

UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



Distr.
LIMITED
E/CN.14/CAP.2/INF.7
8 March 1968
ENGLISH
Original: FRENCH



ECONOMIC COMMISSION FOR AFRICA
Conference of African Planners
Second session
Addis Ababa, 4-15 December 1967

THE ECONOMIC BUDGET AND ITS PREPARATION

(Presented by the Government of the Republic of Tunisia)

The Economic Budget may be defined as an annual plan, or as an instrument of economic and financial management, designed to indicate the path which might lead us to attain the medium-term and long-term targets that have been adopted. As it is a short-term plan, and an instrument of economic and financial management, the Economic Budget thus emerges as a means of implementing the National Plan.

The Economic Budget is prepared at the same time as the Report on the implementation of the Plan—that is to say, in the months of July, August and September of each year. It is a document that contains estimates for the coming year.

These estimates cover production, consumption and investment, as well as their financing. It is on the basis of these provisional figures for the current year, contained in the Report on the implementation of the Plan, that the estimates for the following year are made.

The collection of these provisional figures is carried out on the basis of surveys conducted by the specialized departments of the State Secretariat for Planning and National Economy. Mention may thus be made of two types of survey, one of which is conducted on undertakings and the other on the public authorities.

These surveys comprise a number of questions relating to production, sales, wages, the number of workers employed and the financial situation of the undertaking. Thus, on the basis of this questionnaire, the Gross Domestic Product (the sum of values added) may be determined for each undertaking, as well as intermediate consumption, the volume of investment both fulfilled and planned, the situation as regards indebtedness and the means of financing utilized. With a questionnaire of this kind, all the components of production can be determined for the year that has

elapsed. It is possible to make an estimate for the current year, because the questionnaire is drawn up during the current year.

Let us take the case of the Economic Budget for 1967. The questionnaire sent to undertakings comprised five tables:

- One table relating to production and production outlets;
- Another table relating to the necessary expenditure to achieve this production;
- A table relating to indebtedness and to the financial situation of the undertaking;
- A fourth table covering investment;
- A fifth table covering the means of financing such investment.

The most important tables are those which relate to expenditure on production and to the means of financing. Indeed, on the basis of these two tables it is possible to determine the main characteristics of an undertaking, as the two tables in question provide us with information on the raw materials employed, the stock position, the situation as regards fixed and variable costs, the means employed to finance investment (self-financing, bank loans or foreign loans), and the short-term or long-term indebtedness.

The difficulties that exist are connected with the accuracy of the information collected and the rapidity of its transmission. It may be added that these difficulties are on the way to being surmounted, as the specialized departments within the undertakings are beginning to adapt themselves to modern statistical techniques.

The questionnaire addressed to the public authorities enables us to ascertain the level of expenditure on state investment; and it deals with problems connected with credit.

As far as this part of the survey is concerned, the difficulties are inherent in the nature of the credit. Indeed, the fulfilment of a project does not occur during the course of the same year in which it was begun, and from this it follows that only the proportion expended can be shown in the accounts as an investment for that year. Thus, the questionnaire contains questions relating to projects in course of implementation and to new projects. As far as new projects are concerned, the main problem is that of choice; and a relatively rigorous selection is carried out each year, which takes a priority criterion into account.

On the other hand, a variety of situations may be recorded for projects in course of implementation, as three methods of financing exist and are employed:

- Entirely domestic financing;
- Foreign financing, which is carried out outside Treasury channels;
- Foreign financing, which is channelled through the Treasury.

Thus, for each method of financing, three situations must be considered in order to determine accurately the volume of investment for the year:

- The situation as regards capital commitments;
- The situation as regards payments;
- The situation as regards physical fulfilment of the work.

Thus, an estimate of the magnitude of the capital budget (Chapter II of the State Budget) is possible by the month of October.

Consequently, these two questionnaires enable us to establish the volume of investment to be carried out within the framework of the Economic Budget. What is more, as investments are indicated project by project, it is possible to make a choice; and it follows that it is possible to influence the trend in the economic situation for the following year. In the case of the 1967 Economic Budget, for example, it was possible to work upon two investment hypotheses (110 million Dinars and 141 million Dinars).

Similarly, these questionnaires enable us to determine the Gross Domestic Product of the country, and the savings of each institutional sector (by means of the capital account). Only consumption is established by residual calculation, by means of the planning model employed (which model was already explained in the course of the first session).

Nevertheless, this preparation represents a considerable work of synthesis, as the replies to questions contain a number of mistakes and contradictions. It is therefore necessary to make comparisons with other documents received during the year, such as the balance-sheets and the investment budgets of undertakings, for example, or with documents covering the previous year, in order to arrive at true and coherent figures.

As regards external aid, which also constitutes a method of financing, this is programmed in so far as it affects governmental assistance; and it is both known and controlled when it is supplied to undertakings; through the questionnaire and through other means, such as the letter of guarantee. The other methods of financing are likewise known, and these are self-financing funds for undertakings and coming under Chapter II of the State Budget.

It may thus be seen that, in the preparation of the Economic Budget, as well as in working out the Plan, nearly all the institutional sectors are taken into consideration, and that they are not worked out on the basis of estimates derived from theoretical equations, but from estimates which bring out the true needs of our economy.

This practical and basic aspect of the method of operating in preparing the Economic Budget entitles us to consider the annual plan as a means of implementing the National Plan, and this is the most important and characteristic feature of the Economic Budget.

Indeed, all the prospective aims for the year, and the means designed to achieve those aims, are foreshadowed through the medium of this annual plan.

These prospective aims, however, which represent partial balances, specified year by year, are chosen and selected in the same way as the means adopted in order to attain them, and which may be equated with the different options that have characterized the investments.

Therefore, in both its spirit and its form, the Economic Budget emerges as a means of implementing the Plan.

Thus, it is possible each year to influence the trend of economic activity in our country, both on the global and the sectoral planes, through shifting the emphasis on the choice of investment, which itself constitutes the mainspring and the driving force of our economic development.

Moreover, this operational aspect enables us to improve the overall choice of investments, year by year, without thereby impairing the principle that has determined their choice.

It may thus be seen that great opportunities exist constantly to improve the effectiveness and profitability of our investments, as well as the types of activities projected. Indeed, it is possible, by carrying out a year-by-year analysis of our economy, to single out those imbalances that have characterized it; and on this basis, the conception of an overall plan and a plan of action becomes possible.