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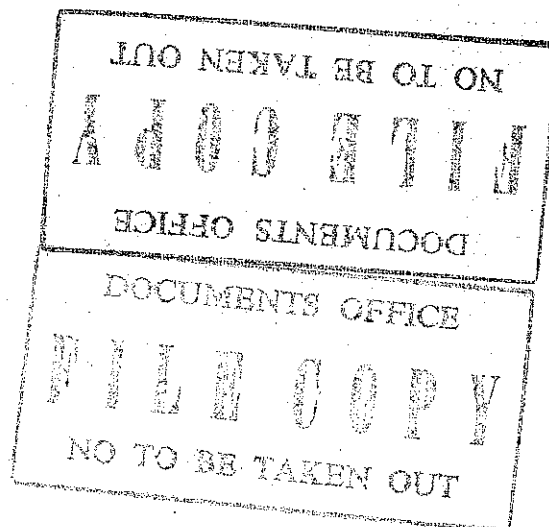
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REPORT OF THE
SEMINAR ON BUDGET PLANNING AND MANAGEMENT
(Addis Ababa, 3-13 October 1966)

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PART I - INTRODUCTION

Purposes of the Seminar

1. The Seminar was convened by the Executive Secretary of the Economic Commission for Africa in connection with Project 87 of the ECA 1965-1967 Work Programme. In his letter of invitation dated 12 May 1966 and addressed to all member governments, the Executive Secretary stated that "the mobilization of domestic resources - whether it be by way of taxation, loans or other devices - is only one part of the country's financial problems. It is equally important that there should be effective control over the allocation and disbursement of these and other resources. Unfortunately this too, like taxation, is a field where most African countries are still working with budgetary systems and procedures which were devised many years ago to meet conditions quite different from those prevailing today."
2. The Seminar was designed to afford senior officials responsible for the preparation and control of national budgets an opportunity to discuss their current problems and also to acquaint themselves with modern budgetary techniques. Very special attention was given to the co-ordination of national development plans and national budgets, and the ways and means by which budget administration in Africa could be strengthened in order to achieve this more effectively.
3. The Seminar did not, however, confine itself to discussions. It made practical recommendations on these subjects, including the roles which should be played not merely by African countries themselves but also by the United Nations, specialized agencies, etc. in helping to achieve these objectives.
4. Following on these lines, the Seminar considered what changes should be made in the budgetary principles and practices of African countries in order to devise the budget as the plan of the government and to integrate

the processes of budget preparation, implementation and accounting. The discussions were therefore centred on problems to which the introduction of uniform classifications by objects, by economic items, by functions and by programmes and projects would give rise.

Organization and Participation

5. The Seminar met in Addis Ababa from 3 to 13 October 1966 at the Headquarters of the Economic Commission for Africa.
6. The meeting was attended by 25 officials representing 18 African governments.^{1/} In addition observers were nominated by the Organization for African Unity and the government of the United Kingdom.
7. The Seminar was formally opened on 3 October 1966 by Ato Tedla Teshome who welcomed the participants to Addis Ababa on behalf of the Minister of Finance of the Imperial Ethiopian Government.^{2/} The objectives and purposes of the Seminar were then set out in an address by Mr. R.K.A. Gardiner, Executive Secretary of the Economic Commission for Africa.^{3/}
8. The Seminar elected Ato Tedla Teshome (Ethiopia) as Chairman, Mr. Henri Wabola (Democratic Republic of the Congo) as First Vice-Chairman, Mr. Johnson Obi (Nigeria) as Second Vice-Chairman, and Mr. George K. Sackey (Ghana) as Rapporteur.
9. The Seminar adopted the following agenda recommended by the Secretariat (E/CN.14/BUD/1).
 1. Opening address
 2. Adoption of the Agenda and Time-table
 3. Review of the development of the budgetary systems in African countries

^{1/} See Annex I.

^{2/} See Annex II.

^{3/} See Annex III.

4. Relationships between the national budget and the national development plan
5. Classification of budgetary transactions
6. Techniques of Programme and Performance Budgets
7. Techniques for Revenue Programming
8. Accounting and Control Procedures

10. Among the documents discussed by the participants were the Manual for Economic and Functional Classification of Government Transactions (ST/TAA/M/12), and A Manual for Programme and Performance Budgeting (ST/TAO/SER.C/75), both documents prepared by the Fiscal and Financial Branch of the United Nations Department of Economic and Social Affairs; A Guideline for the Classification of Government Transactions by Objects Adapted to African Countries (E/CN.14/BUD/2); Guidelines for the Co-ordination of National Budgets with National Development Plans (E/CN.14/BUD/3); and The Budgetary System and Procedures of African Countries (E/CN.14/BUD/4), all prepared by the ECA Secretariat.^{1/} Also, the participants submitted working papers on the lines given in the questionnaire prepared by the Secretariat (E/CN.14/BUD/INF/1).

11. As to procedure of discussions, it was decided that the presentation of the budgetary system of the different African countries should be made by participants from each African budget administration. In the general discussion on budgetary techniques other participants or members of the Secretariat were invited to open the discussion in question.

12. The meeting appointed a drafting committee, consisting of the Chairman, the Vice-Chairmen and the Rapporteur to prepare the final report.

^{1/} See list of documents in Annex IV.

13. At the session of 10 October the Seminar was apprised of the sad event of the sudden death of the Togolese delegate, M. André Dosseh. His memory was suitably honoured by a one minute's silence, the presentation of a wreath and leave-taking at the Bole Airport and the condolences of the Seminar were transmitted by cable to the Government of Togo and his family.

14. After the adoption of the draft report at the closing session on 13 October 1966 and the usual closing courtesies, the Chairman thanked the experts for their co-operation and declared the Seminar closed.

15. In Part II of this report a summary of the discussions is reproduced and Part III contains the general conclusions and recommendations.

PART II - SUMMARY OF THE DISCUSSIONS

(a) Review of the development of the budgetary system in African countries (Agenda item 3)

16. The Seminar reviewed the development in budgetary systems and procedures which had taken place in recent years. Some countries have changed their budget procedures and structures in order to follow national development policies. The participants gave a review of the main changes in the budgetary systems of their countries in recent years and a comparison was made with colonial times and the period immediately following independence. Special mention was made of the changes introduced in the structure of the budget and the budget process; also a review of the introduction of economic and functional classification of government transactions as well as programme classification was made. The discussions were made in the light of the document submitted by the ECA Secretariat: The Budgetary System and Procedures of African Countries (E/CN.14/BUD/4) and the working papers submitted by the participants.^{1/}

^{1/} See Section C, Annex IV.

Changes in the budgetary systems and procedures

17. Many African countries had introduced changes in their budgetary systems and procedures after the Addis Ababa Budgetary Workshop in 1961 which no doubt helped to further modernization of their financial administration. However, some participants recognized that certain vestiges of the colonial budgets still survive in most of the newly independent countries. In the majority of those countries the traditional budgetary system still remains in which the main purpose of the budgetary system is the control and accounting of expenditure and revenue. However, it was recognized that there was growing concern in many governments regarding the uses of the budget as an instrument for development planning and fiscal policy.

18. Most of the African countries divided their annual budgets into Recurrent and Development Budgets; this is the case of Algeria, Cameroon, Republic of the Congo, Dahomey, Ethiopia, Gambia, Ghana, Nigeria, Tunisia, Uganda, Tanzania, Sudan, etc. It is divided into Ordinary, Extraordinary and "Ordre" Budget, in the Democratic Republic of the Congo. This last is the accounting document containing operations to be effected on account of third persons of special services not included in the ordinary or extraordinary budgetary appropriations.

19. In the UAR the annual budget is divided into Services Budget, Business Budget and the Local Administration Budget. The Services Budget represents the activity of the Central Government with all its ministries and departments. The Business Budget is made up of the budgets of public authorities and organizations engaged in enterprise-type activities. The Business Budget is self-financed, since the revenues of most public organizations and their affiliated companies cover their expenses and allow for a surplus. The budgets of local administration include the revenues and expenditure of local authorities. Each governorate has its own budget. The general

plan for social and economic development is divided into annual plans. The logical way to execute this plan is through the annual budgets. Therefore, the budget is considered the financial expression and the tool for implementing the annual plan.

20. The annual budget has a regional division in Nigeria and Cameroon. In Nigeria there is a Federal Government Budget; the Western Region Budget; mid-Western Region Budget; the Eastern Region Budget and the Northern Region Budget. In Cameroon the budget comprises the budget of the Federal Government, of the West Region and the East Region.

21. The participants interchanged information about the budget process in their respective countries. Usually the budget preparation is made by the Executive Branch but the agencies involved are different; the recurrent budget is prepared in most of the countries by the Ministry of Finance, and the development budget is under the responsibility of the Ministry of Planning and Development or the Central Planning Office. It was, however, recognized that co-ordination procedures in this respect were inadequate in many countries. In all the countries the process is initiated with a circular issued by the Ministry of Finance giving the directions for the submission of draft estimates. After processing these drafts the Budget Bureau and the Ministry of Finance submit the revised estimates to the Cabinet and after approval they are sent to Legislature for discussion and approval. There are different procedures for the discussions of the estimates in legislative bodies.

22. The Seminar was informed of the procedures for the execution of the budget in different countries. Some countries follow procedures inspired by the British system of consolidated fund and cash accounting and some others by the French tradition of special funds and specific accounting system "dépenses engagées." The Seminar noted that the fiscal year is not

uniform in African countries. There are many countries in which the fiscal year coincides with the calendar year. This is the case of Morocco, Algeria, Tunisia, Dahomey, Togo, Ivory Coast, Upper Volta, Mauritania, Niger, Somalia, Malawi, Madagascar, Rwanda, Burundi, Central African Republic, Chad, Congo (Kinshasa), Congo (Brazza) and Gabon. Other countries follow a fiscal year from 1 July to 30 June, i.e. Libya, UAR, Sudan, Cameroon, Ghana, Mali, Gambia, Senegal, Kenya, Tanzania, Uganda, Rhodesia, Zambia. Another system begins 1 April through 31 March, such as Nigeria, Sierra Leone, Swaziland, Botswana and Lesotho. Finally, in Ethiopia, it begins 7 July of one year to 6 July of the next year and in Liberia from 1 October to 30 September.

23. The accounting system is not mechanized in most of the African countries but many of them are attempting to introduce mechanization gradually. The accounting system in almost all of the African countries was created during colonial times and had been adapted to the new conditions prevailing today.

24. Some countries informed that the budget process had been greatly influenced in recent years by the adoption of comprehensive development plans, and that new procedures as well as new funds have been created for the task of financing development programmes and projects. New special funds for financing development have been created in the UAR, Tanzania, Congo (Kinshasa).

The object classification

25. The Seminar was informed that in many African countries the pattern for the classification of expenditures by objects has been inherited from colonial times. The participants pointed out that the distribution and details of items was not a consequence of a process of accounting planning but the result of practice and annual addition of items created by the routinary accounting process. Many participants agreed that the identifi-

cation of expenditure by economic categories is difficult because the basic object classification was not built for this purpose.

26. The participants informed about the main head of expenditure in their respective countries. In the French-speaking countries the pattern of classification follows almost the same lines. In some of them the first item is the public debt; it is followed by political authorities, expenditure in personnel, social charges, material expenditures, subvention, etc. In most English-speaking countries the expenditures are classified by administrative units and objects, starting from personal emoluments, other charges, and special expenditures. In some other countries, such as the Arab-speaking nations, the pattern of classification of expenditures follows a specific breakdown of the item. The classification of investments does not follow the object classification and only contains the name of the individual projects.

Economic and functional classifications

27. The Seminar noted that many countries are preparing economic and functional classifications for policy formulation. In some countries the traditional accounting system must be modified to make the extraction of information easier in the way needed. Therefore, the application of a uniform object classification which could be easily translated into economic categories will help very much in this direction.

28. The participants informed that the statistical services of Ghana, Nigeria, Tanzania, Uganda, Sudan, Tunisia, Liberia, UAR and other countries are publishing economic and functional classifications. This information is incorporated as a part of the budget analysis in Tanzania, Uganda, Ghana, UAR and so on.

