



BUDGETING PRACTICES IN OECD COUNTRIES

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Introduction

- Historically, two sets of financial data with different purpose, preparation basis, coverage, and users.
- Financial accounts introduced more recently, creating reconciliation and convergence needs.

Budget documents

- Spending authorization and control of compliance.
- Cash.
- Budgetary Central Government.
- MoF, Parliament, and other stakeholders.

National Accounts/ Fiscal Statistics

- Macro-fiscal and macro-economic analysis.
- Cash then accruals.
- General Government (few exceptions, for example: UK).
- Economists.

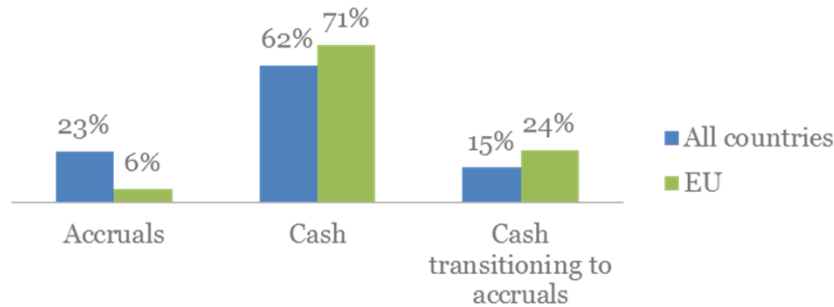
Financial Accounts

- Financial position and full cost of operations.
- Accruals.
- From Budgetary Central Government to Public Sector.
- Parliament, and other stakeholders.

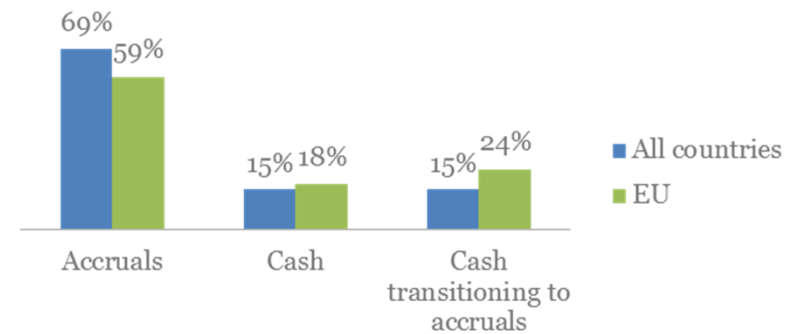


Accounting and Budgeting Practices (2016 OECD Survey, initial findings)

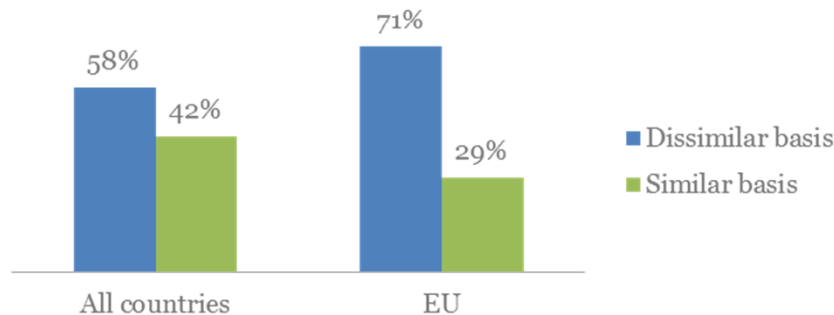
Preparation Basis for Budgeting



Preparation Basis for Financial Reporting



Comparison of Preparation Basis



Note: Half of the countries that prepare their budget and financial accounts on a different basis also have budget execution reports that are comparable to the budget.

Source: OECD 2016 Survey of Accounting and Budgeting Practices.

Note: Initial findings (01/18), final results to be presented at the OECD Accruals Symposium (03/21-22, Paris).

