

# UNDERSTANDING PUBLIC BUDGET AND BUDGET PROCESS

MS-TCDC

# Learning Objectives

- ▣ Introduce participants to Public Budget and the Process
- ▣ - Concepts, structure

# Linking the macro & micro....at our own level

- ▣ What is a Public Budget?
- ▣ Is there a relationship between Public & Household budget?
- ▣ Public Budget & Governance....  
Any relationship?

# Introduction

- ▣ Governance is about providing for the common good of the citizens
- ▣ How can the government meet the ever competing needs and expectations of citizens?
- ▣ The budget is a tool which provides financial impetus to government plans and policies.

# Defining the Budget

- ▣ “A budget is a statement of expected income and expenditure of a household/ government /organization within a specific period of time.”
- ▣ *Public budgeting involves the selection of end and the selection of means to reach those ends. (Robert Lee & Ronald Johnson)*
- ▣ French word “bougette” which means little bag
- ▣ Statement of governments estimated revenue and proposed expenditure
- ▣ A financial plan showing proposed expenditures and proposed means of financing

▪ BUDGET IS .....  
AN ACTION PLAN  
A KEY INSTRUMENT FOR  
MACROECONOMIC MANAGEMENT

*“A budget is much more than  
a collection of numbers.*

*A budget is a reflection of  
a nation’s priorities, its needs, and its  
promise.”*

Alexander Hamilton

# Plenary

- ▣ Recall and reflect your family budget
- ▣ From that experience, why do you think it is important to prepare a budget?

# Importance of the Budget

- ▣ It helps us decide how, when and on what we spend our money on
- ▣ It helps individuals, households, communities and government decide how and from where to get their money from
- ▣ It helps individuals, households, communities and government to plan on how to satisfy their needs
- ▣ It enables us see how different groups benefit or are disadvantaged from the way resources are distributed or allocated
- ▣ It gives people information on how government plans to spend money on goods and services.
- ▣ It shows how government uses public money to influence and control the world (private sector) of business and the lives of people.

# FUNCTIONS OF THE BUDGET

# Traditional Functions

## ▣ Planning Tool:

- ▣ It helps us lay out what activities and programmes we intend to undertake within a specific time.

## ▣ Political Instrument:

- ▣ Spells out policies, interventions and priorities of either government or an institution.
- ▣ It involves conflicting interests, attempting to use public money (Budget) for their own interest and purpose

## ▣ Administrative Management Tool:

- ▣ It funds the activities of government and its agencies

## Traditional Functions cont.....

### ▣ Social Tool:

- ▣ It serves as a tool to satisfy the need/welfare of the people such as health, education, transportation, e.t.c.

### ▣ Economic Tool:

- ▣ It uses the budget to promote or discourage growth of certain sections of the economy
- ▣ The budget guides or serves as a guide in production, distribution and delivery of goods and services.
- ▣ It helps us control access to natural and public resources

### ▣ Legal Tool:

- ▣ It allows government to raise and spend money.

ARE THERE DIMENSIONS  
TO THE BUDGET?

# Economic Dimension

- ▣ The budget is the annual estimates of the expenditures and revenue projections of the government
- ▣ It is the fiscal representation of government developmental plans and goals
- ▣ **The economic dimension of the budget is that it is a tool through which the government seeks to strengthen the economy and make it self sufficient**
- ▣ The budget is the most important economic document and policy
- ▣ Every other economic policy or goal is dependent on the budget for its success
- ▣ The budget authorises most of government spending.

# Political Dimension

- ▣ The budget is seen here as a key instrument in national policy making
- ▣ It is also seen as an instrument of administrative control as it allocates money to the various governmental departments and arms
- ▣ The budget is the enabling political apparatus through which the various arms and agencies of government are energised so as to meet up with their political obligations to the people.

# Human Rights Dimension

- ▣ Human rights connote freedom from want and fear. Its application will involve the citizens living sustainable and secured lives
- ▣ The relationship between the budget on one hand and human rights on the other stems from the fact that the budget is the instrument through which government allocates financial resources in compliance with its obligations to respect, protect and fulfill human rights
- ▣ Most functions of government's are human rights related and if it is a settled fact that the government cannot spend without the requisite authorization from the budget, then the budget must and should be seen from a human rights perspective
- ▣ This rights- based dimension to the budget is propagated by civil society and human rights groups.

# MAJOR COMPONENTS OF BUDGET

- ▣ *Income (Revenue)*: This refers to the funds coming into the coffers of government from various sources.
- ▣ *Expenditure*: this is the amount of money spent on goods and services aimed at meeting identified needs and goals of the budget.

## TYPES OF REVENUE & EXPENDITURE

- ▣ What are the different sources of income or revenue of the National Govt.?
- ▣ What are the different kinds of expenditure of the Govt.?