29. The Seminar noted that Ghana is publishing annually government accounts classified according to economic categories based upon the recommendation of the United Nations Manual for the Classification of Government transactions by economic and functional items. Tunisia prepares annually an economic national budget for the purpose of adapting the medium-term targets to the needs of the immediate juncture and of the elaboration every year of a coherent policy for obtaining the economic equilibrium. The national economic budget has a double aspect: on the one side is the forecasting aspect and, on the other side, the operative aspect which is considered an intermediate instrument between the development plan and the annual budget. This economic national budget is prepared by the Secrétariat d'Etat au Plan et à l'Economie nationale.

30. The Seminar discussed some of the differences between the pattern of classifications used in some countries and the models prepared by the United Nations Secretariat.

Sectoral and programme classification

31. The Seminar noted that few African countries have introduced classification of expenditures by programmes. In many countries sectoral classification had been in use for many years, especially in the development budget and could be easily extended to programme classification.

32. The Seminar was informed that sectoral classifications are used for the presentation of development expenditure in Tanzania, Uganda, Nigeria, Ethiopia, Tunisia, Algeria, UAR and Ghana.

33. The participants informed that sectoral classification had been especially set up for the whole budget and as a pattern for the budget document and accounting in Ghana and the UAR. In Ghana the sectoral classification includes 14 sectors as follows: agriculture, mining, industry, construction,

transport and communications, commerce, education, health, labour and social welfare, general administration, internal administration, foreign relations, fiscal administration and defence. In the UAR the classification by sectors includes agriculture, irrigation and drainage, electricity, High Dam, industry, transport and communications, Suez Canal, housing and public utilities, defence, security and justice, education, health, tourism, culture and entertainment, social and religious services, supply and storage, scientific research, organ of state, financial and commercial.

34. The Seminar was informed that programme classification had been applied especially in Ghana and selectively in the UAR and recently in the Sudan. In Ghana the system was introduced in 1961 and was reshaped for further improvement in the 1966-67 budget. In the UAR and Nigeria, the classification by programme and project is in use for investment expenditures. In the Sudan the elements of programme classification were introduced in the Ministry of Works and the Ministry of Irrigation and Hydro-electric Power for the fiscal year 1966-67.

35. The participants recognized that there is little experience in most African countries in the uses of programme classification. The Seminar was informed that the experience obtained in Ghana, the UAR and the Sudan is encouraging for further developments in the adoption of programme and performance budget techniques.

Changes in the budgetary organization

36. The Seminar noted that in practically all African countries the budgetary organization is headed by the Minister for Finance or Treasury. Only in the case of Liberia, the Budget Bureau is under the Office of the Presidency, following the tradition of the United States.

37. The participants informed that the Bureau of the Budget is the central budgetary office in charge of the budget preparation and control. The Bureau of the Budget is headed by the budget director, who often has the title of Director General, Principal Secretary or Under-Secretary of State. In Ethiopia, for example, it is the responsibility of the Budget Department in the Ministry of Finance; in the Congo (Kinshasa) the preparation of the budget is the responsibility of the Bureau of the Budget and Budget Control; in Gambia the preparation of the budget is the responsibility of the Ministry of Finance; in Ghana, the title is Principal Secretary in charge of the budget in the Ministry of Finance; in the Sudan the head of the budget section is the Assistant Under-Secretary for the Budget, under the Under-Secretary for Finance in the Ministry of Finance and Economics.

38. The Seminar noted that the adoption of development plans by many African countries and the creation of Ministries of Planning and Development are complementing now the budgetary structure with an agency specialized in the preparation of development budgets. The need for close collaboration was stressed between the Ministry of Finance and the Ministry of Planning for the co-ordination of recurrent and capital expenditure.

(b) Relationship between the national budget and
the national development plan
(Agenda item 4)

39. The discussions followed the lines laid down in the documents submitted to this Seminar, particularly the Government Budgeting and Economic Planning (E/CN.11/BRW.4/L.6) prepared by the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations and the Guidelines for the Co-ordination of National Budgets with National Development Plans (E/CN.14/BUD/3) prepared by the ECA secretariat.

40. The Seminar noted that to direct their development many African countries have recently prepared and approved national development plans. In

some countries targets for periods of 15 to 20 years have been set up as a reference of the final goals to be achieved. This is the case of Dahomey with the perspective plan 1960-1980; Togo with the projections for 1965-1984; Upper Volta with the perspective plan 1963-1975; Senegal with the plan for 1960-1985; Tanzania with the perspective plan 1965-1980; Uganda with the projections for 1966-1981, etc.

41. Some other countries have formulated targets for 10 years in order to have in a shorter period an orientation for their efforts. Countries like the Sudan (1961-1970); the UAR (1960-1970); Tunisia (1962-1971); Ivory Coast (1960-1970); Niger (1965-1974); Sierra Leone (1962-1971), etc. are now experimenting with this type of planning.

42. These long-term plans had been formulated with the purpose of making a definition of the "image" of the kind of country one nation can become through systematic efforts. The co-ordination of efforts of the population is important to give every human being the chance of participating in the process of development. These long-term plans can mobilize efforts towards common purposes in a country.

43. The participants agreed that for such objectives, long-term plans are interested in discovering and exploiting the national resources and human potentialities and giving a perspective of the benefits to be achieved if they are properly used. These plans attempt to orient efforts in several fronts simultaneously: improvements of farm production; substitution of imports; diversification of exports; increase the rate of saving; increase the number of trained personnel; set up new industries and process raw materials. Therefore, development plans contain the strategy for obtaining such results and fixing the major priorities between sectors and the principal policy decisions.

44. For the implementation of this strategy and the economic and social policies, inside the macro-economic perspective of development plans, it is necessary to reflect the goals, purposes and targets into specific economic measures and specific development projects. The instrument for these purposes is the medium-term plan, which generally comprises from 4 to 6 years, and which is generally an investment plan of the public sector and contains measures of economic policy to be adopted to orient the private sector.

45. The Seminar was informed that in Africa many countries have formulated medium-term plans. For example, this is the case of Morocco (1960-1964); Congo (Brazza) (1964-1968); Libya (1963-1968); UAR (1966-1970); Nigeria (1962-1968); Dahomey (1966-1970); Togo (1966-1970); Ghana (1959-1964); Upper Volta (1963-1967); Mali (1961-1965); Ivory Coast (1965-1969); Senegal (1965-1969); Niger (1965-1969); Mauritania (1963-1966); Ethiopia (1963-1967); Kenya (1964-1970); Tanzania (1964-1969); Uganda (1966-1970); Somalia (1963-1967); Malawi (1965-1969); Chad (1966-1970); Gabon (1965-1970); Cameroon (1961-1965); Tunisia (1965-1968), etc. In Africa, these plans are public investment programmes and contain specific projects to be executed through the public sector and measures of economic policy for the guidance of the private sector.

46. The Seminar agreed that the goals of long- and medium-term plans must be converted into detailed and specific annual plans which could easily be translated into the budget structure. Such annual plans have two main functions, i.e. to link immediate action with the long- and medium-term plan, and to serve as an instrument for co-ordinating the over-all decisions adopted at high government level and the decisions taken at the intermediate and lower levels of public administration. The Seminar considered that the annual plan converts general guidelines into concrete

feasible targets, and determines the whole machinery for the "execution" of such goals and objectives, by establishing a link between over-all decisions and operational decisions.

47. Annual plans are therefore a tool used by each administrative unit within the government organization to define its particular targets to guide its action and control the results obtained. Therefore, the annual plan, far from being imposed by high levels of the administration, represents the real scheme of action of every public office and is essential to their sound administration. However, the annual plan not only incorporates the projects planned by government officials, but also embodies the ideas, knowledge and creative ventures of the private sector through consultation with representatives of the producer and working sectors, and of the regions of the country.

48. One of the weaknesses of the planning process in some African countries is the absence of annual operational plans devised for the execution of perspective or medium-term plans. Few countries prepare this type of plan. Some experience has been accumulated in this respect by Ghana and the UAR. But some of the countries set up only capital budgets for the central government, in which not all the investments of the public sector are included, and excludes other development efforts, such as education, health, agricultural and industrial services, and so on and these prevent over-all co-ordination of efforts. Some participants pointed out that since investment programmes depend so largely on foreign aid it was very difficult to formulate annual plans without having complete information on the negotiation of loans.

49. The Seminar considered that it would be a mistake to regard long, medium and short-term planning as separate alternatives. On the contrary, it should be deemed that the want of one or the other would vitiate the

whole concept of planning. Short-term programmes which are not formulated within the context of a long-term programme can represent only the rationalization of immediate decisions, and their soundness and efficacy cannot be assured unless they take into account the goals to be attained over the longer term. On the other hand, long-term planning alone would prove insufficient, since the broader view and prospects it offers are not justified on their own, but only insofar as they influence immediate action.

50. Accordingly, planning would comprise two types of instruments: those designed to orient the conduct of the economic units for development, and those for the operation of immediate action. The first category includes long-term economic and social development plans, medium-term development plans and medium-term investment plans of the public sector, while the second includes national economic budgets, annual development plans and public sector programme budget.

51. The participants pointed out that for its execution the breakdown of those national plans into regions is advisable. As it is well known, developing countries are not homogeneously developed in connection with their territory. Economic activity is concentrated principally around a singly "polarized centre," often connected with foreign economies. But development implies the allocation of investments for further improvement of this internal "focus of development," for the creation of new connected national centres, and for the development of the "periphery" of the country as a means of promoting the growth of this area and also for the continuous increase of production in the centres. Investments in the periphery are essential for providing the polarized centres with raw material, food and other commodities.

52. Many developing countries have discovered in recent years that the public sector budget is a strategic instrument within the context of a development policy. In fact, on the one hand, it constitutes a basic link in the planning process, particularly in respect of the allocation of resources - personnel, material, equipment, organization, technical knowledge, etc. - for the attainment of short-term goals established within long- and medium-term plans. On the other hand, it is regarded as a decisive mechanism of economic policy, since its level and structure, besides immediately reflecting the development goals, influence simultaneously short-term movements in the monetary, foreign trade and financial spheres.

53. The participants agreed that a number of governments now see in the budget a strategic multi-purpose tool of the administration for executing development plans, which is closely inter-related with the economic, social and political system of a country. Accordingly, the budget is no longer regarded as a separate mechanism operating outside the life of a nation as a whole; it has been accepted as a basic mechanism for the allocation of productive resources in pursuance of given objectives, and for the mobilization of internal and external resources. Consequently, the preparation of a budget now entails the operation of political, planning and budgetary accounting agencies, and consultation with the private sector. It should also involve the regions into which a country is divided, with due regard for harmony in their development impetus and without impairment of the basic nationwide incentives which must be provided in order to promote over-all national development, in accordance with the regional planning explained before.

54. The Seminar agreed that long- and medium-term plans should be implemented in the short-term - usually one or two years - through specific immediate-action programmes. Government programmes - whether operating or investment - are incorporated in the public sector budget, which thus

becomes an important and effective tool for the execution of economic development plans. The modern budget is, therefore, a co-ordinated complex of programmes and projects to be carried out in the immediate future and is known as the Programme Budget. Some participants thought that it could be divided into the General Services Budget and the Economic and Social Budget, which are closely inter-related, with the two-fold purpose of improving the operating efficiency of the public administration in the provision of general services, and of endeavouring to use its resources to economic and social services to remove the bottlenecks which are so common in the developing economies.

55. The Seminar suggested the adoption of a new criterion for classifying programmes within the budget by dividing them into programmes for the provision of general services in public administration and programmes for the economic and social development. It was said that such criterion is more closely related to the sectoral classification of expenditure and tends to show the immediate goals aimed at in the activities established under the programme. Such a separation of programmes would make the State's action easier to follow by showing not only the capital formation involved in investment programmes but also the increase in productivity obtainable by other means, for example, expenditure on education, public health and other social services designed to improve the quality and skills of the human resources and increase their yield and contribution to the economy.