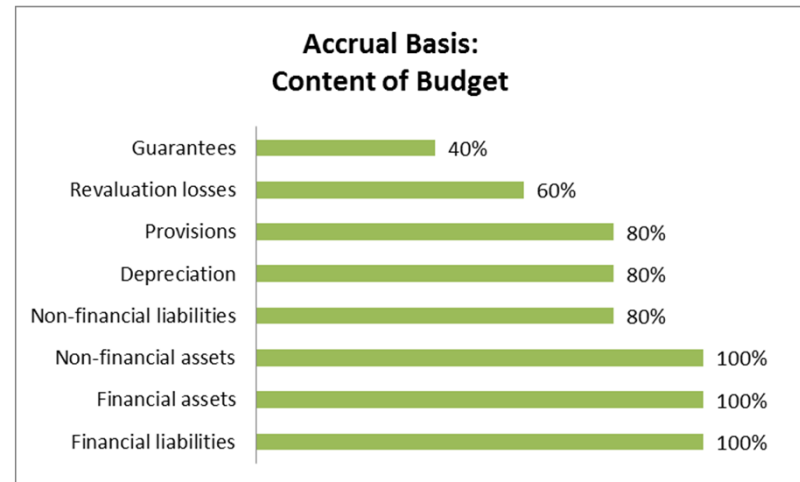
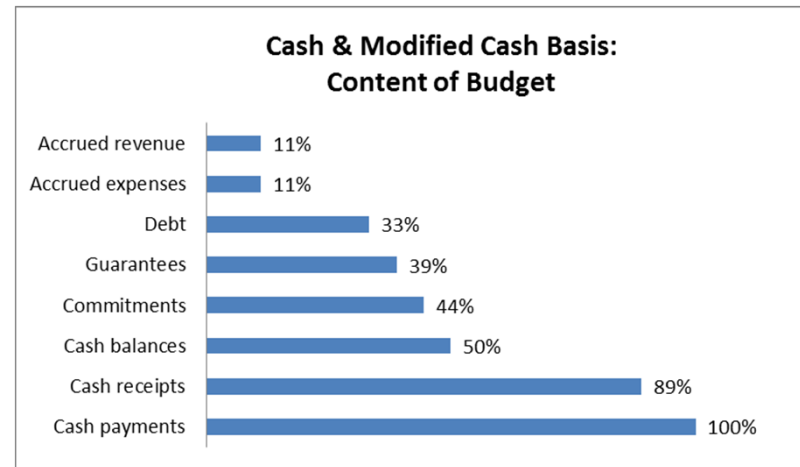
Scope: 26 countries, incl. 17 European Union member countries.



Tailored Budgeting Practices

(2016 OECD Survey, initial findings)

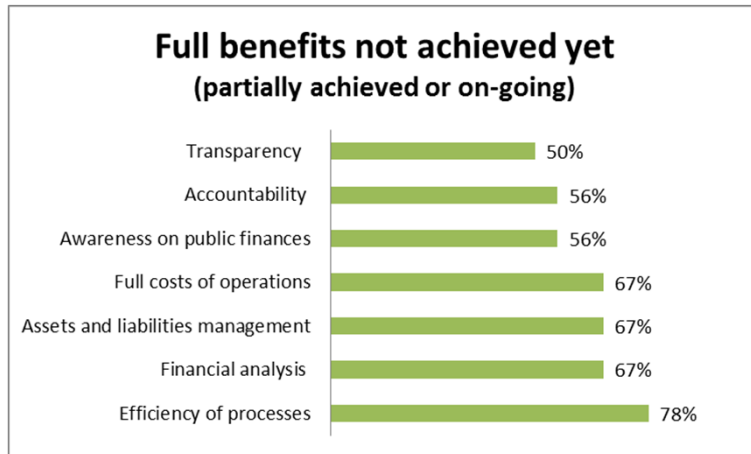
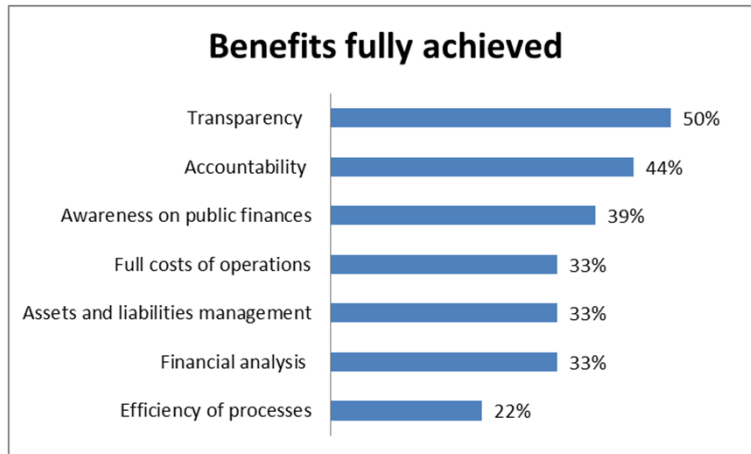
- Cash vs. Accrual classification may not reflect appropriately budgeting practices.
- Many countries have approaches to budgeting that mix cash and accrual elements, tailored to political and management needs, for example:
 - Revenue and Expenditure flows separated from Financing flows;
 - Expenditure recorded both at the commitment and payment order stages;
 - Stocks of debt, guarantees, pensions, tax receivable and/or arrears ;
 - Multiple presentations (administrative, program, functional, gender,...).





