

Budgeting Process

Economic and Social Commission for Western Asia



UNITED NATIONS

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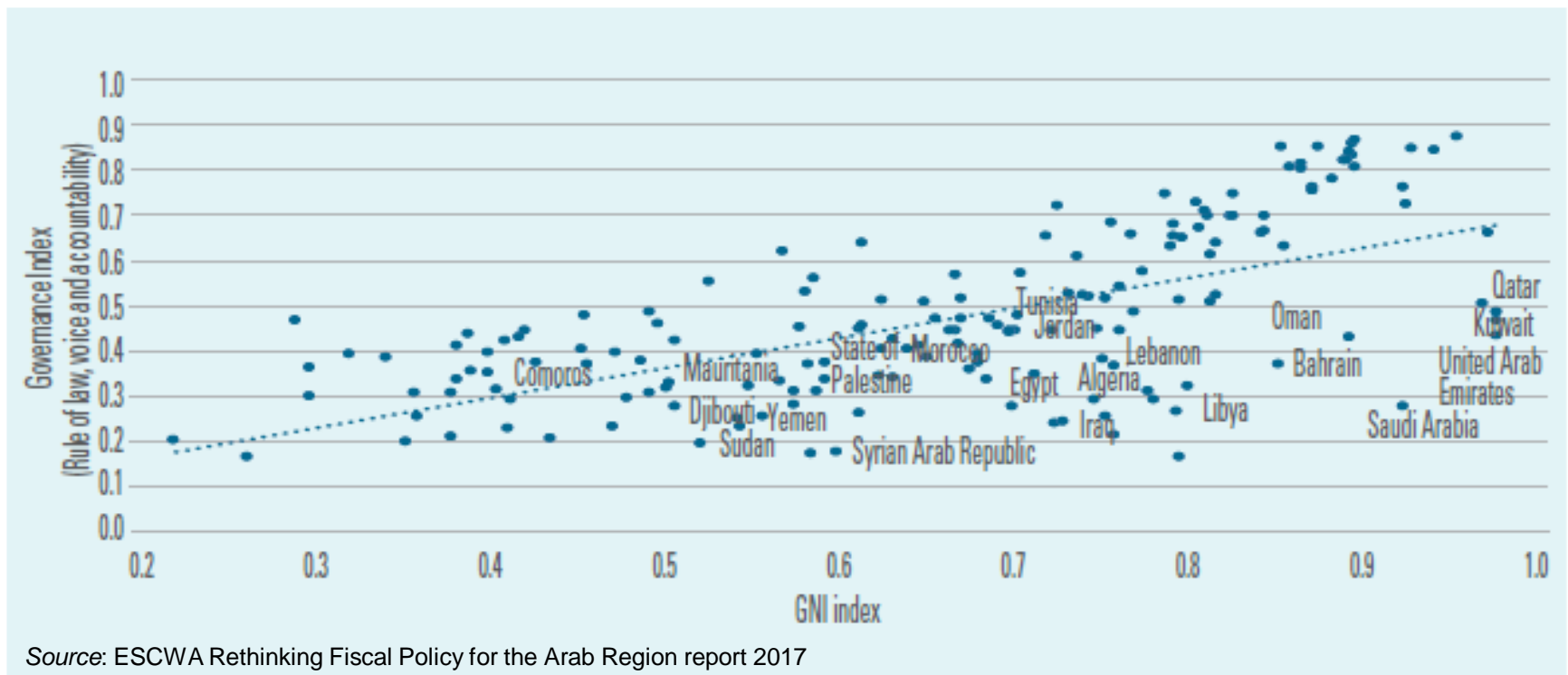
Capacity Development Workshop on Methods to Cost Violence Against Women

Economic Development and Integration Division

March 28, 2019

Budgeting is a key tool for improving quality of economic governance

- Many countries in the Arab Region have lower governance achievements as compared to their economic development



