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SUBNATIONAL
PUBLIC FINANCE
PROGRAMME BRIEF

From Evidence to Action

Putting Subnational Government Budget Data
to Work for Children and Youth

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Subnational finance programme briefs are short, evidence-driven notes that unpack common issues in government budgeting and financial management at the subnational level, highlight programming approaches and tools applicable to practitioners in the field, and share examples of approaches that have been employed in UNICEF programming around the world. They aim to promote awareness of promising approaches, connect UNICEF offices working on similar problems, and foster collaboration between child-rights organizations and the wider community of practice in public financial management, particularly at the subnational level. These programme briefs are written to be accessible to a broad audience with diverse technical and programme-implementation backgrounds.

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FROM EVIDENCE TO ACTION: PUTTING SUBNATIONAL GOVERNMENT BUDGET DATA TO WORK FOR CHILDREN AND YOUTH

This subnational public finance programme brief focuses on some of the basic dimensions of using budget data at the subnational level to highlight key opportunities for engaging with subnational governments on evidence generation to advocate for greater and better public investments to improve service delivery for children and young people. The specific issues covered are:



Sources of subnational budget and expenditure data, and how subnational budgets are structured.



Improving the availability and quality of subnational public finance information.



Applying a child and youth lens to subnational public expenditure assessment.



Linking local expenditure assessments to budget planning at the local level.

Local and regional governments often have responsibility for services with the greatest direct relevance to children. Increasing the availability and use of timely, accurate and credible budget data and evidence at the subnational level is a key step to understanding service-delivery gaps and equity issues in public expenditure from the neighbourhood to the national scale.

Incomplete data or inaccurate records of subnational government spending can reinforce funding gaps and inequity in resource allocation, helping to perpetuate ineffective service delivery and poor child outcomes. Without updated budget data and evidence on the connection between expenditures, revenue and service outcomes, subnational governments might not be aware of all available opportunities to use public finance to improve child outcomes. Generating updated data and evidence is important to understanding how resource-allocation decisions through subnational budgets directly and indirectly benefit children and youth, leading to better advocacy around local needs and issues.

A variety of tools and approaches are available to improve budget data and evidence in subnational governments. Child-rights advocates, policymakers and programme managers can work to improve the availability of disaggregated subnational expenditure data at the national level or introduce a child and youth lens to subnational public expenditure measurement. To improve strategic planning capacity, the results of public expenditure assessments can be fed into subnational planning processes to help to inform sustainable local government financing of key services.

WHERE TO FIND SUBNATIONAL BUDGET DATA AND EVIDENCE

Budget documents and other financial reports prepared by national and subnational governments can be key sources of data for public expenditure assessment and broader budget analysis. Depending on the country and subnational government context, key subnational budget documents released over the budget cycle include:



Relevant data and evidence to make the investment case for children is not always easily accessible or available to key decision makers responsible for day-to-day service delivery. For instance, budget officials with control over local allocations for water and sanitation may not have updated information on the geographic incidence of diarrhoeal diseases in children. Many sectors are interlinked with other sectors, which creates an additional channel for information for collecting data and evidence.

In any initiative to improve the use of subnational budget data and evidence to advocate for investments in children and youth, it is important to identify which agencies in subnational government are accountable for maintaining accounts and those responsible for data production and use. For instance, local statistical offices might be responsible for compiling and maintaining child indicators; budget departments might be responsible for annual and multi-year financial reporting; the mayor or district administrator's office might have relevant information on sector programme objectives and plans; while other offices might manage the day-to-day reconciliation of transactions and accounts. How these systems are linked and communicate with each other differs from country to country and that may impact on the exchange of information between them.

Learning to use subnational budget and financial data

While approaches to data and evidence generation at the local level can draw from experience at the national level, subnational government expenditure and budget performance data often can be difficult to disentangle. In some circumstances, the use of published budget documents and other financial reports prepared by subnational governments will have limitations. For instance:

Expenditure data might be aggregated at a level that provides limited operational evidence on the root causes of funding gaps at the community level for child and youth services.

