



HAL
open science

Budget Cycle: Preparation, Execution, and Revision

Évelyne Lande

► **To cite this version:**

Évelyne Lande. Budget Cycle: Preparation, Execution, and Revision. Global Encyclopedia of Public Administration, Public Policy, and Governance, Springer International Publishing, pp.1-15, 2016, 10.1007/978-3-319-31816-5_2261-1 . hal-02480924

HAL Id: hal-02480924

<https://hal.science/hal-02480924v1>

Submitted on 27 Jun 2024

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

Budget Cycle: preparation, execution and revision

Evelyne LANDE

Professor at University of Poitiers – EA1722 CEREGE

Introduction	2
1. Budget as a political act: Budget preparation and adoption	2
1.1. Democracy and transparency of the budget debate	3
1.2. The budget: a bargaining area	5
2. Budget as a technical act: the budget elaboration	7
2.1. Budgets based on financial allocations	8
2.2. Budget based on objectives and results to achieve	9
2.3. The monitoring of multi-year budget commitments	10
2.4. Multiannual budgets	12
<i>Commitments authority: essential to the analysis of fiscal sustainability</i>	13
<i>Multi-year expenditure management and sincerity of the budget</i>	14
3. Budget as a managerial act: Execution and budget revision	15
3.1. Monitoring and control of budgets	15
3.2. The monitoring of the results of budget execution by Parliament	19
Conclusion	20

Introduction

The budget cycle consists of different phases: development, voting, execution, revision and control of the budget. Instead of examining these different phases in sequence, this chapter proposes to study the different meanings of the budget, the budget that can be seen as (1) an act policy of a Government and a Parliament or as (2) a technical construction and review of budget governed by rules and an underlying accounting system or (3) an act of management involving accountable and under control.

The budget procedure and especially the preparation, the vote, the execution and the control of budget in democracies are addressed by various international institutions to qualify budgetary transparency and quality of democratic debate in a country. These methods are dependent on the history of institutions in each country and, wherever it is possible, this section will present the main models in the presence but not aspire to make a detailed comparison of the budget cycles in each country.

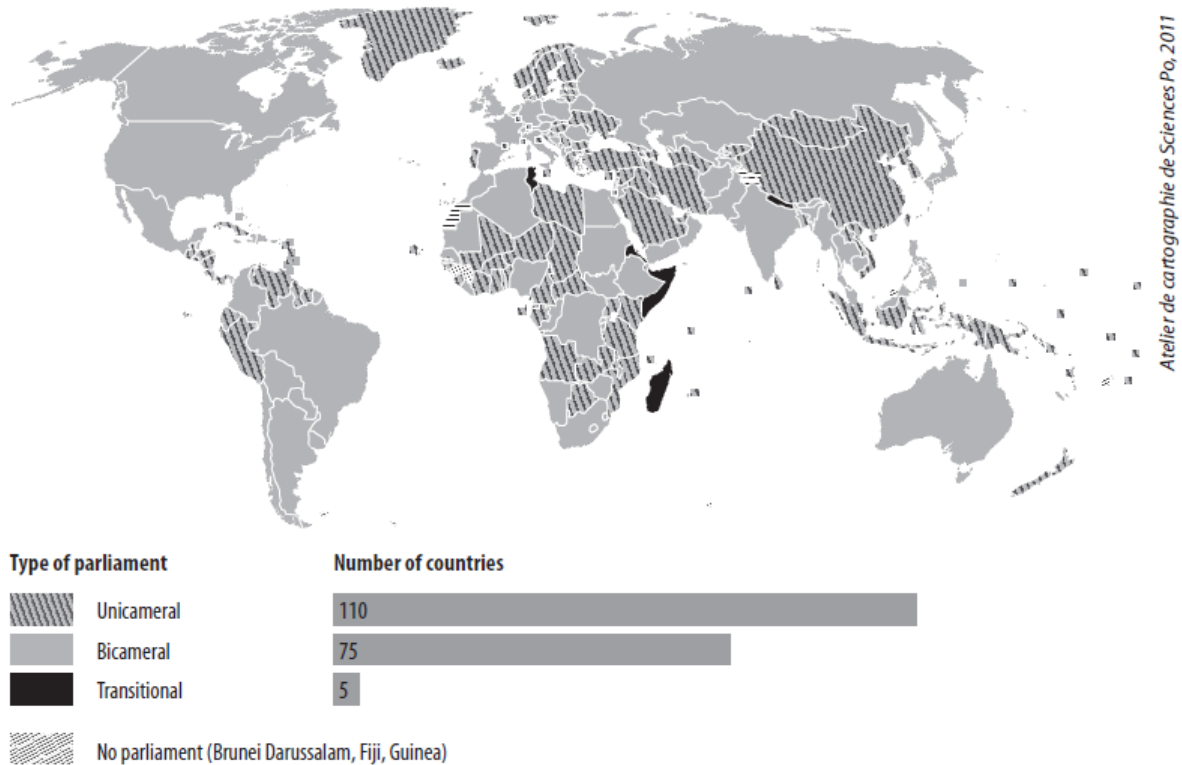
1. Budget as a political act: Budget preparation and adoption

