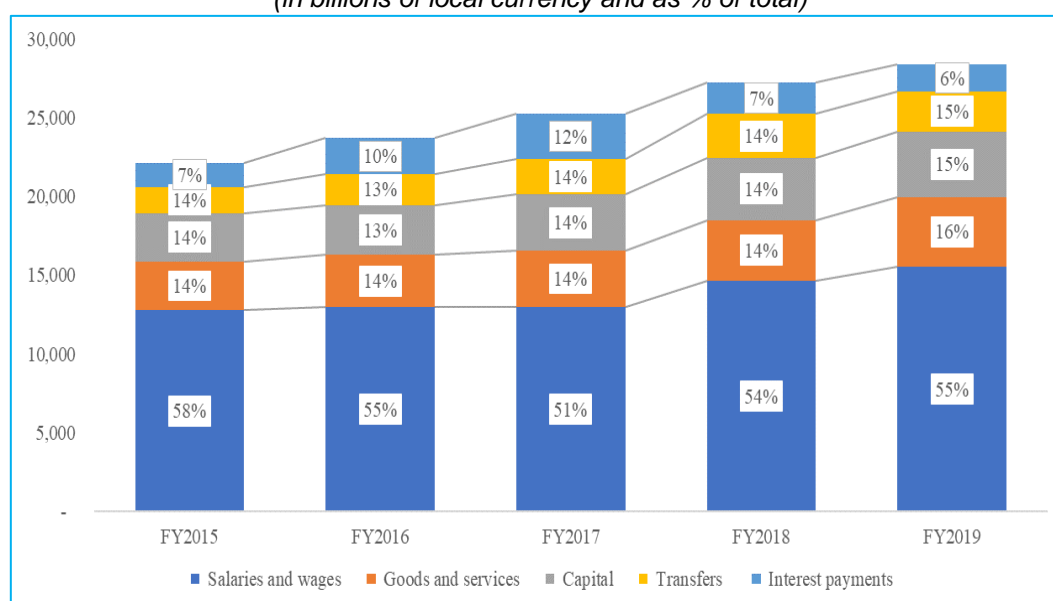
- Approved national budget, MTEF, audited or preliminary outturns for the past 4 years, approved/draft estimates for the current financial year, outer year projections, budget speech, Government Spending Watch.

Content

- **Economic classification:** Describe recent spending trends according to the expenditure categories used by the government.
- **Imbalances:** Identify areas that are not sufficiently prioritized (e.g. infrastructure, routine maintenance, human resources) or excessively prioritized (e.g. a bloated civil service, development projects that have little economic return). Be sure to describe the likely causes (donor related, rapid changes in government revenue, politics, etc.).
- **Waste:** Identify if there are any particularly egregious expenditures (e.g. travel, fuel, salaries, allowances) and if any progress has been made to address them (executive approval, revised policies or procedures). This would also be the place to discuss wage bill reforms if taking place in your country.
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Examples: Refer to Section 3 of the [National Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. An example is presented below.

Figure 3.1. Economic classification of the budget, FY2015-19
(in billions of local currency and as % of total)



Section 4. Budget Credibility and Execution

Objectives of the section

- Evaluate the credibility of the national budget (i.e. the relationship between budget allocations and actual expenditures) and identify specific issues causing variances, especially as they affect social sectors.

Key considerations

Budget credibility

- Budget credibility refers to the ability of the government to execute the budget as planned. This can be measured by the deviation between planned and actual spending – in other words, the difference between budget allocations (or planned spending), which are approved at the start of the fiscal year, and actual expenditure, which is the total amount spent at the end of the fiscal year.
- It is possible to interrogate many aspects of the national budget for credibility. Some of the key issues that affect budget credibility are summarized below.
 - *Credibility of revenue projections:* Comparing revenue projections to revenue actuals can provide an indication of the credibility of tax revenue, non-tax revenue and grant flows. Often the poorest performing areas are parastatal/state-owned enterprises and other revenue-generation activities within government (e.g. of ministries).
 - *Credibility of borrowing/debt projections:* Comparing estimates of borrowing from domestic and international sources to outturns can give an indication of the quality of borrowing projections. Borrowing outturns that exceed estimates, especially domestic short-term borrowing (ways and means, short-term Treasury bills), can be a sign of poor planning or poor expenditure controls.
 - *Credibility of outer year projections:* Comparing previous MTEF projections to current estimates can provide an indication of the credibility of expenditure projections. For many countries, the MTEF is viewed as a “tick the box” budgeting reform, which is done mainly to satisfy the demands of IFIs/donors. Creating realistic outer year forecasts is a time intensive exercise and often a low priority. If projections show either a decline in government spending or a rapid massive increase, outer year forecasts are likely to be unrealistic.
 - *Credibility of expenditure projections:* Budget estimates and outturns can be closely aligned, yet the government can end up funding activities and items other than those planned for in the approved budget. This type of analysis requires access to good budget information and is usually beyond the scope of a budget brief. Politically-sensitive activities and activities that involve high-ranking officials or politicians can often be overspent and require in-year cuts to other programs and activities. Some common examples include state visits, the Office of the President or Prime Minister, Parliament, international or national travel, wages and allowances.

Budget execution

- Budget execution refers to the implementation of the approved budget. For the national budget, it can be measured by the difference between the total amount of funds released by the Ministry of Finance or Treasury and the total amount of funds that are actually spent by the end of the fiscal year. Budget execution is a key component of budget credibility since unspent funds will affect actual expenditure.
- Budget execution is the processes of releasing funds, recording transactions, operating budget controls, monitoring budget implementation (including any

necessary remedial actions), and systems to pay wages, manage contracts, measure performance, supervise, etc. It is often divided into five steps: (i) commitment; (ii) verification; (iii) payment order; (iv) cash payment; and (v) accounts.¹

- Major principles of budget execution include:
 - No use of funds without legislative authorization
 - Budgets proposed by the executive and authorized by the legislature in a series of votes
 - Use of a consolidated fund
 - Accountability via appropriations, accounting and reporting to the legislature
 - Independent government audits and audit reports available to the legislature and the public on a timely basis
 - All uses of funds governed by financial regulations
- There are some general signs that indicate budget execution challenges:
 - *Large variations in planned versus revised and actual expenditures*: Is there an official explanation for the deviation? Is the official explanation reasonable? Could cost overruns have been predicted? Was the initial budget in line with historic trends or was it inflated and optimistic? What is the role of budget planning and approval processes?
 - *Systematic variations*: Does a particular ministry or budget classification item face revision every year? Do specific entities regularly underspend, which can be attributed to a general lack of capacity?
 - *Late release of funding*: When does the Ministry of Finance or Treasury release funding to spending entities? Are funding releases on a monthly or quarterly basis? Are releases made toward the end of the month/quarter? Does the amount of funding released deviate from agreed cash flows.
- Some general causes of poor budget execution include:
 - Poor planning, accounting and cash management practices
 - Macroeconomic adjustments (e.g. result in downward revisions of revenue and hence the resource envelope)
 - Frontloading disbursements or uneven disbursements throughout the year
 - Inability of the spending agency to utilize budgeted resources due to insufficient human resources, delayed procurement processes, poor planning, technical challenges, etc.
 - Reporting lags from lower levels, which mean that resources may have actually been spent but they have not yet shown up in the official accounting system
 - Withholding of funds from the spending agency due to deviations from national budget guidelines (e.g. poor quality of cash flow submissions)

