Budgeting Process

Capacity Development Workshop on Methods to Cost Violence Against Women

Economic Development and Integration Division

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

- In order for budgets to be effective, they need to 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

- Preparation and Submission
- Approval
- Execution
- Audit and Evaluation
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

By end of September
- MOF sends a memo to COM with policy goals and budget estimates.
- MOF sends budget circular to line ministries.
- Line ministries prepare budget draft and submit it to MOF.
- MOF consolidates budgets and submits two-year draft budget to COM.
- COM submits draft budget to EDB.
- The budget is resubmitted to COM for approval.

October
- FM presents draft budget to bicameral national assembly.
- Each chamber refers the draft budget to its FEAC for examination.

November 1st
- FEACs meet jointly with government to discuss budget proposal.
- CR’s FEAC prepares report on draft budget
- Voting on budget in CR.
- President of CR submits approved version of draft budget and report to CC.

November to Mid-December (6 weeks)
- FEAC of CC prepares a complementary report on draft budget.
- CC votes on the draft budget.

Mid-December
- President of National Assembly submits approved budget to PM.
- PM submits approved budget to the King.

Budget Law
- King ratifies and promulgates budget law by royal decree.

Source: El Enbaby and Selim 2015.
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