Parliamentary Guide on

How to Assess Child-friendliness of National Government Budgets
Acknowledgements

The production of this guide is a culmination of several processes and efforts of many people within the Parliament of the Republic of Malawi and UNICEF.

First, I am grateful to all Honourable Members of Parliament who provided verbal and written comments in the drafting of this handbook, particularly those who participated in the review meeting held in Salima on the 26th of November 2017. Their comments and suggestions significantly shaped this handbook. Special thanks to Honourable Richard Chimwendo Banda for facilitating the Salima meeting and coordinating inputs from Parliamentarians.

Second, I would like to appreciate Ms Fiona Kalemba, the Clerk of Parliament, for her leadership, support, and guidance throughout the development of this handbook.

Third, I would like to thank all Parliament Staff who worked with UNICEF Malawi from start to finish, including in discussions on structure, content, and outlook of this handbook. In particular, I would like to thank Ms Velia Manyonga, Mr. Leonard Tilingamawa, Ms. Grace Mganga, and Ms. Nancy Chikandira for their valuable comments and inputs. I would also like to acknowledge all Parliament staff who reviewed this handbook during a budget analysis retreat held in April 2018, in Mangochi.

Lastly, my heartfelt gratitude goes to UNICEF Malawi for providing technical and financial assistance which resulted in the production of this handbook. In particular, I would like to thank Edward Archibald for providing leadership and guidance to the UNICEF team which drafted this handbook notably Bob Muchabaiwa (technical lead), Janet Chidothi, and Mphatso Elias Ackim. I would also like to thank all other UNICEF staff members who provided comments in the process of drafting this handbook.

Right Honourable Richard Msowoya
Speaker of the National Assembly
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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACRWC</td>
<td>African Charter on the Rights and Welfare of the Child</td>
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<tr>
<td>CFB</td>
<td>Child Friendly Budgeting</td>
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<td>CRC</td>
<td>Convention on the Rights of the Child</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>GC</td>
<td>General Comment</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IBP</td>
<td>International Budget Partnership</td>
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<td>IIC</td>
<td>Investment in Children</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Department, and Agencies</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MP</td>
<td>Member of Parliament</td>
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<tr>
<td>MTEF</td>
<td>Mid-Term Expenditure Framework</td>
</tr>
<tr>
<td>ORT</td>
<td>Other Recurrent Transactions</td>
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<tr>
<td>PB</td>
<td>Participatory Budgeting</td>
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<tr>
<td>PBB</td>
<td>Program Based Budgeting</td>
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<td>PF4C</td>
<td>Public Finance for Children</td>
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<td>PE</td>
<td>Personnel Emoluments</td>
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<td>PET</td>
<td>Public Expenditure Tracking</td>
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<tr>
<td>PETS</td>
<td>Public Expenditure Tracking Survey</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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</table>
Parliamentarians play a key role in ensuring that government laws, policies and budgets serve the best interest of all children and their families and guardians. It is within the mandate of Parliamentarians to ensure that available public resources are equitably distributed to all sectors and different groups of people. Globally, studies have shown that inadequate, inequitable, and ineffective public spending stand as the main barrier to full implementation of children’s rights.

Article 4 of the Convention on the Rights of the Child (CRC) calls upon all State Parties, to “undertake all appropriate legislative, administrative and other measures … to the maximum extent of their available resources and, where needed, within the framework of international cooperation” in order to implement children’s rights. Malawi signed and ratified the CRC in 1991.

This guide was developed to serve as a simple reference tool for Members of Parliament, Parliamentary Staff, and other stakeholders in assessing the extent to which government budgets are responsive to individual, age, geographic and other unique circumstances of children and their families, thereby contributing to sustainable development in Malawi. To effectively perform the oversight role with regards to public finance for children (PF4C), Parliamentarians require a unique set of skills on how to interpret government budgets, from a child rights perspective.


The guide outlines key issues, questions, and basic analytics that Parliamentarians and staff can undertake in order to measure the child friendliness of budgets. The suggested questions and tips are by no means exhaustive.

We hope that you will find this guide useful.

Fiona Kalemba
Clerk of Parliament,
Parliament of Malawi

Johannes Wedenig
Representative,
UNICEF Malawi
Section 1: Why focus on Children?
1.1 Introduction

The purpose of this section is to highlight why increased public investment in children is key for Malawi’s development. The section also outlines international and national child rights frameworks which should guide public budgeting in order to advance children’s rights. The Parliament plays a key role in ensuring that every child survives, learns, thrives, and lives in a safe and protected environment through its oversight, legislative, and representative roles.

1.2 Why Should Parliamentarians Care about Children?

Malawi is a youthful country, with approximately 51 percent of the population under the age of 18, and 60 percent below the age of 24. The national population, which is growing at an average rate of 2.98 percent annually, is projected to double by year 2030. This is mainly because of high fertility, with one woman bearing as much as 6 children in rural areas (national average is 4.6). Subsequently, dependency ratio is very high. At the same time, population growth has not kept pace with economic growth. Similarly, enrolment in early childhood development, basic and secondary education has not been in tandem with increase in investments in social service delivery. Population density has increased, as shown in Figure 1, effectively generating pressure on limited financial, technical, and natural resources, including terrestrial and marine resources.

Unless the Government improves its investment in children, the demographic dividend that can potentially be reaped by Malawi due to a youthful population will take time to realize. Investing in children is both an obligation and an opportunity for Malawi. It is an obligation because poverty, undernutrition, poor health, and other deprivations undermine children’s abilities to develop their full potential. It is an opportunity because the gains achieved through better nutrition, primary health care, education, and protection have long lasting impacts, leading to sustainable development.
Figure 1: Demographic Trends in Malawi

Source: UNICEF, Based on National Statistical Office (NSO) and World Bank Data (2017)
There are at least six powerful arguments as to why Parliamentarians should care about children. These are outlined in Table 1.

**Table 1: Why Invest in Children?**

<table>
<thead>
<tr>
<th>Key Argument</th>
<th>Elaboration of the Argument</th>
</tr>
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<tbody>
<tr>
<td>Legal and rights argument</td>
<td>• It is the right of every child to survive, learn, develop and be protected.</td>
</tr>
<tr>
<td>Demographic argument</td>
<td>• Children below the age of 18, are slightly over half of the national population, as such they deserve a fair share of available resources.</td>
</tr>
<tr>
<td></td>
<td>• It is mainly through sustainable public and private investments in children and young people that Malawi can realize the demographic dividend.</td>
</tr>
<tr>
<td>Economic argument</td>
<td>• Educated and healthy children will contribute to increased productivity, national competitiveness, and economic growth.</td>
</tr>
<tr>
<td>Moral argument</td>
<td>• It is a moral duty and responsibility of any government to care for its children.</td>
</tr>
<tr>
<td>Social argument</td>
<td>• Investing in children reduces crime, inequality, social strive, and social exclusion.</td>
</tr>
<tr>
<td></td>
<td>• Investing in children is critical to achieving inclusive, equitable, and sustainable human development for present and future generations, and delivers benefits to the society and the economy at large.</td>
</tr>
<tr>
<td>Political argument</td>
<td>• Investing in children contributes to inclusive and peaceful societies.</td>
</tr>
</tbody>
</table>

**1.3 International Child Rights Normative Framework**

Malawi ratified the Convention on the Rights of the Child (CRC) in 1991, and the African Charter on the Rights and Welfare of the Child (ACRWC) in 1999. Article IV of the CRC places an obligation on all state parties to mobilize and allocate resources to the maximum extent possible to implement children’s rights. Fiscal policies and government budgets are the means through which children’s rights outlined in the CRC and the ACRWC are respected, protected, and fulfilled. By ratifying the CRC, the Government is expected to periodically report progress to the Committee on the Rights of the Child with regards to implementation of children’s rights, demonstrating how much resources it is allocating to child focused sectors and programs.
<table>
<thead>
<tr>
<th>Name of International Commitment</th>
<th>Summary of Contents</th>
</tr>
</thead>
</table>
| Convention on the Rights of the Child (CRC) | • This is the overarching international instrument on children’s rights.  
• Article IV is explicit about the responsibility of state parties to mobilize and commit adequate resources towards implementation of children’s rights. |
| African Charter on the Rights and Welfare of the Child | • The ACRWC gives children in Malawi a similar set of civil, political, cultural, social, and economic rights as those contained in the CRC.  
• The ACRWC also recognise rights that are specific to children living in Africa such as rights to children displaced by disasters, wars, and other related calamities. |
• It highlights the importance of budget transparency, public participation, as well as effectiveness, efficiency and equity in public spending on children. |
| The Addis Ababa Action Agenda (AAAA) on Financing for Development | • The AAAA (Paragraph 7) reiterates that investment in children is an integral part of the Sustainable Development Agenda.  
• The AAAA also highlights the importance of strong national independent oversight institutions and of increasing transparency and equal participation in the budgeting process (paragraph 30). |
| Human Rights Council Resolutions: ‘Rights of the child: towards better investment in the rights of the child (2015)’ | • The Resolution stresses the fact that equitable, sustainable, and broad-based investment in children for the protection and realization of their rights lays the foundation for a just society, a strong economy and a world free of poverty. |
Box 1: Child Rights Principles drawn from the CRC

**Non-discrimination:** Article 2 affirms that States Parties “shall respect and ensure the rights set forth in the present Convention to each child within their jurisdiction without discrimination of any kind, irrespective of the child’s or his or her parent’s or legal guardian’s race, colour, sex, language, religion, political or other opinion, national, ethnic or social origin, property, disability, birth or other status”.