Different subnational governments might use different budget codes or expenditure tags to record and monitor spending in financial management information systems.

Budgeted and actual revenues and expenditures might be inconsistent over different stages of the budget cycle or over multiple years.

Key data and evidence necessary to calculate the costs of local service delivery or common service-delivery bottlenecks at the local level, such as poor infrastructure quality or backlog of public investment projects, may not be found in common budget products.

Because these challenges are common, improving the quality of subnational financial reporting systems and bolstering institutional capacity to translate evidence into action is a priority for the improvement of overall transparency and accountability.

In response, many development partners and advocates in civil society seek to acquire transaction-level data before it is compiled into budget documents. This expenditure and revenue data, often disaggregated at the department and household levels, can open influential opportunities for data analysis and evidence generation. For instance, transaction data from accounts departments in subnational governments can be beneficial to analyse expenditure patterns in cross-cutting needs and issues like early intervention (e.g. community-based care services for children and family care services) or disaster risk. Gaining access to transaction-level data enables fine-grained assessment, without having to mobilize the high level of resources equivalent to a full public expenditure review. The increasing adoption of digital government financial management information systems make getting access to comprehensive subnational budget and financial management data and evidence much easier than in the past.

Most local governments that use a government financial management information system can export transaction-level data in Excel format, which can then be connected to geographic information systems (GIS) datasets containing information on the spatial distribution of service outcomes. Local rules and regulations might stipulate requirements for securing and protecting the data.

IMPROVING THE AVAILABILITY OF DISAGGREGATED SUBNATIONAL EXPENDITURE DATA AT THE NATIONAL LEVEL

Because subnational governments fund expenditures out of a mix of their own locally generated ('own-source') resources and transfers from higher levels of government (which can include donor funds), having an accurate understanding of financial flows to different sector outcomes at the local level is crucial for evidence-based budget planning and advocacy. If relevant data are missing, outdated, inconsistent, or contain other errors, faulty evidence may bias key decisions around resource allocation to regions and localities that are most in need. This can jeopardize progress on achieving sector-wide targets and results on the ground.

Depending on the sector, disaggregated expenditure data can be located across a variety of government financial and sector-management information systems. For some sectors, data is consolidated into national accounts maintained jointly by sector ministries and the ministry of finance. For cross-cutting issues like disaster risk reduction or adolescent psychosocial wellbeing, ad hoc exercises to aggregate spending levels across multiple subnational jurisdictions is more common.

Consolidating disaggregated subnational expenditure data at the national level requires trust between stakeholders at all levels of government. Reporting gaps in the routine collection of disaggregated expenditure data tend to be more prominent at the lowest levels of government (district, municipal and village), while intermediate levels of government (provinces and states) tend to fare better.

The best time to advocate for activities to close subnational reporting gaps, eliminate inconsistencies and improve coverage of subnational data at the national level can be around:



- Major public financial management reforms.
- Adoption of new technology systems for reporting such as integrated financial management systems (IFMISs).
- Donor assistance programmes.
- Design of sector-wide performance improvement strategies.

