

KEY CONCEPTS IN BUDGET ANALYSIS AND RESOURCE TRACKING

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Introduction

Idasa is an independent public interest organisation committed to promoting sustainable democracy based on active citizenship, democratic institutions and social justice. Idasa understands that democracy is a *principle* that informs the development of political institutions, norms and procedures. In keeping with the meaning of the origin of the word “democracy” – *demos* and *kratia* in Greek – this principle literally means “people rule” or its modern equivalent, popular self-government. Idasa is mainly concerned with answering the question: To what extent does the political system in a particular country bring about popular self-government? In our endeavour to answer this question in the African context, Idasa developed a Democracy Index that sets out to assess the quality and evaluate the performance of democracy in Africa. In its attempt to refine the concept of popular self-government, the Democracy Index is designed around two key principles:

- The extent to which Africans can control those who make decisions about public affairs (elected representatives and government appointees at all levels); and
- The extent to which Africans are equal to one another in this process.

It is important to understand how much control citizens have over the actions of the government and how equal they are in exercising this control. Idasa attempts to understand democracy not merely as having certain institutional and procedural norms in place, but rather in terms of the extent to which those norms facilitate the ability of citizens to rule equally, or at least participate equally in the governance of the country. Idasa runs nine main programmes, namely the Economic Governance Programme, Media@Idasa, the Political Governance Programme, the Safety and Security Programme, the Political Information and Monitoring Service, the Southern African Migration Project, the Community and Citizen Empowerment, Initiative for Leadership and Democracy in Africa and Governance and AIDS.

The Governance and AIDS Programme at Idasa (Idasa-GAP) aims to *build AIDS-resilient democratic societies in Africa*. Idasa-GAP was formed in 2002 and it recognises the

importance of the overall key pillars of democratic consolidation. GAP embraces the notion that HIV & AIDS can destabilise institutions of democratic governance, hence the need to help countries affected by HIV & AIDS explore their impact on governance and the converse impact of governance.¹ Thus GAP seeks to build AIDS-resilient democratic societies in Africa by promoting knowledgeable governance² and developing visionary leadership and citizen agency to deal effectively with the pandemic.

The idea of resilience conveys not only improved management of the HIV & AIDS pandemic by state institutions, but the existence of thriving democratic communities, able to confront the epidemic and its consequences with confidence, looking towards a more hopeful future. The vision captures Idasa-GAP's belief that democratic governance, broadly understood and widely practised, can create a culture of collaborative problem-solving involving state and non-state actors, leading to the unlocking of resources across communities to deal with HIV & AIDS and to promote development.

It means that democratic institutions are strengthened as they take full account of the political and organisational implications of the epidemic and plan strategically to ensure their sustained effectiveness and efficiency. Idasa-GAP's aim is to ensure that policies and development plans treat HIV & AIDS as a continuing priority, while also focusing on building democratic hope and empowering citizens to shape and create the society of the future. Idasa-GAP's *mission* is centred on promoting *knowledgeable governance* and developing *visionary leadership* and *citizen agency* to deal effectively with the pandemic. The approach emphasises the strong interaction between empirical research and policy actions based on communicative and collaborative citizen-state relationships.

Idasa-GAP aims to strengthen good governance to counter the effects of HIV & AIDS by instituting evidence-based advocacy, skills-building and active citizenship, and targeting intergovernmental organisations and relevant regional non-state actors. Idasa-GAP's vision is captured in five strategic objectives, namely *research, advocacy and network building; accountable governance; local government; human rights and democratisation; and political communication.*

GAP's AIDS Budget Unit (ABU) seeks to promote accountable governance through budget analysis and resource tracking processes. The ABU is spreading its work of promoting good, accountable AIDS governance to cover countries in sub-Saharan Africa. In the ABU's view, good, accountable AIDS governance involves *participation, transparency, accountability, the rule of law, effectiveness, and equity.*

¹ Chirambo, K., (ed) 2008. *The Political Cost of AIDS in Africa: An Overview*. Cape Town: Idasa.

² *Knowledgeable governance* is a concept from the policy sciences which denotes the *acquisition of facts and knowledge about problems* in order to formulate *solutions*. See Parsons, W. (1995) *Public Policy: An Introduction to the Theory and Practice of Policy Analysis*, Cheltenham: Edward Edgar Publishing Ltd.

The participation of citizens in the budget process (formulation, implementation, monitoring and evaluation) is of paramount importance in the attainment of the ABU's objectives. The ABU is also involved in building the capacity of non-state actors to monitor national budgets from an HIV & AIDS perspective and to ensure that governments are *accountable* to the people, that budget processes are *transparent* and that HIV & AIDS resources are *effectively* utilised and are distributed *equitably*.

The ABU has established long-standing relationships with reputable partners in eastern and southern African countries to promote accountable governance by strengthening the HIV & AIDS resource tracking and budget analysis skills of national, subregional and continental parliamentary groupings, civil society organisations (CSOs) and the media. The ABU intends to reinforce these relations and also establish new partners in west Africa. The ABU's activities focus on, but are not limited to, building the capacity of CSOs, parliamentarians (specifically portfolio committees on finance and health), the media and national AIDS councils in basic economic principles, budget analysis and resource tracking using a variety of tools.³ The ABU works with regional CSOs to share evidence-based advocacy and impart skills to other CSOs to enable them to engage with policy-makers on budget matters and promote accountability across sub-Saharan Africa.

The ABU's work is premised on research, advocacy, and capacity building and skills transfer to strengthen legislative oversight and civil society watchdog roles regionally. To promote accountable governance through active citizen participation in the allocation, distribution and spending of HIV & AIDS resources, ABU's capacity building programmes enhance and strengthen partners' abilities to do HIV & AIDS resource tracking and budget analysis work independently.