**Best interests of the child:** Article 3 states that, “In all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or legislative bodies, the best interests of the child shall be a primary consideration”.

**Right to life, survival, and development:** Article 6 states that “every child has the inherent right to life” and that States Parties “shall ensure to the maximum extent possible the survival and development of the child”.

**Right to be heard:** Article 12 states that children have the right to have their views heard and respected in matters concerning them according to their age and maturity.

1.4 National Child Rights Commitments

Over the years, the Government of Malawi has developed a range of laws that directly aim at promoting the rights of the child. There is however a gap between the making of laws and their full implementation. Below is a list of child related laws.

Box 2: Child Related Laws

- The Child Care, Protection and Justice Act, 2010.
- The Deceased Estate (Will Inheritance and Protection) Act, 2011.
- Marriage, Divorce and Family Relations Act, 2015.
- Trafficking in Persons Act, 2015.
Box 3: What the Constitution of Malawi says about Children

Section 23 (1) of the Republic of Malawi Constitution guarantees equal treatment before law for all children, regardless of the circumstances of their birth, social-economic circumstances, gender, location, religious affiliation, and identity of their parents.

In addition to developing laws on children’s rights, the Government also came up with various policies and plans to improve the quality of life and welfare of children in Malawi. These plans should be used by relevant ministries, departments and agencies (MDA) to guide resource allocation to child focused sectors and programs.

Box 4: Policies and Plans on Children

- National Educational Policy, 2013.
- National Gender Policy, 2015.

Translating policies and plans into tangible services for children require that the Government set aside resources towards their implementation.
Box 5: Ensuring Policies and Plans Find Expression in Government Budgets

“All States to ensure the enjoyment by children of all their human rights, in accordance with the Convention on the Rights of the Child, without discrimination of any kind, and emphasize in this regard the fundamental link between laws, policies and budgets. It is therefore the responsibility of States to ensure that relevant national laws and policies are translated into transparent, participatory, and accountable budgets and spending for the promotion, protection, and realization of the rights of the child”.

HRC Resolution (2015), Rights of the Child: Towards better Investment in the Rights of the Child

Parliamentary Guidance No 1: Advancing Children’s Rights in Malawi

- Gather relevant information on national and international commitments on children’s rights.
- Check if international commitments have been domesticated and have subsequently found expression in sector policies and programs.
- Check if child related sector policies are costed and if so, whether cost estimates are informing medium term expenditure estimates and annual budgets.
- Encourage MDAs to ensure policies, plans, and budgets are guided by the four child rights principles.
- Recommend for review of laws and policies that have expired or are outdated.
- Ensure that State Party reports are endorsed by Parliament before submission to treaty bodies such as the Committee on the Rights of the Child.

1.5 Summary

It is only through improved investments in children that the Government can achieve sustainable development for all. Investing in children is a legal obligation which makes economic sense. It is therefore important for Parliamentarians to continuously review the child rights situation in the country.
2.1 Introduction

This section provides a brief overview of government budgeting in Malawi. The overview includes an outline of budget laws, processes, and documents. It highlights the role of Parliament with regards to public budgeting and children’s rights. Lastly, it introduces the concept ‘Child Friendly Budgeting’ (CFB).

2.2 State Budgets and Children’s Rights

A state budget is an instrument through which child focused policies and plans are transformed into tangible services for children. Thus, it is mainly through state budgets that child rights are implemented. There are several reasons why state budgets are important to children.

- A state budget reflects the true commitment to children by those in power.
- A state budget is a tool for redistributing national income to all children.
- A state budget is a tool for addressing inequality, marginalisation and vulnerability of specific groups of children.
- A state budget is a tool for holding the government accountable for its commitments to children.

Box 6: What the CRC says about Budgeting and Children’s Rights

States parties shall undertake all appropriate legislative, administrative and other measures for the implementation of the rights recognized in the Convention. With regards to economic, social, and cultural rights, States parties shall undertake such measures to the maximum extent of their available resources, and where needed, within the framework of international cooperation.

Constitution on the Rights of the Child, Article IV

State budgets should address the needs of all children, especially the poorest and most deprived. This has led to ‘Child Friendly Budgeting (CFB)’. In this Handbook, CFB is defined as:

“A framework that seeks to ensure that the needs of all children are considered and effectively responded to in policy planning and budgeting in line with the Convention of the Rights of the Child (CRC), African Charter on the Rights and Welfare of the Child (ACRWC), National Constitution of Malawi, and various national child policies and laws.”

CFB aims to provide broad strategic orientations in both the nature and scope of public investments in children. CFB is not only concerned with issues of quantity of money spent on children but also whether resources allocated for children are well spent.
2.3 Overview of Public Budgeting in Malawi

In 2015, the Government of Malawi adopted Programme Based Budgeting (PBB) as an approach to budgeting. The main thrust of PBB is to strengthen the link between plans and budgets. In PBB, emphasis is on results rather than inputs. The overall purpose is to improve transparency, efficiency, and effectiveness of public spending by ensuring that resources are allocated with the aim of achieving specific program objectives.

The budget process in Malawi, as is the case in many other countries, entails a number of steps, which include articulation of fiscal priorities in a given period, forecasting of potential revenue determining budget ceilings for Ministries, Departments and Agencies (MDAs), and subsequent allocations based on agreed priorities and program goals.
Figure 2: Budget Cycle

**Budget formulation**
(Cabinet Retreat; Policy statement; Ceilings; Budget Consultations, compilation of PBB and Estimates)

**Accountability and Audit**
(Annual Reports, Auditing, Evaluation of Programs)

**Budget Approval**
Budget Tabled in Parliament; (Cluster and Committee Meetings; Debate in Parliament; Signing of Appropriation Bill)

**Budget Execution**
(Cash requests, payments, reporting, quarterly reports, Mid-Year Reviews)

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**Parliamentary Guidance No 2: Role of Parliament Throughout the Budget Cycle**

- Understand decision making procedures, institutional cultures, timelines and key outputs for each stage of the budget cycle in order to effectively influence outcomes.

- Understand roles of different actors, their level of influence and decision making procedures at each stage of the budget cycle.

- Familiarise yourself with the structure and classification of each budget document.

- Gather all relevant budget documents as required at each stage of the budget cycle.

- Ensure that processes at each stage of the budget cycle cause no harm to children.

- Advocate change in categorization of votes, programs and budget classification systems in order to make children visible in budgets.

- Advocate for reform of PFM laws in order to institutionalize budget transparency throughout the budget process, where needed.

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Parliamentary Guide on How to Assess Child-friendliness of National Government Budgets
2.4 Key Budget Documents

International good practices on public budgeting require that the executive makes key budget documents publicly available. Without timely access to budget documents, it is difficult for Parliamentarians to exercise their oversight role. The International Budget Partnership (IBP) has come up with 8 key budget documents that all governments should publish in order to improve budget transparency and accountability. These are:

- **Pre-budget statement**: a document that provides an overview of the macro-economic framework, proposed fiscal measures and key assumptions that inform the annual budget.
- **Executive budget proposal**: the draft budget for the forthcoming year that is tabled before parliament.
- **Enacted budget**: the approved budget which authorizes ministries to spend.
- **In-year and mid-year budget reports**: quarterly or half-yearly budget reports showing revenues mobilized, expenditures and debts incurred.
- **Annual budget report**: a summary report of revenues and expenditures for the past year.
- **Audit report**: a report showing findings from the audit of the government budget.
- **Citizens’ budget**: a brief, simplified and popular version of the approved budget.