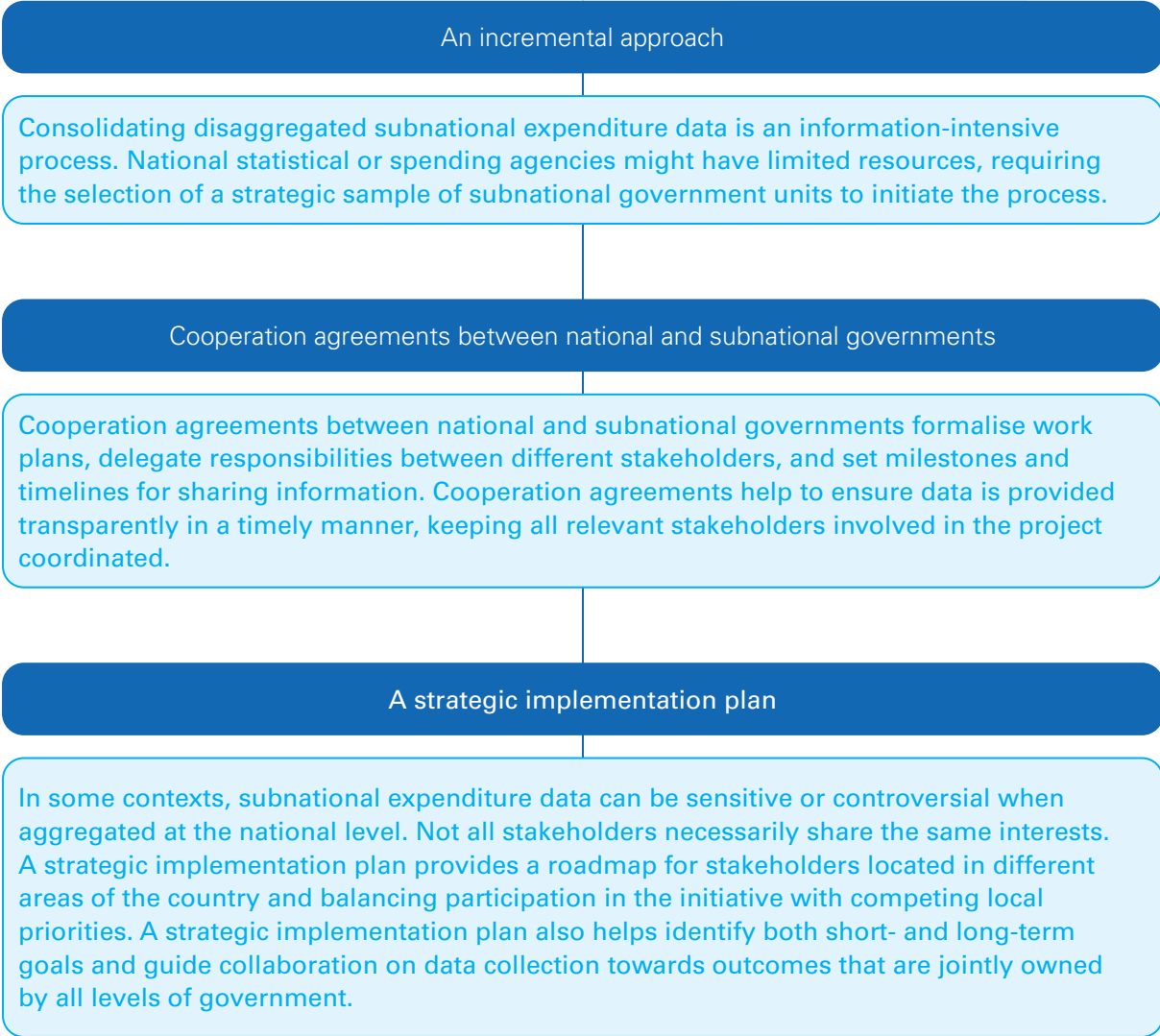
Expenditure data collected during a local child-focused public expenditure measurement (C-PEM) can be GIS-enabled. The information generated by C-PEM is likely to have more decision-making value if spending and revenue data can be connected to neighbourhoods or wards within local administrative boundaries. For instance, a C-PEM might reveal that 15 per cent of spending by local government budget goes to reducing disaster risks to children, but less than 2 per cent of those funds benefit vulnerable children residing in informal settlements located around flood-prone river catchment areas.

A useful first step to initiate data and evidence-generation activities is to attempt to aggregate and verify subnational expenditure data in available budget documents from a strategic sample of regional and local governments.