# Income / Revenue

# Expenditure

# Some sources of revenue and expenditure

## ▣ Revenue:

- Exploration and sales of natural minerals:- such as crude oil
- Direct taxes:- these are income taxes such as; personal income (salaries) and company profit taxes
- Indirect taxes:- these include VAT, import and export duties
- Grants
- Loans

## ▣ Expenditure:

- Recurrent: This is an ongoing expenditure, example- personal and overhead cost (Salaries)
- Capital Expenditure: This is an expenditure of fixed assets that are not easily consumed (infrastructure)

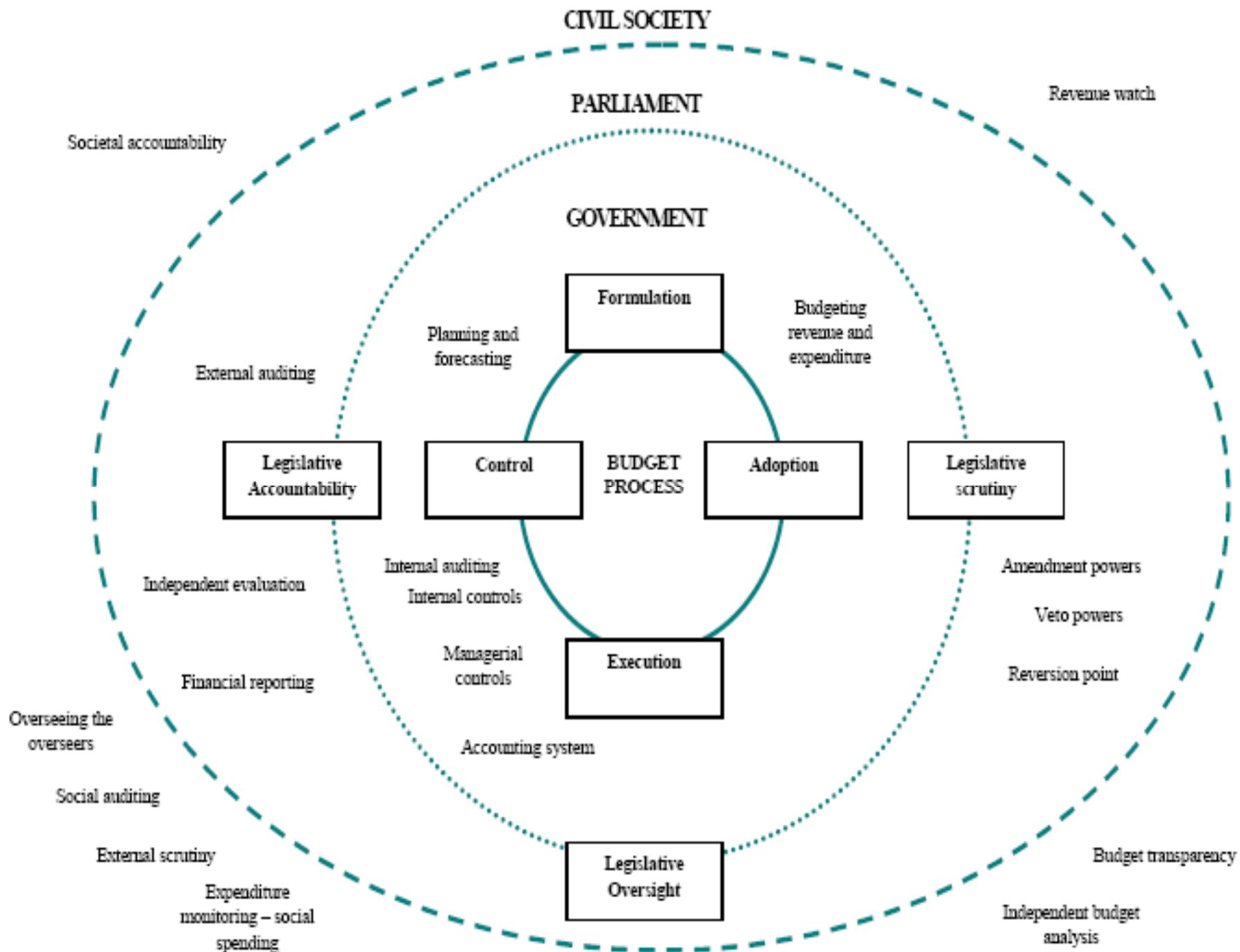
# Budget Outputs

- ▣ Surplus budget:
  - Here budget expenditure is less than the revenue/income. In this case, there is an extra *change* which can be deployed into savings and some other ventures.
  
- ▣ Deficit budget:
  - Here the expenditure exceeds the income. In this case, the account of the family or government is in *red*. **This might have been due to reckless spendings or unforeseen situations.**
  
- ▣ Balanced budget:
  - Here, the income equals the expenditure. This shows budget discipline and planning. It is however rare and depends on a lot of variables.

# Budget Cycle

# Budget Cycle

- Budget Formulation, when the budget plan is put together by executive branch of government
- Enactment when the budget plan may be debated, altered, and approved by legislative
- Execution, when the policies of the budget are carried out
- Auditing And Assessment: Accounted for and Assessed



# ▣ Role Play

# Myths and Illusions about Budget

- ▣ Public budgeting is the exclusive preserve of the Executive
- ▣ Budgets must be formulated in secret or they can upset financial markets
- ▣ Non-govt intervention can destroy the integrity of the budget envelop
- ▣ Legislators and CS have a greater interest in advancing the interests of their constituents as opposed to the interests of the country as a whole
- ▣ Govt's mandate is to produce the budget internally in a closed process and have it rubber-stamped by the legislature

▣ WHAT IS THE WAY FORWARD?

# THE WAY FORWARD

1. Demystify the budget – Economic Literacy
2. Promote Participatory Budgeting
3. Engage the process of budgeting
4. Strengthening of Institutions: the Executive, Implementing agencies, Legislature and Civil Society

▣ Thank You for sharing your experience