The budget is often presented as a major political act of democracy. Indeed, the budget is the instrument for the implementation of public policies and involves two major players in its preparation and its vote: the executive (Government) and the Parliament. The principle of separation of powers and its respect helps to qualify the level of democracy of the country. It also induces a number of prerogatives or powers to the Parliament, through the vote of the budget, authorizes the collection of taxes, defined the framework of the expenditure (public policy choices that will be funded) and sets the main budget balances. The Government for its part develops the budget submitted to Parliament and is also accountable for the implementation of the budget to the Parliament.

1.1. Democracy and transparency of the budget debate

There are two kinds of Parliaments, unicameral Parliaments and bicameral Parliaments whose powers may differ from one country to the other (*See chapter Budget Approval and the Legislative Process for more details*).

Type of parliament



Source: Inter-Parliamentary Union, 30 September 2011

Source: Inter-Parliamentary Union & UNDP (2012), Global parliamentary report, p. 96
<http://www.ipu.org/pdf/publications/gpr2012-full-e.pdf>

Parliaments organize internally the work of parliamentarians through various committees whose, very generally, is a Finance Committee. In most cases this Finance Committee is composed of members representing the different political sensitivities and are sometimes even mandatory be chaired by a member of the opposition. The role of these committees is essential because if the construction of the budget is the jurisdiction or the responsibility of the Executive, the Executive must then submit it to the Finance Committee of the Parliament before the start of the discussion by the Parliament in

plenary session. Indeed, in some parliamentary systems, the budget cannot be changed by amendments or modifications are considered a distrust of the Government. In these configurations the discussion of the budget is carried out within the commission of finance and amendments or negotiations are done prior to the presentation and the vote or approval of the budget by the Parliament.

During the prior presentation of the draft budget to the Finance Committee of the Parliament, the Government presents the macroeconomic forecasts in the medium term, the Government medium-term fiscal objectives, allocations by major policies, forecasts the main categories of revenues and the description of the cost of the new measures. This presentation aims to initiate a debate on the major budget aggregates and their relevance to the economic situation of the country. It must also be a way for the public or its elected representatives to understand the link between policies and budgetary allocations and to strengthen the accountability of the Government to Parliament.

Also note that the draft budget of the European Union Member States should be passed before its vote by national Parliament to the European Commission which gives its opinion and advises but cannot reject a budget.

Non-governmental organization PEFA (Public Expenditure and Financial Accountability) has defined a (Performance Measurement Framework) framework to ensure the transparency of the budget debate. This framework identified seven pillars of performance of an open and orderly Public Financial Management (PFM) system. Each of these pillars is declined in several ratios.

