Glossary of Key Terms for completing the 2012 OECD Budgeting Practices and Procedures Survey

Accountability
The existence of an obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles and/or plans.

Agencies
The unit within a Ministry that has been given some autonomy and/or independence from the Line Ministries to which they report. They may be subject to a completely or partially different set of management and financial rules. The term agency in the questionnaire excludes public corporations.

Allocation
The designation of funds in the Budget to a government programme or organisation.

Budget
A comprehensive statement of Government financial plans which include expenditures, revenues, deficit or surplus and debt. The budget is the Government's main economic policy document, demonstrating how the Government plans to use public resources to meet policy goals.

Budget Circular
A document/memorandum issued by the Central Budget Authority to guide line ministries/agencies in the preparations of their initial budget proposals/budget estimates. A budget circular, for instance, may contain information or guidance on automatic productivity cuts, medium-term or annual expenditure ceilings, etc.

Budget Cycle
The budget life cycle refers to the major events or stages of the budgetary decision-making process, as well as the implementation and ex-post review of those decisions over time. Specifically, the budget cycle has three stages: formulation (which includes planning), approval, and execution.

Central Budget Authority (CBA)

The Central Budget Authority (CBA) is a public entity, or several co-ordinated entities, located at the central/national/federal level of government, which is responsible for budget formulation and oversight. In many countries, the CBA is often part/division/unit found within the Ministry of Finance/Economy. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations with line ministries and agencies, allocating or reallocating funds, ensuring compliance with the budget laws and at times conducting performance evaluations and/or efficiency reviews. While this Authority may monitor budget execution, it may not necessarily undertake the treasury function of disbursing public funds. Lastly, a very important role of the Central Budget Authority is monitoring and maintaining aggregate/national fiscal discipline.

Central Government

Central government is often called federal or national government, depending on the country. For purposes of this questionnaire, the central government consists of the institutional units controlled and financed at the central level plus those NPIs (non-profit institutions) that are controlled and mainly financed by central government. The political authority of central government extends over the entire national territory and the national economy, and central government has therefore the authority to impose taxes on all residents and non-resident units engaged in economic activities within the country.

Citizen's budget

A citizens' guide to the budget is defined here as an easy-to-understand summary of the main features of the annual budget as presented to the legislature. It should be a self-contained document that explains what is in the annual budget proposals and what their effects are expected to be. While containing links or references to more detailed documents, the guide should not require readers to refer to them, or to know their contents, in order to understand the guide.

Civil service/civil servants

Those branches of the public service that are not legislative, judicial, or military and in which employment is usually based on competitive examination. Civil service and public service are often used interchangeably. Civil servants are those employed generally under the General Employment Framework for government workers (e.g. a framework that sets forth the responsibilities and conditions of employment including salary ranges, benefits, holidays/leave, code of conduct, etc.).

Consolidated mid-year or year-end report

The consolidated mid-year or year-end report shows the aggregate financial and budgetary data of a specific level of government, encompassing the total of controlled entities accountable to the relevant level of government. The consolidated report may include a set of eliminating and consolidating entries on top of the individual reports that are included in the consolidated report.

Contingent liabilities

Contingent liabilities are liabilities whose budgetary impact is dependent on future events which may or may not occur. Common examples include government loan guarantees, government insurance programmes, and legal claims against the government.

Cost–benefit analysis

Cost-benefit analysis is a systematic process for calculating and comparing benefits and costs of a government policy. It has two purposes: a) to determine if it is a sound investment/decision (justification/feasibility); b) to provide a basis for comparing different government policies. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much.

Cost-benefit analysis is related to, but distinct from cost-effectiveness analysis. In cost-benefit analysis, benefits and costs are expressed in monetary terms, and are adjusted for the time value of money, so that all flows of benefits and costs over time are expressed on a common basis in terms of their "net present value."

Cost-effectiveness analysis

Cost-effectiveness analysis is a form of economic analysis that compares the relative costs and outcomes (effects) of two or more courses of action. Cost-effectiveness analysis is often used in the field of health services, where it may be inappropriate to monetize health effect. Common measures include “quality-adjusted life years”.

Discretionary spending

Public expenditure that is governed by annual or other periodic appropriations, rather than by formulas or criteria set forth in authorising legislation.

Effectiveness

The extent to which a policy, programme and/or organisation’s previously stated objectives or targets have been met.

Efficiency

Measuring efficiency aims to examine whether policies, programmes, and/or organisations are achieving the maximum output from a given level of resources (inputs). Determining whether greater “value for money” or efficiency has been achieved however, requires an assessment against a standard of what optimal efficiency is/should be.