### Table 3: Budget Documents Produced in Malawi

<table>
<thead>
<tr>
<th>Name of Document</th>
<th>Summary of Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Document No. 1:</td>
<td>Budget Statement</td>
</tr>
<tr>
<td>Budget Document No. 2:</td>
<td>Annual Economic Report</td>
</tr>
<tr>
<td>Budget Document No. 3:</td>
<td>Financial Statement, which summarizes fiscal performance in the previous year as well as budget for the current year</td>
</tr>
<tr>
<td>Budget Document No. 4:</td>
<td>Detailed Estimates of Expenditures on Recurrent and Capital Budgets</td>
</tr>
<tr>
<td>Budget Document No. 5:</td>
<td>Program Based Budget for MDAs and subsidiary organizations</td>
</tr>
<tr>
<td>Appropriation Bill</td>
<td>Proposed law that authorizes expenditure by each MDA.</td>
</tr>
<tr>
<td>Mid-Year Budget Review Statement</td>
<td>Half-Year Progress Review Statement by Minister of Finance.</td>
</tr>
<tr>
<td>Quarterly Financial reports</td>
<td>In-Year Financial Reports</td>
</tr>
<tr>
<td>Audit Report</td>
<td>Audit Report</td>
</tr>
<tr>
<td>Parliamentary Guidance No 3: Access to Key Budget Documents</td>
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<tr>
<td>----------------------------------------------------------</td>
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<tr>
<td>☑ Check which of the key budget documents are published</td>
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<tr>
<td>online, in hardcopy and on time. It is also important to</td>
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<tr>
<td>assess comprehensiveness of budgets as guided by</td>
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<tr>
<td>international standards.</td>
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<tr>
<td>☑ Periodically review Malawi’s performance on the Open</td>
<td></td>
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<tr>
<td>Budget Survey conducted by the International Budget</td>
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<tr>
<td>Partnership which measures public access to budget</td>
<td></td>
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<tr>
<td>documents.</td>
<td></td>
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<tr>
<td>☑ Advocate for public participation in budgeting and for</td>
<td></td>
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<tr>
<td>robust mechanisms for Parliament to interface with the</td>
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<tr>
<td>public on a range of budget related issues.</td>
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Picture: © UNICEF Malawi
2.5. Public Finance Management Related Acts

Below is a list of key public finance management laws that Parliamentarians should know in order to effectively exercise their oversight roles.

<table>
<thead>
<tr>
<th>Name of the Law</th>
<th>Year</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Finance Management Act</strong></td>
<td>2003</td>
<td>This is the main law guiding PFM in Malawi. The law seeks to foster and enhance effective and responsible economic and financial management by Government, including adherence to policy objectives; to provide accompanying accountability arrangements together with compliance with those arrangements; to require the Government to produce statements of proposed budget policy, confirmation of adherence to fiscal discipline, economic and fiscal statements, including economic and fiscal forecasts and updates, and performance information, including comprehensive financial statements.</td>
</tr>
<tr>
<td><strong>Public Procurement and Disposal of Assets Act</strong></td>
<td>2016</td>
<td>Provide for the establishment of the Public Procurement and Disposal of Assets Authority; seeks to maximize economy and efficiency in public procurement and disposal of public assets. Provide for and regulate, a decentralized institutional structure for the public procurement and disposal of public assets.</td>
</tr>
<tr>
<td><strong>Taxation Act</strong></td>
<td>1966</td>
<td>This is an Act to provide for the taxation of incomes and for purposes ancillary thereto.</td>
</tr>
<tr>
<td><strong>Public Audit Act</strong></td>
<td>2018</td>
<td>This law provides the legal framework for the auditing function of the State.</td>
</tr>
</tbody>
</table>
2.6 Public Finance Management Principles Relevant to CFB

- **Effectiveness:** CFB should lead to positive outcomes for children. This requires MPs to have knowledge on how well resources are spent and how to demand a focus on results from MDAs, including use of value for money approaches.

- **Efficiency:** State budgets should be spent in a way that maximises their impacts, in line with set standards and timelines. This requires MPs to have knowledge on how public funds are spent, the removal of bottlenecks and tackling of leakages in public expenditures.

- **Equity:** State budgets should be designed in a way that ensures that every child has a fair chance to survive, learn, thrive and be protected, without any form of discrimination. This requires MPs to have knowledge on how the distribution of resources impacts different groups of children in society, especially the poorest.

- **Transparency:** State budgets should be open to scrutiny, and information on public budgets should be freely available in a timely manner. In addition, budget information should be complete and comprehensive.

- **Participation:** Public budgeting should be an inclusive process involving various stakeholders such as child led organizations, business associations, civil society, farmers, women’s groups and trade unions.

- **Accountability:** Public budgeting should embed controls and measures to make public officials answerable for their actions.

- **Probity:** The Government should put in place mechanisms to ensure integrity of the PFM system.
2.7 Role of Parliament

The Parliament of Malawi is mandated to review and approve the national budget. As a representative body of Malawians, the Parliament should ensure that state budgets are responsive to needs of girls, boys, men, and women in every district.

Box 8: Roles of Parliament in Relation to State Budgets

**Legislative:** Approves and reviews annual budgets and champions development and reviews of public finance management laws.

**Representative:** Ensure views and interests of various constituencies and demographic groups, including children, are considered in planning and budgeting.

**Oversight:** Seeks to promote probity, transparency and accountability in the implementation of fiscal policies and budgets.

Parliamentarians perform their roles through various structures such as clusters, committees and party caucuses. Clusters and committees are the most important vehicles through which Parliamentarians engage with individuals and institutions during the budget process. Section 56 (6) of the National Constitution and Standing Order 148 of Parliament give powers to the Parliament to establish different Committees to scrutinize legislation and budgets. Section 56 (7) of the Constitution provides for the establishment of the Budget Committee of Parliament. Standing Order 158 outlines in detail the tasks of the Budget Committee of Parliament, which are:

- To scrutinize Government reports on financial and economic issues and policies, including statistical information relating to international financial agreements.
- To review bills with financial and budgetary implications.
- To examine budget estimates presented to the National Assembly and report its recommendations to the house.
- To create public awareness and involvement in formulation of government budgets, financial and economic policies.
- To consider, investigate, or handle specific issues in detail which the House has entrusted to the Committee for over a specified period.
• To incorporate proposals concerning public expenditure of other Committees in the recommendations of the report that the Budget Committee presents to the National Assembly.

• Parliamentary Committees are mandated to engage with MDAs and stakeholders throughout the budget cycle on a range of topics Committees such as Education, Health, and Social and Community Affairs are particularly close to children.

2.8 Summary

The Parliament of Malawi has the legal authority to review and approve state budgets and to exercise oversight over their execution. To act effectively, Parliamentarians require timely, reliable, unbiased, and comprehensive budget information. The Parliament should also be equipped with adequate human, financial, and technical resources and with in-house capacity for research and analysis. Studies have shown that Parliament works better with relative autonomy/independence from the executive, political parties, private sector and other influential groups. Institutionalized spaces for dialogue and engagement with both state and non-state actors, including a robust committee system, can help the Parliament to be more effective.

Picture: © UNICEF Malawi
Section 3
Assessing Child Friendliness of State Budgets

Picture: © UNICEF Malawi
3.1 Introduction

State budgets should enable and not undermine the realization of children’s rights. Article 3 (1) of the Convention on the Rights of the Child (CRC) and section 23(1) of the National Constitution of Malawi provide that the best interests of the child shall be a primary consideration in all actions concerning children, including in planning and budgeting.

Before assessing the child friendliness of government budgets, it is important for Parliamentarians to individually and collectively decide on the parameters for the assessment. It is also important to decide on possible partners to work with and scope of work, in terms of issues and geographical areas to be covered with the analysis. A critical aspect of this work is to map out the relevant votes to be assessed for child friendliness.

3.2 Analysis of the Budgeting Framework

The process of assessing the child friendliness of government budgets starts with analysis of the overall framework within which a given budget is formulated. Key questions that Parliamentarians should ask include the following:

- What is the macro-economic situation like?
- Has the revenue base (especially tax revenue) been growing/declining? If so by what percentage? What are the trends in donor financing?
- What is the debt situation?
- What are the inflation trends and forecasts?
- What are the key assumptions informing revenue forecasts and expenditures, and are they realistic?
- What is the overall fiscal policy thrust of the government? For example, is the government increasing, maintaining constant or cutting its expenditure?
- What are the key trends and patterns of public expenditures in recent years?