During this time, partners can identify lines of accountability for intergovernmental reporting. In some cases, subnational governments report but the information is not monitored and central authorities do not take quality-assurance steps to check accuracy. In other subnational contexts, local and regional governments may fail entirely to report their spending and revenue records to the central level. Thus, identifying accountability relations within the intergovernmental fiscal system is a critical first step for aggregating subnational expenditure and revenue data at the national level.

When governments introduce a new financial management information system it is a key opportunity to add child-focused expenditure tags to the systems that support budget management in subnational governments. If you have already analysed categories of child-focused expenditures at the local level, you can use this evidence to advocate with central finance ministries and relevant committees at the subnational level.

Good practices in designing a longer, more sustained sectoral initiative to consolidate subnational expenditure data at the national level might entail:





Ghana

Improving evidence of local government expenditures on liquid waste sanitation in national TrackFin accounts

CONTEXT

Metropolitan, municipal and district assemblies (MMDA) in Ghana have autonomy in planning and budgeting for a wide array of sector services, including liquid waste sanitation. TrackFin, a methodology developed by the World Health Organization (WHO) under the UN-WATER GLAAS project, is used by the Ministry of Sanitation and Water Resources to track financing to the WASH sector in Ghana. While the system had been helpful to WASH planners at the national level, it only accounted for expenditures from national-level institutions. TrackFin could not reveal whether MMDAs made expenditures on water services from their own revenues, leaving national water and sanitation authorities to use inaccurate assumptions about the level of spending on liquid waste sanitation in the country.

PROGRAMME ACTIVITIES

In partnership with the Coalition of NGOs in the Water and Sanitation Sector (CONWAS) and WHO, UNICEF Ghana supported chartered accountants to carry out budget analysis in six MMDAs to assess expenditure patterns on liquid waste sanitation funded from local revenues. The evidence from the six MMDAs revealed that total local spending on liquid waste was far lower in practice than the 15 per cent assumed by the Ministry of Sanitation and Water Resources. In some MMDAs, the difference was lower as a result of mobilizing of locally generated resources, but spending on liquid waste sanitation overall was much lower than prevailing evidence suggested.

RESULTS AND NEXT STEPS

TrackFin became a more reliable tool for expenditure tracking at the local level and a new liquid sanitation code was introduced by the Ministry of Finance to support disaggregated expenditure tracking in the WASH sector. Assumptions of local sanitation spending used to determine the size of WASH allocations to the District Assembly Common Fund were corrected with more accurate expenditure data. Civil-society organizations were empowered with evidence and advocacy points to sustain interest and ease of sanitation expenditure tracking. Advocacy to update MMDA budget codes controlled by the Fiscal Decentralization Unit in the Ministry of Finance contributed to improvements in expenditure tracking for sanitation services.



Malawi

Subnational early childhood development budget analysis

CONTEXT

Following the introduction of programme-based budgets at local level in 2017, UNICEF Malawi encouraged districts to draft child-responsive budgets. A series of capacity building and sensitization workshops for district officials were carried out together with a local civil-society partnership – Malawi Economic Justice Network (MEJN). Districts were encouraged to commit resources to devolved social-sector functions, for early childhood development (ECD) and child protection. This is within broader efforts aimed at making district budgets more child-responsive.

The analysis carried out was based on programme-based budgets for district councils produced by the National Local Government Finance Committee (NLGFC).

PROGRAMME ACTIVITIES

Assessing the competitive advantage of UNICEF in public financial management at local level was supported by coordination with UNICEF sections on the ECD strategy and needs. District budget data was acquired and analysed, which helped in the identification of key entry points, messages and recommendations, followed by advocacy for streamlining ECD budgets at local level. UNICEF advocated with both the relevant ministry and the Treasury for devolution of more ECD resources to the districts.