Executive

Central/federal government organisations located in the Executive branch of government. This includes the Prime Minister/President, the Cabinet, line ministries and their agencies.

Executive’s budget proposal

For purposes of this survey, the OECD utilises the definition of the International Budget Partnership. The Executive’s Budget Proposal is developed by the CBA following negotiations and initial estimations provided by line ministries/agencies and is presented for the Legislature to review, amend and approve. The nature of the Executive's Budget Proposal can vary from country to country: sometimes it is a single document, and sometimes it is a collection of multiple documents. For the purposes of this survey, respondents should answer according to the main Executive's Budget Proposal, as well as any supporting budget documents that the executive may provide to the public.

Expenditure
The term refers to Government spending (or outlays) made to fulfil a Government obligation, through a payment or promise of a future payment.

Fiscal rule (numerical)
For purposes of this survey, the OECD utilises a similar definition as the European Commission. A numerical fiscal rule refers to a ***permanent constraint*** on fiscal policy (e.g. in-year rules are excluded).

Inputs
Measures of the units of labour, capital, goods and services (or the costs of such units) utilised by government organisations or government-financed organisations to produce public goods and services.

Line item
A line item is an appropriation that is itemised on a separate line in a budget. In public budgeting it refers to the lowest or most detailed level where a political sanction of spending (i.e. an appropriation) is given in law. The lower the level, the more restrained the executive is regarding reallocating spending.

Line Ministries
Central government organisations responsible for designing and implementing policies in line with wider Government policies, and for the direction of Agencies/Executive Units under their authority. Line Ministries may be called Departments in some countries, and have responsibility for their own budget portfolios although they must report to CBAs and are subject to their review.

Mandatory Spending
Public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations alone. Includes certain kinds of entitlement spending in many OECD countries.

Medium term expenditure framework
A framework for integrating fiscal policy and budgeting over the medium-term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium-term budget estimates by ministries reflecting existing government policies. Forward estimates of expenditures become the basis of budget negotiations in the years following the budget and the forward

estimates are reconciled with final outcomes in fiscal outcome reports (IMF). Estimates for revenues and expenditures can be linked to government objectives and economic forecasts.

Mid-year report
The mid-year report provides a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the current fiscal year and, at least, the following two fiscal years. The report may contain additionally the economic assumptions underlying the budget as well as a comprehensive discussion of the government's financial assets and liabilities, non-financial assets, employee pension obligations and contingent liabilities.

See also year-end report.

Non-Governmental Organisations
An organisation created by natural or legal persons that operates independently from any government. The term originated from the United Nations (UN), and is normally used to refer to organisations that do not form part of the government and are not conventional for-profit business. In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status by excluding government representatives from membership in the organisation. The term is usually applied only to organisations that pursue some wider social aim that has political aspects, but that are not overtly political organisations such as political parties.

ODA
The DAC defines ODA as "those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:
i. provided by official agencies, including state and local governments, or by their executive agencies; and
ii. each transaction of which:
a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)."

Off-budget expenditure
Off-budget funds are special funds owned by the government, that are not part of the budget and that receive revenues from earmarked levies, possibly next to other sources such as fees and contributions from the general tax fund. Earmarked levies are different from fees in that they do not reflect the market value of the services that are financed from the revenues. In particular they may be lower or higher in view of social considerations.

Outcomes
Outcomes reflect the intended and/or unintended results of government actions (e.g. policies, programmes and other activities). Examples of outcomes include the change in student test scores following an increase in hours taught, the change in the incidence of a disease following an

immunisation programme, or the change in income inequality following the introduction of a new welfare payment. Outcomes are a broader performance metric than outputs, and are harder to measure since generally factors outside of the governments' intervention also play a role in influencing outcomes.

Outputs

Outputs are defined as goods and services produced and/or provided by Government (or government financed) organisations. These measures are derived from the direct measurement of output volume with due regard to appropriate quality. Some examples include: teaching hours delivered, immunisations provided or welfare benefits paid. Outputs tend to be easier to measure than outcomes.

Performance Targets

Performance targets refer to specific and measureable outputs or outcomes that are set ex-ante with the goal of being achieved by a Government policies, programmes and/or organizations within a pre-specified amount of time. Performance, as measured against performance targets, compares the initial output/outcome goals set with those actually achieved.