3.3 Assessing Visibility of Children in Plans and Budgets

The second step in assessing child friendliness of Government budgets is to check if issues of priority to children are reflected in budget documents, especially the Programme Based Budget (PBB). This involves a word search of key programs and targets with regards to children and subsequently tagging/marking them for further review and analysis. Thereafter, the next step is to assess comprehensiveness and level of disaggregation of data including by programme, gender, geographical location area and age.

PBB requires MDAs to come up with clear programme goals and measurable performance targets to inform resource allocation. To track how much the Government is spending on children, there is need for a budget classification system that allows the identification of programs and budget line items which benefit children.
3.4 Assessing the Link between Plans and Budgets

The next step is for Parliamentarians to assess the extent to which national and sectoral plans and budgets speak to each other. PBB requires that MDAs establish strong links between plans and budgets. This is done by ensuring that performance targets in the PBB are aligned to program goals and objectives in child focused plans.

An assessment of the link between agreed plans and budgets is one way of measuring allocative efficiency of budgets. Allocative efficiency is a measurement of whether resources have been allocated according to identified priorities and set objectives and also in a way that ensures that no one is made worse off by allocating resources to other groups of people or sectors.

A strong link between plans and policies is likely to enhance effectiveness of government budgets.

Parliamentarians should ask themselves the following questions:

- Are there clear performance targets that relate to children in the PBB, and are outputs and targets formulated in a way that is consistent and easy to understand?

- Are performance targets in tandem with allocations? Check for superficial, ‘under’ or ‘over’ allocations.

- How close are the allocations to cost estimates in child focused plans?

- Is the budget classified in such a way as to enable comparisons with the previous year?

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Box 9: Budget Classification and Children’s Rights

Clear budget classification systems provide a basis for States and other entities to monitor how budget allocations and actual expenditures affecting children are managed in relation to the budget principles. This calls for budget lines and codes which, at a minimum, disaggregate all planned, enacted, revised and actual expenditures that directly affect children, by:

(a) age, recognizing that the definition of age cohorts will differ from State to State; (b) gender; (c) geographical area, for example, by sub-national unit; (d) current, and possible future, categories of children in vulnerable situations; (e) source of revenue, be it national, sub-national, regional or international; and (f) responsible units, such as departments, ministries or agencies at the national and sub-national levels.

CRC, General comment No. 19 (2016)
3.5 Establishing how much exactly is the government spending on Children

This step entails measurement of how much the government has allocated to specific sectors and programmes benefiting children in a given year and over time. Parliamentarians can draw on the support of its staff and stakeholders to do basic analytics listed in the box 10.

**Box 10: Measurements of how much is allocated to children**

- Absolute allocations and trends over time (sector, programme, issue, area etc.) in nominal terms (current prices) and real terms (inflation adjusted prices).

- Per-capita allocation within a sector, programme, issue, and or area, in a given year and over time.

- Proportion of budget, in a given year and over time, in relation to a given variable such as GDP, total government budget/, government revenue, and total vote for the ministry.

- Composition of budgets on the basis of economic, programme, functional, and administrative classifications of budgets.

It is important to note that in some cases budgets for specific child focused programmes are lumped up with other issues. It is therefore important for Parliamentarians to seek break downs from MDAs on what is contained in a given vote.

**Figure 3: Per Capita Health Expenditures for Selected Countries**

![Graph showing per capita health expenditures for selected countries over time.](source)

*Source: World Bank Data (2016)*
Box 11: Calculating Total Spending on Children

The total amount that a government has allocated to children in a given year is the sum-total of all direct and indirect (weighted) budget allocations to specific child focused programmes in all relevant sectors. Examples of direct budgets include primary education, immunization, orphan care programs, child health clinics, bursaries for girls, and child protection measures. Indirect budgets (which ideally should be weighted) are not only meant for children but can also benefit other segments of the population. Examples include social protection programmes to households, water and housing. One scientific way of measuring how much of indirect budgets is to be allocated to children is to attach weights based on usage, demographic structure and benefit incidence reports.
Figure 5: Composition of Budget by Level of Education

<table>
<thead>
<tr>
<th></th>
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<th>2017/18</th>
</tr>
</thead>
<tbody>
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<td>Cross cutting</td>
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<td>0.26</td>
</tr>
<tr>
<td>issues</td>
<td></td>
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</tr>
</tbody>
</table>

Figure 6: Composition of 2017/18 Total Health Budget by Economic Classification

- Total Capital: 21%
- Total Recurrent: 79%

Source: UNICEF, Based on Budget Estimates (Ministry of Finance)
Adequacy measures the extent to which budgeted resources match financial needs, based on cost estimates.

Where such estimates do not exist, Parliamentarians should reach out to professional associations or experts to get information on minimum spending required to deliver a package of services to children.

Box 12: Measurement of Adequacy

Adequacy of Budgets (ADB) is when required budget (RB), based on cost estimates, is equal or more than allocated budget (AB). If, for example, the cost of community health package is calculated and presented in the health sector plan as $5 million per year, and then the government allocates $500,000, this means the budget is insufficient.

Parliamentary Guidance No 4: Adequacy and Allocative Efficiency of Budgets

- Request Parliament staff or work with strategic partners to measure the level, composition, adequacy, and allocative efficiency of specific votes.
- Assess how Malawi is performing with regards to specific national and international standards and benchmarks on public spending.
- Suggest revision of ceilings or reallocations of budgets, if there are programs that have been under/overfunded.
- Engage Ministry of Finance with the aim of highlighting consequences of budgets that are not in the best interest of children.
- Measure percentage change in social expenditures in relation to other sectors.
- Key abreast with latest child rights statistics in order to assess the extent to which public budgets are responsive to pertinent issues affecting children.
Considering that resources are never enough, given competing interests and needs, the guiding philosophy on how scarce resources should be allocated is 'progressive realization of children’s rights'. This means that the Government should aim to make steps forward in service delivery to children and avoid situations where gains made for children are reversed as a result of budget decisions.

One way of checking if governments are making progress with regards to children’s rights is to analyse changes in budget allocations over time. Some of the specific questions that Parliamentarians may want to ask include the following:

- Are budget allocations to children (especially in per capita terms) declining or increasing over time?
- Has there been any change in access, availability, and quality of services to children?
- Has any group of children been cut out from benefits of specific programs? If so why and with what impact?
- Have allocations to specific issues over time changed in relation to international benchmarks?
- What is the variance between allocations in current year and allocations in previous years, and why?
- What is the variance between approved estimates in the previous year and budget outturns?

The variance between approved estimates in the previous year and budget outturns reflects on the credibility of the budget. A large variance may mean poor implementation of budgets, slow release of funds, low absorption capacity, leakages, and reallocations. It may also be suggestive of poor budgetary allocations (figures may either be understated or overstated). Furthermore, such variances may point to lack of fiscal discipline, external influences such as hyperinflation and change of government priorities.

Another way for Parliamentarians to measure progressive realization of children’s rights is to check if Malawi is meeting national and international benchmarks when it comes to child focused spending. This will require analysis of variance between commitments and allocations/expenditure. For example, Parliamentarians may want to establish the difference between:-

- Annual budget allocations in relation to medium term expenditure estimates.
- Annual budget allocations in relation to national and international benchmarks.
- Annual budget allocations in relation to national targets such as development vis a vis recurrent budgets.
Box 13: International Public Spending Benchmarks

- **15% of total budget on health [Abuja Commitment]**: In April 2001, the African Union countries met and pledged to set a target of allocating at least 15% of their annual budget to improve the health of their citizens.

- **20% of total budget on education – [Dakar Framework of Action]**: The World Education Forum (26-28 April 2000, Dakar) adopted the Dakar Framework for Action on Education, in which governments committed themselves to allocate 9 percent of their GDP and or 20 percent of their budgets to education.

- **0.5% of GDP on Sanitation and Hygiene, [AU Commitment]**: In May 2015, African leaders promised to spend 0.5% of their countries’ Gross Domestic Product (GDP) on sanitation and hygiene by 2020. Ministers responsible for sanitation and hygiene signed up to this commitment as part of the Ngor Declaration adopted at the 4th African Conference on Sanitation and Hygiene (AfricaSan).

- **10% of total budget on agriculture – [Maputo Declaration (AU)]**: In 2003, African Union member states signed the Maputo Declaration on Agriculture and Food Security in which they committed themselves to allocate at least 10 percent of their national budgets to agriculture development.