56. For the co-ordination of plan and budget, both should be divided into uniform sectors - agriculture, industry, education, health, transportation, etc. The plan fixes targets in every sector, for long- or medium-terms and the budget for the public sector in the short-term. At the same time, plan and budget have to be co-ordinated with public administration; for instance, the educational plan must have an annual operative educational programme within the annual budget and a Ministry of Education in charge

of its execution. For this purpose, programmes should be identified and these should be classified accordingly in the plan and in the budget, and simultaneously the public administration must identify the administrative units responsible for the accomplishment of the programme. Thus the Divisions have to select the Sections charged with the accomplishment of the activities or projects, within the programme, included in the respective spheres of action.

57. The participants discussed the need for a close link between budgeting and planning; they pointed out that in practice it can be observed in many countries that it has often been weak and inadequate. It was said that an important reason is the failure of the plan itself to indicate the precise measures needed to ensure its fulfilment. In several countries plans are drawn up depicting mostly targets of output for different sectors of the economy to be attained at the end of a given period with an indication of the aggregate investment outlays needed to attain these targets. General plans of this nature for the public and private sector combined hardly provide an operational framework for linking planning and budgeting. In such situations the action to be taken annually in the budget to help towards the fulfilment of the plan objectives is not clear and in practice the action may fall very short of what is needed.

58. The Seminar agreed that to produce this desirable relation, the classification of receipts and expenditures is the essential instrument to good planning, budgeting, accounting and reporting. In order that the government accounts may provide the information required for planning, administrative, budgetary and accounting purposes, it is important that an orderly and uniform classification system be established and followed. The classification system should basically be the same for planning, budgeting, accounting and reporting. To the extent possible, the classification should be uniform over successive periods and as to different orga-

nizational units in charge of similar transactions. The classification of receipts and expenditures should be organized in such a way that their significance be understood and in order that analysis may be facilitated.

59. The participants discussed the uses of budgetary and planning techniques in different economic systems. It was pointed out that in African countries of mixed and centrally-planned economies the application of budgetary techniques and classifications is not different and that the scope of the public sector does not influence the type of budgetary instruments in use.

60. Some participants observed that many countries are facing difficulties in the execution of development plans and development budgets due to shortage of resources. Some countries also have a deficit on current accounts and foreign aid is even necessary to pay current expenditures. Some other countries are facing continuous increases in current expenditure and the gradual reduction of their investment capacity. Information was exchanged between the participants with regard to possible measures to be taken. The strengthening of the tax administration and austerity programmes in the recurrent budget were suggested as sound measures to be taken but it was agreed that it is very difficult for developing countries to have a balanced budget in the present historical stage of their development. It was agreed that, nevertheless, the reduction of unproductive expenditures is necessary for increasing public savings in the future.

(c) Classification of budgetary transactions
(Agenda item 5)

61. This item of the agenda was discussed along the lines given in the Manual for Economic and Functional Classification of Government Transactions prepared by the Fiscal and Financial Branch of the Department of Economic and Social Affairs of the United Nations (ST/TAA/M/12); and A Guideline for the Classification of Government Transactions by Objects

Adapted to African Countries (E/CN.14/BUD/2), Guidelines for the Co-ordination of National Budgets with National Development Plans (E/CN.14/BUD/3) and Survey of African Budgetary Statistics (E/CN.14/BUD/5) prepared by the secretariat.

62. The Seminar was informed that there are, at least, three purposes served by a budget classification system: (a) global analysis for satisfying budgetary policy requirements; (b) budgetary planning following long, medium and short-term plans; and (c) for management or operative purposes in order to execute decisions taken within the framework of fiscal policy and fiscal planning. Each one of these uses must be supported by different kinds of classification: for budgetary analysis and policy, the classifications used are the Economic, Functional and Organizational; for planning, the Sectoral and Programme Classifications; for management, classifications by Administrative units, by Programmes and Activities and by Objects are used.

63. The Seminar noted that classifications for budgetary analysis and policy provided information for high level decisions. The economic classification makes possible the analysis of the volume of resources to be allocated in consumption and investment, and within each kind of expenditure the proportion allocated to salaries, transfer payments, subsidies, materials, constructions, etc. The functional classification shows expenditures in the broad divisions of total effort directed towards a major purpose of government, e.g., education, defence, health, transportation, etc. Organizational classification provides information on the institutional framework which will undertake the execution of the efforts, such as central government, local authorities, autonomous agencies, etc.

64. The classifications for budgetary planning provide information for the allocation of resources within the framework of the development strategy approved by the government through its plans and shows the specific

efforts to be made for improving the human resources, the infrastructure of the economy, the general services and so on. The programme classification shows a small segment within a sector that produces an end product serving the sectoral plan goals.

65. The management classifications permit the execution of the operative process necessary to accomplish the programmed targets. The classification by administrative unit shows the entities, within a ministry or agency, in charge specifically of the execution of the programmes or sub-programmes. The classification by activities or projects illustrates the homogeneous types of work operations that are directed towards the same programme purposes. Finally, the classification by objects contains the goods and services to be purchased with appropriated funds, and permits the control of the expenditure process.

66. The Seminar agreed that such a classification system enables better balanced judgments and decisions in the budget process. It facilitates the distribution of available resources in accordance with policy objectives, the mobilization of resources in accordance with the fiscal policy approved, the formulation of budget estimates in terms of long-range goals and priorities, the review of work programmes in relation to costs, and control over the execution of the authorized budget. To be meaningful and useful for decision-making purposes, the system of classification for the national budget must be tailored to the situation in the individual country. The functions, programmes, and activities must reflect the purposes to be served by the policy of the government concerned.

67. The Seminar was informed that there are a number of classifications used by governments depending upon the purpose they serve. Most governments employ, in one form or another, classification according to organizational unit, object, activity, programme and function. As indicated

before, any system of classification must be in conformity with the organizational structure, the basic laws and regulations, and reflect the basic objectives as defined in the various programmes.

68. The classification system for public policy, fiscal planning and management includes two kinds: (a) classifications embodied in the budget, or operative classifications; (b) classifications annexed to the budget, or synthetical or global classifications. The operative classifications are: Organizational; Sectoral; Programmes; Activities and Projects; by Administrative Units; and by Objects. The global classifications are: by Economic Items; by Functions; and by Sectors.

69. In order to facilitate their purposes, some cross classification can be formulated: Organizational - Sectoral; Sectoral - Programmes; Programmes - Activities and Projects; Activities and Projects - Administrative Units; Programmes, Activities, Administrative Units - by Objects; by Objects - by Economic Items; Organizational - by Functions; and by Functions - by Economic Items.

70. The Seminar agreed that the first step towards the establishment of a comprehensive budgetary classification system should be the standardization of the object classification. The participants agreed that a well-balanced object classification must facilitate the segregation of capital and current transactions; be easily comparable with the categories used for economic classification of government transactions; contain details, adequate presentation of the component costs of various government activities; provide sufficient information to exercise an effective financial control, etc. This classification should not have unnecessary details precluding in the execution of the budget and imposing heavy tasks on accounting and reporting.

71. The Seminar noted that many benefits connected with a well-constructed standardized object classification of expenditures and revenues should result in a better organization of the budgetary and accounting processes, helping planning and execution of governmental decisions. The model uniform object classification should be flexible enough for adaptation to local conditions through changes and additions, as required of specific sub-items. The Seminar studied the simplified model classification proposed by the secretariat in document E/CN.14/BUD/2 Guidelines for the Classification of Government Transactions by Objects Adapted to African Countries which comprises both sides of the budget: expenditures and revenues.

72. It was agreed that the model "Classification of Government Transactions by Objects" prepared by the secretariat could serve as a useful basis for formulation of classification by object in particular countries and, if introduced in practice, will to a great extent facilitate analysis of the budgets in economic categories as well as make possible comparative analysis of the budgets on the sub-regional or regional basis. The model approved is included in Annex V.

73. As it was stated in the 1961 Workshop, it has been possible for a fairly large number of countries to make good use of the Manual in reclassification work. The Seminar felt nevertheless that the classifications and the accounting design presented in the Manual were of great complexity, and that the simplified economic classification suggested in the Workshop of 1961 was more appropriate for a first attempt at undertaking this work.^{1/}

1/ Report of the Workshop on Problems of Budget Reclassification and Management in Africa (ST/TAO/SER.C.53), Addis Ababa, 1961.

74. The Seminar agreed that a functional classification is useful for the information of the government in presenting the budget to the legislative body and in informing the general public as to what the government is doing in the various fields of its activity. The participants noted that the functional classification is of particular value to countries undergoing changes in their institutional structure since it ensures comparability of data from one period to another. The Seminar also agreed that the simplified model of functional classification presented in the Report of the Workshop of 1961 was a useful guideline for African countries in the process of reclassification.

(d) Techniques of programme and performance budgeting
(Agenda item 6)

75. The Seminar was informed that certain terminological confusion exists as to the meaning of Programme and Performance budgeting. The term "Performance budgeting" gives undue emphasis to the part of the total effort required in the new techniques, involving the development of physical measures of work and accomplishment.

76. The Seminar agreed that a programme approach to the budget is different from performance approaches. A Programme budget is useful for co-ordination between economic planning and budgeting - and for review and decision-making at and above the departmental level. It helps the overall budgetary planning and review. Performance analysis attempts to measure the costs and accomplishments and to improve implementation of the programme.

77. It was agreed that in the preparation of the budgetary estimates, programme determination should proceed and provide a framework in which measurement of performance can be undertaken. A programme budget may include broad programme costs, without being extended to or limited on performance units.

78. Discussion revealed that many participants were interested in the new techniques and consider that programme approach to budgeting is a logical consequence of economic planning and specifically necessary for proper co-ordination between the annual portion of development plan in the public sector and the budget, which should be a part of the plan expressed in financial terms and an effective instrument in the implementation of the economic development plan.

79. The differences between programme and performance approaches to budgeting were noted and it was resolved that the programme approach would be of primary importance to African countries and that performance techniques should be used only on a selective basis in certain government activities where the end-product or unit of work could be easily identified and where it may be really useful and required for managerial purposes. Participants did not see the immediate necessity of applying performance techniques to the majority of administrative activities, where they would not have great significance.

80. It was noted that in some countries when formulating traditional budget, or in the exercise of budgetary controls, attention is paid also to the physical side of the operations proposed or executed. The spending units have to justify their requirements for funds by the services they will provide or the work they will carry out and often explanatory notes accompanying the estimates supply information of the programmes or projects carried under particular appropriations.

81. Information on the progress of work on more important schemes, especially in the development budgets, is also produced in certain countries in administrative reports. This kind of information often gives details of physical results achieved and it may be defined as "budget appraisal in real terms." It was agreed that in such cases further efforts would be well justified in developing existing techniques along the lines leading to

the Programme and Performance budgeting. In this way improvement action would be concentrated in areas where the necessity for more advanced techniques is already felt, which will be usually in selected activities in the field of economic and social services.

82. Participants considered that examples of highly developed programme and performance techniques in the USA and the Philippines should be supplemented in the Manual for Programme and Performance Budgeting by case studies in the developing countries which are trying to introduce such techniques. It was recommended very strongly that ECA should proceed with detailed case studies, based on experience in selected African countries, covering all stages of the reforms undertaken and that such case studies should be circulated to the countries of the region. To fill this gap during the seminar, the participant from Ghana was asked to explain in detail the progress in this respect in his country and the ensuing discussion showed a real interest of participants in this problem.

83. The Seminar was informed that in Ghana the evolutionary process which was started in 1961 has been taken one step further in 1966. It was possible in the 1966-67 Annual Estimates to summarize Government's expenditure as envisaged in the financial year by broad sectors of the economy. Individual programmes can therefore be identified within each sector. Each sector defines the broad range of activity in which Government is engaged through budgetary expenditure. A sector is divided into chapters, that is, different administrative units responsible for the execution of programmes within that division of the main sector; for example, there are two chapters under the Agricultural Sector, namely Chapter I - Agriculture, and Chapter II - Forestry. Generally where one sector is divided into chapters, each chapter covers a Ministry within the sector. The Seminar noted that under each sector, there are programmes and sub-programmes, classified by

organizational units and objects of expenditure. A programme defines the framework within which intended expenditure falls, and is equivalent to a "head" in the terminology of the country and a sub-programme is equivalent to a sub-head. To enable the public and various Departments to grasp the new terminology both terms have been used interchangeably; however, it is intended that after some time the former terminology will be dropped in favour of the new one.