Policy

A Government policy is a decision determined by the government to (i) address socio-economic challenges in a country (or in the case of foreign policy, in the country's relations with other countries) and usually also decisions about (ii) how these challenges will be addressed. Policies are Governments' main tools for guiding action, and are typically expressed in laws/regulations, official policy statements or guidelines, and institutions which then result in programmes and specific initiatives financed and/or conducted by government organizations to address these challenges. In addition to foreign policy (e.g. rules for governing a Government's relations with other countries), Governments enact fiscal policy (e.g. rules for governing a Government's actions with respect to aggregate levels of revenue and spending), monetary policy (e.g. rules for governing a Government's influence over money market and credit conditions), as well as environmental policy and social policy (among others).

Pre-budget report

A pre-budget report serves to encourage debate on the budget aggregates and how they interact with the economy. As such, it also serves to create appropriate expectations for the budget itself. Such reports state the government's long-term economic and fiscal policy objectives and the government's economic and fiscal policy intentions for the forthcoming budget year(s).

Primary legislation

Regulations which must be approved by the Parliament. Also referred to as principal legislation or primary law.

Programme

A programme is a grouping of Government activities in relation to a specific set of policy objectives. A government programme can consist of several initiatives and address multiple policies simultaneously, though both the initiatives and policies are likely to be closely related. An example of a programme is the *Head Start* initiative for early childhood development and health in the United States. The programme addresses several (but related) policy goals such as improving education and health outcomes for children, and is constituted by several activities (e.g. early childhood enrolment in educational, improved nutrition, etc.).

Quasi-fiscal activity
Quasi-fiscal activities are any activities undertaken by state-owned enterprises at the instruction by the government. They do not pass through the budget directly.

Reallocation
Also referred to as Virement. A movement of funds from one account/line-item/programme to another, which can be limited by formal rules. To prevent misuse, Government organisations must normally seek authorisation to make such transfers.

Rescission
The cancellation of funding previously made available by the Legislature, which may require legislative notification or approval.

Reserve Fund
Also called Contingency Reserve. A separate fund or a budget provision set aside to meet unforeseen and unavoidable requirements that may arise during the budget year, like natural disasters or armed conflict.

Spending Reviews
Spending Reviews are a specific kind of government evaluation, and are commissioned with the specific objective to identify budgetary savings across government. However, they require some specific characteristics in order to fulfil this role. Spending reviews can be used to reduce the deficit and/or to make fiscal space for higher priority programmes either through restructuring or cutting activities. The OECD Value for Money Project differentiates spending reviews from other types of evaluation through three main characteristics:

1) Spending reviews not only look at programme effectiveness and efficiency under current funding levels, but also examine the consequences for outputs and outcomes of alternative funding levels.
2) The responsibility for the spending review procedure is under the responsibility of either the Ministry of Finance or the Prime Minister's Office.
3) The follow-up of spending reviews is decided in the budget process.

These three criteria make an explicit link to budgetary decision-making, both in terms of analysis under alternative funding levels (e.g. spending review targets) and in terms of the budgetary process. In recognising that ministries will be reluctant to offer up cuts, there is emphasis on central leadership for both participation and consistency (or fairness). Spending reviews also differ in terms of their assessment criteria, and may also be *functional in nature* (e.g. focus on operational efficiency) and *strategic* (e.g. focus both on efficiency and on whether initiatives are aligned with high-level policy priorities).

For purposes of the questionnaire, both functional and strategic spending reviews are to be considered when responding to questions on this issue.

Subordinate regulations

Subordinate regulations are regulations that can be approved by the head of government, by an individual Minister or by the Cabinet - that is, by an authority other than the parliament/congress. Note that many subordinate regulations are susceptible to disallowance by the parliament/congress. Subordinate regulations are also referred to as "secondary legislation" or "subordinate legislation".

Supplementary Budget

It contains the proposed amendments to the main annual budget. This is the mechanism with which the Government seeks legislative approval for spending that differs from the original budget and appropriations. Supplementary budgets are given legal force through adjustment or supplemental appropriations.

Supreme Audit Institution

A Supreme Audit Institution is a constitutionally independent institution that receives its mandate from the legislative (Parliament). Its role is to audit the implementation of the budget of the executive (the government) and to report to Parliament.

Year-end report

The year-end report is the government's key accountability document. The year-end report shows compliance with the level of revenue and expenditures authorised by Parliament in the budget. Any in-year adjustments to the original budget may also be shown. Additionally, the year-end report, or related documents, may include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable. Finally, the year-end report often contains a comprehensive discussion of the government's financial assets and financial liabilities, non-financial assets, and employee pension obligations.