HIV & AIDS Accountable Governance: A Resource Tracking Handbook defines frequently used budget and resource tracking terms. It demystifies the budget process, which has traditionally been viewed as the domain of economists and government technocrats. The ABU hopes that more non-state actors involved in HIV & AIDS work will be able to participate more in the budget process. The federal budget process, as a mechanism for setting resource priorities and controlling the use of those resources to attain policy objectives, is grossly undermined by a lack of participation. This budget handbook promotes the drive towards greater citizen agency by making the budget and resource tracking fields more accessible to all citizens. Informed and organised participation by all stakeholders is a cornerstone of the budget consultative process. Participation can be either direct or through legitimate intermediate institutions or representatives.

The role of non-state actors as watchdogs in the implementation of HIV & AIDS activities can be enhanced with more information and skills. Non-state actors need skills and information on budget processes to engage effectively with policy-makers on issues that affect their lives and those of the constituencies they represent. Advocacy can only be

³ These include national health accounts (NHA), national AIDS spending assessments (NASA) and conventional budget analysis.

effective when the activists speak the same language as the technocrats and policy-makers. It is against this background that the handbook seeks to simplify terms relating to economics, governance, HIV & AIDS, and resource tracking that are critical when undertaking budget analysis and resource tracking work.

Generally non-state actors doing HIV & AIDS work lack the skills to undertake budget analysis and resource tracking, and this limits their ability to monitor the government's progress towards achieving its national, regional and international commitments with respect to HIV & AIDS. It has also been noted that where non-state actors are involved in this work, they are more often than not reactionary. They make submissions after the budget has already been presented in Parliament – at which point their contributions are no longer useful. We recommend that non-state actors try to understand the budget process in their countries better and identify the best entry point for effective results, which should be the formulation stage.

This handbook can be used by research institutions, national and regional non-governmental organisations, parliamentarians, government officials, national AIDS councils and commissions, bilateral and multilateral organisations, political parties, people living with HIV & AIDS, and the media.

This elementary “*HIV & AIDS Accountable Governance: A Resource Tracking Handbook*” includes simple definitions and explanations of terms from the areas of governance, economics, democracy, resource tracking, and HIV & AIDS, as well as tools for basic budget analysis.

Terms

ABC stands for “abstain, be faithful, condomise”, a prevention strategy that encourages people to abstain from penetrative sexual intercourse or delay sexual debut, to reduce the number of partners or have sexual relations with only one person, and to use condoms consistently and correctly.

Absorptive capacity refers to the ability of service providers to spend all the resources that have been allocated to them.

The **Abuja Declaration** stipulated that African governments must allocate 15% of their national budget to the health sector. This includes on-budget allocations by foreign donors.

Accountability is the liability to be called on to render an account, or the obligation to bear the consequences for failure to perform as expected. It means authorities must be answerable for their decisions and actions to society as a whole or to the people they represent. Accountability is enforceable where there is transparency and the rule of law.

The **accrual deficit** attempts to capture the actual consequences of government policy decisions during the fiscal year, regardless of whether transactions have actually been paid for or not.

An **activity** is an operation undertaken by an organisation that is specifically designed to meet a programme’s objective. The operation is very clearly defined, with a specified time frame and measurable indicators, outputs and outcomes.

The **adjustments estimate/budget** contains proposed amendments to the appropriations made in the government’s main budget for the year. This is the mechanism by which

the government seeks approval from Parliament for spending which differs from the allocations legislated for in the budget and the Appropriation Act.

Administrative expenditure covers the normal overhead administrative expenses of departments, including subsistence and transport costs, and postal and telephone expenses.

Agency payments are payments made by one department to another for services that are the responsibility of the first department but administered by the department receiving the payments. Agency payments remain part of the budget of the department making the payment.

AIDS spending categories reflect whether expenditures are directed towards health, health-related or non-health issues. These can be prevention, treatment and care, human resource incentives, or orphans and vulnerable children.

AIDS stands for “acquired immunodeficiency syndrome”. When HIV infection becomes advanced it is often referred to as AIDS. This generally occurs when the CD4 count is below 200 cells per microlitre and is characterised by the appearance of opportunistic infections. (See definition of “opportunistic infections”.)

An **allocation** is the authorisation to incur an expense or obligation up to a specific amount for a specific purpose and within a specified period. It includes funds that are available for expenditure but have not been allocated for any particular use.

Allocative efficiency refers to the allocation of factors of production (labour, capital, land) between competing uses at the minimum cost, with the ultimate goal of maximising the welfare of consumers. In essence, a good or service is produced at the lowest possible cost and there is no wastage in production.

An **allotment** is part of an appropriation that may be expended or encumbered during a given period.

Amendment powers are what we call the ability of Parliament to change the budget after its presentation by the Minister of Finance.

An **Appropriation Act** authorises the withdrawal of funds from the national revenue account, to be distributed among national government departments as set out in the budget.

Appropriation refers to the authority conferred under a law by Parliament or a provincial legislature to the executive to spend public funds for a specified purpose. This envisages approval by Parliament for spending from the national revenue fund, or by a provincial legislature for spending from a provincial revenue account.

Arrears are outstanding debt.

ART (antiretroviral treatment or therapy), see **HAART**.

Assets are things – including bonds, shares, furniture and cars – that can be owned by the government, individuals or private sector companies. They can be fixed or current.

The **auditor-general** is an institution of the state responsible for auditing and reporting on the accounts, financial statements and financial management of all national and provincial government departments and administrations, all municipalities and any other institution or accounting entity required by national or provincial legislation to be audited by the auditor-general. The auditor-general is obliged to report to any legislature that has a direct interest in the audit and to any other authority prescribed by national legislation.

The **balance of payments** is a summary of statements of all international transactions between the residents of a country and the rest of the world during a particular period, reflecting the difference in value between payments into and payments out of the country. The balance of payments is divided into two: the current account and the capital account.

A **base** is the component of a budget request or recommendation which reflects previous fiscal year appropriations.

A **base year** is the reference year for constructing an index. It is usually assigned an arbitrary value of 100.