RESULTS AND NEXT STEPS

In 2019/20, a total of 24 district councils committed resources to primary child-protection services. A total of MK54 million was allocated to child protection by the 24 districts, representing a nominal increase of 36 per cent. UNICEF continues to position itself as an information broker and a convener, to facilitate the exchange of information and the finding of common ground. Issue-based budget analyses are discussed with the thematic sections in UNICEF and the partners in government to help position UNICEF as a partner of choice in public financial management, based on UNICEF perceived strengths.

APPLYING A CHILD AND YOUTH LENS TO LOCAL PUBLIC EXPENDITURE ASSESSMENT


Because subnational governments focus on services that often have the greatest direct relevance to child outcomes, local and regional government agencies can benefit from applying a child and youth lens to public expenditure assessment. Introducing a child and youth lens to subnational local expenditure assessment is appropriate when key subnational public financial management stakeholders aim to:



Assess and monitor the financial efforts of subnational governments to support children and youth.



Track specific expenditures that directly and indirectly benefit children and youth down to the district, ward or community level.



Understand how different categories of spending (personnel vs. capital) affect child outcomes, differentiated by service category (roads vs. education vs. parks/playgrounds) or by age group.



Inform budget planning and strategic resource allocation decision-making processes for key investment priorities within a specific region or locality.

Subnational child-focused public expenditure measurement

UNICEF’s child-focused public expenditure measurement (C-PEM) framework can help subnational governments achieve these objectives in data and evidence generation. The C-PEM framework lays out principles and recommendations on key parameters of data collection and analysis to arrive at accurate and reliable information on local spending for children.

Did you know?

Child-focused public expenditure measurement has been primarily applied at the national level, but its popularity and relevance to the subnational level is increasing. In particular, C-PEM can be an important tool to generate data and evidence to support action planning with local governments on cross-cutting issues. UNICEF maintains resources and technical guidance on C-PEM: https://www.unicef.org/sites/default/files/2019-12/C-PEM_Compndium_FINAL.pdf.

Select indicators from C-PEM exercises

General

Total expenditure on children.
Per capita expenditure on children.
Per child expenditure on children.
Expenditure on children as a percentage of total budget.
Expenditure on children as a percentage of total social expenditure.
Expenditure on children as a percentage of GDP.

Thematic

Composition of expenditure on children by function, institution, department, and/or sector.
Composition of expenditure on children by life cycle.
Composition of expenditure on children by group of rights.
Category of expenditure on children.
Type of expenditure on children.
Execution rates of expenditure on children.

The design and implementation of a C-PEM exercise should be guided by technical discussions that include objectives, timeline, resource needs and intended use. Approaches can build on methodologies and tools developed by national ministries but will inevitably require some modifications based on the availability of data, specific information needs of subnational government officials, and objectives of the exercise.

Three major questions that can guide the design and implementation of C-PEM to increase the long-term value and impact of evidence for mayors, district administrators and members of elected local councils might include:

What will be the relative emphasis placed on expenditures controlled entirely (or relatively more) by the local government compared with those of national programmes executed by municipal authorities?

Most local governments have some budget autonomy, with spending fully under their control funded by a wide variety of taxes and fees. Some national programmes give local authorities broad discretion over the allocation of funds, while others can be more restrictive. By classifying expenditures based on the extent to which local authorities have decision autonomy, the evidence from a subnational C-PEM can help map out opportunities for reallocation at the margins. This type of information helps to identify incremental changes or improvements that are more viable based on a clear understanding of local control.

How will expenditures that are intended for the primary benefit of children in a specific neighbourhood be distinguished from those that are intended to benefit the entire child population in the municipality?

Children and youth benefit from an array of services at the local level, but not all communities benefit equally from local spending that has a child focus. Some expenditure categories are critical to ensuring a minimum quality of services for all children in a locality. Others are intended to improve one (or a few) wards or districts within the locality, with the benefits from spending having no reach to children in other areas. For instance, a large playground inside a gated community or located in a more remote area where access roads and public transit cannot reach only generates benefits to a limited number of children in the immediate vicinity.