General

- In practice, budgets are rarely implemented exactly as approved. This can be for legitimate reasons, such as adjustments in policies in response to changes in economic conditions, or for systematic issues, like mismanagement, poor planning, unauthorized expenditures, low absorption capacity, fraud, delayed disbursements, etc. This section should aim to identify some of the key issues.
- The mid-year and year-end budget reports will contain official justifications for revising approved expenditures.
- To better understand the extent to which budget credibility and execution challenges may be affecting the national budget in your country, it will be important to quickly review (and cite!) broader PFM diagnostics that have been recently

¹ <https://www.imf.org/external/pubs/ft/extend/guide4.htm>

carried out, including Public Expenditure Reviews (PERs) (especially those that cover overall government expenditure), as well as pillars 1-3, 14 and 16 of [Public Expenditure and Financial Accountability](#) (PEFA) Assessments. The PEFA questionnaire, in particular, provides guidance on acceptable levels of deviations from the approved budget. For at least two of three years:

PEFA scoring PI1, PI2	A	B	C
Aggregate expenditure	±5%	±10%	±15%
Expenditure by classification	±5%	±10%	±15%
Revenue	-3 +6%	-6 +12%	-8 +16%
Revenue composition	±5%	±10%	±15%

- What to assess? As presented above, there are many different components of budget credibility and execution that can be assessed, including the approved budget, the mid-year (or revised) budget, revenue estimates and/or the MTEF/outer-year projections. For expenditure, these can further be analyzed by administrative, functional, economic and program classification. Given the multitude of potential analyses, this section should be issue driven, so that it focuses on the specific areas where the greatest deviations are observed. At a minimum, comparisons between the approved budget and budget outturns by administrative and economic classification should be presented. Normally, a budget brief would not look at revenue issues, but this should be analyzed if this is one of the driving factors of poor budget credibility.
- Suggested length for this section: 1 page, including any graphics.

Possible data sources

- For credibility: In-year and end-year execution/performance reports, revenue proposal, revenue performance, borrowing, debt performance.
- For execution: Ideally data on execution can be obtained through in-year and end-year execution/performance reports if that information is routinely generated; if not, then secondary analyses could be helpful to describe the situation and ongoing challenges, such as from PEFA reports, PERs, PETS, relevant IMF IV country reports or IMF Policy Support Instrument (PSI) reviews.

Content

- **Budget credibility:** Describe any major variations between planned and actual spending in the national budget and discuss the impact on social sector spending. This requires comparing budget allocations alongside actual expenditure for as many years as possible. Data on mid-year revisions should also be presented if available. If you have this data, then you would present three data points for each year: (i) the planned budget (or approved budget or budget allocations) at the start of the fiscal year; (ii) the revised budget (or adjusted budget) at the mid-year review; and (iii) outturn (at the end of the year) or actual expenditure (after spending has been audited and verified). Ideally this can be done for the national budget alongside key social sectors (education, health and social protection) to allow for comparisons. If there are budget credibility concerns relating to the use of funds compared to approved budget plans, there may be value in exploring this data at both the sector level – to explore movements of funds across sectors – and the economic classification level – to see if funds are going from capital to recurrent items (or vice versa).
- **Budget execution:** If data allows, compare the funding released by the Ministry of Finance or Treasury to the funding utilized by all MDAs, being sure to focus on the

social sectors. As above, it would also be ideal to do this analysis using the economic classification of the budget.

- **Challenges:** Identify any underlying causes of poor budget credibility and execution. Where relevant, this should focus on systemic problems (e.g. overall budget planning processes, issues within the Ministry of Finance or Treasury) as well as sector-specific issues identified in the social sector budget briefs (e.g. poor capacity). Be sure to refer to and cite literature where applicable.
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Examples: Refer to Section 4 of the [National Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

Figure 4.1. Budget credibility rates in select ministries, FY2015-18 (deviation from approved budget as %)

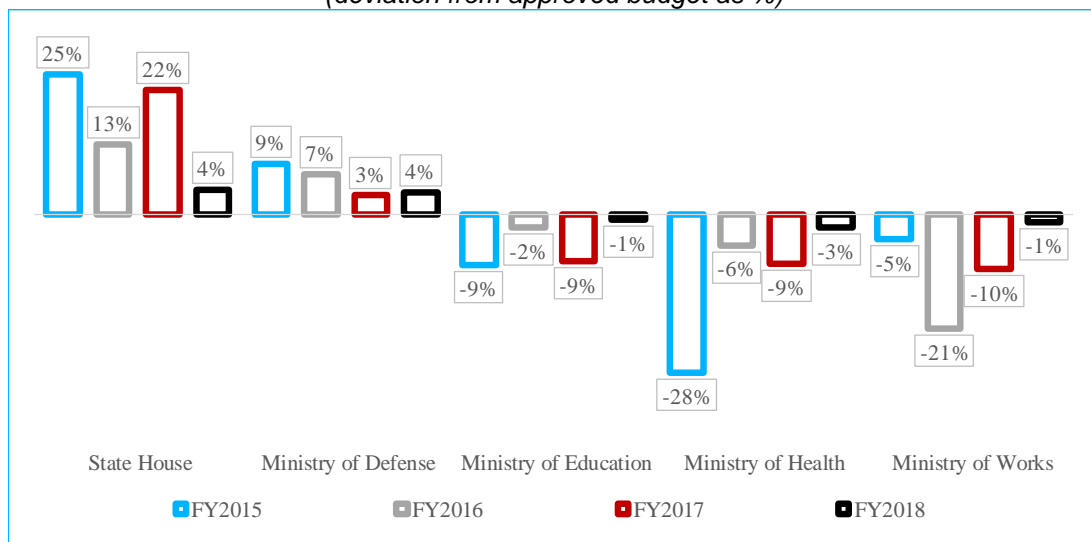
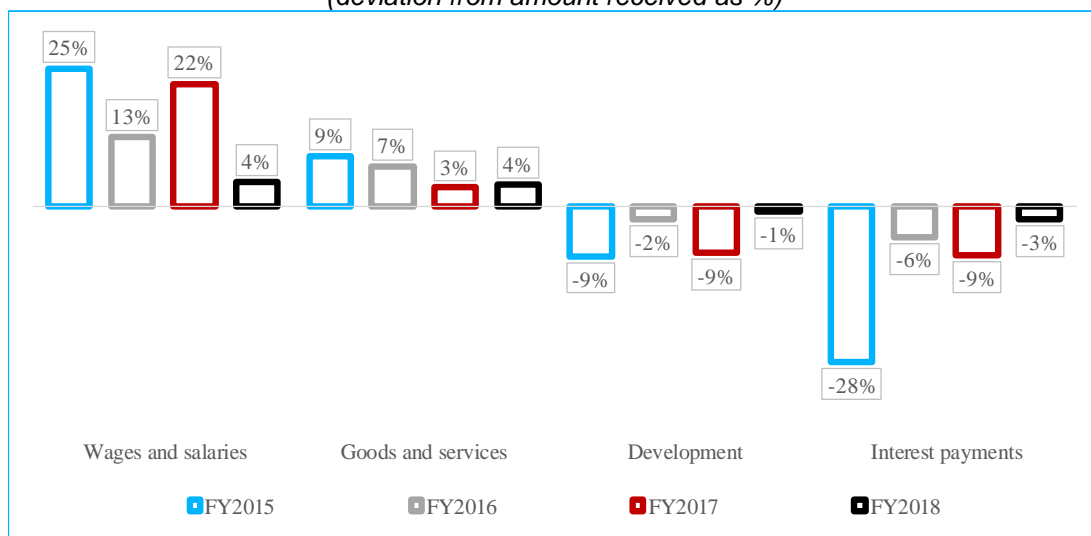