84. The Seminar was informed that in Ghana the memorandum to each volume of the estimates gives a broad picture of the functions of the Ministry responsible for the votes and its operative programmes. Each memorandum gives three basic tables, namely: (i) Summary of budget expenditure broken down into recurrent and development expenditures; (ii) Budget expenditure by programmes and sub-programmes; (iii) Budget expenditure by programmes and by objects. The first two tables enable the public to know at a glance the various allocations according to programmes and sub-programmes within the sector and to determine through this the policy of the Government as indicated through the priorities established within the sector. The third table shows broadly the object or end-use of funds within each programme. This is a table of expenditure by programmes and by objects. In Ghana, apart from re-arranging the estimates into sectors, the main body of each estimate has also been re-arranged for each sub-programme as follows: the narrative statement; the details of expenditure (by objects), items and sub-items including account numbers; the justification; the establishment schedule. The advantage of this new arrangement is that unlike the old each sub-programme or sub-head is treated as a self-contained unit to facilitate easy reference by unit heads. Summaries of expenditure by sub-head which appeared usually at the end of each table of details have been left out as they are already shown in a different presentation in the memorandum in the table of expenditure by programmes and by objects.

The presentation of development estimates appears as the last sub-head in the estimates under each programme. It is the intention in the future to present the development estimates in such a way as to focus attention on what is to be achieved in physical terms.

85. The hope was expressed that the United Nations would assist the efforts of particular countries in their endeavour to introduce the new techniques by providing, when required, technical assistance in this field and that ECA would organize training courses for budgeting and accounting personnel, preferably on a sub-regional basis, taking into consideration that the inadequacy of technical skills, which after all is the basis for the introduction of the more advanced budgetary techniques, represents the major obstacle in this respect. The participants found that the Manual for Programme and Performance Budgeting (ST/TAO/SER.C/75) is a useful guideline for the introduction of the new technique.

86. It was noted that the participants showed more interest in the Programme and Performance techniques than was the case during the Budgetary Workshop in 1961 where only further studies in this respect were recommended. The present Seminar agreed on the usefulness of the new techniques, considered the possibilities of their practical introduction and expressed the hope that the United Nations would assist their endeavours.

(e) Techniques for revenue programming
(Agenda item 7)

87. The Seminar noted that development plans give the framework for the allocation of resources, and that in this sense, it can be said that African countries know today better than before what must be done to accelerate the rate of growth. However, the participants recognized that it is very important to know what resources are available and the ways and means to mobilize them accordingly, and that this is, unfortunately, one of the great weaknesses of the development policies of some African countries at this time.

88. The Seminar discussed some procedures and methods to be applied in programming and forecasting the capacity of the government to mobilize resources for financing the level of expenditure. Since not much attention has been given to this subject, because most of the literature produced in recent years deals specially with techniques for expenditure programming, some general ideas were interchanged between the participants.

89. The Seminar was informed that there are different procedures for estimating revenues. The experience of developed countries in the last century provided methods which were transferred to practice in the under-developed areas. In general these traditional methods consider only the past trends of revenue collection and do not pay attention to the general trends of the economy as a whole; they are also very static methods and were devised as a tool for containing public expenditure and for securing the balance of the budget.

90. The participants discussed first the method called automatic method which consists in projecting the same revenue collected in a previous year to the forthcoming fiscal year, repeating the amount collected in every item of revenue. This method is based upon known results and reflects the actual capacity of the government, the taxpayer, and the fiscal administration for mobilizing a certain amount of resources. This method is especially applied to the estimation of indirect taxes, which are a large percentage of total revenues. The participants agreed that this method had actually a very limited applicability because of its rigidity and because it lacks consideration of the changes in the volume of transactions in the total economy.

91. The participants were informed that some of the imperfections of automatic method could be corrected by the application of the average technique which is based upon the same philosophy and differs only in that this technique considers not only the previous year, but a number of

previous years, say 3 to 5 years, in order to correct the influence of some occasional factors in the collection of revenues. The Seminar agreed that this average technique was, of course, better than the automatic method but it was also very static and based exclusively on the trends of the past and did not consider appropriately the changes in the level of production or incomes, due to development or inflation.

92. To remedy some of these imperfections, a system called the technique of increases was applied. It consisted in the addition of some increases in revenues collected in the past. First of all, the method estimates the normal collection of revenues, using the system of the average yield in recent years; afterwards the average rate of growth of the previous years was applied to the normal yield of revenues calculated. This method was recognized by the participants as more rational than the others, but it was agreed that the increases estimated in the yield of revenues were based only on the rate of previous expansion of production and incomes, and not on the direct estimation of increases in production and incomes.

93. The Seminar noted that in some of the developing countries this is the most widely used method of revenue forecasting. Sometimes all the secrets of revenue estimates were based upon the rate of increase to be applied to each item of revenue. If some country had inflation, an estimate of the increases in the cost of living was made and applied as a criterion for fixing the rate of growth.

94. The participants agreed that it was natural that in developing economies every year there would be an increase in production which meant the distribution of new profits, incomes, salaries, wages and so on. In this respect, development meant the expansion of taxable capacity. However, developing countries were facing three main problems for the calculation

of a rate of growth of revenues: (a) the income-inelasticity of the tax system, which meant that if the monetary income of the country increases in some percentage, the collection of taxes did not increase in the same percentage, but in less amount. This was due, generally, to some imperfections in the tax structure and administration; (b) the difficulties of estimating the quantum of exportations, the average prices of primary commodities to be sold in foreign markets, and the import capacity. This problem was extremely important in African countries in which 50 to 90 per cent of all current revenues proceed from taxation of foreign trade; (c) in some countries the forecasting of tax levied on foreign companies is difficult due to a lack of direct information of their profits and financial transactions; and (d) the difficulties in measuring the increases in tax collection due to improvements in the tax administration. It was agreed that in some of the developing countries there was considerable tax evasion, due to many factors such as weakness in the administration, irrationalities in the tax laws, inadequate penalties, etc. The participants agreed that it was almost impossible to measure the effect of improvements in the procedures and control of tax administration in countries in which the level of national income fluctuates frequently due to the instability of prices of the commodities for exportation.

95. The Seminar noted that the problems mentioned render accurate estimates of tax collection in developing economies very difficult. Very frequently, therefore, the forecast of revenues was, in the end, the result of a commitment between the officials in charge of the duty and the authorities of the government.

96. The Seminar was informed that in an attempt to avoid the limitations which arise from the traditional techniques described above, a new approach to revenue forecasting has gained ground in many countries. The principal new method used was the so-called direct evaluation system and consists in

forecasting for every item the yield to be obtained in relation to the movement of the economic and social process. The changes in the level of production, employment, capital gains, exports and imports, etc. influence the "basis" on which taxes were levied.

97. The participants agreed that the main facts that modified taxable capacity were the real and monetary growth of GDP; the changes in the price level; the movement of foreign trade; the process of urbanization and construction; the changes in preference of the population, and so on. There are also some social events which may modify the collection of taxes, for instance, workers' strikes in main enterprises; social mobilization; the migratory movements inside the country, etc. Of course, political factors influence very much the movement of the economy and society, and it was necessary to pay attention to the changes in the political attitudes of the population, the trends in political situations and so on.

98. It was recognized that the system of direct evaluation covered not only the possible changes in the taxable base, but also in the exemptions and rates of tariff to be applied. In this connexion it was very important to take into consideration the tax policy to be followed in the fiscal period.

99. The participants agreed that if the system took into account the analysis of the global situation of the country it was necessary to develop an appropriate methodological approach. For that purpose it is advisable to build a set of comprehensive macro-economic projections of the economy for the next year and, if it were possible, for several years ahead. These projections will show the behaviour of the economy as a whole, and provide the framework for particular studies in connexion with every item of government revenues. In these projections it was necessary to separate the trends of the external side of the economy, so important in developing countries

and the internal side. This distinction should be made both in the projection of global demand and global supply as well. The Seminar noted that for the projections of global demand a very useful instrument was the preparation of the so-called National Economic Budget, based upon the framework of the Economic National Accounts; in this respect Tunisia is experimenting with this system and the UAR is introducing this procedure.

100. The participants agreed that when a general idea of the level of global demand was obtained, the possible movements of the supply side should be estimated. For that purpose the analysis of the trends of the quantum of production and consumption was advisable. The expansion of every significant production must be estimated and related to every specific tax item. This would give an idea of the base on which taxes on production were levied. Particular estimates of expansion in production can be obtained with samples, questionnaires, etc. from private and public enterprises. On every kind of significant production the medium rate levied must be applied. It was agreed that yields from taxes levied on transactions could be estimated, after knowing the trends in the expansion of production. Sales taxes could be estimated upon the projections of the level and composition of consumption and medium tax rates to be applied, having consideration for the administrative capacity to absorb, through taxation, the new level of transactions forecasted.

101. The Seminar agreed that it was most important to make a special study of the level and composition of imported goods. Knowing approximately the level of exports and the amount of all financial resources for imports, it was possible to fix approximately the value and composition of imports for the future, considering, naturally, the changes in customs duties and fiscal policy to be followed.

102. The participants considered that the level of GDP projected and its composition by economic activities gave valuable information about the level of income to be distributed in the economy, and this was important for the calculation of direct taxes. A rough idea of the distribution of national income by type of compensation is very useful for the knowledge of the amount of income which will flow to different social groups. The preparation of projections of the total amount of salaries and wages to be paid was advisable for estimating the collection of taxes on personal income of employees and workers. For that purpose the definition of a salary policy was important, especially in the case of countries with some degree of internal inflation. If income tax had specific categories levied on different profits or revenues, as for instance agriculture, mining, commerce or industry, projections by economic sectors would be most valuable for the estimates of the tax basis.

103. After the total revenues had been calculated, including the appreciation of the yields which can be added through improvements in the administration and changes in the rates of the taxes, it was necessary to execute the financing plan. For this purpose there were many operations to be executed and of course the government had to plan the quantity and procedures of all the operations to be undertaken in the fiscal year in order to collect the revenue forecast. This amount of financial resources was the global target of revenue collection. The participants agreed that this target could be broken down into specific amounts for each type of revenue. The approval of the revenue forecast means, therefore, fixing targets to be achieved by the various departments of the Internal Revenue Service, the Customs House and all other divisions in charge of the collection of revenues.

104. The Seminar considered it advisable that attention be given to practical methods for the preparation of tax control programmes. These programmes had an end-product to accomplish: to collect some amount of money for the government and, to obtain that result, many activities and operations must be defined. The resources such as inspectors, employees, etc. must be allocated to the accomplishment of these specific operations. Administratively, these operations can be identified and measured. For example, it is possible to measure the amount of audit of tax returns, the number of inspections to be done, the number of taxpayer conferences and appeals, the number of tax returns filed and to be processed, the number of notices issued for taxpayers, the number of special inquiry investigations, the number of enrolment investigations, etc.

105. The participants agreed that the measurement of work to be done related to the available resources for the tax collection must be clearly established in the revenue collection programmes. In this connexion some use of the principles of the programme and performance budgets can be applied. Suggestions were made about the possibilities of the government preparing annually a Revenue Programme Budget in which not only the total of revenues to be collected were presented and classified systematically, but also the administrative operations to be conducted to produce the effective mobilization of the resources estimated.

106. The participants interchanged information about the procedures applied in their respective countries. It was found that in many governments mixed systems for tax forecasting were in use; the increases method was applied for some types of revenue and in others some elements of the direct evaluation method. The Seminar agreed that for improving the system of revenue forecasting it was essential to have well-classified up-to-date information provided by the accounting system.