Benefits and Limits of Accruals

(2016 OECD Survey, initial findings)

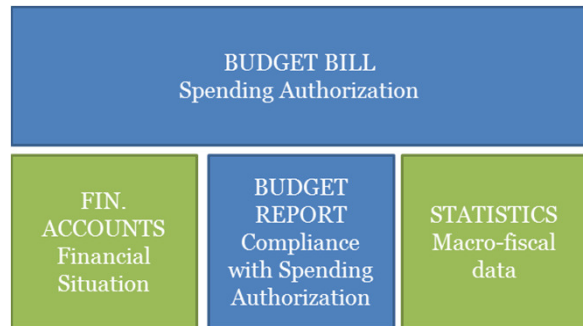


- Half of countries did not answer (50%): many on-going and planned reforms, and difficulties to assess achievements in some cases.
- Countries that answered (50%) highlight transparency, accountability, and awareness on the state of public finances as core benefits from accruals.
- Accrual information not used for annual budgeting and macro fiscal forecasting in most cases, and accrual-based financial analysis still in infancy.
- Processes' efficiency and comparability of financial reports not considered as benefit : can be achieved under all preparation basis ?



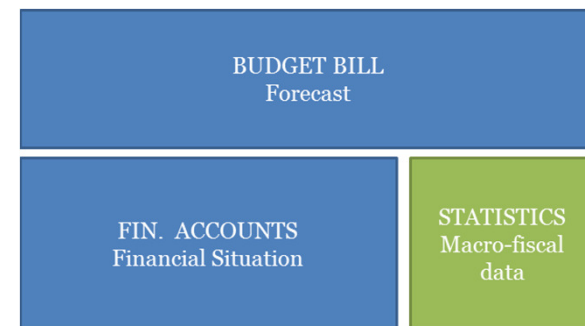
Two main models ?

(2016 OECD Survey, initial findings)



- The Budget Bill authorizes spending on a cash/commitment basis.
- The main reporting need is to assess the compliance of Government spending with Parliament authorization (budget execution report).
- Other reporting needs met in separate reports.

- The Budget Bill is a forecast presented on an accrual basis (authorization to spend is granted in cash terms, or in separate Appropriation Acts).
- The main reporting need is to compare forecasts and actuals and assess the financial situation of the entity (financial accounts).





Conclusion

- Limited number of ‘pure’ cash budgeting systems, and transparency and accountability can be achieved under different budgeting models, when full financial costs and benefits of the government operations, including the impact upon financial assets and liabilities, are disclosed at year-end in the financial accounts.
- Where accrual budgeting is not considered desirable or feasible, good practices include:
 - Disclosing supplementary information in the Budget Bill (debt, guarantees,...) ;
 - Using similar data for preparing fiscal reports, i.e., budget execution reports and financial accounts; and
 - Presenting all ex-post statements (budget execution report , financial accounts and possibly other information, such as performance evaluation) in a single year-end fiscal report.