### 3.7 Redundant Budgets and Likely Wastages/Leakages

Assessing child friendliness of budgets also entails identification of areas where wastages and leakages may occur. The issue is not only about more money to child focused sectors and programs but also better use of allocated resources. It is the responsibility of Parliamentarians to ensure that public resources are used for intended purposes.
3.9 Assessing Equity of Budgets

Equity is a key sustainable development goal and foundational public finance principle which all governments should proactively work towards. Equity denotes fairness, or the achievement of equality of opportunity and outcomes, including by compensating for disadvantages. The pursuit of equity means tackling differences in well-being that are seen to be unfair or unjust. Equity analysis of budgets aims at establishing whether public resources have been allocated, and are being utilized, in a manner that ensures that no child is left behind by progress. Equity can be measured at different levels, such as:

- Budget allocation.
- Access to services.
- Access to spaces and other opportunities to enjoy children’s rights.
- Taxation.

Equity is often described in two different ways: (i) horizontal equity and (ii) vertical equity. Horizontal equity is when people receive equal treatment because they have the same needs. For example, primary schools with the same enrolment and student characteristics and in the same district should receive the same amount of budget allocation. Vertical equity is said to exist when schools with different needs receive different levels of budget allocations. Vertical equity measures fairness in budgets, taking into consideration geographic, gender, age and other socio-economic factors that may result in disparities in access to services and enjoyment of rights by different groups of children. For example, in the education sector, it is common practice to provide grants to schools based on a flat rate multiplied by the number of pupils in the school, yet costs of running a school are not always flat per pupil. Other factors such as size of school, student characteristics and school location also play a role.
Measuring equity is particularly important because some children such as those with disabilities, living in remote rural areas and in informal settlements often times do not receive a fair share of available resources. Pursuing an equity objective means that children in vulnerable situations or with special needs may require a disproportionate share of spending in order to have their rights realized.

Box 14: Equity Dimensions of Budgets

**Geographic and administrative equity** — Fairness in the allocation of resources to different regions and areas, taking into consideration a number of factors such as population, poverty status and other socio-economic circumstances.

**Gender equity:** Fairness in relation to boys and girls, women and men.

**Demographic Equity:** Fairness in relation to age cohorts and other demographic characteristics.

**Programmatic Equity:** Fairness in relation to balance in programs to ensure realization of a range of children’s rights

**Functional Equity:** Fairness in relation to functions of governments given socio-economic and other circumstances faced by children at a given place and time.

- The first step in measuring equity of budgetary allocations is to define the type of equity you are interested in: age, geographic, gender, programmatic and functional.
- The second step is to gather the necessary extra-budgetary data such as number of children in school, stunted, living and working on the streets, without appropriate parental care, with disabilities and on the move.
- The third step is to review policy and budget documents to see if a given equity dimension is addressed.
- The next step is to carry out the analysis, using both budgetary and non-budgetary data.

There are various ways of undertaking equity based metrics and these include measurements of dispersion such as range and standard deviation; comparisons of cost estimates and allocations, and analysis of dispersion of per capita allocations.
The Gini coefficient (or Gini index) is the most common measure of the distribution of income in a society, with a value ranging from 0 (expressing perfect equality, where everyone has the same income) to 1 (expressing maximum inequality, where a single person has all the income). Because of the differential effects of taxation and public expenditure on the income distribution, the value of the Gini coefficient will vary after income has been adjusted for different types of taxation, fees, social transfers and subsidies, including for social services such as education and health.

Another way of measuring equity is to undertake benefit incidence analysis of budgets. Benefit incidence analysis (BIA) measures the distribution, across the population, of the benefits of public expenditures on specific issues such as cash transfer. BIA is mainly applied to measure the equity of public expenditure across income or expenditure quintiles (or deciles), but it can also be used to measure distribution against other dimensions, such as gender, geographical areas and ethnic groups.

3.10 Non-Discrimination in Government Budgets

Parliamentary oversight should also extend to the area of non-discrimination in the enjoyment of rights by specific groups of children. Fiscal policies and budgets should not discriminate against certain groups of children through withdrawal of funding or diversion of resources away from certain children. Instead, public budgets should create opportunities for all children to survive, learn, thrive and live in a protective environment.
Parliamentarians should pay particular attention to those groups of children that are likely to be discriminated against and who are in vulnerable situations such as:

- Children in remote and hard to reach areas.
- Religious and other minority groups.
- Refugee and migrant children.
- Children with disabilities, including children with albinism.
- Girls in remote areas.

**Box 15: Non-discrimination in Budgeting**

*States parties are obliged to protect children from all kinds of discrimination “irrespective of the child’s or his or her parent’s or legal guardian’s race, colour, sex, language, religion, political or other opinion, national, ethnic or social origin, property, disability, birth or other status” (art. 2 (1)). States parties, at all administrative levels, should serve to prevent discrimination and shall not directly or indirectly discriminate against children in budget-related legislation, policies or programmes, in their content or implementation.*

CRC, General Comment No 19 (2016)

**Parliamentary Guidance No. 6: Equity and Non-discrimination in Budgeting**

- Check with relevant MDAs if they mapped all groups of children that could be potentially discriminated.
- Check if relevant MDAs used information on the situation of different groups of children to decide on allocations.
- Check if there is a budgeted program of action to support most deprived and marginalized groups of children within your respective sub-committees.
- Check if there are discriminatory fiscal social policies. If yes, advocate repeal of such.
- Check if most deprived and marginalized groups are included in social support programs.
- Request expert institutions to undertake rigorous equity analysis of budgets and expenditures.
3.12 Analysis of Age Sensitivity of Budgets

Children have varying needs at different stages in their life course, hence life cycle approach to planning and budgeting. A life cycle approach requires government to take into consideration unique circumstances and needs of children as they grow from birth to adulthood. In the education sector, for example, the Government should ensure programmatic equity in allocations to early childhood development, basic, secondary and tertiary education.

3.13 Variance Analysis of Budgets

One of the key indicators that Parliamentarians should track is the variance between budgets in one period and another. For example, it is important for Parliamentarians to assess the extent of changes in allocations to votes that happen during mid-year. Parliamentarians should also find out why certain votes increase and why others decrease. Variability of votes may also raise questions on credibility of the budget. Other variance analyses to be done were discussed in previous sections. These include variance between budget allocations and international benchmarks and with cost estimates.

3.14 Summary

This section has presented several basic techniques that Parliamentarians can use to assess the child friendliness of budgets. The list of indicators may appear to be long, but the key issue is for Parliamentarians to start somewhere. A key starting point is to effectively analyse draft budget estimates and the PBB when tabled for discussion in Parliament. Cluster and Committee meetings provide an opportunity for in-depth analysis. Parliamentarians may require additional expert support to undertake more robust analysis, especially on topics such as equity and incidence of budgets.
4.1 Introduction

Assessment of child friendliness of government budgets should not end with the approval of State Budgets. The oversight role of Parliamentarians also extends to budget execution in order to ensure that allocated resources are used for intended purposes and in line with national PFM laws, policies and set standards.

It is within the mandate of Parliamentarians to demand accountability from MDAs for implementation of enacted budgets on a regular basis. To effectively play their role, Parliamentarians would require that MDAs periodically publish financial reports with comparisons between what was budgeted and what was actually spent at different administrative levels across different social sectors. Parliament also has the right to summon MDAs for them to explain any expenditures.

4.2 Why is it Important for Parliamentarians to Monitor Budget Execution?

Parliamentary oversight on budget execution is good for government, society, children, and many other stakeholders. It is a key component of sound economic governance. Figure 8 captures some of the benefits that arise from effective oversight of budget execution by Parliamentarians.

4.3 What Aspects of Budget Execution Should Parliamentarians Monitor?

There are several dimensions of budget execution that Parliamentarians should actively monitor. For each of the subsequent dimensions below, Parliamentarians should ensure that there is supportive legislation, institutional frameworks and appropriate administrative measures to ensure their effective implementation.
4.3.1 Public Procurement and Supply Management.

Parliamentarians should periodically check, if key procurement procedures are being followed as outlined in the Public Procurement Act (2016).

4.3.2 Cash Management.

Parliamentarians, especially the Budget and Finance Committee (BFC), should periodically check if MDAs are practicing open, accountable and rule-based cash requests, disbursements and general management in line with set policies, procedures and standards. It is also important to check if bank reconciliations are being done by the respective MDAs.

4.3.3. Intergovernmental Fiscal Transfers.

Transfers. Parliamentarians should know how budgeted funds flow to lower administrative levels and whether spending is timely and in line with fiscal transfer procedures in order to reduce leakages and waste.

4.3.4 Functionality of IFMIS and Other Software.

Government finances are managed through sophisticated computer software. It is important for Parliamentarians to periodically find out if the software and hardware being used at a given point in time are fully functional. They should also press upon Ministry of Finance (MoF) to ensure that there are strong control systems, backup and maintenance procedures.