(f) Accounting and control procedures
(Agenda item 8)

107. The Seminar discussed this item of the agenda along general lines due to the absence of the UN Accounting Manual, which is under revision at Headquarters. The participants agreed that the study of accounting and control procedures cannot be disassociated from certain matters relating to the structure, formulation and administration of the budget. It was said that the link between budget and accounting in the Programme and Performance budget is much closer than in the traditional system; this system has much wider tasks than the traditional budget and consequently the procedures connected with the preparation and management of such budget must be somewhat different. However, many basic principles concerned with the traditional budget remain valid and consequently a short review of such basic requirements was made.

108. The discussions did not go into the technical details of possible accounting systems, which in practical application may differ widely, according to the needs of particular countries, availability of skills, etc. The Seminar noted that in the classical French system of "Budget Year," all payments made in respect of obligations incurred during a particular year, on the basis of this year's appropriations, have to be entered into this year's accounts, which are kept open until all known obligations incurred during the year are settled and payments effected. In practice, however, the countries following the French system adopted the system of so-called "limited budget year," where the accounts are opened for a limited period after the end of the financial year. In such a system, therefore, the figures of closed accounts represent the amounts actually paid during the financial year, plus an additional period.

109. The participants were informed that the kind of payments allowed during the additional period may vary in different countries. In certain cases, only outstanding obligations which were settled and payments orders issued, could be paid. In other cases new pay orders may be issued, or even new obligations incurred, settled and paid, and charged to unused credits carried forward from the previous period. After the end of the additional period, accounts are closed and outstanding claims are included in the new budget after legislative approval.

110. The Seminar noted that the countries which apply the English system use predominantly so-called financial year system, where only actual payments made during the year are charged to the appropriations for the year. All payments made after the end of the year are posted in the accounts for the next year, against the appropriations of that year, even if resulting from obligations incurred during the previous year, on the basis of previous year appropriations. Closed accounts contain only cash payments effected during the year, which resembles the French "Système de la Gestion."

111. The participants discussed the different techniques which are in existence for making available to the government agencies the money voted by the legislature in the form of appropriation law. In only a few countries do the budget appropriations become available for use immediately after the approval of the budget by legislature. In some countries an additional executive authorization is required in the form of periodical apportionments of voted funds, to the heads of agencies, issued usually by the budget office, or the Ministry of Finance.. Within the limits of this apportionment the head of the agency is making allotments to the subordinate units. Allotments are made practically in all cases, on the basis of substantiated demands, and are subject to review and approval by the

budget office. Such allotments may be issued in lump sums or follow particular appropriations or even certain detailed specifications of the authorized expenditure. It was agreed that the so-called reserved expenditures, used in certain countries, are really a form of allotment.

112. The various bases of accounts were discussed in detail in the light of examples provided in the UN Manual for Programme and Performance Budgeting, viz. obligation basis which represents the goods or services ordered regardless when received, used or paid for. The accrued expenditure which represents goods and services received regardless when ordered, used or paid for. Cash basis which represents goods and services paid for, regardless when received, ordered or used. Cost basis which represents goods and services actually used, regardless when ordered, received, or paid for. When a contract or order is placed, the Government is committed to expenditure and it would be logical to start financial control at this point, and this is one of the reasons why the Accounting Manual recommends the obligation basis for appropriations, which gives control over future expenditures. It would require the introduction in the accounting system of specific procedures for recording the obligations incurred and liquidated, and keep control of the appropriation account in order to prevent over-obligations. Data concerning the time of obligations provides valuable financial and economic information concerning future expenditures.

113. When goods or services are received, liability arises. Expenses and assets acquisition may be recorded on this point. In this way, inventories and other resources carried forward to the next year may be reflected in the budgets and accounting reports, providing at the same time information for cost basis. The cash basis is necessary for recording treasury operations and for the over-all financial management of the government. The cost basis shows the resources used in performing a task, and provides important data for performance budgeting, making possible the use of measurement units and

evaluation of results. Theoretically, cost accounting represents the greatest accounting refinement and would be most suitable for performance budgeting.

114. It would be of little advantage to apply the accrual cost basis to a programme where funds are spent almost entirely on salaries and wages incurred for current purposes. In general, it was agreed that the adoption of highly detailed accounting system would not be particularly useful for a large number of government activities. The unit cost data is of more relevance only to certain spheres of activity, e.g. hospitals, public works, etc., but not in connexion with the administrative activities where it has no great significance.

115. The Seminar noted that the traditional system of accounting for expenditures is adapted in particular countries to the patterns of internal control, connected with the budget execution and responsibilities as established at different administrative levels, as well as to the requirements and character of the periodical statements and analysis required by the Executive or legislature. It was agreed that the above is valid also for performance budgeting, but the character of requirements at the executive and managerial levels is radically changed. Accounts preserve their function for accountability, fund and appropriation control, but their significance for managerial purposes will be greatly increased. Managerial considerations require that accounts should be kept on a basis that permits the continued measurement and analysis of various programmes and efficiency in their performance. Accounts at the managerial level had to be related to the budgetary appropriations but should be more specific, serving operational responsibility.

116. The Seminar noted that the Government enterprises are usually established as government corporations, public authorities, boards, etc. They

may be engaged in trading and production activities. Their basic characteristic is that they are dealing with the public; however, they may also provide services or supply goods to the government. Government enterprises are the electrical plants, airports, railways - as well as marketing agencies. The Government enterprises use commercial system of accounts on an accrual basis, as only such accounts can assure the exact evaluation of profits, changes in stock value, depreciation, and provide elements for cost accounting. The participants noted that it will also provide the necessary information for economic classification which is a rather important aspect in developing countries, where the government enterprises represent often a very large portion of government activities. The form of control by government of their enterprises is usually specified by law. The general rule, however, is that control is limited to the formulation of policies and the review of programmes (achievements and general costs). In the case of the control over all capital investments, which means that if the enterprise is expanding, it must have executive and legislative approval. A further step would be to review the administrative expenses. The variety of the activities of enterprises is in practice matched by the variety of possible control patterns and the search for the most appropriate general system would be useless. Usually such controls as are required are exercised by the Ministry responsible for the corresponding sector of the economy.

117. The Seminar agreed that the relationship between the government enterprises and the central budget may be regulated in many ways. The simplest is when enterprises are required to transfer to the general fund the net profit. In certain cases, enterprises are allowed to carry balances forward from year to year, and their operations are controlled by means of evaluating reports and plans. The transfers of funds from enterprises to general fund are made when required. However, despite certain measures of their financial and administrative independence, programmes and activities

of the enterprises should be reported in the programme-oriented budget, as they affect social and economic services just as much as the regular agencies of the government. For the budget and plans, the programmes of the enterprises must be coordinated with and related to the other government programmes and over-all finances. When certain activities of enterprises are financed by general fund appropriations, the corresponding accounts and reporting have to be installed.

118. The Seminar discussed the problem of scarcity of accounting personnel since progress in the suggested reforms, even on a very modest scale, is often hampered by the lack of trained accounting staff at different administrative levels. It was necessary to undertake the training of a certain number of accounting staff, not only in central institutions but also on the national level.

PART III - CONCLUSIONS AND RECOMMENDATIONS

119. The participants generally agreed that the convening of the Seminar on Budget Planning and Management for African countries had provided a valuable opportunity to senior officials, responsible for the preparation and control of budgets, to discuss their current problems and to acquaint themselves with modern budgetary techniques, giving special attention to the co-ordination of national development plans and national budgets, and the ways and means by which budget administrations can be strengthened in order to achieve this more effectively. The Seminar noted that despite recent progress achieved in some countries it was necessary to intensify the efforts in the region towards the modernization of government budgets.

120. The Seminar decided that it was necessary to revise the actual conception of the budget of certain African countries in which the budget was considered only as a tool for accounting, and not as the annual government plan. The Seminar strongly upheld the view that it was imperative that

there should be a very close relationship between the planning activity and the budget activity in African countries. This relationship would be effective only if care was taken to establish a clear division of functions, authority and responsibility and to provide procedures for achieving a harmonious working relationship in the fields where the activities overlapped.

121. The scope of the public sector in African countries was greater than previous years as a consequence of the creation of new institutions for the execution of programmes in agriculture, industry, education, health and transportation. For the co-ordination of the activities of the public sector and for the harmonization with private enterprises, many countries have set up a planning process. These organizations have formulated development plans for the long and medium term, but in only a few cases do they produce annual operative plans. It was recognized that one of the instruments for the implementation of the targets set out in these plans is the annual budget and, therefore, many governments assemble the projects to be executed in special Development budgets. But few countries prepare a complete Programme budget in which not only public investments are planned, but also recurrent expenditures in services like education, health, agriculture and industrial extension are included, and are properly classified by programmes and activities showing the end products to be achieved.

122. The Seminar noted that in some countries the existing budget classifications are not suitable for economic analysis but are designed especially for accounting and control purposes. The adoption of a standardized object classification was considered necessary in order to make possible the reclassification on economic and functional basis. The Seminar examined the model of object classification proposed in the secretariat document Guidelines for the Classification of Government Transactions by Objects

Adapted to African Countries (E/CN.14/BUD/2) and on that basis suggested the gradual adoption to a uniform object classification, within the government. Furthermore, the co-ordination of development plans, annual government budgets and public administration presupposes the adoption of a uniform classification system designed to harmonize the process of planning, budgeting, management, accounting and reporting. The Seminar considered very useful the orientation given in this respect, by the secretariat document Guidelines for the Co-ordination of National Budgets and National Development Plans (E/CN.14/BUD/3).

123. The Seminar took note of the progress made by the African countries in the process of reclassification of government transactions by economic and functional categories as recommended by the Workshop held in Addis Ababa in 1961 on Problems of Budget Reclassification and Management in Africa. The present Seminar endorsed the recommendations put forward on that occasion that the Manual for Economic and Functional Classification of Government Transactions (ST/TAA/M/13) should continue to be used as a guide for the work of reclassification. It was further recommended that African governments should adopt, as a first stage, the simplified scheme for economic and functional classification recommended in the Workshop held in 1961.

124. The Seminar noted that the budgetary process is in some African countries a routine work in which no real planning of the activities of the public sector is done. The adoption of a method of programme budget was considered advisable for African countries in order to fix their targets and a better utilization of the scarce financial resources available. In the opinion of the Seminar, programme and performance budgeting constituted a useful approach for strengthening the financial management of government activities, and for making the budget a more effective instrument in the execution of development plans. It recommended its gradual

application in African countries but considered that a cautious and selective approach was needed, taking into account the specific situation of each particular country. It further recommended that ECA and UNDP should provide a team of experts to give technical assistance to the African administrations to carry out this exercise. The Seminar noted that in carrying out this work the guidance given in the Manual for Programme and Performance Budgeting (ST/TAO/SER.C/75) was helpful but that the illustration of some principles recommended was necessary in the light of experience of developing countries. It was acknowledged that general standards should be formulated and applied in African countries to make possible some uniform classification by programme and activities in the region, with due allowance for the particular circumstances and administrative systems of each country.

125. The Seminar agreed that one of the weaknesses of development plans in some African countries was the non-existence of annual operative plans. It was recognized that to ensure greater effectiveness in development planning, the formulation of annual plans, co-ordinated with annual budgets, would be advisable for the governments of the region. In this respect it was recommended that the strengthening of the central budget office and the creation of planning and budgeting offices on the level of ministries was desirable in order to make possible better co-ordination in the preparation of annual plans and government budgets.

126. In some countries the accounting process is very much protracted, rendering the control and the economic evaluation of the results achieved in the past rather difficult to appreciate. Considering that the adaptation of the accounting system to the requirements of the new budgetary techniques is essential to obtain the full benefit of the eventual reforms for the management, executive and planning bodies, it was recommended that ECA should organize on a sub-regional basis training courses for the middle

level and senior budgeting and accounting staff. Such courses should include detailed technical discussions concerning gradual adaptation of the particular budgetary and accounting systems and procedures prevailing in the sub-region to the new budgetary concepts. The accounting manual which is being at present prepared by the United Nations Secretariat should be published and distributed as soon as possible.