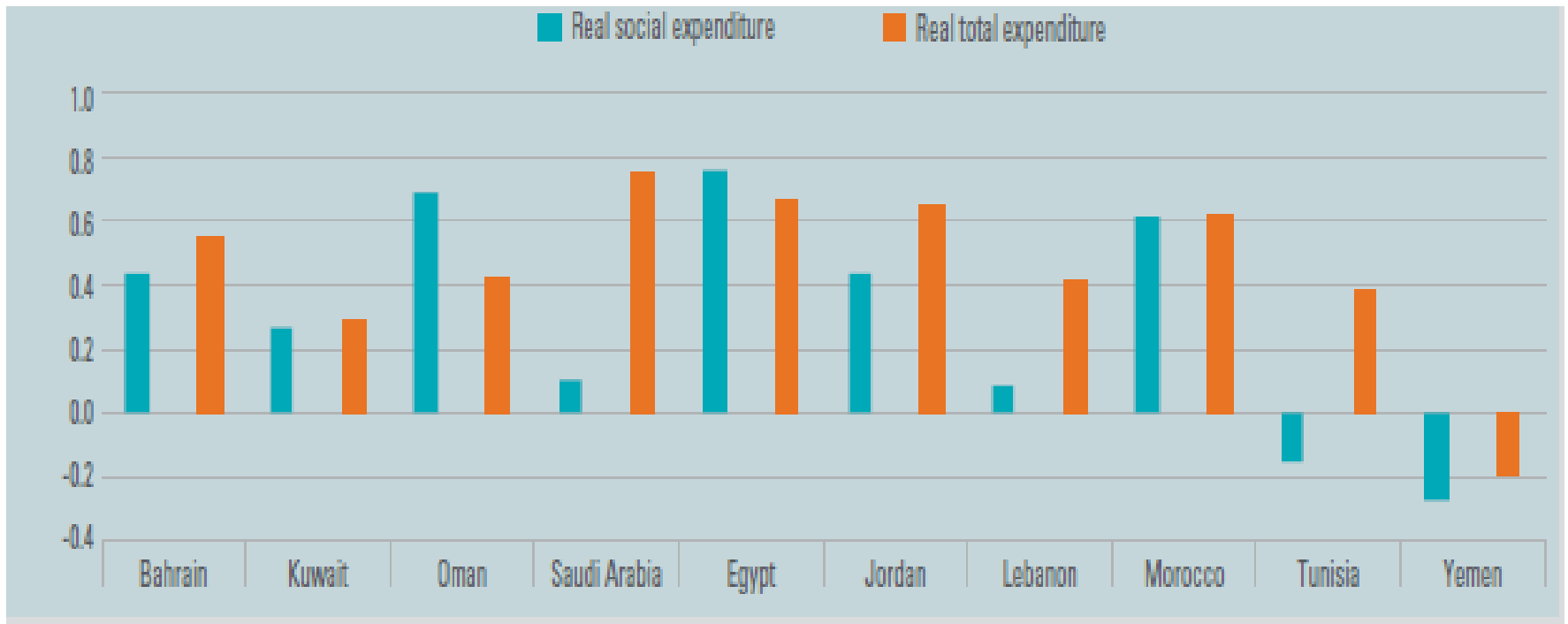
Source: ESCWA Rethinking Fiscal Policy for the Arab Region report 2017



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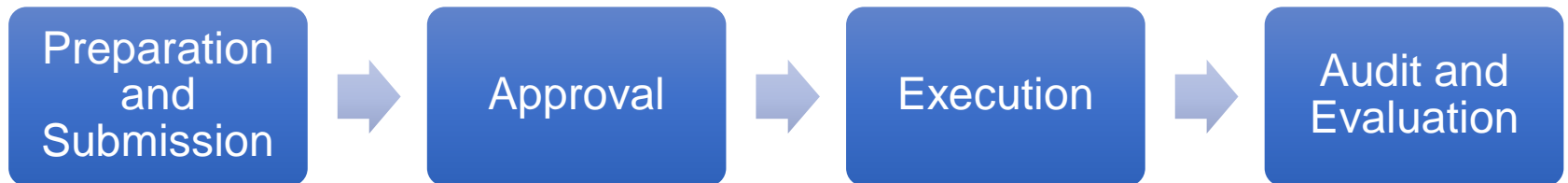
Public expenditure across countries in the region tend to follow economic cycles

- In order for budgets to be effective, they need connect to fiscal rules and medium term expenditure frameworks – to follow countercyclical policies



Source: ESCWA Rethinking Fiscal Policy for the Arab Region report 2017

Budget Cycle



General Budgeting Process

Step 1 Macroeconomic goal posts (Expenditure, Revenues)