4.3.5. Accounting and Financial Reporting.

A key component of effective public finance management is for MDAs to account for resources allocated to them. Parliamentarians should therefore check if MDAs are:

- Properly accounting for resources given to them including through in-year financial reports.
- Producing sufficiently comprehensive financial reports which allow them to do meaningful analysis.
• Spending in compliance with expenditure procedures and guidelines.
• Spending according to what is stipulated in the PBB.
• Being transparent about virements, variances, under/over expenditures as well as time taken between requests and disbursements, and underlying reasons.
• Spending within agreed times.
• Not encouraging discrimination in the way public resources are utilized.

Financial reports allow MDAs to account, at the national and subnational levels, for their expenditures in relation to the rights of the child. They provide a basis for civil society and legislatures to scrutinize the past year’s budget performance and when necessary, raise concerns about actual expenditures on children and child rights-related programmes.

4.3.6 Asset Management and Liabilities.

It is the responsibility of Parliamentarians to also check how public assets such as land, vehicles, buildings and marine resources are being used. The main objective is to ensure prudency, transparency, and accountability in the way public assets are utilized and maintained. It is common for public resources such as vehicles to be used for party and other personal purposes.

4.3.7 Auditing (Internal and External).

Internal and external audits play an essential role in the budget process by verifying whether public spending takes place in accordance with the enacted budget and national laws. Thus, Parliamentarians should ensure audits take place and that recommendations are acted upon.

Box 16: Monitoring Budget Execution

100. States parties should monitor and analyse the revenue collection, reach and outputs of actual expenditures for different groups of children during the budget year and from year to year, for example in terms of the availability, quality, accessibility and equitable distribution of services. States parties are urged to ensure that resources and capacity are in place to conduct such monitoring and analyses, including of services outsourced to the private sector.

CRC, General Comment No 19 (2016)
Parliamentarians should also advocate for the continued independence of the National Audit Office for it to effectively perform its role.

4.4.1 PEFA Assessments.

The Public Expenditure and Financial Accountability (PEFA) is a methodology for assessing public financial management performance. It provides the foundation for evidence-based measurement of robustness of Malawi’s PFM systems. A PEFA assessment measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes, including progressive realization of children’s rights.

A PEFA assessment is anchored on several dimensions, notably:

- Budget reliability,
- Fiscal transparency,
- Management of assets and liabilities,
- Policy based fiscal strategy and budgeting,
- Predictability and control in public budgeting,
- Accounting and reporting,
- Auditing.

For more information visit: https://pefa.org/content/pefa-framework

4.4.2 Public Expenditure Review (PER).

A Public Expenditure Review (PER) is a tool used to evaluate the effectiveness of public expenditures. Typically, a PER assesses trends, adequacy, equity, allocative efficiency, consistency with policy priorities and results achieved by specific budgets. A PER can cover all government expenditures or focus on specific sectors such as health and education.

The main objective of a PER is to establish a baseline understanding of key fiscal management and policy challenges, highlight priority reform areas for policymakers, and set the agenda for the next phase of budget planning. A PER can help Parliamentarians know if resources are being invested in programs that maximise impact on children whilst minimizing costs or not.

4.4.3 Public Expenditure Tracking Survey (PETS).

This is a tool used by stakeholders especially civil society organizations to track the flow of resources through the various layers of government - from Treasury down to where the money is spent. Typically, PETS focus on how much of the originally allocated resources reach each level, how long it takes and whether resources were spent on what was planned. Through PETS, Parliamentarians can establish whether available resources have been released and fully expended as intended and also whether they are reaching the most vulnerable families and children.
4.4.4 Value for Money Analysis.

This is a diagnostic tool that seeks to measure cost efficiency and effectiveness of expenditure with a view to establish the extent to which government budgets make a difference in the lives of children, at a minimum cost.

4.4.5 Social Accountability.

This is a rights based and citizen led approach to demanding accountability that relies on civic engagement. Social accountability entails participatory assessment by communities of how public resources are being used and services are being delivered using methods that are relevant to their contexts.

Delivered using methods that are relevant to their contexts. There are a number of social accountability tools that citizens can use to demand accountability from public officials such as citizens and community score cards, ICT based service monitoring, public hearings and community based oversight committees.

4.4.6 Field Visits and Spot Checks.

Parliamentarians can also assess how well public resources are being spent by making field visits and spot checks to service delivery facilities and programs. Through observation, they can assess quality and reach of programs. Parliamentarians can also utilize reports of field visits by other organizations.

4.4.7 Programme Evaluations.

Evaluations and other types of analyses of budgets undertaken by MDAs and independent evaluation bodies can offer valuable insight into the impact of budgets on the situation of different groups of children, especially those in vulnerable situations. Parliamentarians should therefore encourage MDAs and development partners to undertake evaluations and analyses of specific child focused programs.

At the same time, Parliamentarians should advocate strengthening of monitoring and evaluation of departments within the Ministry of Finance and other MDAs for them to periodically conduct evaluations of the effectiveness, efficiency, equity, transparency and sustainability of actual expenditures related to the rights of the child.

4.4.8 Budget Briefs.

Budget briefs examine the extent to which a specific budget addresses needs of children and their families. Budget briefs are produced by development partners and civil society organizations to measure size, trends, adequacy, allocative efficiency, equity and composition of budgets in each year. The briefs offer recommendations to the Government on how future budgets can be made more efficient, effective and equitable. Budget briefs cut through the complexity of financial documents by providing transparent and accessible information for the public to analyse specific budgets.
4.5 Warning Signs of Budget Execution Challenges

Parliamentarians should be on the lookout for certain flashpoints, which may point to challenges with regards to budget implementation. These include:

- Shortage of critical commodities and staff in certain regions/districts.
- Frequent stock-outs of critical commodities.
- Delayed payments to staff and service providers.
- Low utilization of services by children and families.
- Lack of information on expenditure flow and utilization.

- Delayed budget disbursements to MDAs.
- Audits not taking place.
- IFMIS frequently down.
- No bank reconciliations.
- Complaints about coverage and quality of services from the public.
- Delayed flow of funds to local levels.
- Mismatch between cash requests and disbursements.
- Fast rising unit costs of inputs.
- Very minimal or no changes in the situation of children, which may be reflective of inappropriate mix of inputs, for example, schools have computers but no funds to pay monthly internet connection fees.
4.6 Summary

Through oversight of budget implementation by Parliamentarians one can see if all children are benefitting from public resources. Effective oversight should however be planned for and budgeted. It should also be supported by robust accountability and enforcement mechanisms should mal-practices be found.

<table>
<thead>
<tr>
<th>Parliamentary Guidance No 7: Oversight on Budget Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>➤ Assess if adequate resources have been allocated to monitoring the utilization of government budgets, including by oversight institutions such as the National Audit Office, Anti-Corruption Bureau and Financial Intelligence Agency (FIA).</td>
</tr>
<tr>
<td>➤ Assess robustness and integrity of key public expenditure systems such as procurement, cash management and intergovernmental transfer systems.</td>
</tr>
<tr>
<td>➤ Where possible utilize tools such as public expenditure reviews (PERs) and public expenditure tracking surveys (PETS) to assess efficiency and effectiveness of public spending.</td>
</tr>
<tr>
<td>➤ Advocate for the independency and capacity strengthening of financial oversight institutions such as the National Audit Office.</td>
</tr>
<tr>
<td>➤ Follow up with relevant MDAs to see what happens after special inquiries on utilization of specific funds. It is crucial for Parliamentarians to know what happens after an investigation into how specific funds have been utilized.</td>
</tr>
<tr>
<td>➤ Should there be reasonable grounds for malpractices, Parliamentarians have several courses of action to pursue, notably, summon respective MDA to a hearing. Recommend a ‘commission’ of inquiry on an issue, call for a special audit and suspension of further disbursement of funds until issues are sorted out.</td>
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Section 5  
Fiscal Policy and Public Finance Management Issues

Parliamentary Guide on How to Assess Child-friendliness of National Government Budgets
5.1 Introduction

The child friendliness of government budgets is not only measured by the nature and level of allocation to and expenditure on sectors and programs benefitting children, but also by existence of supportive fiscal and social policies and robust public finance management systems. Budget figures are only one side of the story. The other side is that fiscal policies, including debt and tax policies and the entire public finance management system, should cause no harm to children.

This section focuses on fiscal policy and public finance management issues that Parliamentarians should also be concerned with. The term fiscal policy is used in this study to refer to broad guidelines on how the Government intends to mobilize, allocate and utilize revenue. In particular, it focuses on six key issues:

- Taxation and children’s rights.
- Debt and children’s rights.
- Austerity and fiscal adjustments.
- Budget oversight and accountability.
- Fiscal decentralization and children’s rights.
- Public participation in budgeting.