<p>I. Credibility of fiscal strategy and budget - The fiscal strategy and the government budget are realistic and implemented as intended. This is measured in terms of PFM system out-turns and captures the immediate results of the PFM system in terms of actual revenues, expenditures and fiscal deficit by comparing them to the original plans and approved budget.</p>

II. Comprehensiveness and transparency - key system features that cut across the budget cycle, including the comprehensiveness of budget coverage and fiscal risk oversight, as well as public access to fiscal and budget information.

III. Asset and liability management – Effective management of assets and liabilities ensures that public investments provide value-for-money, that financial investments offer appropriate returns, that financial resources for asset maintenance are well planned and asset disposal follows clear rules. It also ensures that debt service costs are minimized and fiscal risks are adequately monitored so that timely mitigating measures may be taken.

IV. Policy-based planning and budgeting - The fiscal strategy and the budget are prepared with due regard to government fiscal and sector policies.

V. Predictability and control in budget execution - The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.

VI. Accounting, recording and reporting – Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes.

VII. External scrutiny and audit - Arrangements for scrutiny of public finances and follow up by executive are operating.

Source: <https://www.pefa.org/sites/pefa.org/files/PMF%20Upgrade%20-%20Testing%20Version%2026-01-15.pdf>

1.2. The budget: a bargaining area

In principle the budget is adopted before the beginning of the year. If the budget is adopted after the beginning of the fiscal year because of technical or political reasons, the budget can be implemented partially (e.g. 80% of the budget of the previous year in France) to avoid an interruption of public

services but in some countries like the USA no expenditure may be performed in the absence of adoption of the budget by both houses (House of representatives and Senate).

In the latter case, the budget becomes a tool of power and a trading area involving new actors as pressure groups who will try to mobilize parliamentarians to bend in their favor government policy. The influence of pressure groups is more or less important depending on the parliamentary system of the country. Indeed, each country defined the relations between the Government and Parliament and their respective powers over amendment of the budget, the Government veto power, the power of Parliament to override this veto or oppose its counter-vetoes, the procedure in the event of budgetary stalemate and the time allocated for the examination and review of the budget.

The electoral representativeness of Parliament, the majority accorded to the government and the role of the opposition are also crucial elements of the bargaining game. Pressure groups are involved throughout the process of discussion and adoption of the budget but in countries where Parliament has not the possibility or no opportunity to amend the budget, groups intervene upstream during the budget analyze and review by the Finance Committee of the Parliament or even by acting directly at the level of the construction of the budget by the Government through the publication of surveys, reports...

Several economic studies based on the Public Choice Theory have also demonstrated that the budget construction and especially fiscal balance were influenced by the electoral cycle. Thus, in pre-election period budgets are often unbalanced. Similarly, the government's position (weak or force), the weight of the opposition in Parliament or the quality of democratic debate are elements strongly influencing the construction of the budget. The assumptions underlying this theory are that:

1. The elector has political preferences (ideological basis, impacts of non-economic issues, etc.), but he modulates his vote on the basis of the results of economic policies, and in particular their impact on unemployment and inflation. If we assume, that the elector is rational, it will prefer low unemployment and low inflation.

2. The elector has partial or insufficient information on the state of the economy, the options available to policymakers and their consequences. He ignores, in particular, the consequences or impact in the future (debt as a burden on future generations for example) of the public services delivered today.
3. The political parties are seeking for their part to win the greatest number of votes to beat their rivals in the upcoming elections.
4. The monopoly of a political party, regardless of the intentions, has the same effects as any other monopoly: the abuse of dominant position and the preference for policies favorable to its own sustainability.

Thus the budget is a political act which reflects a policy of a Government subject to external and internal political order and economic pressures. The budget is also a technical act in the sense that the budget must comply with certain rules in its construction.

2. Budget as a technical act: the budget elaboration

In the phases of preparation, implementation and revision of the budget, the technical dimension is often predominant. However, in recent years, many countries opt for a more managerial dimension especially to cope with budgetary constraints and improve the performance of public action.