Figure 4.2. Budget execution rates by economic classification, FY2015-18 (deviation from amount received as %)



Section 5. Decentralization and Sub-National Spending

Objectives of the section

- Provide a summary of the degree of fiscal decentralization in the country, including recent changes in the budget for sub-national entities.
- Examine the system of funding sub-national entities and how it may contribute to spending disparities across regions.
- Report on the governance and PFM performance of sub-national entities.

Key considerations

- This section is optional and should only be developed if: (i) your country is heavily decentralized or currently going through decentralization reforms; and (ii) sub-national budget information is available. If you are in a decentralized context and there are no data, a key message should be for the PFM system to generate disaggregated budget information which underpins equity analysis.
- Decentralization is often accompanied by less budget transparency, as sub-national governments become responsible for reporting on large increases in funding. It is therefore important to be aware of the functions that are under the responsibility of the national government and sub-national governments. Countries that are embarking on decentralization reforms will usually have a guiding document that describes which functions are being decentralized.
- Decentralized funding can be distributed to sub-national entities directly from the Ministry of Finance or Treasury or be channeled through a central institution – e.g. Ministry of Decentralization, Ministry of Territorial Administration, Ministry of Interior, Local Government Finance Agency, Grants Commission – which will also establish reporting and accounting practices. The national institution responsible for sub-national financing is likely to have the latest and most detailed information on budgets and performance indicators.
- Under a devolution model where powers are transferred to the sub-national level (see Box 5 for more information), the MDAs responsible for delivering social sector services are likely to have sub-national offices that receive the funding from the central level; these offices will also keep financial records.
- The primary structures used to finance sub-national governments – grants and formulas – need constant monitoring and revision to ensure that they are equitable and efficient.
- Especially where decentralization is new or still an ongoing process, sub-national financing guidelines may not be strictly followed. If you have access to the financing formula and actual sub-national allocations, you can assess how closely the government has followed its financing guidelines, which can be a simple yet powerful analysis.
- Sub-national governments that closely adhere to national budgeting and accounting guidelines are more transparent and vice versa. Similarly, connecting sub-national entities to the national integrated financial management information system (IFMIS) can significantly boost transparency and accountability, and could be a good recommendation for the budget brief, if relevant.
- Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources

- Decentralization master plan, consolidated sub-national budgets.

Content

- **Decentralization context:** List the agencies responsible for managing the budgets of sub-national entities and the functions that have been decentralized. Discuss the degree to which the budget has been accordingly decentralized.
- **Sub-national funding guidelines:** Describe how funding is distributed to different regions (through a formula, grants or a combination of both) and the implications on the equity of spending. Are horizontal transfers to sub-national governments governed by a transparent, rule-based system? The PEFA guidelines (PI-7) detail issues related to horizontal government transfers.
- **Sub-national spending trends:** Analyze recent changes in the budget for sub-national entities. Is there more spending at the district level than the provincial or central levels? If so, account for the differences and discuss the impacts on the quality and equity of services in the social sectors.
- **Spending disparities based on regions:** If included in the sector briefs, provide a summary of any regional spending analyses and discuss the equity implications. Also be sure to discuss the underlying drivers, including financing mechanisms, political-economy dynamics, geography, etc. that favor certain regions or groups over others.
- **Sub-national revenue trends:** Analyze recent changes in the composition of the main revenue sources for sub-national budgets.
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Examples: Refer to Section 5 of the [National Budget Brief Template](#)

Box 5. Key definitions

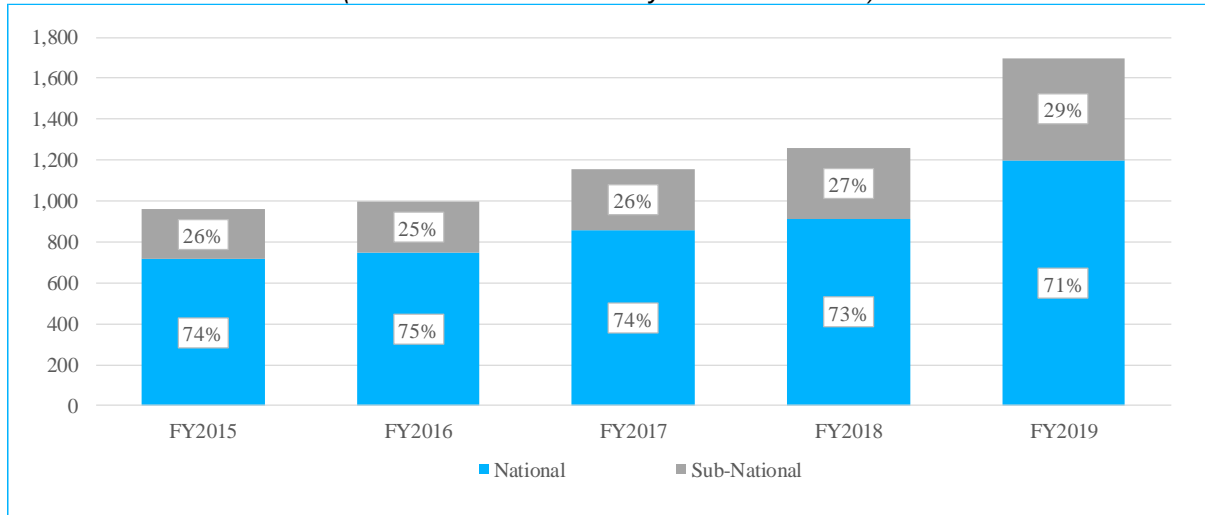
Decentralization: The transfer of responsibility and authority for planning, management, fundraising, resource allocation and other functions from a central government and its agencies to: (i) levels of local government; (ii) semi-autonomous public authorities or corporations; (iii) nongovernmental and voluntary organizations; and/or (iv) field units of central government ministries or agencies. There are three different types of decentralization:

1. **Devolution:** The transfer of authority and responsibility for public functions to levels of (elected) local government. In devolution, local governments are considered autonomous and independent, operating within the bounds of the national legislative framework. However, in most cases, central oversight and control persist in various forms, including funding conditionalities. Devolution is strongly associated with political decentralization.
2. **Delegation:** The transfer of responsibility for public functions to semiautonomous public authorities or corporations (e.g. public housing corporations) and/or non-governmental and voluntary organizations. In delegation, the central government exercises its control through a contractual relationship that enforces accountability from the receiving authority. However, through this contractual arrangement, delegation also allows for some autonomy in decision-making, albeit less than devolution.
3. **Deconcentration:** The transfer of responsibility for public functions from the central government to field units of central government ministries or agencies (e.g. district health department or provincial department of education). It is a shifting of the workload from centrally located officials to staff or offices outside of the national capital. Under deconcentration, the central government retains authority over the field office and exercises that authority through the hierarchical channels of the central government bureaucracy.

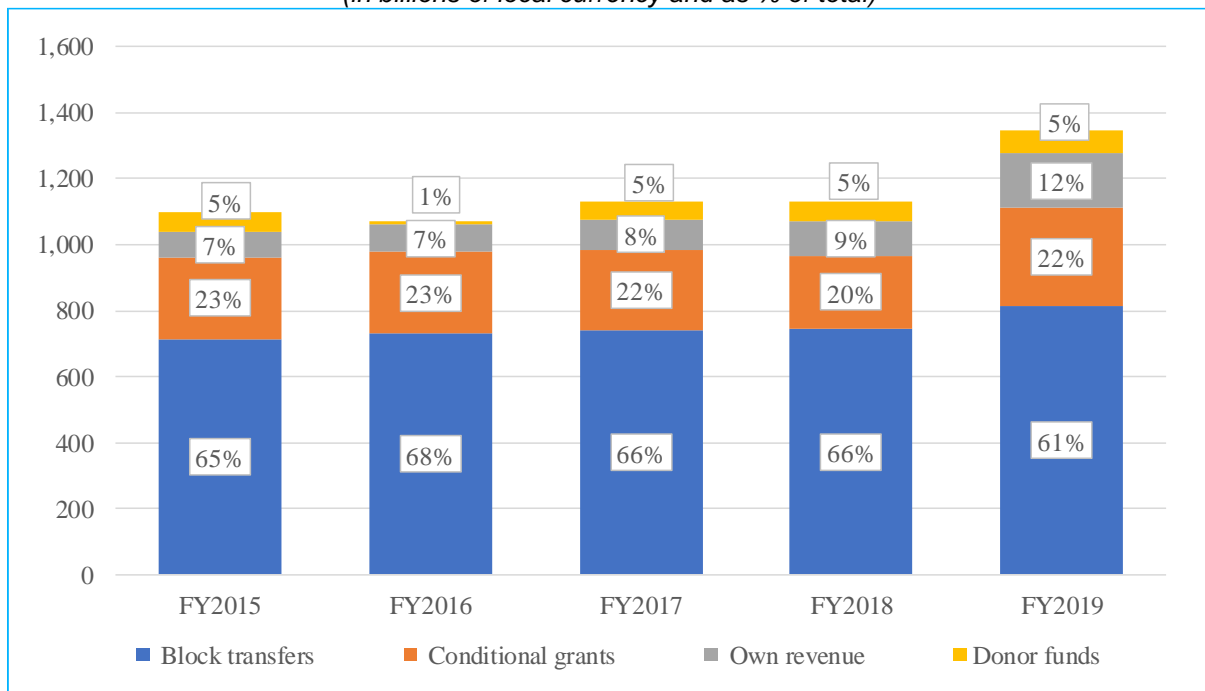
Source: de Wijn, M. (2016) [Global Stocktake of UNICEF Engagement in Decentralization and Local Governance, 2011-15](#), New York: UNICEF.

Examples: Refer to Section 5 of the [National Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

*Figure 5.1. National and sub-national spending trends, FY2015-19
(in billions of local currency and as % of total)*



*Figure 5.2. Sub-national spending trends by revenue source, FY2015-19
(in billions of local currency and as % of total)*



Section 6. Financing the National Budget

Objectives of the section

- Understand the main sources of financing the national budget, including trends in domestic revenue, ODA and borrowing, and identify any concerns or opportunities in terms of increasing social sector investments.

Key considerations

Government revenue

- The composition of the financing of the overall budget can reveal issues of sustainability and equity.
- Most ESAR countries are characterized by low rates of domestic revenue collection relative to the size of their economy and will need to primarily focus on boosting domestic revenue in order to increase and sustain investments in social services. A quick analysis of the main sources of tax and non-tax revenue can identify general funding concerns (e.g. decreasing revenue from corporations, which would suggest increasing tax evasion, greater informal activity, etc.) as well as opportunities (e.g. rapidly growing income from value added tax or VAT, the absence of progressive taxes like on financial transactions, property, luxury items, tourism, etc.).
- High levels of informality in the economy can impede revenue collection. Excessive tax exemptions as well as complex and out of date tax policies are common causes of reduced domestic revenues.

Foreign aid

- Although decreasing in recent years in many ESAR countries, ODA remains an important source of funding for social sectors. Thus, it is important to understand the types of aid modalities in your country, the main actors (traditional DAC but also emerging, especially China), and how aid is being used (on and off-budget) and reported.
- Donor support is more effective if national systems are utilized and reported in the national budget. This can help ensure more predictable disbursements and strengthen domestic planning and budgeting processes. If there is significant donor support which is not recorded on budget, this should be considered as a key recommendation. If there are difficulties obtaining aid data from the government, donor support to a country by specific sectors is also recorded in the [OECD-Development Assistance Committee Creditor Reporting System](#), which can be used to fill any information gaps.
- Donor coordination is essential in preventing duplication and aid fragmentation. Governments must also consider aid disbursements in the management of macroeconomic issues, such as inflation and import cover. For donor spending to be reported in the budget, it must meet certain conditions. Where donor funding is not reported in the budget, donors have committed to report planned and actual disbursements to the government. Reporting is normally coordinated by the Ministry of Finance or any donor coordinating/aid liaison body. Reporting may take place through an aid management platform. Off-budget donor support will normally be reported on annually. If donor funding is unpredictable or erratic, this can also be a key recommendation. If donor reporting is not comprehensive (only a small portion is reported), this issue should also be presented in the brief.