127. The Seminar discussed the techniques and procedures for revenue forecasting and considered these of great importance for African countries in their stage of development. The Seminar recommended that the preparation of a comprehensive manual is necessary for helping the government officials in their task of preparation of the annual revenue budget. It was suggested that the appropriate bodies of the United Nations should undertake such a task and provide the governments of developing countries with useful guidance on this subject.

128. It was recognized that the work in fiscal statistics must be accelerated in African countries in order to produce periodically information suitable for economic and fiscal analysis. It was agreed that a flow of statistical information from the countries to ECA, for its distribution to the countries, would be useful for these purposes.

129. It was considered that the exchange of information between different African countries concerning practical problems connected with the introduction of new techniques in budgeting, planning and accounting would contribute to the furthering of the new concepts in this field. In this respect it was recommended that ECA should undertake the task to facilitate the sharing between countries of the region of practical experience obtainable in this field. To this end ECA should undertake case studies in the African countries where the new techniques are being introduced, covering methods of co-ordination between planning and budgeting, budget formulation and structure, accounting, reporting and control procedures. Such case

studies, supported by the relevant abstracts from experts' reports and commentaries of a substantive ECA division as well as information supplied directly by the country concerned, may be circulated by ECA to all member countries at least once every year.

130. The Seminar was considered to have provided a highly useful opportunity for an exchange of information among the African experts and to have aroused fresh interest in the acceleration of the progress of budgeting techniques in the area. It was decided that a future Seminar should be organized in two years for the region as a whole in order to analyze the progress achieved and provide a new opportunity for a wider exchange of experience. The participants particularly urged those African countries who were absent to endeavour to participate in future budget seminars.

ANNEX I - ANNEXE I

LIST OF PARTICIPANTS - LISTE DES PARTICIPANTS

ALGERIA - ALGERIE

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SECRETARIAT DE LA COMMISSION ECONOMIQUE POUR L'AFRIQUE

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Mr. I.S. Fraser, Chief
Public Administration Section, Research Division

Mr. Gonzalo Martner
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Mr. Sylvain Bauna
Associate Economic Affairs Officer
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ANNEX II

STATEMENT BY MR. TEDLA TESHOME
HEAD OF BUDGET PREPARATION DEPARTMENT (ETHIOPIA)

Mr. Chairman, Distinguished Executive Secretary of the ECA, Distinguished participants,

On behalf of the Minister of Finance of the Imperial Ethiopian Government, whose duties called him out of the country, and on my own behalf, it gives me great pleasure to welcome to Addis Ababa the participants of the Seminar on Budget Planning and Management. In doing so I should also like to express my deepest appreciation to the Executive Secretary and the secretariat of the United Nations Economic Commission for Africa for providing such a valuable opportunity for African budget officials to meet and exchange experiences.

It will be recalled, Mr. Chairman, that it is for the second time that such a seminar is being held in Addis Ababa, and not unnaturally, it is devoted principally to the problems facing African countries.

As we all know, the African countries are developing countries with varying political and administrative background, varying endowments of natural resources, and varying stages of economic development. In consequence, the manner in which our various countries conduct their economic activities, alter their social patterns, democratize their culture, may follow on different courses. But it is equally true to say that, in spite of all these differences all the African countries have the same objective - to raise the standard of living of their people to the highest achievable level through the optimum utilization of their human and physical resources, and to ensure for their nations human dignity and happiness.

In their efforts to mobilize the resources needed for planned economic and social development and thereby to achieve the goal they are striving for, African countries have become increasingly conscious of the

essentiality to make the budget system more responsive to the requirements of development programming.

In many African countries private initiative is insufficient to give the right stimulus to accelerate economic development. The African Governments thus become constrained to participate directly in the development process by determining investment priorities and by formulating appropriate economic and financial policies to stimulate levels of economic activity. The budget and the budgeting process are utilized as major instruments for such purposes.

In Africa, as in other developing regions, national Governments do play leading roles in planning and implementing programmes for development by providing the stimulus, the guiding hand, and the firm sense of direction. Since Government is the main, or possibly the only body in developing countries, which has the necessary means and organization capable of undertaking such a difficult task, Government is generally recognized as the main force influencing the national economy. Through public enterprises and public authorities, Government takes direct part in the economic activities of the country, and through its direct financial activities, Government conditions the financial transactions in the economy as a whole. In short, it is recognized as the principal responsibility of Government to ensure that the national economy is developed in an orderly and balanced way and at a properly measured pace, and that the available resources are so allocated that they can give the greatest possible benefits and that their utilization leads to desired effects. To achieve this objective national Governments would be required to modernize and improve their budgetary methods to make the budget a more effective instrument in development planning.

One should admit, of course, that in the developing African countries the basis from which modern budgeting should proceed is lacking. There is a shortage of trained personnel, there is a shortage of accounting and administrative skill, there is an inadequate sense of personal and moral responsibility for the conduct of government affairs. This situation

certainly makes the task of the developing African countries very difficult. This, however, is a challenge which faces us all and let us not be dispirited by this unfavourable situation.

The participants of this seminar, Mr. Chairman, are all people actively engaged in one form or another in budgeting, economic planning or statistical work. Their experience is, therefore, the most valuable, first-hand, practical experience in national planning and development. This seminar, sponsored by the ECA presents to the participants a unique opportunity, not only of getting acquainted with new techniques for Budget Planning and Management, but of adopting these techniques to specific conditions on this continent and of exchanging experiences gained in introducing them in their respective countries and in making them work and bringing benefit to the management of their respective national economies.

In conclusion, Mr. Chairman, may I say that the emphasis in this seminar has been put so rightly on the following three main subjects:

- 1) The co-ordination between the national planning and the Government budget;
- 2) the classification of the budgetary transactions with a view to improving the budget as a tool of planning, fiscal policy and financial management;
- 3) improvement in revenue forecasting and revenue programming.

All these are problems which we all are striving to overcome. I am sure this seminar will help us in bringing about further progress in the techniques of financial management to the benefit of the economic and social development of our countries, and the exchange of experiences will help us along in our respective actual tasks.

Distinguished participants, I wish you all the best of success in your deliberations and every happiness during your stay here in Addis Ababa.

Thank you.

ANNEX III

OPENING ADDRESS BY MR. R.K.A. GARDINER, EXECUTIVE SECRETARY
OF THE ECONOMIC COMMISSION FOR AFRICA

On behalf of the Commission, my colleagues in the secretariat and myself, I have much pleasure in welcoming you to this Seminar on Budget Planning and Management.

We have convened this Seminar in accordance with the expressed wishes of the Commission, to give the senior officials responsible for the preparation and control of national budgets an opportunity to discuss with one another and with us their current problems. In other words, to conduct a review in order to see how modern budgetary techniques can be applied to African countries. On our part, we wish to consider, in the light of the experience of these countries, how to strengthen the co-ordination of national development plans and national budgets.

We consider this an appropriate time for making a review of the progress achieved in the budgetary field since 1961, when the last meeting of this kind was held in Addis Ababa.

Most of the governments in the region are faced with new responsibilities in the economic and social fields. However, the capacity for mobilization of domestic resources - whether it be by means of taxation, loans or other devices - is almost invariably inadequate to present needs because the national financial administration is based on systems and procedures inherited from the past and not adopted to the requirements of today. Equally so, and for the same reasons, the mechanism for allocation and disbursement of available resources is inappropriate.

In order to review these systems and practices in force in the various countries, the secretariat circulated a questionnaire to be completed for the Seminar. I must express our sincere thanks and satisfaction at the response received and the encouraging quality of the papers

you have submitted. In the light of this information it is clear that most of the African budgetary systems were devised many years ago to meet conditions quite different from those prevailing today.

The working documents for this Seminar are intended to focus attention on measures which should be taken to improve our budget planning and management. I wish to direct your attention to some of the outstanding points which arise from this documentation.

First of all, there appears to be need to stress the desirability for a careful revision of the whole concept of a national budget. Modern government budgets are no more a mere congeries of revenue and expenditure items. The budget is now the annual plan of the government. For the preparation of this plan, the introduction of new budgetary techniques is necessary. These new budgetary techniques go beyond the mere expert uses of accounting methods.

The modern budget is an instrument for economic policy. The level and structure of public expenditure and public revenues influence a portion of the balance of payments and the whole monetary system, as well as the level of internal economic activity and employment.

The secretariat is suggesting some guidelines to improve budgetary classifications in order to facilitate the planning, budgeting and accounting process through standard and uniform presentation. We hope that a constructive discussion on these models will help a great deal in the modernization of the budgetary procedures in Africa.

Sound budgetary classifications will help in the preparation of fiscal statistics and this, in turn, will create more solid basis for future fiscal policy. It is also essential for the evaluation of the results of development plans. I wish to stress the importance of having up-to-date information for the analysis of the performance and achievement of government activities.

Most governments now have multi-annual comprehensive development plans. These development plans must be complemented by the adoption, year by year, of annual operative plans prepared in detail to serve as the concrete action programme in the short-term, and include all the investment projects to be executed in the prospective year. These annual plans must be reflected in the annual budget of the public sector and be used as an instrument for the co-ordination of all activities.

A word might be appropriate at this point on the widespread African practice of dividing their budgets into recurrent and capital budgets. In this connection the question might be asked: "Is this division appropriate for developing countries in which development is not only the consequence of addition of capital goods, but also a result of improvements in productivity derived from extension in educational, health, agricultural and industrial services?" I hope you will pay attention to this question and you as experts in budgetary techniques decide on the changes required.

Finally, it is our earnest hope that this Seminar will not simply confine itself to discussion. We hope it will make practical recommendations and indicate the roles which should be played not only by African countries themselves but also by the United Nations and the Specialized Agencies, in helping them to achieve their objectives. We hope that this Seminar will prove to be a starting point for a movement among African countries towards modernization and improvement of budgetary methods.

ANNEX IV
LIST OF DOCUMENTS

<u>Symbol</u>	<u>Title</u>	<u>Language</u>	
E/CN.14/BUD/1	Provisional Agenda	E	F
E/CN.14/BUD/INF/1	Documentation to be submitted by participants	E	F
E/CN.14/BUD/INF/2	Information for Participants	E	F
E/CN.14/BUD/INF/3	Statistical Information to be Submitted by Participants	E	F
E/CN.14/BUD/INF/4	Provisional Time-table	E	F
E/CN.14/BUD/INF/5	List of Documents	E	F
E/CN.14/BUD/2	A Guideline for the Classification of Government Transactions by Objects, Adapted to African Countries	E	F
E/CN.14/BUD/3	Guidelines for the Co-ordination of National Budgets with National Development Plans	E	F
E/CN.14/BUD/4	The Budgetary System and Procedures of African Countries	E	F
E/CN.14/BUD/5	Survey of African Budgetary Statistics	E	F
E/CN.14/BUD/6	Survey of Developments in Public Finances of African Countries	E	F

B. Introductory Lectures on Agenda Items

No. 1	Relationship Between the National Budget and the National Development Plan - by G. Martner	E
No. 2	Classification des opérations budgétaires - par A.L. Mullier	F
No. 3	Techniques of Programme and Performance Budgets - by J.F. Luba	E
No. 4	Techniques for Revenue Programming - by G. Martner	E
No. 5	Accounting and Control Procedures - by J.F. Luba	E

<u>Symbol</u>	<u>Title</u>	<u>Language</u>
No. 6	The Relationship Between Central and Local Government Finance in African Countries: Factors Affecting Administrative and Economic Effectiveness - by J.A. Green	E
No. 7	Un système de classification intégré pour la planification et la gestion budgétaires - par S. Bauna	F
C. <u>Documents submitted by the participants</u>		
No. 1	The Budgetary System and Procedures of the Sudan	E
No. 2	The Budgetary System and Procedures of Uganda	E
No. 3	The Budgetary System and Procedures of the Gambia	E
No. 4	Système et procédures budgétaires de la République du Congo	F
No. 5	Système et procédures budgétaires du Togo	F
No. 6	The Budgetary System and Procedures of Ethiopia	E
No. 7	Système et procédures budgétaires de la République démocratique du Congo	F
No. 8	Système et procédures budgétaires de la République fédérale du Cameroun	F
No. 9	Système et procédures budgétaires de la Haute-Volta	F
No. 10	The Budgetary System and Procedures of the Republic of Ghana	E
No. 11	The Budgetary System and Procedures of the United Arab Republic	E
No. 12	Système et procédures budgétaires de la Tunisie	F
No. 13	The Budgetary System and Procedures of Liberia	E