The budget process often begins one year before the start of the fiscal year. It leads to define the amount of revenues and their allocation between the various ministries through the budgetary framework letter.

Revenues are in most cases estimated by the Ministry in charge of finance, adjusted by policy measures of other Ministries related to tax credits for expenses (e.g. for investments aimed at the reduction of energy consumption). Naturally, this amount often depends on the economic situation of the country (corporate profits, growth, consumption, corporate profits, unemployment...) and this is why

estimated revenue figures rely on economic forecast established by national or supranational statistical agencies such as Eurostat for Europe, the IMF and the World Bank...

With regard to expenses and expenditures, the government defines budget framework letters by Ministry. These budget framework letters determine the maximum expenditure limit often with details on the amount allocated for investment expenditures (including debt repayments), payroll-related expenses and current operation expenses.

Some of these expenses or expenditures are classified as incompressible and are clearly identifiable as coming from previous commitments (repayment amount of debt, interest amount of debt, amount due through a public contract which committed the State over several fiscal years...).

Others must be estimated. This is for example the case of the salaries of active personnel which depends on the number of retirement, the rate of renewal of these departures, the impact of the effect of career development for civil servants (promotion), the upgrading of salaries in line with inflation if necessary...

These budget framework letters determine the financial flexibility and scope of each Ministry, following the general guidelines set by the Government. The Ministers may then make counter-proposals and a second phase is devoted to the budgetary arbitrations and decisions.

At this stage, two budgetary strategies are present: to propose a budget based on financial allocations or to propose a budget based on objectives and results to be achieved. These budgets also may cover a single fiscal year or cover a multi-year period.

2.1. Budgets based on financial allocations

A budget based on financial allocations will decline the various items of expenditure according to their nature and between the services of the Ministry. Take the hypothesis of a budget for education representing 10% of the State budget. In a presentation of the budget based on financial allocations, it declines for example in 60% in payment of wages, 20% in current expenditure and 20 per cent in

investment expenditure and these amounts will be divided between the primary, secondary and higher education.

In the development of these budgets often the operators renew the allocated amounts by incorporating the effects of inflation without connect them systematically to public policy and achievements.

With this presentation of the budget based on financial allocations, dissension may occur between Ministries and each Minister will have at heart to have the biggest budget or, in case of budgetary restriction, to be the least affected to show that he was well able to defend his budget and his Ministry.

In this logic of resources allocated to departments, the dimension of public policies to implement and results to be obtained is put in the background. The construction of the budget is then primarily technical and translated the political power of a Minister. To fight against this trend, experiments were launched in some countries using the BBZ (see chapter BBZ) or developing budgets based on results to be achieved or outcomes.

2.2. Budget based on objectives and results to achieve

A budget based on objectives and results to achieve involves identification of the major missions and tasks of a Ministry and the actions that it intends to implement to achieve this. The question no longer is how much the Ministry has consumed the financial allocations at its disposal but if that the Ministry has achieved the objectives it had set upstream and for which it has defined indicators of activity.

The construction of the budget takes a strong managerial dimension because it involves to operationalize public policies through missions, actions and indicators.

The passage of a budget based on financial allocations to a budget based on outcomes is an important challenge in terms of the managerial functioning as it implies for the Ministries to identify the strategic objectives and then to decline them in programs and operational actions. This presentation of the budget leaves more flexibility for program managers because Parliament generally vote distribution

by major programs and allows also the reallocation of resources between the actions making up a program and also a reallocation within an action between the different types of expenditures.

For example, it is possible to transfer credits from the current operating expenses to investment expenditures and vice versa. As a general rule, the fungibility of credits doesn't include staff costs which are subject to a separate vote of the Parliament with a spending limits that cannot be exceeded. Indeed, the recruitment of an official during a fiscal year then engages over the following years the State and therefore permanently compromising the budgetary leeway.