Borrowing

- Many governments in ESAR have rapidly expanded borrowing over the past 5-7 years. It is important that borrowing is properly scrutinized and put to productive use, otherwise the government will be burdened by debt repayments, which will decrease its fiscal space in the medium to long term, with direct implications on social sectors.
- Borrowing from domestic markets has also been increasing in many ESAR countries, driven by strong economic growth and financial sector development. Governments can access local funding by issuing bonds or taking on a traditional loan.
- International organizations issue a variety of benchmarks to assess safe levels of debt, which are frequently revised and updated. Box 6 below summarizes the latest thresholds from the IMF (October 2017). For low income countries (LICs), the level of acceptable debt varies according to the government's institutional performance, which is based on the World Bank's Country Policy and Institutional Assessment (CPIA) scores. For governments with a weak policy framework, the present value of debt that exceeds 30% of GDP is considered dangerous; this increases to 55% of GDP for those with strong policy frameworks. If a country is classified as an emerging market (and there are many in ESAR), the flexibility to borrow jumps significantly. Here, the rule of thumb is that the present value of total debt is sustainable up to 70% of GDP.

Box 6. Debt thresholds for LICs		
(in present value of total debt as % of GDP)		
<u>Policy performance (based on CPIA score)</u>		
Weak (3.25)	Medium (3.50)	Strong (3.75)
30% of GDP	40% of GDP	55% of GDP
Thresholds for other countries:		
Emerging markets = 70% of GDP		
Advanced economies = 85% of GDP		
Source: IMF (October 2017) " Review of the Debt Sustainability Framework for Low Income Countries: Proposed Reforms ," IMF Policy Paper		

Fiscal space

- If your country office or a partner has recently conducted a fiscal space analysis, this section offers an opportunity to present some of the headline options that could be used to scale up investments in social sectors. Even if there has not been a recent fiscal space study, you can present relevant recommendations from the sector budget briefs or other studies (e.g. PERs) around opportunities to maximize the efficiency and effectiveness of current budgets.
- Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources

- Proposed/approved budget estimates, budget speech, budget framework, revenue authority annual report, revenue policy and legislation, aid atlas, aid portal, aid management platform, OECD-DAC, fiscal space analyses.

Content

- **Financing snapshot:** This section should start by presenting a high-level picture of the main financing sources of the national budget over time, e.g. government revenue, ODA and borrowing. The remainder of this section then allows for specific breakdown and analysis of each general category.
- **Government revenue:** Analyze key revenue trends over time, including tax and non-tax sources, and as % of GDP. Discuss any recent changes and the underlying causes (new revenue policy, improved tax collection capacity, global commodity price fluctuations if heavily reliant on natural resource exports, strong economic growth, etc.). If there are not substantial efforts under way to increase domestic revenue to support development objectives, be sure to include a message on your government's commitment to [Financing for Development \(Addis Ababa Agenda for Action\)](#), which was signed in 2015.
 - **Important!** Many governments are considering revenue-generation measures that can adversely impact vulnerable populations, mainly through introducing or broadening consumption taxes, such as value added taxes (VATs), on basic products that are disproportionately consumed by poor households. If this is occurring in your country, it is imperative that the brief identify the regressive nature of these approaches and advocate: (i) against certain measures; (ii) for certain items to be exempted, like basic foodstuffs; and/or (iii) for the introduction of compensatory measures, including cash transfers, to offset the negative impacts. The brief can also advocate for pursuing more progressive tax reform options, like on corporate income, financial transactions, luxury goods, property, tourism, etc. where the tax burden mainly falls on wealthier populations.
- **Foreign aid:** Summarize the role of donor contributions if they play a significant role in financing the national budget, including grants and concessional loans. This should describe the total contribution of donors as % of the national budget, including the implications of growing or declining support, as well as the different the funding modalities being used (budget support, SWAp, donor pooling, etc.). It should also mention how much donor support is recorded on budget. Does the government have an aid management platform or similar reporting framework? Is donor reporting up to date? Is donor funding stable and predictable? If aid is not recorded on budget, be sure to include this among the recommendations in the opening section of the brief.
- **Borrowing:** Describe borrowing trends undertaken by the government to finance the budget. This should include the composition of debt (domestic and foreign), the total debt stock and interest payments, and the overall debt as % of GDP (also compare to neighboring countries). Be sure to note whether your government's current debt burden is sustainable with room to expand, or whether it has already crossed an international benchmark (see above).
- **Additional financing options:** Discuss feasible options for increasing spending on priority sectors. Be sure to refer to any fiscal space analyses, PERs and other analyses that UNICEF or partners have recently carried out.
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Examples: Refer to Section 6 of the [National Budget Brief Template](#), which presents the data requirements for each figure, a short description of how the information should be interpreted, and suggested titles and sources. Some examples are presented below.

Figure 6.1. Main sources of financing the national budget, FY2013-19
(in billions of local currency and as % of total)

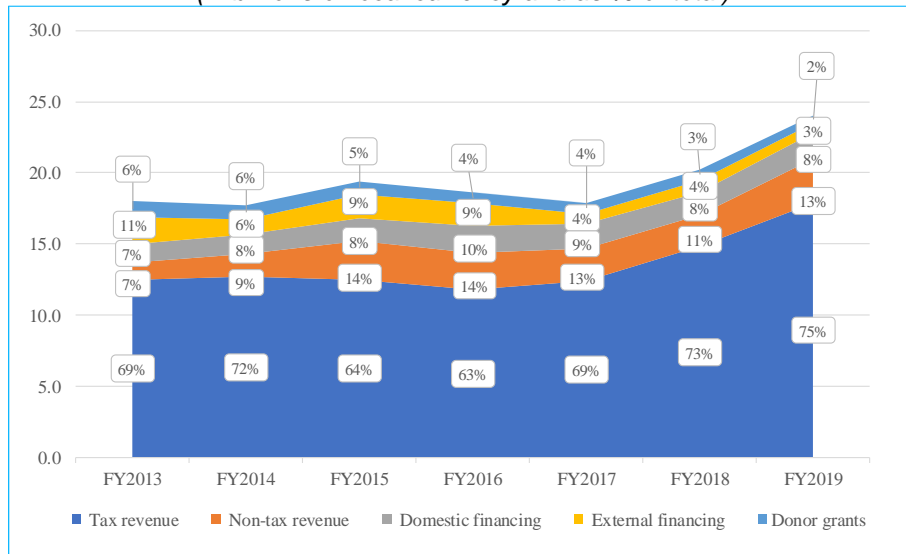


Figure 6.2. Composition of government revenue, FY2013-19
(in billions of local currency, as % of total and as % of GDP)