Baseline allocations refer to the initial conditions used for planning purposes by government departments during the budget process.

Basic services refer to the minimum standards of services in education, social development, health care, housing and infrastructure as defined in the Constitution, legislation and government policy.

Beneficiaries are the people who benefit or derive gains from the funded programmes.

A **bond** is a certificate issued by a government or a private sector company promising to repay borrowed money at a fixed rate of interest over a fixed period, with final capital repayment at a specified date.

A **borrowing requirement** is the amount the government must raise through local or foreign loans. The borrowing requirement should equal the deficit before borrowing plus the debt repayment of the central government, provincial governments, municipalities and non-financial public enterprises and corporations.

A **basic income grant** provides a lump sum to every citizen regardless of income. Individuals earning above a certain income are required to return the grant through the tax system.

A **budget analysis** is a thorough and detailed review of the budget. It involves the collection, study and interpretation of budget data and the correlation of this data with policies and programmes.

Budget auditing and assessment are executed by the auditor-general, who reports to Parliament. The process entails monitoring the compliance and integrity of expenditure programmes and allows for continuous improvements in public spending and financial management.

Auditing and assessment, see *budget auditing and assessment*.

The **Budget Council** is a consultative forum established to coordinate financial relations between national and provincial governments. Its role is to make decisions on the budget which are then finalised by the Cabinet.

The **budget deficit** is the amount by which the government's total budget expenditure exceeds its total revenue for a fiscal year.

Budget enactment (or the *legislative/parliamentary phase*) is the process of obtaining parliamentary support for the government's budget package. This includes presentation of the budget in Parliament, examination of the estimates for each vote by the appropriate select committee and the approval of the budget.

Budget formulation covers the development and review of budget submissions by the Treasury and consultations with stakeholders.

A **budget forum** is a consultative forum established to coordinate financial relations between national, provincial and local governments.

The **budget process** highlights the distinct phases of the budget. These include budget formulation, budget enactment, budget implementation, budget auditing and budget communication.

A **budget review** is a readable summary of the estimate of expenditure. It includes summary tables and explanations of the policy choices reflected in the budget and the justifications for some of the choices.

The **budget surplus** measures the extent to which revenue exceeds expenditure.

Budget votes are the different divisions in the budget outlining the various parts or "lines" for items of the budget for each government department.

The **capital account** deals with capital transactions such as short- and long-term capital flows and the movement of the country's reserves.

The **capital budget** is the budget associated with the acquisition or construction of major capital items, including land, buildings, structures and equipment.

Capital expenditure/spending is spending on assets which last more than one year. This includes spending on equipment, motor vehicles and buildings, and on legal costs associated with property.

Capital gains tax is a tax levied on the profits realised from the sale of capital assets or investments by the taxpayer. This tax does not apply to family homes, private vehicles and ordinary household possessions.

Capital inflows are foreign loans, foreign direct investment and portfolio inflow recorded in the finance (capital) account of the balance of payments.

Capital markets are financial markets for financing medium- to long-term investments (one year or more). For example, bonds are traded in the capital markets.

Capital outflows are movements of capital out of the country.

The **cash deficit** includes only government outlays for which cash has been disbursed and actual cash revenue received.

The **central government** is also known as the national government or (where appropriate) federal government. It has the power to make laws for the whole country. Within this structure are the government ministries and departments and agencies to which the ministers of government are assigned.

Choice is the process of judging the merits and disadvantages of multiple options and selecting one of them for action.

A **closed economy** is an economy that is protected from outside economic influence through laws that prohibit or inhibit foreign trade and capital movements.

Commitment is the setting aside of funds or the assurance from a source that a certain amount of resources will be made available.

Concurrent competency describes expenditure functions – such as health and education – which are the joint responsibility of national and provincial governments, according to the Constitution.

Conditional grants are allocations from one sphere of government to another that are premised or conditional on certain services being delivered or on compliance with specific requirements. These funds cannot be used for another purpose. Conditional grants appear as expenditure in the budget of the department making the grant and as revenue of the province or municipality receiving the grant.

A **consensus-oriented** approach is one in which the various interests in society are mediated in order to reach broad consensus on what is in the best interests of the whole community and how that can be achieved. The AIDS budget requires the diverse views and interests of the different actors to be integrated so that a balance can be struck and consensus built. An understanding of the historical, cultural and social contexts of a given society or community is crucial in maintaining a broad, long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development using a budget.

The **consumer price index** reflects the price of a representative basket of consumer goods and services (which should be internationally acceptable). It is a way to measure the impact of inflation on the average consumer.

Contingency reserves refer to a separate budget provision set aside in advance to meet changes in the economic environment and unforeseen and unavoidable expenditure that may arise during the budget year.

A **contingent liability** is a government expenditure obligation that may or may not fall due, depending on whether a particular event occurs. Contingent liabilities are obligations that have been entered into, but whose timing and amount depend on the occurrence of uncertain future events.

Core inflation is the underlying inflation calculated on a basket of goods in the economy excluding items that are more sharply influenced by inflation. Core inflation equals consumer price inflation minus the prices of fresh and frozen meat and fish, vegetables, fresh fruit and nuts, interest rates and mortgage bonds, overdrafts and personal loans, value added tax and property taxes.

A **cost-benefit analysis** compares the costs of delivering a particular service with the benefits that citizens are likely to derive from it. Given this information, the government can decide which projects to undertake in order to maximise the value of benefits minus costs.

Cost drivers are the major factors that cause the cost of a programme or activity to change over time.

The **current account** is the difference between total imports and exports. If a country has a negative current account (current account deficit), it is consuming more than it is producing.

The **current deficit** is a measure of the extent to which the government has to borrow money.

Current expenditures are day-to-day spending on items that are recurring in nature and consumed within a year, such as salaries and wages, electricity and stationery. Current expenditures are also known as consumption spending.