Budgets based on outcomes to be achieved are a more interesting qualitative source of information for parliamentarians than the ones based on financial allocation. They are sometimes coupled with a monitoring of multi-year commitments or even with a multi-year budget monitoring.

2.3. The monitoring of multi-year budget commitments

One of the main budgetary principles is the principle of annual budget (see chapter on budget rules). However several countries now distinguish commitment authority. Nevertheless, several countries now distinguish the concept of commitment or budget authority which can incur obligations for future years and the concept of payment appropriations or outlays which is the amount committed during a fiscal year.

The commitment authorizations are voted by parliament and constitute the upper limit of expenditure which may be incurred. These authorizations limit the legal commitments that governments are permitted to contract with third parties on behalf of the State. Payment appropriations are also voted by Parliament and constitute the upper limit of expenditure which can be scheduled or paid during the year to cover commitments. These payment appropriations retrace as and when payments cancel the debts incurred by the State.

The duality of budget authority for expenditure, in payment appropriations and commitment authority, involves having a joint monitoring within the budget accounting: at the time of their opening

after the vote by the Parliament of the commitment authority and payment appropriations, and then at the time of consumption credits.

However, this distinction between commitment authorities and payment appropriations is complex for staff costs. Indeed, the commitments arise from a multitude of management acts, not only recruitments but also of promotions, revaluations of compensation or treatment, etc. without we can assess precisely neither the total impact nor its timing throughout the years concerned. Therefore, for this expenditure item, rather than a commitment authority, an employment limit in full time equivalent and currency is sometimes implemented. This limit is both the commitment authority and the annual payment appropriation.

Example

For a public contract for a total amount of €100'000 over two years, the following appropriations are as follows

- Fiscal Year N

Expenditure commitment corresponding to the entire public contract: €100'000

Payment appropriations for the 1st instalment: €50'000

- Fiscal Year N+1

Expenditure commitment: 0 (the expenditure was incurred during the fiscal year N)

Payment appropriations for the 2nd instalment: €50'000

In this example, we will open more payment appropriations than commitment authority during the fiscal year N+1, but the total amount of commitment authority is equal to the sum of payment appropriations (100).

However, States may provide more relevant budget information by presenting multiannual information and attempting to measure the impact of budgetary provisions on the balanced budget in the medium term and therefore the sustainability of fiscal policies.

2.4. Multiannual budgets

The practice of the multiannual programming tends to develop in the OECD countries. For example, Canada made estimates up to 4 years (different duration depending on the State and federal level), Australia has a multi-annual budget over 4 years, France over 3 years, the European Union sets a multiannual financial framework over 7 years reflecting the priorities of the EU without being a budget for seven years, but a basis for its annual budget exercise, in USA the Congressional Budget Office (CBO), publishes *The Budget and Economic Outlook* which covers a ten-year window.

The multiannual programming allows to integrate the fact that the budget annuality principle (*see chapter on budget rules*) is increasingly questioned because some commitments (in particular some procurement or public contracts) may have budgetary implications over several years. Countries, opting for multi-year budgets, thus undertake to provide to their Parliament more complete budget documents and better qualitative information. It also requires strengthened and coordinated control of expenditures and revenues.

Example: the multiyear budget in France

Programming of expenditures over 3 years

The multiannual budget includes a program of State expenditure over three years: an overall limit of State expenditure and expenditures limits by major missions or public policies. The overall limit includes budget expenditure of the State, levies from revenue for the benefit of the EU or local authorities, as well as tax allocations. The limits are imperative the first two years and may be adjust the third year.

Triennial budget and Finance Bill

For each year of the budgetary programming, projects of finances bills are prepared and presented to Parliament in accordance with limits set in the triennial budget. The preparation of the finance

bill now follows a different procedure even years (preparation of the triennial budget) and the odd years (updating of the second three-year term of the budget).

In the first year, the expenditure limits set at the level of missions and the distribution of funds by program are those enrolled in the initial finance bill of the year and thus are considered as certain.