Step 2 Allocating total amount among each line ministry

Step 3 Preparing a **Budget Circular**

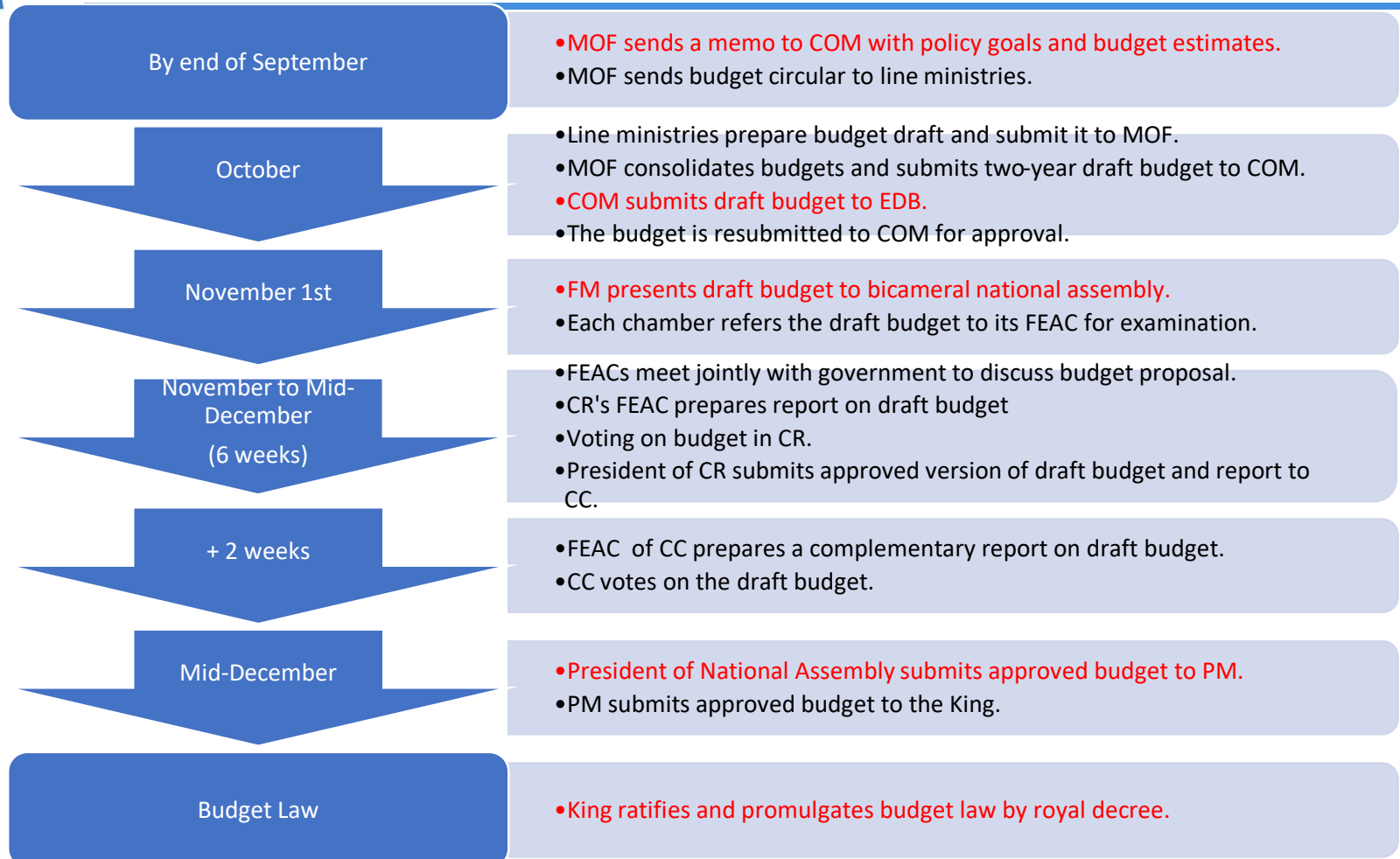
Step 4 Submission of bids by ministries to the budget department.

Step 5 Negotiations, usually at official and then bilateral or collective ministerial level, leading finally to agreement.

Step 6 Endorsement of the proposals by Cabinet for inclusion in budget

Source: IMF

An Example: Budgetary Process in Bahrain Preparation & Parliamentary Approval



Assessing the Soundness of the Budget

1. Comprehensiveness

Is the coverage of government operations complete? Are estimates gross or does netting take place?

2. Transparency

How useful is the budget classification? Are there separate economic and functional classifications that meet international standards? Is it easy to connect policies and expenditures through a program structure?

3. Realism

Is the budget based on a realistic macroeconomic framework? Are estimates based on reasonable revenue projections? Are the financing provisions realistic? Is there a realistic costing of policies and programs and hence expenditures?

Source: IMF

The Framework Regulating the Budget

1. What is the budget timetable?
2. How are budgeting powers distributed between the executive and legislative branches?
3. How are budgeting powers distributed within the executive?
4. How are activities funded?
5. Any legislative limits on expenditure, deficit, borrowing, carryover of spending authority to next year?

Source: IMF

Questions for discussion

- How comprehensive is budgeting in your countries (Central government budget / Provincial budgets?)
- Are the allocations made on the basis of political considerations or sound economic reasoning and social development priorities? (transparency/connecting to annual and medium term goals)
- Do satisfactory procedures exist for review of expenditure policies and program prioritization? (monitoring/transparency)
- Is there a multiyear planning? (how real and feasible it is)

Source: IMF

Thank you

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