5.2 Taxation and Children’s Rights

Taxation is the most sustainable source of government revenue to finance children’s rights. Taxation also has the potential to redistribute wealth between different income groups, thereby addressing inequality and child poverty. Moreover, it is a tool for re-pricing goods and services consumed by children and for strengthening the social contract between tax payers and the government. Finally, taxation is central to state building.

Box 17: Why Taxation Matters for Children’s Rights?

- Raises revenue to finance delivery of services to children
- Redistributes national income
- Strengthens the relationship between citizens and government
- Re-prices goods and services

It is within the oversight responsibility of Parliamentarians to ensure that the Executive branch of government comes up with taxation policies and collection procedures that are in line with international public finance best practices and human rights principles. Taxation policies should be progressive, efficient and transparent. They should also do no harm to children. Taxation policies are said to be progressive if the tax rate increases in proportion with changes in income in order to avoid a situation whereby the poorest in society proportionally bears the heaviest burden of taxation. In addition, the Government also has the responsibility for effective tax planning and also for combating tax evasion and avoidance. The latter issues deprive a country of the much-needed resources to deliver services to children.
Illicit financial flows (IFFs). The cross-border movement of funds that are illegally acquired, transferred or used. The sources of these cross-border transfers may be bribery, theft by government officials, the trafficking of drugs, arms and humans, smuggling, commercial tax evasion, trade mispricing or abusive transfer pricing.

Progressive taxation. A progressive tax is one that applies a higher tax rate on those most able to pay.

Tax avoidance. The practice of seeking to minimize tax payment using legal loopholes. Tax avoidance seeks to reduce the amount of taxes due by arranging transactions in a way that does not infringe with the letter of the law, (though not necessarily within the spirit of the law). As a result, tax avoidance might be legal, but it is not risk-free for the taxpayer.

Tax evasion. It is an illegal or fraudulent nonpayment or under-payment of tax.

Tax exemptions. This is an exception to the statutory tax rate which is provided for certain activities or to groups of taxpayers for various reasons including to encourage productivity or improve consumption of certain goods and services.

Tax incentives. Special tax breaks - that is, reductions or holidays offered by governments to encourage investment, usually foreign investment, by companies.

Finally, it is crucial for Parliamentarians to get information on what the government is doing to combat tax evasion and close legal loopholes enabling tax avoidance as well as other illicit financial flows which may directly affect resources potentially available for the realization of children’s rights.
Parliamentary Guide on How to Assess Child-friendliness of National Government Budgets

Parliamentary Guidance No 8: Tax and Children’s Rights

- **Check if the Budget Statement by the Minister includes proposals on taxation.**

- **Assess progressivity of tax proposals.**

- **Partner with expert organizations to estimate likely impacts of tax proposals, especially on children.**

- **Periodically assess performance of Malawi Revenue Authority and check if revenue forecasting by Ministry of Finance is accurate and reliable.**

- **Partner with expert organizations to better understand the extent and manifestation of tax evasion and avoidance within the country.**

- **Periodically request Ministry of Finance to share information on tax revenue and underlying dynamics.**

- **Assess impact of tax incentives offered to companies and other institutions.**

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5.3 Debt and Children’s Rights

Apart from taxation, governments can also finance delivery of services to children from borrowing within and outside the country. The Government should however borrow for the right reasons and in the right manner. In addition, it should borrow what it can be able to repay. If not done prudently, borrowing can result in an unsustainable debt burden that negatively affects children. Heavy debt burdens can leave governments with little fiscal space to increase spending on children.

There are several questions that Parliamentarians should ask with regards to how debt issues are reflected in the financial statement. Some of them are listed below.

- Has the government fully disclosed its debt stock – liabilities (i.e. including from domestic and international sources – notably its contingency liabilities), debt stock and debt repayment obligations to Parliamentarians?
  - Are there legislation, policies and systems with clear roles and responsibilities for borrowing as well as managing and monitoring debt?
  - Is government planning to procure new debt? If yes, how much and for what purposes?
  - Has the government received any debt relief? Has the government tried to re-negotiate debt repayment terms e.g. to get a lower interest rate, extend the maturity date or grace period?
  - Is data on debt publicly available? This information include data on debt profile, interest being paid, nature of debt, maturity period and source of debt.
  - Are current debt levels sustainable? Is there space to increase borrowing?
Children’s Rights

The Committee recognizes that sustainable debt management by States, on behalf of creditors and lenders, can contribute to mobilization of resources for the rights of the child. Sustainable debt management includes having in place transparent legislation, policies and systems with clear roles and responsibilities for borrowing and lending, as well as managing and monitoring debt. The Committee also recognizes that long-term unsustainable debt can be a barrier to a State’s ability to mobilize resources for children’s rights, and may lead to taxes and user fees that impact negatively on children.

CRC General Comment No. 19 (2016)

Box 19: Implications of Debt on Children’s Rights

78. The Committee recognizes that sustainable debt management by States, on behalf of creditors and lenders, can contribute to mobilization of resources for the rights of the child. Sustainable debt management includes having in place transparent legislation, policies and systems with clear roles and responsibilities for borrowing and lending, as well as managing and monitoring debt. The Committee also recognizes that long-term unsustainable debt can be a barrier to a State’s ability to mobilize resources for children’s rights, and may lead to taxes and user fees that impact negatively on children.

Parliamentary Guidance No 9: Public Debt and Children’s Rights

- Request information about debt policies, debt stock and profile, contingency liabilities, repayment plans etc.
- Advocate transparency in debt procurement and management. Check if there is a system in place to overlook debt procurement. If it is non-existent, Parliamentarians should advocate for this. Loan authorization should be properly scrutinized by respective government departments before being passed on to Parliament for approval.
- Assess whether public debt and repayment costs are increasing, decreasing or remaining constant. Request Parliament Staff to collect information on how much has been allocated to debt repayment, in absolute terms but also as a proportion of the total government budget and of domestic gross product (GDP).
- Check with institutions such as IMF whether Malawi’s public debt is sustainable.
- Check if there are proposed changes to debt management such as restructuring of domestic debt in order to ascertain implications on future budgets.
- Keep track of information related to debt cancellations/ relief. When the Government is given debt relief, children’s issues should be given due consideration regarding the allocation of resources that become available as a result of such debt relief.
- Check if there is adequate oversight on projects implemented using borrowed finances.
- Work with expert organizations to assess impact of debt on vulnerable groups such as women and children.
5.4 Austerity Measures and Children’s Rights

Austerity measures such as a freeze in recruitments, cuts in expenditures and other fiscal adjustments such as an increase in value added tax (VAT) rates have a direct or indirect impact on children. Thus, the government is required to take all possible measures to ensure that there are safeguards to protect children from any adverse effects of the measures. The underlying principle is that fiscal adjustment programs should do no harm to children.

Figure 10: Examples of Austerity Measures

<table>
<thead>
<tr>
<th>Examples of Austerity Measures</th>
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<tr>
<td>Freezing recruitment of public servants such as teachers and nurses</td>
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<td>Increased taxation rates</td>
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<td>Cuts in expenditures</td>
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<tr>
<td>Cost recovery mechanisms such as user fees</td>
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<tr>
<td>Scaling down of social assistance programs</td>
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Parliamentary Guidance No 10: Austerity Measures and Children’s Rights

- Check if budget statement has introduced any austerity or fiscal adjustment measures.
- Check if Minister of Finance has included social safeguards to cushion the poorest and most deprived from any adverse impacts of austerity measures.
- Advocate ring fencing of crucial spending on sectors and programs which improve well-being of children in times of austerity or economic downturns.
- Check if Minister of Finance has put in place measures for counter-cyclical spending to avoid regression in the implementation of children’s rights.
- Partner with expert institutions to assess impacts of austerity measures on public spending on children.
5.5 Children’s Right to be Heard

Article 12 of the CRC Convention establishes the right of every child to freely express his or her views in all matters affecting him or her, and for those views to be given due weight in accordance with the child’s age and maturity. The different branches of government, including Parliament, should therefore establish mechanisms for consulting with children and their adult representatives at various governance levels, throughout the budget cycle. During budget formulation and approval process, Parliamentarians should consult with their respective constituencies, for example by introducing the practice of holding public hearings, so that the wider stakeholders’ views are considered when decisions on allocations and other fiscal policy positions are made. There are several mechanisms for public participation that Parliamentarians should exploit as shown in the figure below.