In the second year, the limits on expenditure for missions are considered not subject to revision.

However, they may be revised in certain exceptional cases. The distribution of appropriations between programs of a mission, planned in the preparation of the triennial budget, on the other hand may be revised in compliance with the limit of the mission.

In the last year, however, credits per mission may be subject to further adjustments. This third year "revised" programming is therefore the starting point of the new multi-annual budget for the three following years.

Often these multi-year budgets are a way to define the multiannual guidelines for public policies in the medium term and this in an objective of balance of the financial statements of Government and fiscal sustainability.

Commitments authority: essential to the analysis of fiscal sustainability

Accounting commitment authorizations traces the initial budget allocation and consumption upon notification of legal acts which engage the State. These are indeed legal commitments which, consume commitment authorizations up to the amount of firm commitment; they materialize the birth of the obligation of the State, which will result in an expenditure. Contract, purchase order or grant notification, the legal commitment is indeed the founding act of the expense.

The accounting of commitments authorizations determines, at the end of a fiscal year and with the reconciliation with payments, the balances payable, namely the commitment authorizations consumed and not payed. The balances payable thus allow accurate assessment of payments that will intervene in a subsequent fiscal period and be deducted from the realization of future budgets.

Fiscal sustainability in the short or medium term is based on a program of legal commitments giving rise to deadlines of provisional payments compatible with the limit of payments allocation defined in the budget, not only in respect of the current fiscal year but also on for following fiscal years.

To supervise effectively the State's management and to obtain reliable future expenses and costs, the amount consumed in commitment authorizations is the total amount of the commitment made to the third over the lifecycle, including for the part will give rise to a disbursement on a subsequent fiscal year.

Multi-year expenditure management and sincerity of the budget

This mode of management has two main advantages.

First, it allows to strengthen the role of parliamentarians who control now the two ends of the chain of expenditure, authorizing the commitment of the expenditure and its regulations. Payment appropriations and commitment authorizations are voted by Parliament for a fiscal year. The commitment authorizations not consumed by a legal commitment authorizations shall in principle canceled in the budget regulations Act, except when they correspond to investment projects, which involve legal commitments over several years.

The commitment authorizations can also neutralize the effects of the fungibility between appropriations: they ensure that the substitution of expenditure, with its own temporality, by another whose schedules may differ, is *in fine* neutral for the budget since the cumulative amount of the corresponding commitments across fiscal years remains unchanged.

Finally, giving full visibility to managers and to parliamentarians on payments made at the end of a fiscal year, while tracing the balance payable, budget accounting in commitment authorizations and payment appropriations reconciles multi-year expenditure management and scope of the annual budget.

The budget is also a managerial act in the sense that once the budget is adopted, it must be implemented by managers.

3. Budget as a managerial act: Execution and budget revision

With the vote of the initial finance bill, Parliament gives the Government a budget authorization akin to an option, but not an obligation to spend. The execution of the State budget obeys a number of rules designed to ensure that the execution is carried out as close to the will expressed by Parliament, while giving managers flexibility.

3.1. Monitoring and control of budgets

The budget Directorate carries out the monitoring and steering of the implementation of the State expenditure in transverse way ensuring the regularity of the management, the sustainability of public expenditure and the compliance of execution with regard to the budgetary commitments voted by the Parliament through the finance bill.

This responsibility can materialize especially at the beginning of the fiscal year by the constitution of a “reserve of precautionary” which permits to put aside a part of appropriations for each program. This reserve is an essential tool of budgetary control to cover the ups and downs or contingencies expenditures that can occur during the execution of the budget.

Mechanisms of the reserve of precautionary set up in France

Under the French Organic Law (Article 51) and the multi-annual budget law for 2012 to 2017 (Article 6), the precautionary reserve is to make unavailable, at the beginning of the fiscal year, a fraction of the appropriations voted in the budget. This reserve is formed at the beginning of the fiscal year by the application on each program of differentiated rates (at least 0.5% of appropriations under staff costs and 5% for other expenditures in the General budget). It offers to the Government a flexibility

easily mobilized to deal with credit risks and hazards arising during the year. It also helps to maintain a certain "stress" on expenditures of the different Ministers.