Customs duty is tax charged on imports of goods and services from foreign countries.

Debt service costs consist of the interest payable on debt, but exclude the sum originally borrowed.

Deficit, see *budget deficit* and *cash deficit*.

Demand is the amount of goods that consumers are willing and able to buy at a given price. "Willingness" refers to people's desire to own goods.

Democracy is the principle that the control of authority comes from the public, and that ruler and non-ruler are the same. A democracy can take the form of either direct or indirect rule by the people. In political theory, "democracy" describes a small number of related forms of government and also a political philosophy whose distinguishing feature is popular government or majority rule. Freedom of political expression, freedom of speech and freedom of the press are essential so that citizens are informed and able to vote in their personal interests.

Depreciation is an allowance made in valuations, estimates and balance sheets for a reduction in the value of goods as a result of wear and tear during a given period.

Direct taxes are taxes charged on the taxable income of individual and legal entities. They include income tax, corporate tax, poll tax, inheritance taxes and import duties.

A **discordant couple** is a pair of long-term sexual partners one of whom has a sexually transmitted infection while the other does not.

In **diseconomies of scale**, which are the opposite of economies of scale, unit costs increase as production increases.

The **domestic deficit** is measured by including in the calculation only those budgetary elements that directly affect the domestic economy.

Earmarked funds are funds that have been dedicated to a specific programme or purpose.

Earmarked revenue is revenue from certain sources designated – constitutionally or by statute – for the support of specific programmes or agencies.

Economic classification is a way of classifying government budgets which categorises expenditures by their nature or content, instead of the function/purpose of their allocation. It divides expenditure into transfers and direct expenditure, or current and capital expenditure.

Economic development is a multidimensional process involving the reorganisation and reorientation of the entire economic and social system, and sometimes even radical changes in customs and beliefs, to improve incomes and output, and to reduce or eliminate poverty, inequality and unemployment. Economic development must have the objectives of increasing the availability and wider distribution of basic goods and services such as food, shelter, health and protection, and raising the levels of living through higher incomes, higher employment, better education and increased attention to cultural values.

Economic growth refers to the increase in the quantity of goods and services in the country. It can be measured by changes in the GDP.

In **economies of scale**, unit costs decrease as production increases. In other words, the more units produced of a product, the less each unit costs.

Effectiveness and **efficiency** describe processes and institutions making the best use of the available resources, i.e. using the resources at their disposal sustainably to design a budget that meets the needs of society.

Elasticity is a measure of the sensitivity, or degree of responsiveness, of one variable to changes in another variable.

An **epidemic** is a disease prevalent throughout a country or region.

The **equitable share** is the share of funds in the national revenue account that each sphere of government is constitutionally entitled to.

Equity exists when all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well-being based on need. In health care, different social groups systematically receive different levels of care. The budget must be sensitive to HIV & AIDS by ensuring that all those affected by HIV & AIDS feel that they have a stake in that budget and do not feel excluded from the mainstream of society. A distinction can be made between horizontal equity and vertical equity.

Equity (in accounting) is a synonym for a share in a public company. In a private company, it refers to the interest which any owner has in the company assets, or to the value of that interest.

Exchange control is the overall term for government regulations restricting the free exchange of the domestic currency and foreign currencies. Examples are regulations that limit the foreign assets held by citizens or restrict the amount of foreign currency which may be purchased for international travel.

The **exchange rate** is the price of one currency in terms of another e.g. 1 US\$ = 75 KES.

Excise duty is a tax on the manufacture or sale of certain domestic or imported products. Excise duties are usually charged on items such as alcoholic beverages, tobacco products and petroleum products.

Expenditure is government spending of money, or the amount of money spent on goods, services, debt and investment.

Expenditure reforms reduce government spending in line with available resources and tax reforms are meant to improve the quality of the tax system and enhance the revenue yield of the tax system.

Exports are goods or services transported from one country to another in a legitimate fashion. Export goods or services are provided to foreign consumers by domestic producers.

Externalities or **spillovers** are the positive or negative side effects that the provision or non-provision of certain government services has on other actors or stakeholders.

Extra-budgetary funds/accounts refer to government transactions that are not included in the national budget. These may not be subject to the same level of scrutiny or accounting standards as the annual budget.

The **Financial and Fiscal Commission** is an independent body established by the Constitution to make recommendations to Parliament and provincial legislatures about financial issues affecting the three spheres of government.

A **financial management system** is a computer system that can be used by national and provincial governments to manage their finances.

The **financial year** is the period for which companies and organisations budget and account for their activities.

Financing agents manage the funds, and in so doing they decide the use of the funds.

A **financing gap** is the difference between the resources required to undertake an activity and what is actually available for the activity.

Financing sources are the financiers of a programme. They can be categorised as public, private and international.

Fiscal accountability refers to the responsibility of the government to account to Parliament for the way in which public funds are collected, managed and spent.

Fiscal drag arises from the effect of inflation on effective tax rates. When salaries are adjusted to compensate for the effect of inflation on the value of money, taxpayers are pushed into higher income tax brackets where higher rates apply. In this way an individual's effective tax rate is increased, even though real incomes may not be increasing.

Fiscal exposure refers to the total legal responsibility of the government. This includes explicit and implicit government guarantees on debt and its own debt commitments.

Fiscal federalism is a system in which fiscal authority is devolved to subnational governments. This may be the result of either constitutional provisions or internal agreements of the government.

Fiscal management is the management of government revenue and factors which impact on government revenue, including debt levels and sources and levels of tax revenue.

Fiscal policy is the deliberate and planned changing of government spending, government borrowing or taxes to stimulate or slow down the economy. It involves the set of principles and decisions of a government on which it bases the level of public expenditure and how that expenditure is funded.

Fiscal reform is the act of addressing fiscal imbalances in the economy to restore fiscal balance. Fiscal reforms include expenditure reforms and tax reforms.