**Figure 11: Mechanisms for child participation**

One way for Parliamentarians to promote participation on children in budgeting is to encourage MDAs and district councils to practice participatory budgeting (PB). Participatory budgeting (in the context of children) is an open and interactive process through which children and other members of the public, utilizing their own structures or those established by government - together with public officials – deliberate on issues of concern to children, prioritize them and subsequently use these to influence decisions on the allocation and utilization of public resources. Together, they decide on what issues to focus on and how much to allocate to identified priorities.
Parliamentary Guidance No 11: Child Participation in budgeting

- Check if public officials, including parliamentary committees have the political will and readiness to receive inputs from children, taking into consideration their evolving capacities.

- Check if Child and youth participation activities have been planned for, funded, organized and institutionalized within the functions of Parliament.

- Check if mechanisms for participation, including the Youth Parliament are age and gender sensitive.

- Request Ministry of Finance to produce citizens’ budgets and to ensure budget information is publicly available in a timely manner in relation to the planning, enactment, execution and follow-up of budgets.

- Reach out to specialized and expert institutions to capture their views and suggestions on how to make public budgets child responsive.

5.6 Financial Oversight and Accountability

Financial oversight and accountability cost money and should be planned for. Parliamentarians should therefore lookout for proposals (or lack of them) by the executive to strengthen financial oversight and accountability mechanisms.

Box 20: HRC Calls for Budget Transparency to Implement Children’s Rights

13. Calls upon States to make budgeting processes open, transparent, accessible and participatory;
14. Encourages States to take steps towards:
(a) Making child-related fiscal and budget information publicly available, comprehensive and timely, including the priorities guiding the relevant allocation of resources, to encourage accountability and public scrutiny with children, through child-friendly information, and with other stakeholders;

HRC Resolution (2015)

It is also important to periodically review Malawi’s performance on the Open Budget Survey. The Open Budget Survey, which is conducted by the International Budget Partnership, in over 100 countries across the world, measures the extent to which central governments provide adequate public access to national budget information and opportunities to participate in the budget process. It also examines the role and effectiveness of legislators and auditors in the budget process. The Survey is implemented by independent budget experts in each country and rigorously vetted.
It provides standards that governments can use to guide their budget reforms, and establish benchmarks against which governments can measure their progress. Each country receives a composite score (out of 100) that determines its ranking on the Open Budget Index (OBI).

Figure 12. How has the OBI score for Malawi changed over time?

Figure 13. Public availability of budget documents from 2008 to 2007

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<td>Pre-Budget Statement</td>
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<td>Executive’s Budget Proposal</td>
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<td>Enacted Budget</td>
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<td>Citizens Budget</td>
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<td>In-Year Reports</td>
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<td>Mid-Year Review</td>
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<td>Year-End Report</td>
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<td>Audit Report</td>
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5.7 Fiscal Decentralization and Children Rights

The Government of Malawi is making steps towards fiscal decentralization. In financial year 2017/18 the government devolved salaries for three main sectors namely health, education and agriculture. It is likely that this trend will continue as a way of implementing the National Decentralization Policy (1998).

Decentralization holds the potential to improve supply of social services to children.

There are however several issues that Parliamentarians should probe into with regards to fiscal decentralization and children’s rights. Below are some of the key questions of potential interest to Parliamentarians.

- Check if there is geographical equity, based on scientific formulas for allocation of resources to different levels of governance. Pay attention to intergovernmental fiscal transfer mechanisms and also examine formulas used by sectors such as health and education.

- Assess if the Government has put in place measures to strengthen public finance management systems at all levels of governance, especially at District Level.

- Keep track of the direction, pace and substance of fiscal decentralization. For example, do district councils have the requisite financial management capacities? Are they efficiently accounting for all disbursed resources on time?

- Partner with expert organization to assess geographical equity and benefit incidence of budgets.

- Advocate for the strengthening of research and analytical capacities within Parliament.

5.8 Summary

Budgets are designed and implemented within complex political and socio-economic systems, influenced by a range of factors such as policy and legal frameworks, political economy, capacity and autonomy of PFM institutions and access to budget data. It is crucial for Parliamentarians to understand the institutional, legal and administrative frameworks within which specific elements of PFM are delivered. These elements include fiscal decentralization, taxation, lending and borrowing, budget transparency and financial accountability mechanisms. What has been presented in this guide is a broad framework with regards to assessing child friendliness of state budgets. To move forward, Parliamentarians, working with their staff should find ways of enhancing their analytical capacities to undertake this work. A Parliamentary Budget Office may be helpful.
## Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Adequacy of Budget</td>
<td>A measurement of whether a given budget matches financial needs articulated in cost estimates.</td>
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<tr>
<td>Allocative Efficiency</td>
<td>A statement of financial position showing the assets, liabilities, and capital of a public or private entity.</td>
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<tr>
<td>Balance Sheet</td>
<td>A maximum amount of expenditure that a particular ministry department or agency (MDA) should not spend beyond.</td>
</tr>
<tr>
<td>Budget Ceiling</td>
<td>The formal process of examining the performance of budget execution.</td>
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<tr>
<td>Budget Review</td>
<td>The availability and accessibility of budget information to the public as well as comprehensiveness of the information in a way that is meaningful to the public.</td>
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<tr>
<td>Budget Transparency</td>
<td>Budgets for significant investment projects or assets such as roads and buildings which last for a number of years.</td>
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<tr>
<td>Capital Budget (Also known as Development Budget)</td>
<td>Any person under the age of 18 years (Constitutional Amendment Act no.3 of 2016; Article 1 of the CRC).</td>
</tr>
<tr>
<td>Child</td>
<td>The manner in which budget line items are categorized, coded, and named for identification purposes.</td>
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<tr>
<td>Classification of Budgets</td>
<td>The regulatory process of sourcing information, views, and advice to improve transparency efficiency and effectiveness.</td>
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<tr>
<td>Consultations</td>
<td>Budget categorization based on economic inputs.</td>
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<td>Economic Classifications</td>
<td>Economic Classifications</td>
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<td>Term</td>
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<tr>
<td><strong>Equity of Spending</strong></td>
<td>The degree of fairness in spending which determines the extent to which government expenditure benefits even the most marginalized.</td>
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<td><strong>Fiscal Policy</strong></td>
<td>Broad guidelines by the government on revenue generation and expenditure in order to influence development processes and macroeconomic outcomes such as economic growth.</td>
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<td><strong>Fiscal Space</strong></td>
<td>The budgetary room that a government has to increase spending on a specific program without affecting existing commitments or compromising its financial sustainability.</td>
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<tr>
<td><strong>Gross Domestic Product</strong></td>
<td>The total value of goods and services produced within a country in a given period, usually a year.</td>
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<td><strong>Inflation</strong></td>
<td>A sustained increase in the general level of prices for goods and services in a country, over some period of time, measured as a percentage.</td>
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<td><strong>Nominal Increase in Budget</strong></td>
<td>Positive change in budgets which do not take inflation into consideration.</td>
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<tr>
<td><strong>Off budget Expenditure</strong></td>
<td>Expenditures undertaken by the Government that are not routed through consolidated fund of the state and which are not accounted for in the budget documents. Other Recurrent Transactions Items such as office supplies, fuel, utilities, routine maintenance and the acquisition of equipment required repeatedly.</td>
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<tr>
<td>Term</td>
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<tr>
<td>Part I Development Budget</td>
<td>Development Budget financed by external sources.</td>
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<tr>
<td>Part II Development Budget</td>
<td>Development Budget financed by domestic resources.</td>
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<tr>
<td>Per Capita Expenditure</td>
<td>Expenditure per person, if the total amount spent was evenly distributed to the whole population.</td>
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<td>Personnel Emoluments (PE)</td>
<td>Spending on wages and allowances.</td>
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<td>Programme Based Budget</td>
<td>Is a budget formulated based on the clear program goals and expected results to be achieved over a given period.</td>
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<tr>
<td>Public Budget</td>
<td>A detailed plan of intended revenue and expenditure by the government over a specified future period of time.</td>
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<tr>
<td>Public Finance</td>
<td>Different sources of government revenue such as tax, official development assistance, loans, fees and proceeds from state enterprises.</td>
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<tr>
<td>Real Increase in Budgets</td>
<td>Positive change in budgets that takes inflation into consideration.</td>
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<td>State Party Reporting</td>
<td>Process of reporting progress on status of implementation of a given international commitment to a Treaty Body such as the Committee on the Rights of the Child.</td>
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<tr>
<td>Value for Money</td>
<td>A measurement of the efficiency and effectiveness of public expenditures. The idea is that public financing should make a difference in the lives of children</td>
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