In each Ministry, program managers are required to establish an initial budget programming which takes into account the reserve; the budget controller ensures the accuracy of calculating the sums set aside. During the budget execution, it belongs to the Minister of the budget to decide or not whether partial release of credit, program by program, to face, for example, to unavoidable expenditure.

<http://www.performance-publique.budget.gouv.fr/actualites/2013/maitrise-depenses-etat-mise-en-reserve-credits-gestion-2014-0#.VnfM8hFgLM>

The responsibility of the Budget Minister for enforcement requires also throughout management ongoing analysis to understand, predict and anticipate changes in the State's expenditures.

The Finance Bill was built on macroeconomic and financial assumptions, budget management may face unforeseen events during the execution: various hazards may occur on expenditure management such as natural disasters, unforeseen new needs etc. The Ministry of budget must therefore anticipate, throughout the year, what will be the total amount of expenditures at the end of the fiscal year, and propose, if appropriate, corrective measures or actions when the forecasts tend to deviate from the initial budget bill.

The stakes cost containment: the case of the “zero value standard” implemented in France

The steering of the implementation of the State budget is performed through the monitoring of expenditures standard – the "zero value standard" -, which is one of the main tools of management and control of public finances at the disposal of the Government.

When the Government propose the Finance Bill to the Parliament, the Government is committed to control the expenditure of the State and respect the “zero value standard”. These standards of

expenditure intend to give a simple management tool that allows the Government to be accountable for its steering and monitoring of State expenditure before the Parliament.

The "zero value standard" covers all the expenses of the State considered controllable: it excludes therefore the burden of debt and the contributions of the State and its operators for the financing of pensions of officials who are rigid expenses, inherited from the past and therefore hardly controllable.

The "zero value standard ", introduced in 2011, aims to avoid that potential gains from under-implementation of the burden of debt and pension reform are used to fund other expenditures; it is therefore a virtuous rule that facilitates the reading of the execution of the State budget implementation; the Government committed that the controllable expenditures do not increase or even decline from 2014 in constant euros compared to the previous fiscal year.

The "zero value standard " requires greater rigor and transparency in monitoring the implementation of State expenditures: to serve as a support tool to the decision, this standard must indeed be revised during the year with by analyzing State expenditure estimates, item by item, program by program, Ministry by Ministry.

<http://www.performance-publique.budget.gouv.fr/budget-comptes-etat/execution-budget-etat/essentiel/s-informer/prevision-suivi-execution-budget#.VnfDaRFgLLM>

The Ministry of budget conducts periodic work of analysis of the implementation of the expenditure. Analytical works permit, using available data on the management of the previous fiscal year, to update the forecasting execution of the current year compared to the assumptions used to build the initial finance bill. These analyzes are used to update data on the determinants of the expenditure, as the number of beneficiaries of a benefit paid by the State, and more generally, to take into account in the forecast of expenditures any new factor - or hazard - that may cause a gap from the forecast established at the time of the initial budget bill.

To estimate the level of spontaneous evolution of the expenditure, the Ministry of budget shall organize an exchange of information with the relevant Ministries. This information is confronted with statistical history of previous years and other relevant information of the public sector or the economy.

In addition to regular exchanges during the year with Ministry correspondents, Ministry of budget can also rely on the expertise of accounting and budget controllers in each Ministry, which are in contact daily with Ministry managers and have therefore a good knowledge of the technical records of the Ministry to which they are placed. These exchanges are formalized in infra-annual meeting, interim management reports, which also help to identify possible difficulties during the budget execution and to analyze the gaps occurring with the initial budget bill. The Ministry of budget uses these information to establish a forecast of the spontaneous evolution of State expenditures and then to propose measures that will correct these gaps.