Fiscal space is the availability of budget room or leeway that allows the government to provide resources for a desired purpose while maintaining or strengthening the sustainability of its financial position.

Flows show a change in a given economic variable between one moment and another and reflect the changes taking place during the entire period.

The **foreign deficit** is measured by including only budget transactions directly connected to the external sector and shows the impact of the budget on the balance of payments.

Foreign direct investment is investment from abroad in physical assets in a country.

A **function shift** is the movement of responsibility for the delivery of a service from one government department to another.

Functional classification is a way of classifying budgets which categorises expenditures by various activities and objectives such as health, education, transport and communication.

Gross domestic product (GDP) per capita (per person) is the simplest overall measure of the citizens' share of income in a country.

General fund refers to revenues accruing to the government from taxes, fees, interest earnings and other sources which can be used for the general operation of state government.

Generally Recognised Accounting Practice (GRAP) represents government accounting standards required by the Constitution. The private sector equivalent is **Generally Accepted Accounting Practice (GAAP)**.

GFATM is an abbreviation for "Global Fund to Fight AIDS, Tuberculosis and Malaria". The GFATM is an independent public-private partnership established in 2001 to attract, manage and disburse additional resources to make a sustainable and significant contribution to mitigating the impact of HIV, tuberculosis and malaria in countries in need, while contributing to poverty reduction as part of the Millennium Development Goals.

GIPA stands for "the Greater Involvement of People living with or affected by HIV & AIDS". In 1994, 42 countries prevailed upon the Paris AIDS summit to include the GIPA principle in its final declaration.

Good governance is characterised by predictable, open and enlightened policy-making, a bureaucracy steeped in a culture of professionalism acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs.

Governance refers to the traditions and institutions by which authority in a country is exercised. It includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them. It is a process whereby elements in society wield power, authority and influence and enact policies and decisions concerning public life and social upliftment.

A **government budget** is a financial statement containing revenue, expenditure and deficit/surplus estimates, which indicates how the government plans to use its expected resources to meet its goals for a given period. It is a legal document that is often passed by the legislature and approved by the Cabinet.

Government Finance Statistics (GFS) is a system designed by the International Monetary Fund for the analysis of the fiscal policy. It specifies accounting rules, balance sheet formats, definitions and classifications of revenue and expenditure.

In a **graduated rate structure**, people in different income categories pay different rates of income tax e.g. progressive income tax.

The **Gross Domestic Product (GDP)** is the total monetary value of all goods and services produced within the geographic boundaries of a nation during a given year. The word “domestic” implies that only the income produced in that country is accounted for. The income that arises from investments and possessions owned abroad is thus not included in the GDP estimates. GDP can be nominal (current GDP) or real (constant).

Gross fixed capital formation is the total value of investment in fixed assets during a calendar year, either to replace existing capacity that is wearing out or to increase capacity before depreciation is taken into account.

The **Gross National Product (GNP)** is the value of all final goods and services produced during a specific period, usually one year. In other words it refers to that part of the GDP that is actually produced and earned by or transferred to resident nationals of that country. In simple terms GNP is GDP plus total net income from abroad.

HAART is an abbreviation for “Highly Active Antiretroviral Therapy”. It is the name given to treatment regimens recommended by leading HIV experts to aggressively suppress viral replication and slow the progress of HIV disease. The usual HAART regimen combines three or more different drugs, such as two nucleoside reverse transcriptase inhibitors (NRTIs) and a protease inhibitor, or two NRTIs and a non-nucleoside reverse transcriptase inhibitor. The term ART (antiretroviral treatment or therapy) can be used if it clearly refers to a triple antiretroviral drug combination.

The **HIPC (Heavily Indebted Poor Countries) Initiative** is a debt relief tool for increasing the funds that countries have available and for ensuring that they are channelled to core human development priorities, such as basic health care. The HIPC Initiative, created in 1996 by the World Bank and further enhanced in 1999, has already helped some of the poorest nations in the world free up precious resources for human development that would otherwise have been spent on servicing debt. Fully funded and implemented, the enhanced HIPC initiative has the potential to be an even more powerful tool for helping countries devote more resources to combating infectious disease.

HIV incidence refers to the proportion of people who have become infected with HIV during a specific period (new cases).

HIV prevalence quantifies the proportion of individuals in a population who have HIV at a specific time.

HIV-negative refers to a lack of evidence of infection with HIV (e.g. an absence of antibodies against HIV) in a blood or tissue test. The term is synonymous with “seronegative”.

An HIV-negative person can be infected if he or she is in the window period between HIV exposure and the detection of antibodies.

HIV-positive refers to indications of infection with HIV (e.g. a presence of antibodies against HIV) in a blood or tissue test. The term is synonymous with “seropositive”. Tests may occasionally show false positive results.

Horizontal equity expresses the idea that people with a similar ability to pay taxes should pay the same or similar amounts. It is related to the concept of tax neutrality or the idea that the tax system should not discriminate between similar things or people, or unduly distort behavior. Horizontal equity means providing equal health care to those who are the same in a relevant respect, such as having the same need.

A **household budget** is a plan of the money an individual or household expects to spend from the income expected over a given period of time.

The **Human Immunodeficiency Virus (HIV)** is the virus that weakens the immune system, ultimately leading to AIDS.

Human rights are the basic rights and freedoms to which all people are entitled. Rights and freedoms which have come to be commonly thought of as human rights include civil and political rights – such as the right to life and liberty, freedom of expression and equality before the law – and economic, social and cultural rights, including the right to participate in culture, the right to food, the right to work and the right to education. “*All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.*” – Article 1 of the United Nations Universal Declaration of Human Rights (UDHR)

Imports are goods or services brought into one country from another country in a legitimate fashion. Imported goods or services are provided to domestic consumers by foreign producers. An import in the receiving country is an export from the sending country.