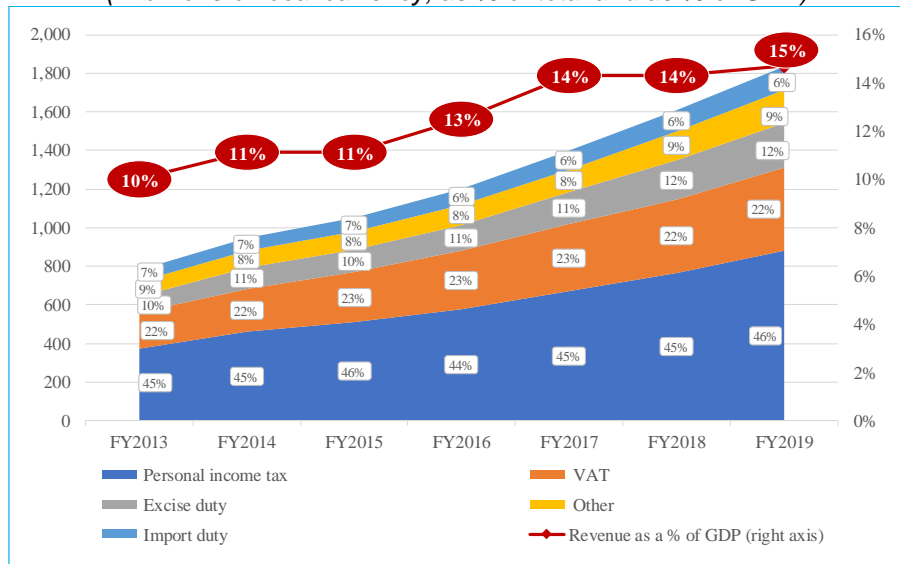


Figure 6.3. General government revenue in select ESAR countries, 2018 (or latest available)
(excluding grants, as % of GDP)

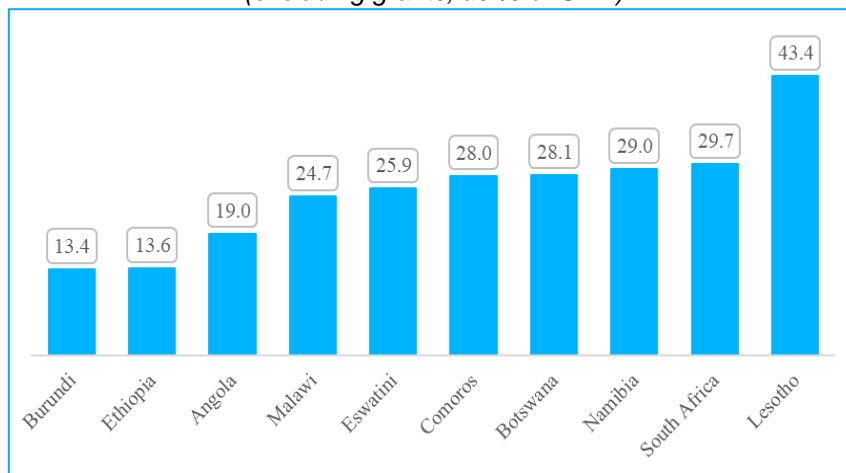


Figure 6.4. Donor funding by grants and concessional loans, 2014-18 (as % of GDP)

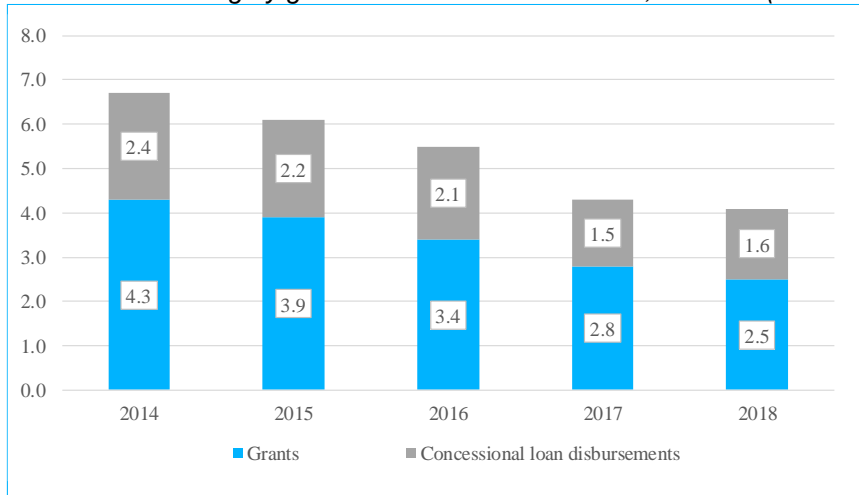


Figure 6.5. Donor funding, 2009-17 (in millions and per capita current US\$)

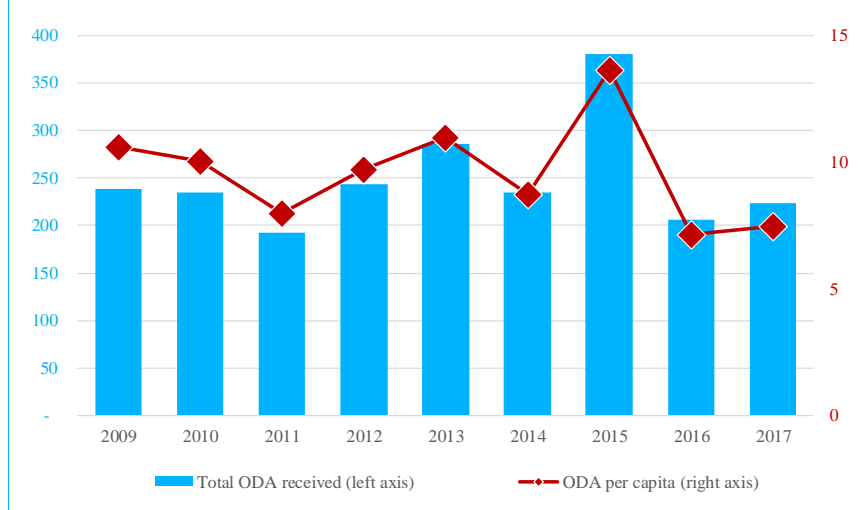


Figure 6.6. Donor funding by DAC and non-DAC members, 2016-18 period average (as % of total)