How can the C-PEM exercise be used to promote budget transparency?

If C-PEM exercises cover essential and life-saving services, it is also important to consider potential impacts on transparency and accountability and any additional steps needed to release the report. Steps to format the information appropriately for internal needs can add value for government partners, but might require further modifications if and when information is to be released to the public.





Honduras

Piloting a child and adolescent lens in municipal public expenditure assessment

CONTEXT

Honduras is a unitary country, divided into 18 departments for administrative purposes. The single level of subnational government contains 298 municipalities that have responsibility for policy development and implementation for an array of local services and infrastructure. Sector responsibilities at the municipal level include sanitation, water supply, roads, markets, environmental protection and parks, among other local services. Most municipalities have as their main source of financing the transfer made by the central government based on certain criteria. The Municipalities Law establishes that 1 per cent of the total transfer must be destined for programmes and projects for the protection of children and youth. The country has two municipal financial administration systems used to execute, monitor and report on local budget performance.

PROGRAMME ACTIVITIES

Working in partnership with the Honduras Association of Municipalities, UNICEF Honduras adapted the national child-focused public C-PEM methodology to a local government context and piloted the approach in the municipalities of Jesus de Otoro (rural) and Villanueva (urban). The project team developed a comprehensive catalogue of budgeted activities at the municipal level, focusing on four groups of rights from the Convention on the Rights of the Child. The catalogue of budgeted activities was used to streamline the measurement of municipal investment in children, disaggregated by category of child rights and age.

RESULTS AND NEXT STEPS

The child-focused public expenditure measurement found that 24 per cent of the budget in Jesus de Otoro is devoted to fulfilling child rights, compared to 14 per cent of the budget in Villanueva. Both municipalities exceed the 1 per cent requirement outlined in the Municipal Law. In partnership with the Honduras Association of Municipalities, UNICEF Honduras is in discussions to expand the approach to 37 municipalities to increase the capacity of municipal governments to measure and monitor child-focused investments through local budget assessment.

ACCELERATING MEANINGFUL ACTION ON THE GROUND: LINKING LOCAL EXPENDITURE ASSESSMENT TO BUDGET PLANNING IN REGIONAL GOVERNMENTS

Regional governments often have both the resources and scale to act more effectively on data and evidence. Because of their proximity to children and communities, regional governments also face considerable pressure to leverage resources to improve services for their constituents in priority investment areas. Barriers to including child-focused public expenditure data and evidence in regional government planning processes can therefore discourage strategic actors at the subnational level from taking concerted action on the ground.

How can agencies in regional governments incorporate evidence from local public expenditure assessment into plans and spur efficient and effective measures to improve services at the local level? These opportunities are heavily influenced by political and economic context, and by national planning requirements.

Working with local political dynamics to collect data and generate evidence

Political incentives may influence the interest of subnational leaders to support the collection and sharing of subnational public finance information. For example, subnational leaders who are concerned about upcoming elections may be highly motivated to collect evidence related to flagship investment programmes to demonstrate leadership or progress improving conditions and services for children and families. Alternatively, evidence on public expenditure levels can be compared to performance in other regions with similar characteristics. If the findings indicate that the proportion of spending by subnational governments on social services is lower than a 'competitor' subnational government, evidence can be used to accelerate resource commitments to children and youth in need.

Aligning local data and evidence generation with national development priorities

On a more routine basis, many subnational governments are introducing multi-year strategic planning exercises, often to fulfill procedural requirements for medium-term expenditure frameworks and multi-year capital improvement schedules. These exercises often require budget performance data which provides advocates and programme managers with a great opportunity to connect evidence on budget allocations to critical services for children and to connect the analysis to the design and implementation of forward-looking development plans and spending frameworks.