Incremental budgeting is a type of budgeting that uses the previous budget as a point of departure in compiling the upcoming budget. The current budget levels are adjusted for changes that are expected to occur during the next budget period. In this process, the allocations to existing programmes and budgets are not evaluated.

An **index** is a number which shows the variation of an economic variable in relation to a chosen base period.

The **implementation phase** covers any subsequent amendments to the budget and the execution of the programmes as authorised by Parliament. Where additional appropriations

are needed during the course of the year, spending is authorised by Parliament before the end of the financial year, through the Appropriation (Supplementary Estimates) Bill.

Indirect tax is levied on a good or service and is paid by a consumer by virtue of association with that good or service. It includes local rates on property, sales taxes and excise duties.

Inflation is a measure of the average persistent rise in the general level of prices or persistent fall in the purchasing power of money in the whole economy over a given period.

An *Injecting Drug User (IDU)* is one who uses drugs through injection.

The *interest rate* is the cost of borrowing. Generally, if the cost of borrowing is high, the majority of people cannot afford to finance health care on their own, which strains the government budget.

International trade is the exchange of goods and services between countries. A nation trades because it lacks the raw materials, climate, specialist labour, capital or technology needed to manufacture all the goods it needs, and international trade allows a greater variety of goods and services. Trade between countries can be free or restricted.

Legislative phase, see *budget enactment*.

Local government is an administrative entity that is smaller than a state. The term is used to contrast with administration at nation-state level, which is referred to as the central government, national government or (where appropriate) federal government.

A *market* is an institution that brings together buyers and sellers of commodities. It is usually, but not necessarily, a place where commodities are traded, such as the labour market, the goods market, the foreign currency market and the stock market.

The *Medium-Term Expenditure Framework (MTEF)* is a type of budgeting introduced by the World Bank that aims to promote a systematic and disciplined approach to economic planning and economic processes in an environment of low inflation. This framework promotes the efficient use of public resources by linking fiscal and monetary programmes to revenue and expenditure for a rolling period of three years.

The *Millennium Development Goals (MDGs)* are the eight goals developed at the United Nations Millennium Summit in September 2000. Goal 6 refers specifically to AIDS, but the attainment of several goals is being hampered by the HIV epidemic.

Monetary policy is used by the central bank to control interest rates and money supply in order to achieve economic growth and maintain price stability in the economy.

Money demand refers to the amount of money held by the general public in an economy for transactional reasons, speculative purposes and precautionary motives.

Money supply is the total amount of assets and paper money acceptable in exchange for goods in circulation in the economy. In modern economies people accept notes and coins, hence the money supply is made up of cash and bank deposits.

MSM is an abbreviation for “men who have sex with men” or “males who have sex with males”. This term is useful as it includes not only men who are identified as “gay” or homosexual and have sex only with other men, but also bisexual men and heterosexual men who may at times have sex with other men.

The **National AIDS Spending Assessment (NASA)** is a generic term currently used for all of the country’s HIV & AIDS resource tracking activities. It provides a framework and tools for undertaking a comprehensive analysis of actual expenditures for HIV & AIDS which can be applied to any HIV & AIDS activity (health and non-health). NASA is not limited to health expenditures for HIV & AIDS, but emphasises the tracking of non-health expenditure such as social mitigation, education, labour, justice and other sectors’ expenditure related to HIV & AIDS.

The **national debt** is the money owed by the state in its corporate capacity.

National Health Accounts (NHA) constitute a systematic, comprehensive and consistent monitoring of resource flows in a country’s health system. They provide a record of all the health field expenditure, provision, inputs and outputs, intermediate and final outputs, and financing flows of the institutions and functions that make up a health system.

Net Factor income from Abroad (NFA) is the difference between the total values of the primary incomes receivable from, and payable to, non-residents.

The **Net National Product (NNP)** is the GNP less depreciation of existing capital stock over a period. $NNP = GNP - \text{depreciation}$.

Nominal GDP measures the value of output at the prices prevailing at the time of production (current prices), while real GDP measures the output produced in any one period at the prices of some base year.

Nominal refers to the value of goods and services at the current prices (before adjusting for inflation).

Non-Financial Public sector Enterprises (NFPEs) are government-owned and/or government-controlled corporations whose activities may be significantly influenced by non-market factors, often including application of a “soft budget constraint”.

Off-budget support allocations are made directly to the government departments concerned and are neither allocated through the budget nor accounted for by the government.

On-budget support allocations are made to the government and are allocated through the budget and accounted for by the government.

An **open economy** is a market economy mostly free from trade restrictions in which exports and imports form a large percentage of GDP. No economy is totally open or closed in terms of trade restrictions, but governments have varying degrees of control over movements of capital and labour.

An **operational deficit** is the sum of the primary deficit and the real component of interest payments. The economic rationale for excluding inflation-induced interest payments is that they do not represent new income to the recipients and are willingly reinvested in government bonds under existing market conditions.

Opportunistic infections are illnesses caused by various organisms, some of which do not usually cause disease in persons with healthy immune systems.

The **opportunity cost** principle states the cost of a good or service in terms of the next best alternative. The benefit of national HIV & AIDS preventive and treatment strategies may be difficult to quantify or cost in monetary terms. Opportunity cost is used in this respect to quantify costs by valuing the amount of additional productive time gained from an HIV & AIDS treatment or from a preventive programme.

An **orphan** is a child that has lost one or both parents.

The **overall fiscal balance** measures the extent to which the government either puts financial resources at the disposal of other sectors in the economy or utilises financial resources generated by other sectors.

A **pandemic** refers to a disease prevalent throughout a country or over a wide geographical area.

Parliamentary phase, see **budget enactment**.

Participation refers to various means by which the public directly participate in political, economic, management and other social decisions. It can refer specifically to informed and organised involvement in the formulation of the budget either directly by citizens or indirectly through representatives.

The expression **People Living with HIV (PLHIV)** reflects the fact that an infected person may continue to live well and productively for many years.