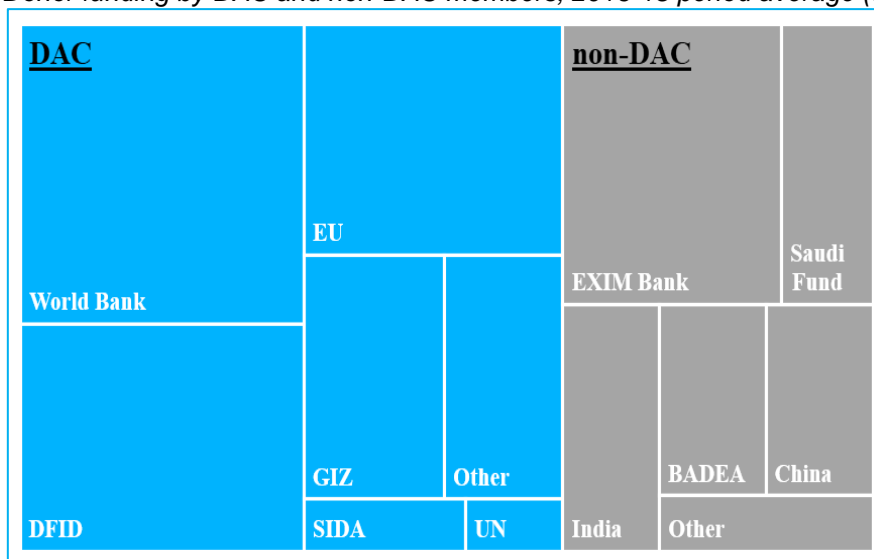


Figure 6.7. Government borrowing by source, FY2013-19 (in millions of local currency and as % of total)

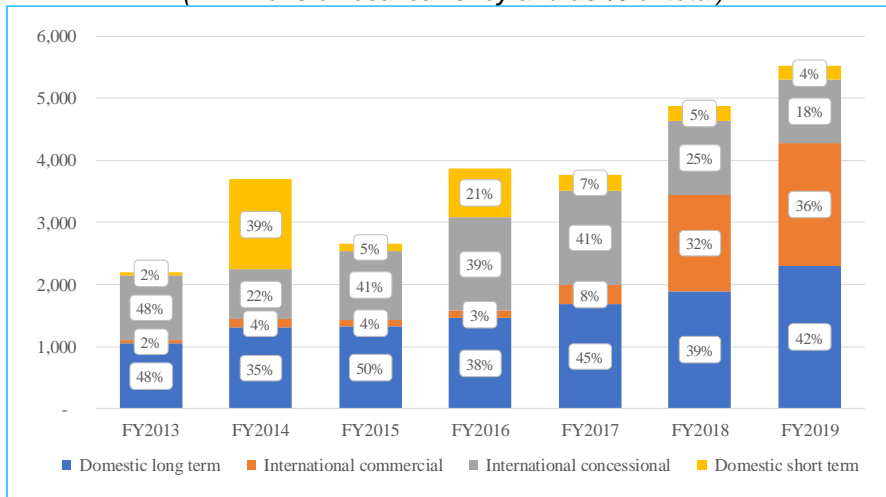


Figure 6.8. Domestic and foreign debt stock and repayment, FY2013-19 (local currency values)

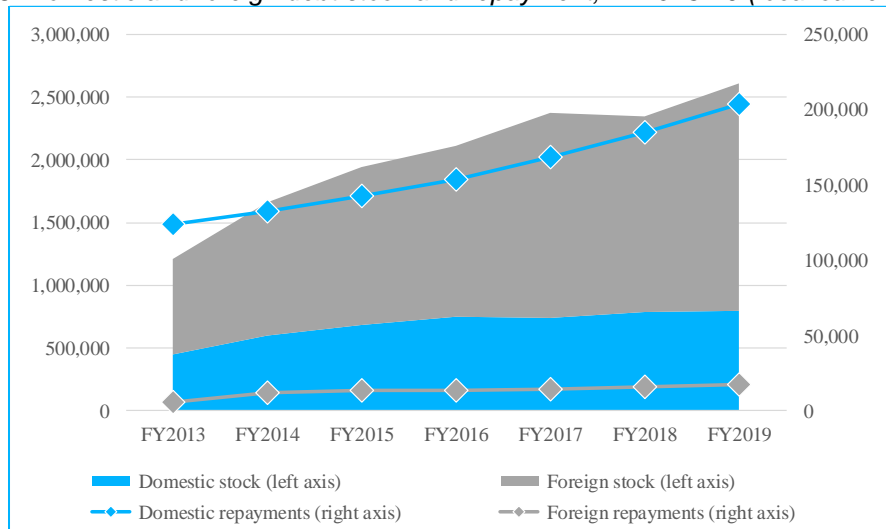
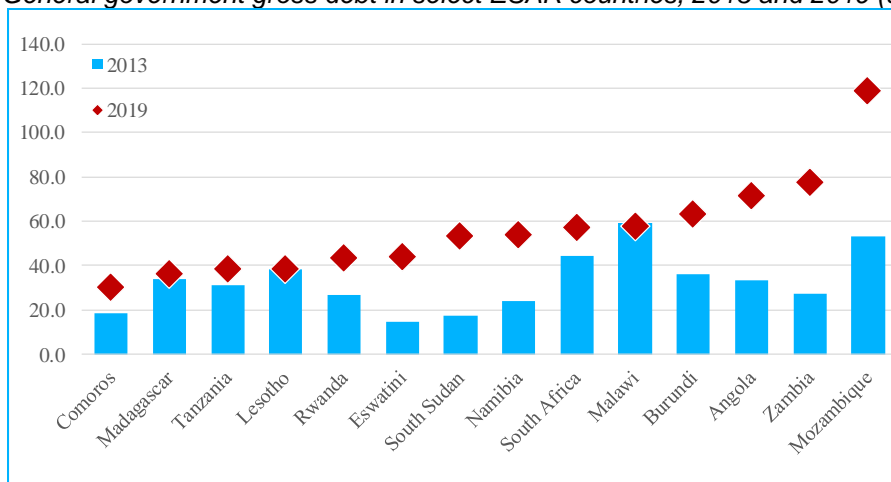


Figure 6.9. General government gross debt in select ESAR countries, 2013 and 2019 (as % of GDP)



Section 7. New Developments in PFM

Objectives of the section

- Describe ongoing developments and the performance of the PFM system.