<u>Symbol</u>	<u>Title</u>	<u>Language</u>	
No. 14	The Budgetary System and Procedures of Tanzania	E	
No. 15	Système et procédures budgétaires de Dahomey		F
D. <u>Information and Background Documents</u>			
ST/TAA/M/12	Manual for Economic and Functional Classification of Government Transactions	E	F
ST/ECA/89	A Manual for Programme and Performance Budgeting	E	F
ST/TAO/SER.C/53	Report of the Workshop on Problems of Budget Reclassification and Management in Africa, Addis Ababa, 1961	E	F
ST/TAO/SER.C/66	Report of the Workshop on Budgetary Classification and Management in Central America and Panama, San José, Costa Rica 1963	E	
E/CN.11/BRW.4/L.6	Government Budgeting and Economic Planning in Developing Countries	E	
ST/TAO/SER.C/70	Report of the Inter-regional Workshop on Problems of Budget Classification and Management in Developing Countries, Copenhagen, 1964	E	F
E/CN.14/BRW.1/L.7	The Classification of Government Transactions in the French-Speaking States of West Africa, 1961	E	F

ANNEX V

CLASSIFICATION OF GOVERNMENT TRANSACTIONS BY OBJECTS

A well-balanced object classification must facilitate the segregation of capital and current transactions; be easily comparable with the categories used for economic classification of government transactions; contain details for adequate presentation of the component costs of various government activities; provide sufficient information for exercising effective financial controls; etc. This classification should not have unnecessary details precluding in the execution of the budget and improving heavy tasks on accounting and reporting.

Many benefits connected with a well-constructed standardized object classification of expenditures and revenues should result in a better organization of the budgetary and accounting processes, helping planning and execution of governmental decisions. This object classification is flexible enough to adaptation to local conditions through changes and additions, as required of specific sub-items.

The simplified model classification comprises both sides of the Budget: expenditures and receipts. Had been prepared in order to facilitate, at the same time, budget reclassification following economic categories.

1. THE OBJECT CLASSIFICATION OF GOVERNMENT EXPENDITURES

To accomplish its purposes, the government has to buy goods and services. These resources have to be combined in order to produce the final services to be rendered to the population. Therefore, a careful identification of the different types of goods and services acquired by the government is necessary for the execution of operative and investment programme carried out. This is the main purpose of the object classification.

The object classification reflects the nature of the goods and services acquired and the expenditures made, that is, personal services, con-

tractual services, supplies and materials and equipment as well as the payments of grants, subsidies and the payments for debt services. It shows the types of goods and services used to accomplish the purposes of government - in other words the objects are the input for carrying on the government.

Using the experience of different countries, developed or developing, it is possible to establish a model classification by object of expenditure which can be used as an orientation in the process of simplification or rationalization of the budgetary system of African countries. It will be particularly valuable to those who are responsible for the reform and development of African fiscal systems in direction which are more appropriate than the old "colonial type" system to the fast-changing economic conditions of the present time.

The classification comprises 9 heads of expenditure. These heads or groups of expenditures are divided into different items as can be seen in this scheme.

Classification scheme of the government expenditures by objects

Head	Items	Description
0		<u>Personal services</u>
	1	Salaries for permanent posts
	2	Salaries for temporary posts
	3	Extra-pay
	4	Day wages
	5	Per diem
	6	Remuneration for technical services
	7	Fees
	8	Remunerations in kind
	9	Cost of living allowance
	10	Representation allowance
	11	Other remunerations

Head	Items	Description
1		<u>Non-personal services</u>
	12	Rents
	13	Posts and telegraphs
	14	Cablegrams and radiograms
	15	Electricity
	16	Water supply and sewerage
	17	Telephone
	18	Gas
	19	Advertising, printing and binding
	20	Travel expenses
	21	Insurance and commissions
	22	Equipment maintenance
	23	Upkeep of works
	24	Other non-personal services
2		<u>Materials and supplies</u>
	25	Foodstuffs and agricultural and forest products
	26	Mineral (except hydrocarbons)
	27	Textiles and clothing
	28	Paper and printed matter
	29	Leather and rubber products
	30	Chemicals and related products
	31	Non-metallic products
	32	Metal products
	33	Other materials and supplies
3		<u>Current transfers</u>
	34	Pensions
	35	Direct transfers to individuals
	36	Direct transfers to enterprises
	37	Transfers to government institutions and local government

Head	Items	Description
	38	Contributions to international organizations
	39	Other current transfers
4		<u>Constructions</u>
	40	Communications media
	41	Buildings
	42	Urban amenities
	43	Hydraulic and sanitary works
	44	Installations
	45	Agricultural constructions
	46	Other constructions
5		<u>Machinery and equipment</u>
	49	Production machinery and equipment
	50	Office equipment
	51	Medical and sanitary equipment
	52	Educational and recreational equipment
	53	Transport equipment
	54	Research and laboratory equipment
	55	Animals
	56	Miscellaneous equipment
6		<u>Purchases of immovables</u>
	57	Land
	58	Buildings
	59	Other purchases of immovables
7		<u>Capital transfers</u>
	60	Contributions to decentralized investment agencies
	61	Contributions to public enterprises
	62	Contributions to local government

Head	Items	Description
	63	Contribution to private persons and agencies
	64	Contributions to abroad
	65	Other capital transfers
8		<u>Financial investments</u>
	66	Loans and advances to domestic sectors
	67	Loans and advances to abroad
	68	Acquisition of financial assets
	69	Other financial investments
9		<u>Public debt</u>
	70	Interest on domestic debt
	71	Interest on external debt
	72	Amortization of domestic debt
	73	Amortization of external debt
	74	Commissions and other expenditures

Definition of items

0. Personal services

This group comprises all cash expenditure under the head of services rendered by permanent and non-permanent civil and military personnel. It includes ordinary salaries, wages, extra-pay, entertainment allowances, and all other cash remuneration prior to deductions for operating and investment programmes (construction on a cost-plus-fee basis, etc.). Excluded are loans in kind and contributions by the State in social security and pension schemes for its officials and workers: these items are included in the group "Current transfers."

1. Salaries for permanent posts - Includes salaries paid to permanent personnel.

2. Salaries for temporary posts - Includes salaries paid to temporary personnel like contracted, supernumerary, and substitute employees.
3. Extra-pay - These are periodical or complementary remunerations added to the basic salary. Includes premiums, professional complements, food expenses, overtime pay and other kinds of payments of this nature.
4. Day wages - Are the remuneration paid to workers contracted.
5. Per diem - Payments to personnel rendering services in a different place of his duty station.
6. Remuneration for technical services - Are payments made for personal rendering by professionals or technicians for special research, consultations, etc.
7. Fees - Are additional payments given under special conditions like Christmas premiums, bonuses, cash supplements.
8. Remunerations in kind - Includes all types of remuneration in kind, like food, clothing, etc.
9. Cost of living allowance - Includes additional payments to employees given to compensate rising costs of living.
10. Representation allowance - Are additional remuneration received by senior officials of the government in relation with the post occupied.
11. Other remunerations - Include all other kinds of remuneration for personal services not included in preceding items.
1. Non-personal services

Comprises payments of services not related to remuneration of employees' services, made to persons or to public or private institutions in compensation for the rendering of non-personal services or for the use of personal property or real estate, as, for example, public utilities,

advertising, printing and binding, travel expenses, carriage, building rental, land and equipment, financial services, services for the regular upkeep and repair of works, and miscellaneous services.

12. Rents - Include expenses for rent of services and goods, like rents of buildings, equipment, machinery, transportation, etc.
13. Post and telegraph - Expenses for letters, telegrams, books, etc. delivered.
14. Cablegrams and radiograms - Expenses for delivery of cablegrams and radiograms.
15. Electricity - Expenses produced by consumption of electricity.
16. Water supply and sewerage - Expenses for consumption of water and utilization of services of the sewerage system.
17. Telephone - Expenses for the services of telephone.
18. Gas - Expenditures for the consumption of gas.
19. Advertising, printing and binding - Expenses for advertising, propaganda, printing and binding.
20. Travel expenses - Includes expenses for travelling of employees.
21. Insurance and commissions - Are expenses in commercial commissions, bank expenditures, judiciary expenses, insurance, etc.
22. Equipment maintenance - Includes expenses for maintenance and repair of equipment.
23. Upkeep of works - Expenses in repairing public works like roads, bridges, buildings, etc.
24. Other non-personal services - Are other expenses on non-personal services not included in preceding items.

2. Materials and supplies

Comprises the purchase of supplies, materials and all goods used in government activities. The supplies are expected to have an average life of a year or less. For practical purposes, this group also includes articles that may last longer but are not regarded as fixed assets because of their low unit value and the difficulty of stocking them. Military supplies, materials and equipment come into the same group, whatever their unit value and average useful life.

25. Foodstuffs and agricultural and forest products - Includes expenses in food for persons and animals, products of agriculture or livestock and forest products.
26. Mineral (except hydrocarbons) - Expenses in mining products, like coal, metallic and non-metallic products, stones, sands, etc. Exclude hydrocarbons.
27. Textiles and clothing - Are expenses in all kinds of textiles and clothing.
28. Paper and printed matter - Includes expenses in all types and forms of paper, paperboard and printed matter like books, magazines, school manuals, newspapers and others.
29. Leather and rubber products - Expenses in products made of leather and rubber, like shoes, briefcases, etc.
30. Chemicals and related products - Includes expenses in chemical products, combustibles, pesticides, fuel oil, pharmaceuticals, etc.
31. Non-metallic mineral products - Expenses in non-metallic products, like cement, glass, etc.
32. Metal products - Includes expenses in products like iron, war equipment, metallic structures, instruments, etc.

33. Other materials and supplies - Considers all other kinds of expenses in materials and supplies not included in the preceding items.

3. Current transfers

Comprises current disbursements to enterprises or pensions for transactions not involving counterpart goods or services, as, for example, pensions, personal bonuses, indemnities, subsidies, grants, contributions to social security and pension funds, etc.

34. Pensions - Includes expenses in pensions, retirement payments, work accidents, etc.
35. Direct transfers to individuals - These are cash payments to individuals, other than in return for goods and services rendered. These include payments for family allowances, scholarships, social subsidies to persons, etc.
36. Direct transfers to enterprises - Covers payments in cash to enterprises other than for goods and services rendered; includes also deficits of government enterprises which are run at loss as a result of a policy decision.
37. Transfers to government institutions and local government - These are cash payments to decentralized agencies and local government other than for goods and services rendered, made in obedience of laws.
38. Contributions to international organizations - Includes payments made to international organizations, like UNESCO, FAO, UNICEF, etc.
39. Other current transfers - Are transfers of a different nature than those included in preceding items.

4. Constructions

Comprises expenditures for the financing of building on a contract basis as well as additions and extraordinary repairs also undertaken on that basis. The term construction covers buildings, urban facilities and hydro-electric works, highways, ports, airports, the installation of electricity, telegraph and telephone cables and the like. Extraordinary additions and repairs are those which, once undertaken, will improve or prolong the normal life of a building or work.

- 40. Communications media - Expenses in construction of roads, streets, bridges, airports, and other communications media.
- 41. Buildings - Expenses in construction for buildings, houses, commerce, industry, services, etc.
- 42. Urban amenities - Expenses in construction of squares, gardens, monuments, statues, cultural buildings, etc.
- 43. Hydraulic and sanitary works - Expenses in construction of sewerage and other hydraulic and sanitary works.
- 44. Installations - Expenses in materials for connecting different places, like electricity lines for transmission, gas pipe lines, telephone lines, as well as installation of machinery and equipment.
- 45. Agricultural constructions - Expenses in cattle barns, poultry yards, etc.
- 46. Other constructions - Expenses in other construction not included in preceding items.