Phantom aid is aid which is tied to donors' objectives at the expense of the people in need – for example, spending on foreign consultants.

Physiological deprivation arises from the non-fulfilment of basic material or biological needs due to low monetary income and consumption levels.

Policy analysis is the process of determining the various alternative policies that will achieve a given set of goals in view of the relationships between the policies and the goals.

A **policy** is a deliberate plan of action to guide decisions and achieve rational outcomes.

Poor governance is epitomised by arbitrary policy-making, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life and widespread corruption.

Poverty is a state of economic, physiological or social deprivation in well-being.

Prevention of Mother-To-Child Transmission (PMTCT) is a strategy used to effectively prevent the transmission of HIV from HIV-positive mothers to their infants during pregnancy, labour, delivery and breastfeeding. Some countries prefer the term **PTCT (Parent-To-Child Transmission)** to avoid stigmatising pregnant women and to encourage male involvement in HIV prevention.

The **primary balance** excludes interest expenses from expenditure and shows the impact of current budgetary operations.

The **primary deficit** excludes the effect of previous deficits on the budget. It attempts to measure the discretionary budgetary stance by excluding net interest payments from the budget. This reflects the success of policies in moving the economy towards a sustainable growth path.

Private debt refers to the sum that must be repaid by individuals and companies.

Production factors (e.g. budgetary items) are the components of expenditure, e.g. current expenditures and capital expenditures, not broken down by type.

Progressive tax makes people who earn more pay a higher proportion of what they earn in tax in order to redistribute wealth.

Projections are quantitative estimates of future economic or financial performance.

A **proportional tax** regime, in equity terms, implies that the rich pay more in proportion to their income.

Providers use the funds allocated to provide services and goods. Examples of providers are public-sector providers, private-sector providers, bilateral and multilateral entities, and rest-of-the-world providers.

Quasi-fiscal operations of public financial institutions are tax and subsidy operations that take place through the activities of this sector, most of which are undertaken by the central bank.

Real describes the value of goods and services after adjusting for inflation.

Regressive tax is a tax system that collects proportionally more from the poor than from the rich, e.g. value added tax.

Resources are economic or productive factors required to accomplish an activity or to undertake an enterprise and achieve a desired outcome. Three most basic resources are land, labour and capital; others are energy, entrepreneurship, information, know-how, management and time.

Resource tracking aims to establish where resources are coming from, what they are being used for, who is using them and who is benefiting from them.

Responsiveness means that institutions and processes should try to react to the budgetary needs of all stakeholders within a reasonable time. For instance, in a generation ravaged by HIV & AIDS, the budget should try to institute a fiscal response to the overwhelming nutritional and treatment needs of society, for example by lowering tax thresholds to increase disposable incomes, and through infrastructure development.

Results-based budgeting is a type of budgeting that aligns financial allocations with objectives and expected results. The expected results justify resource requirements. The departments are required to align their goals, objectives, outputs, activities and required resources with indicators, outcomes and impacts.

Revenue is the income received by the government. The main government revenue sources are taxes (income tax, value added tax, corporate tax, and customs and excise duties), fees (road traffic fees, hospital fees, utility [water and electricity] fees, property rates and gambling levies) and borrowing.

The rule of law refers to the impartial enforcement of laws through an independent judiciary and an impartial and incorruptible police force. In respect to the budget, this requires the impartial enforcement of fair legal frameworks defined by the various budget and related Acts, such as the Finance Act, and the “Blue Book” and budget estimates debated in Parliament. Such enforcement also requires the full protection of human rights, particularly those of minorities and vulnerable groups in society.

Scarcity refers to the limited amount of resources available to produce the unlimited amount of goods and services desired by society. When the budget is confronted by the scarcity problem, choices have to be made and priorities set about which commodities to produce and consume. The budget scarcity puzzle implies that decisions have to be made on what to produce, how to produce, when to produce and for whom to produce.

Seroprevalence as related to HIV infection refers to the proportion of persons who have serological evidence of HIV infection, i.e. antibodies to HIV, at any given time.

Serostatus is a generic term that refers to the presence or absence of antibodies in the blood. Often the term refers to HIV antibody status.

A **sex worker** is a person who sells sex or sexual services. Clients of sex workers may then be called people who buy sex. The term **commercial sex worker** is no longer used, primarily because it is considered to be a tautology (i.e. saying something twice in different words).

A **Sexually Transmitted Infection (STI)** is also called a **Venereal Disease (VD)** or **Sexually Transmitted Disease (STD)**. STIs are spread by the transfer of organisms from person to person during sexual contact. In addition to the “traditional” STIs (syphilis and gonorrhoea), the spectrum of STIs now includes HIV, which causes AIDS; Chlamydia trachomatis; the human papillomavirus, which can cause cervical or anal cancer; genital herpes; chancroid; genital mycoplasmas; hepatitis B; trichomoniasis; enteric infections; and ectoparasitic diseases (diseases caused by organisms that live on the outside of the host’s body).

Social deprivation includes risk, vulnerability, lack of autonomy and powerlessness.

Social justice is sometimes called civil justice and refers to the concept of a society in which justice is achieved in every aspect of society, rather than merely the administration of law. It is generally thought of as a world which affords individuals and groups fair treatment and an impartial share of the benefits of society. It can also refer to the distribution of advantages and disadvantages within society. “Social justice” is often employed in political circles to describe a society with a greater degree of economic egalitarianism, which may be achieved through progressive taxation, income redistribution or even property redistribution policies aimed at achieving equality of opportunity and equality of outcome. Thus social justice is based on the concepts of human rights and equality.

Social protection is a set of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people’s exposure to risks and enhancing their capacity to protect themselves against hazards and loss of income.

A **social safety net** is a combination of measures aimed at mitigating the short-term adverse effects of economic and/or social reforms on the poor.

Spillovers, see “Externalities”.

Stocks show the value of an asset or a liability at a given time, i.e. a position or a value at a specific moment.