Efforts to connect public expenditure assessment with different planning processes in subnational government must balance evidence on the needs and deprivations experienced by children on the ground within a regional jurisdiction and the goals outlined in sector policies and action plans at the national level.

National policies and plans frame children's needs and issues at a high level, based on national statistics that can sometimes contradict conditions on the ground in a specific region or locality. When it comes to the capacity to act on children's needs, not all regions and localities are the same.

Subnational costing exercises can be a useful activity to help connect the findings of public expenditure assessments to better development plans, but the disaggregated data for conducting a robust costing study might not be immediately available.

An alternative option that can bridge local conditions with national priorities is a cost-of-inaction¹ study. For instance, a cost-of-inaction study on the effects of air pollution on children might show a variety of epidemiological consequences if policy and resource-allocation changes are not made. If prior expenditure assessments have identified relevant health and public-works departments and agencies in subnational government where budget execution rates were low, combining evidence from these two activities might help decision makers understand where financial resources are more immediately available and help to sequence regional government action.

¹ A cost-of-inaction study aims to enumerate and quantify the social and economic cost of failure to perform a specific action which is known to have a positive impact.



Argentina

Combining public finance data and evidence tools to build strategic planning capacity in provincial early childhood care services

CONTEXT

Argentina is a federal country where spending on children and adolescents in the areas of health and education is heavily concentrated in subnational governments. In addition to the national government, Argentina has 24 provinces and 2,219 municipalities which comprise the country's consolidated public sector. More than 60 per cent of resources for early childhood are executed by provincial governments, with around 10 per cent financed by transfers from national government. There are significant territorial inequities in resource flows and child outcome indicators between provinces and municipalities. The Government of Argentina recently adopted a National Early Childhood Care Plan and comprehensive National Strategy, which includes performance targets for provincial government spending and investment. These targets provided the necessary framework to encourage provincial authorities to embed diagnostic work in efforts to improve strategic planning in provincial governments.

PROGRAMME ACTIVITIES

In the provinces of Chaco, Jujuy and Salta, UNICEF supported subnational governments to estimate how much the provinces currently invest in early childhood development through a public expenditure assessment exercise. The findings from the child-focused public expenditure assessment were combined with a costing exercise, using the performance targets for provincial government spending in the National Early Childhood Care Plan.

RESULTS AND NEXT STEPS

Combining provincial public expenditure analysis with costing exercises has enhanced strategic planning capacity in Chaco, Jujuy and Salta governments. Completing the two exercises encouraged key budget and planning stakeholders to agree on activities and investments that need to be made to collectively achieve results in their specific regions. UNICEF is expanding the pilot initiative to combine subnational public expenditure analysis with capacity-building activities for provincial governments on costing techniques for early childhood care performance plans.

CONCLUSION

Key takeaways

This programme brief has covered issues, tools and approaches to data and evidence generation around budgeting and financial management at the subnational government level.

Key takeaways include the following:

- Subnational governments often focus on services that have the greatest direct relevance to many critical child outcomes. Improvements to data and evidence can be a powerful catalyst to action for poor and vulnerable children and youth.
- Gaps might exist in national budget monitoring and financial reporting systems covering disaggregated subnational expenditure data. Closing these gaps requires coordinated action by multiple stakeholders at all levels of government. Improving the measurement of public spending and investment in selected municipalities can generate important evidence and momentum to make key changes to national tracking systems.
- A major feature of partnering with subnational governments on public expenditure assessment is their proximity to investments that affect children and youth in the schools they attend, the health facilities that care for them, and the communities where they live. Because of this proximity, subnational governments face substantial pressure to go beyond diagnostics to strategic action. Introducing a child and youth lens into municipal expenditure assessment can be a good place to start.
- In order to translate improved data and analysis into action, it is important to link the findings of subnational expenditure assessment and budget analysis to short- and long-term planning instruments that can contribute to increases in subnational government capacity to implement evidence-based policy and investments.

Sources and further reading

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