The forecast conducted by managers also covers staff costs. In this context, the Ministry of budget monitors with the Ministries of all statutory and compensatory measures applicable to staff. For this, the Ministry of Budget has general jurisdiction to countersign draft regulatory texts related to the public service or to officials who have direct or indirect financial implications. On the expenditure themselves, whether in terms of employment or payroll, the Ministry of budget ensures that the assumptions underlying the ministerial job schemes, i.e. the outputs or recruitment needs, are consistent and proven, and especially that the job limits set up in the budget are respected at the end of the fiscal year. For payroll, it is important that expenditure has been properly evaluated and if necessary to adjust appropriations.

At the end of the fiscal year, the forecast is used as a diagnostic by the Government to decide on possible corrective measures to be implemented before the end of the year to ensure that final expenditure complies with the original intention of Parliament and is consistent with the objectives of budget targets voted by Parliament.

3.2. The monitoring of the results of budget execution by Parliament

The Parliament examines, during the fiscal year N + 1, the implementation of the budget of year N and the financial statements for the year N. The budget and financial statements may be subject to different accounting rules for example the budget can follow the legal commitments and receipts / disbursements while the financial statements are prepared in accordance with accrual accounting.

During the presentation of the budget execution to Parliament, several documents can be handed over to elected representatives depending the accounting obligations of the State in each countries. The following information are generally provided:

- An accounting information with the financial outcome of the year according to the budget accounting statements and the financial accounting statements;
- Information on budget performance, including through the presentation of annual performance reports by major public policies and the financial outcome of each Ministry with regard to commitments made during the budget vote;
- Eventually the auditor's report on the certification of the State financial statements by the SAI or a private organization;
- the report on financial outcomes and fiscal management of the State carried out by the SAI

Without waiting for the end of the fiscal year, it can also be forwarded to Parliament a monthly situation of the State budget. The monthly situation of the State budget allows economic observers to appreciate the trends month by month for all factors that contribute to the formation of the current execution of the budget balance. This monthly situation is often commented by the Minister of budget that puts into perspective the data to local or global economic conditions if it is appropriate.

This communication results from a desire for financial transparency, thus contributing to strengthen knowledge and understanding of the execution of the State budget. This communication is part of a code of good practices on public finances transparency designed by the International Monetary fund (IMF).

Good practices also included the publication, according to a schedule announced in advance, the monthly situation of the State budget. This is a photograph of the infra-annual execution of the State budget by recording, month after month, the main accounting items: expenses, revenues, balance of special accounts and their overall result, the balance of the general budget.

Based on the financial accounting data, monthly budgetary situation offers a synthetic vision of the evolution of budget execution of the State during the fiscal year. It also allows comparisons with the results observed during in prior years to the same periods of the year.

The publication by the State of the monthly budgetary indicator allows all stakeholders involved in the budget situation of a country, including the creditors of the public debt, international organizations such as the World Bank, the IMF, the European Union... to stay informed of the monthly evolution of the situation of public finances.

Conclusion

The budget is both a political act and a negotiation or bargaining between the Government and Parliament and stakeholders. It is also a technical act, some countries have defined fiscal rules and standards governing the construction and execution of the budget. These rules can be aimed to ensure that authorizations voted by Parliament are well respected, but also to provide information on multi-year commitments that permanently commit a State. Finally, during the execution phase, the budget is a management act, the advent of the New Public Management has in recent years, deeply changed the role of budget managers. Thus, new jobs appear in Ministries such as fiscal and financial controllers. Similarly, the objectives of managers is not to spend money but for actions but to achieve results and to report and to be accountable to Parliament for Government action and the implementation of public policies.

Finally, even if this has not been addressed in this chapter, the budget is also an "accounting philosophy" with the choice made by different countries to use an accrual accounting system or a cash

accounting system to elaborate the budget even if the financial statements are based on an accrual accounting system.