5. Machinery and equipment

Includes all expenditures on the purchase of machinery and/or equipment and the accessories and fittings that form part of or supplement the main unit, and expenditures on transport and installations in connexion

with such purchases. Each specific item in this group indicates whether the particular type of equipment concerned is a new purchase or has been in use. Extraordinary repairs that prolong the useful life of the equipment beyond the normal limit would also come into this group. The goods included under the head of machinery and equipment will be itemized in accordance with the two broad specifications that they should be durable and in permanent use.

49. Production machinery and equipment - Expenses in machinery and equipment for agriculture, industry, construction, communications and services.
50. Office equipment - Includes expenses in all kinds of equipment for offices.
51. Medical and sanitary equipment - Expenditures in medical, dental and sanitary equipment, with the exception of minor instruments for medico-chirurgical purposes.
52. Educational and recreational equipment - Expenditures in equipment for education and recreation, like audio-visuals, sports, school furniture, etc.
53. Transport equipment - Expenses in transport equipment as well as traction and mechanical or animal elevation. Includes cars, buses, trucks, railroad equipment, airplanes, helicopters, bicycles, elevators, cranes, etc.
54. Research and laboratory equipment - Includes all types of research and laboratory equipment.
55. Animals - Expenses in animals for work or reproduction like horses, cattle, sheep, etc.
56. Miscellaneous equipment - Expenses of equipment not included in the preceding items.

6. Purchases of immovables

Includes expenditure for the purchase of land and buildings which should be differentiated by type in the specific itemization, i.e. office buildings, housing, warehouses, etc.

- 57. Land - Includes purchases of any piece of land for any purpose, like land for building, for public works, for land settlement, etc.
- 58. Buildings - Expenses in purchase of houses, buildings, etc. for public utility.
- 59. Other purchases of immovables - Includes expenses in purchases of immovables not considered in preceding items.

7. Capital transfers

Includes expenditures with no offsetting entry for investment in public or private agencies and bodies. Also includes transfers to finance the construction of housing and other buildings, the purchase of machinery and equipment, increase in stocks or working capital, the financing of credit activities, etc.

- 60. Contributions to decentralized investment agencies - Cash payments to autonomous institutions with investment purposes.
- 61. Contributions to public enterprises - Cash payments to government enterprises with specific investment objective.
- 62. Contributions to local government - Covers cash payments to local government with specific investment purposes.
- 63. Contributions to private persons and agencies - Includes cash payments to private persons and organizations for financing private investments.
- 64. Contributions to abroad - Covers payments to international organizations and friendly countries for financing capital investments.

65. Other capital transfers - Considers other capital transfer payments not included in preceding items.

8. Financial investments

Comprises expenditures under the head of loans, the purchase of credit documents, shares and titles to deeds and other similar disbursements.

66. Loans and advances to domestic sectors - Money lent directly to a particular borrower in domestic sectors.

67. Loans and advances to abroad - Money lent directly to a particular borrower abroad.

68. Acquisition of financial assets - Includes payments for acquisition of financial assets, like shares, bonds, etc.

69. Other financial disbursements - Considers all payments made in other financial disbursements not included in preceding items.

9. Public debt

This group includes all expenditures connected with the payment of interest and amortization of public debt liabilities deriving from the sale of securities or direct internal and external loans.

70. Interest on domestic debt - Includes payments of interest on the domestic debt.

71. Interest on external debt - Covers payments in interest on external debt.

72. Amortization of domestic debt - Covers payments for the amortization of domestic debt.

73. Amortization of external debt - Includes payments for the amortization of foreign debt.

74. Commissions and other expenditures - Includes payments in commissions and other administrative expenditures produced by the public debt.

2. CLASSIFICATION OF GOVERNMENT RECEIPTS

Many African countries have focused attention on budget management as an important issue of public policy. In recent years several countries have made significant strides in the field of budget classification and management, but these reforms relate mostly to the expenditure aspects of a government budget. A government budget, being a plan of action, represents not only the intended pattern of resources allocation but also of resources mobilization.

For revenue forecasting, receipts fiscalization and control, the formulation of a clear classification of the revenue budget is necessary. In order to help the African countries in the process of classifying revenue information for the purpose mentioned, this guideline had been formulated.

The main idea is to establish a pattern for organizing the receipt of information which can make possible the analysis of each item of income in relation with economic activity. Therefore, a clear separation has been made between domestic sources of income and external sources. The latter has to be estimated in connection with development of foreign trade and perspective of balance of payments.

The classification comprises 9 groups of receipts. These groups are divided into items as it can be seen in the following table:

Simplified classification scheme of government revenues

Head	Items	Description
0		<u>Domestic direct taxation</u>
	1	Taxes on personal income
	2	Taxes on corporate income
	3	Social security contributions
	4	Pension scheme contributions
	5	Property taxes
	6	Other domestic direct taxation

Head	Items	Description
1		<u>Domestic indirect taxation</u>
	7	General sales and turnover taxes
	8	Selective sales taxes
	9	Royalties on national resources
	10	Licence taxes
	11	Taxes on assets
	12	Property transfer taxes
	13	Stamp duties
	14	Other domestic indirect taxes
2		<u>Foreign trade taxation</u>
	15	Import duties
	16	Export duties
	17	Taxes on foreign exchange
	18	Other external taxes
3		<u>Sales of government services</u>
	19	Agricultural services
	20	Transport, communications and storage services
	21	Justice and security services
	22	Education services
	23	Health services
	24	Social services
	25	Other sales of government services
4		<u>Interest and dividends received</u>
	26	Interest received from central government agencies
	27	Interest received on loans and advances to local government
	28	Interests and dividends received from other sectors
	29	Rents from government lands and buildings
	30	Other interests and dividends received

Head	Items	Description
5		<u>Surplus from government enterprises</u>
	31	Surplus of enterprises producing goods
	32	Surplus of enterprises producing services
6		<u>Transfers for current operations</u>
	33	Transfers from central government agencies
	34	Transfers from local government
	35	Transfers from abroad
7		<u>Capital transfers</u>
	36	Transfers from domestic sectors
	37	Transfers from abroad
8		<u>Sales of existing capital goods</u>
	38	Land
	39	Buildings
	40	Machinery and equipment
	41	Financial assets
	42	Other sales of capital goods
9		<u>Direct borrowing</u>
	43	Direct borrowing from Central banks
	44	Direct borrowing from commercial banks
	45	Direct borrowing from domestic private sector
	46	Direct borrowing from abroad
	47	Other sources of borrowing

Definition of items

0. Domestic direct taxation

Covers direct taxes to domestic income and property

1. Taxes on personal income - Covers taxes on all types of personal income. The basis on which they are assessed may be total income, or specific types of income such as wages and salaries, professional income, interests or dividends. Taxes on net worth, i.e., on the excess of the aggregate value of assets owned over the aggregate value of liabilities, are also included, together with the "expenditure tax" which, unlike ordinary taxes on production and expenditure, is levied on the taxpayers' total expenditure during the financial year.
2. Taxes on corporate income - Payments by corporation, co-operatives and non-profit institutions serving the business sector, in respect of income taxes, excess profits taxes, and taxes on undistributed profits.
3. Social security contributions - Payments to social security funds (or receipts from taxes earmarked for social security purposes) by employers and self-employed persons. Contributions paid by the government in its capacity of employer are included, since they are regarded as part of wages. Contributions to pension funds or schemes for government employees are excluded.
4. Pension schemes contributions - Includes the contribution to government employees' pension schemes.
5. Property taxes - Considers taxes applied to the value of land, real estate, and all kinds of immovable property.
6. Other direct domestic taxes - Covers taxes not included in preceding items.

1. Domestic indirect taxation

Taxes levied upon the gross value of production or upon gross receipts from sales, which can be regarded as forming part of the cost of producing or acquiring particular commodities or as falling on specific types of

expenditures, and taxes on the use of specific assets and property transfer taxes, with the exception of general property taxes. The profits made by fiscal monopolies should also be included here. Amounts actually received net of any refunds should be recorded. Excludes taxes on foreign commerce.

7. General sales and turnover taxes - Taxes levied on gross sales receipts of retailers at a common rate, whatever the type of commodity or service sold, and taxes levied on the gross sales receipts of other types of business enterprises.
8. Selective sales taxes - Taxes levied at specific rates on specific commodities, whether collected from producers (manufacturers' excise taxes), from retailers or from middlemen, and on specific services such as entertainment and transport. Import and export duties are not included in this group.
9. Royalties on natural resources - These are royalties on the removal of natural products (petroleum, gas, iron ore, timber, etc.) from government land.
10. Licence taxes - Amounts charged for licences to exercise a business, profession or trade, and levied either at a flat rate or on some base other than gross receipts or net income.
11. Taxes on assets - Taxes levied on the use of specific physical assets as, for example, motor vehicle taxes, or taxes on the occupancy of land and buildings (assessed on the rental value or capital value of the property). This item, however, excludes taxes on the income derived from owning and letting property or on the imputed income of an owner-occupied. It also excludes "general property taxes" (i.e., taxes applied at a uniform rate on the aggregate value of a broad heterogeneous group of assets owned by the taxpayer). These taxes are sometimes an administrative device for taxing income, or they may represent a capital levy.

12. Property transfer taxes - Taxes levied on sales of all types of assets, real and financial, including registration duty on documents recording the transfer of property.
13. Stamp duties - Includes taxes levied in the form of stamps to contracts and juridical actions.
14. Other domestic indirect taxes - Covers all indirect domestic taxes not included in preceding items.

2. Foreign trade taxation

Covers taxation levied on foreign commerce activities including both importation and exportation.

15. Import duties - Covering all import duties, whether levied on the basis of the value or of the quality of goods imported. Receipts from the issue of import licences and stamp and other duties on shipping documents are also included.
16. Export duties - The same type of levies as those described under the head of import duties.
17. Taxes on foreign exchange - Taxes levied specifically on the purchase of foreign exchange. The profits from multiple exchange rate scheme should be included here.
18. Other external taxes - Covers taxes levied on external activities not included in preceding items.

3. Sales of government services

Covers sales of goods and services by the government agencies, including charges made to all who are willing to pay them in connexion with services provided in the main by government agencies rather than private bodies.

Include the following sales:

19. Agricultural services
20. Transport, communications and storage services
21. Justice and security services
22. Education services
23. Health services
24. Social services
25. Other sales of government

4. Interests and dividends received

This comprises interests and dividends received by government from outside sources in respect of loans and advances as well as holdings of bonds and shares. Includes:

26. Interests received from central government agencies
27. Interests received on loans and advances to local government
28. Interests and dividends received from other sectors
29. Rents from government lands and buildings
30. Other interests and dividends received

5. Surplus from government enterprises

Covers surplus produced by government enterprises. Includes the following items:

31. Surplus of enterprises producing goods
32. Surplus of enterprises producing services

6. Transfers for current operations

This comprises contributions from central government agencies not included in the consolidation, from local government and abroad. The following items are considered:

33. Transfers from central government agencies
34. Transfers from local government
35. Transfers from abroad

7. Capital transfers

Covers transfers for the cost of road construction and other capital projects undertaken by the central government, as well as net transfers of central bank like gains resulting from current depreciation. Includes the following items:

- 36. Transfers from domestic sources
- 37. Transfers from abroad

8. Sales of existing capital goods

Covers sales of existing capital goods, like buildings, construction machinery and equipment, land, etc. Includes the following items:

- 38. Land
- 39. Buildings
- 40. Machinery and equipment
- 41. Financial assets
- 42. Other sales of capital goods

9. Direct borrowing

This is money borrowed directly from particular borrowers, like central bank, commercial banks, domestic/private enterprises, foreign government, international credit institutions, etc. Considers the following items:

- 43. Direct borrowing from central bank
- 44. Direct borrowing from commercial banks
- 45. Direct borrowing from domestic private sector
- 46. Direct borrowing from abroad
- 47. Other sources of borrowing