A *structural deficit* occurs when the growth in the spending needed to maintain current services and the growth in revenues from current taxes and other revenue sources are inconsistent.

A *supplementary appropriation* is an allocation made to an agency or programme during the current operating fiscal year to cover unforeseen events or projected over-expenditures, or to replace revenue shortfalls.

The *supply* is the amount of goods and services that producers are willing and able to make available to the market at a certain price.

Tax incidence refers to how the tax burden is distributed among taxpayers.

A *tax* is a levy charged by the government to citizens and corporates, directly (direct taxes) or indirectly (indirect taxes).

Technical efficiency means resources are combined well to get the maximum possible outputs (including goods and services).

The “*Three Ones*” *principles* refer to an agreed HIV & AIDS action framework that provides a basis for coordinating the work of all partners: one national AIDS coordinating authority with one broad-based multisectoral mandate and one agreed country-level monitoring and evaluation framework.

Time series data are quantities that represent or trace the values taken by a variable over a period such as a month, a quarter or a year. Time series data occur wherever the same measurements are recorded regularly.

Trade refers to commercial transactions involving the sale and purchase of goods, services or information. It can be domestic, regional or international.

TRIPS (Trade-Related Aspects of Intellectual Property Rights) is an agreement supervised by the World Trade Organization (WTO) that offers certain elements of flexibility to low- and middle-income countries with respect to pharmaceutical patent protection.

A *transaction* is an act of exchange of goods or services for payment between a buyer and a seller.

Transparency refers to the public availability of comprehensive, accurate, timely and useful information on government activities. It entails the carrying out of the budget mandate in an open manner that is participatory and observing the statutes of the country.

Unallocated reserves are funds which have not been allocated for any particular activity or programme.

Unemployment describes the status of people above a specified age who are without work, are currently available for work and are seeking work during a period of reference.

The **unemployment rate** is the percentage of the labour force officially unemployed.

Universal access is a commonly used phrase that refers to working towards achieving the goal of universal access to HIV prevention, treatment, care and support. This initiative is outlined in the 2006 Political Declaration on HIV & AIDS.

Universal precautions are standard infection control practices to be used universally in health care settings to minimise the risk of exposure to pathogens, e.g. the use of gloves, barrier clothing, masks and goggles (when anticipating splatter) to prevent exposure to tissue, blood and body fluids.

Vertical equity usually refers to the idea that people with a greater ability to pay taxes should pay more. It means treating differently those who are different in relevant respects, such as having different needs.

Virement is the process of transferring resources between different programmes.

Voluntary Counselling and Testing (VCT) is client-initiated testing, as opposed to provider-initiated testing. All testing should be conducted in an environment which adheres to and implements the “Three Cs”: confidentiality, informed consent, and counselling.

HIV and AIDS budget analysis tools

The tools for basic budget analysis entail the following basic calculations, which enhance independent analysis of the budget. These tools are necessary for active citizen participation in the budget process.

- Percentages and priority share;
- Real amounts;
- Growth rates (nominal and real);
- Per capita allocations;
- Equity in allocation; and
- Actual expenditures.

Tool 1: Calculating a share

The term share refers to the size of a slice of the pie in relation to the entire pie. It is a part or portion that belongs or is allotted to an individual. We express it in terms of a percentage of the total.

$$\text{Share (\%)} = \frac{\text{Allocation}}{\text{Total}} \times 100$$

Percentage shares increase or decrease with changes in either the numerator or denominator.

The calculation for a share can be used to determine allocations for:

- A department of health as a proportion of total budget;
- HIV & AIDS as a proportion of total health budget;
- HIV & AIDS activities as a proportion of total HIV & AIDS budget; and
- HIV-positive women as a proportion of people infected by HIV.

Tool 2: Converting an allocation from nominal to real terms

Nominal allocation: allocation for a particular year

Real allocation: nominal allocation adjusted for inflation

$$\text{Real allocation} = \frac{\chi}{(1 + \underline{c})}$$

Where:

χ represents nominal allocation

\underline{c} represents the inflation rate

Tool 3: Calculating growth rates

The calculation for the growth rate reflects the percentage change from one year to the other.

$$\text{Nominal growth rate} = \frac{Y_2 - Y_1}{Y_1} \times 100$$

Where

Y_1 represents a nominal variable in year 1

Y_2 represents a nominal variable in year 2

$$\text{Real growth rate} = \frac{RY_2 - RY_1}{RY_1} \times 100$$

Where

RY_1 represents a real variable in year 1

RY_2 represents a real variable in year 2

To calculate the average nominal/real growth rate for a certain number of years:

$$\text{Average nominal real growth rate} = \frac{TG}{n}$$

Where

TG represents total nominal/real growth rate for the years under consideration

n represents the number of years under consideration

Tool 4: Per capita allocation/spending

Per capita allocation and spending reflect allocation and spending per person. Budget data are normally recorded per person or per capita to allow comparisons between countries, states or social groups.

$$\text{Per capita allocation/spending} = \frac{TB}{P}$$

Where

TB represents total budget

P represents population. Population includes all items with the characteristic one wishes to understand.

This analysis is useful for any programmatic intervention, such as total health, HIV & AIDS and TB.

Tool 5: Equity in allocation

The calculation for equity in allocation can be used to compare need and allocation in different regions, such as allocations for different geographical areas with varying prevalence rates.

- Higher prevalence rates may need to correspond with higher allocations.
- Low-prevalence regions may also get high allocations (if the country is focusing more on prevention strategies).
- An increase in revenue should correspond with higher allocations in critical and priority sectors, e.g. health, HIV and TB.

Tool 6: Comparing allocations with expenditure

The comparison of allocations and expenditure seeks to ascertain the utilisation of available resources and establish areas of over-expenditure or under-expenditure.

$$\text{Expenditure as \% of allocation} = \frac{\text{Expenditure}}{\text{Allocation}} \times 100$$

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