Key considerations

- The most detailed and rigorous analysis of a country's PFM system is through a PEFA, which is generally carried out every 3-5 years. As PFM systems can change rapidly, PEFA findings may be very different from the current state of government financial management.
- Most governments will have a document that lists planned and completed public financial reforms. This could be called a PFM action plan, a PFM reform project, a PFM reform strategy, etc. Any accompanying monitoring and evaluation framework will enable comparisons of planned reforms against completed reforms.
- Another useful piece of research is donor fiduciary risk analysis or public financial systems analysis. Donors who utilize budget support normally require an assessment of a government's PFM system and corresponding risk mitigation actions as a part of aid support. The EU, World Bank and the African Development Bank provide a lot of budget support in ESAR. IMF Article IV country reports will also occasionally comment on PFM reform progress.
- Reviewing these documents and enquiring about progress from the Ministry of Finance or Treasury can provide some quick points to include in this section.
- Key events in the PFM cycle are planned in the budget calendar. If timelines are not kept, this can affect the quality of budget documents and weaken PFM systems.
- Suggested length for this section: 1-1.5 pages, including any graphics.

Possible data sources

- Pre-budget statement, budget policy statement, budget guidelines, macroeconomic outlook, macroeconomic assumptions.

Content

- **New developments:** Describe any major reforms or systematic changes regarding public finance. This could include adopting or improving budgeting systems and practices (e.g. moving from input-based budgeting to output, program or performance-based budgeting), introducing or expanding the MTEF, changes to the laws governing public finance, introducing an integrated financial management information system (IFMIS), integrating performance monitoring systems, etc.
- **Budget transparency:** Discuss the current openness of budgeting processes. Be sure to refer to your country's ranking on the [Open Budget Index](#) and to summarize the key findings from your country's 2017 [Open Budget Survey country report](#). Does the ranking reflect the government's performance? Are budget documents available to the public and online? What are the implications for social sector budget transparency and accountability? If your office is currently supporting the government on a budget transparency improvement action plan, be sure to describe the activities and acknowledge commitment and progress.
- **Challenges:** Identify key PFM challenges, which could include:
 - *The overall PFM system* (limited, unreliable or heavily lagged information, reliant on paper-based reporting mechanisms, etc.)
 - *The links between policy, planning and budgeting* (Are strong mechanisms in place? Are they aligned?)

- *Budget execution* (Are execution rates low? Do disbursements from the central government follow approved cash flows? Are MDA cash flow submissions of reasonable quality?)
- *Budget scrutiny and audit*, e.g. by the Parliament and Supreme Audit Institution (Is only a small percentage of government spending audited? Are audits regularly released? Are MDA's performance reports subject to audit? Are audit recommendations being implemented?)
- *Budget calendar* (Does the budget process stay aligned to the budget calendar? Which activities are frequently delayed?)
- **Takeaways:** Using bullet points, summarize key findings and implications on poor households and children.

Key Events in the Budget Calendar

- It is important to include a summary table or mapping of key budget activities and outputs throughout the year.
- This could be included at the bottom of the last page, as an annex/addendum or as a box within the text.
- Suggested length for this section: up to 0.5 page

Examples: Refer to the last sheet “Budget calendar” of the [National Budget Brief Template](#).

Month	Activities
October	<ul style="list-style-type: none"> • Training of Ministry Districts and Agencies (MDAs) on planning and budget requirements, including training on IFMIS planning module and data entry in IFMIS
November/ December	<ul style="list-style-type: none"> • Inter-sectoral consultations, including districts and the private sector • Joint planning session between central and local governments, including infrastructure needs • Submissions of planning documentations to Ministry of Finance and Economic Planning (MINECOFIN)
January	<ul style="list-style-type: none"> • Planning consultations (ministers present sector plans) • Public investment committees • Dissemination of the second Planning and Budget Call Circular
February	<ul style="list-style-type: none"> • Preparation of budget proposals, including earmarked transfers to districts • Budget submissions in Smart IFMIS and organization of budget consultations
April/ May	<ul style="list-style-type: none"> • Conduct Forward-Looking Joint Sector Reviews • Submission of Budget Framework Paper to Parliament and parliamentary budget hearings
June	<ul style="list-style-type: none"> • Approval of Finance Law by Parliament

Month	Key Activities and Outputs
May	<ul style="list-style-type: none"> • Budget Presentation • Budget Approval • Master cash flow development
June	<ul style="list-style-type: none"> • Cluster Committees • Public Sector Investment Program project monitoring • 1st Quarterly financial report
July	<ul style="list-style-type: none"> • Annual reconciliation of previous year funding figures.
August	<ul style="list-style-type: none"> • Annual debt and Aid report produced
September	<ul style="list-style-type: none"> • 1st quarterly cash-flow approved
October	<ul style="list-style-type: none"> • Budget Policy Framework Paper (BFP) (mid-year review) • Donor’s funding commitments for the financial year established. • Implementing agencies send their Public Sector Investment Programs (PSIP) Project proposals for appraisal. • Preliminary GDP and Revenue Forecast.
November	<ul style="list-style-type: none"> • Medium term Economic and Fiscal Policy Statement prepared.
December	<ul style="list-style-type: none"> • Medium term Economic and Fiscal Policy Statement presented to cabinet. • National Audit results presented to parliament. • BFP reviewed by cabinet.
January	<ul style="list-style-type: none"> • Debt and aid half yearly report. • Indicative ceilings to MDAs. • Revised sector ceilings.
February	<ul style="list-style-type: none"> • Budget framework finalised. • Mid-Year Budget Reviews.
March	<ul style="list-style-type: none"> • Budget hearings. • PSIP approved by the president. • Aid commitments confirmed. • MDAs submit budget estimates
April	<ul style="list-style-type: none"> • Budget consolidation • MDAs submit cash-flow forecasts • Economic and Fiscal Statement presented to National assembly

ANNEX 1. SAMPLE OUTLINE

Key Messages and Recommendations

- List in order of priority

Section 1. Macro and Socioeconomic Context

- Macroeconomic trends
- Social development trends
- Key national policies and multi-year strategy or planning documents
- Takeaways

Section 2. Aggregate Spending Trends and Priorities

- Size of spending
- Spending changes
- Spending priorities
- Takeaways

Section 3. Spending Imbalances

- Recurrent and capital spending
- Imbalances
- Waste
- Takeaways

Section 4. Budget Credibility and Execution

- Budget credibility
- Budget execution
- Challenges
- Takeaways

Section 5. Decentralization and Sub-National Spending

- Context
- Funding guidelines
- Spending trends
- Spending disparities
- Revenue trends
- Takeaways

Section 6. Financing the National Budget

- Financing snapshot:
- Government revenue
- Foreign aid
- Borrowing
- Additional financing options
- Takeaways

Section 7. New Developments in PFM

- New developments
- Budget transparency
- Challenges
- Takeaways

Key Events in the Budget Calendar