

UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL



GENERAL

E/CN.12/692

E/CN.12/CCE/312

15 October 1963

ENGLISH

ORIGINAL: SPANISH

ECONOMIC COMMISSION FOR LATIN AMERICA
CENTRAL AMERICAN ECONOMIC
CO-OPERATION COMMITTEE

REPORT OF THE WORKSHOP ON BUDGETARY CLASSIFICATION
AND MANAGEMENT IN CENTRAL AMERICA AND PANAMA

(San José, Costa Rica, 18-30 September 1963)

I. INTRODUCTION

1. A Workshop on Budgetary Classification and Management in Central America and Panama was held from 18 to 30 September 1963 at the headquarters of the Advanced School of Public Administration for Central America (ESAPAC), San José, Costa Rica, under the auspices of the United Nations Technical Assistance Programme, the Economic Commission for Latin America (ECLA), ESAPAC, the Latin American Institute for Economic and Social Planning, the Bureau of Technical Assistance Operations (BTAO) and the Fiscal and Financial Branch of the United Nations Department of Economic and Social Affairs. This was the eighth in the series of Workshops organized by United Nations Headquarters in co-operation with the secretariats of the regional commissions, and the second for the Central American countries. The first of the whole series took place at Mexico City in 1953, with the participation of the Central American countries, the Antilles, Mexico and the United States. In May 1959 and September 1962 similar meetings were held at Santiago, Chile, for the South American countries. Workshops were also convened at Bangkok in 1955, 1957 and 1960 for the countries of Asia and the Far East. In 1961 the first Workshop for the African countries was held at Addis Ababa.

2. The present meeting was attended by twenty-two officials designated by the Governments of the Central American countries and Panama. The participants served in an individual capacity as experts and their opinions did not necessarily reflect those of their Governments. An expert from the Joint Central American Programming Mission (OAS/IDB/ECLA/SIECA/BCIE) also took part.^{1/}

3. The purpose of the Workshop was to consider what changes should be made in the budgetary concepts and practices of the Central American countries in order to integrate the processes of budget preparation and implementation with those of planning. The discussions were therefore centred on problems to which the introduction of performance budgeting would give rise. The results achieved by the Central American countries in classifying government transactions by economic and functional categories were also reviewed.

4. The system of programme budgeting has already been adopted in some of those countries, while others have undertaken studies with a view to introducing it in the next fiscal year. The Workshop therefore provided a timely opportunity for the participants to compare notes and to benefit from the experience acquired during the different stages of planning and adoption of the budget reforms. The Workshop also paid special attention to the need for standardizing the criteria underlying the improvements that the different countries are making in budget presentation and classification, so that common technical bases can be established to facilitate the co-ordination of national development programmes in the light of the aims of Central American economic integration.

^{1/} See the list of participants in annex I.

5. To focus and guide its discussions, the Workshop adopted the following agenda:^{2/}

1. Review of the work of budgetary reclassification;
2. Relation between medium and long term economic development plans and the fiscal budget;
3. The performance approach to government budgeting;
4. Performance budget classifications and measurement of work;
5. Performance budgeting and public accounting;
6. Establishment of a system of programme and performance budgeting.

6. Among the documents discussed by the participants were the Manual de presupuesto por programas y actividades (E/CN.12/BRW.3/L.4), prepared by the Fiscal and Financial Branch of the United Nations Department of Economic and Social Affairs, and Algunas consideraciones sobre las relaciones entre la programación del desarrollo y el presupuesto fiscal (E/CN.12/BRW.3/L.5/Rev.1) and Estructura de un programa presupuestario (E/CN.12/BRW.3/L.6), prepared by the ECLA secretariat. Annex III contains a complete list of the working papers prepared by the United Nations and of the studies submitted by the participants.

7. The meeting opened under the chairmanship of Mr. Wilburg Jiménez Castro, Director of ESAPAC. The opening address was delivered by Mr. Mario Gómez Calvo, Vice-Minister for Foreign Affairs of Costa Rica, who welcomed the participants and conveyed a message of greeting to them from the President of the Republic. The floor was then taken by Mr. Joseph Moscarella, co-ordinator of studies at ECLA's Mexico office and Director of the Workshop.

8. The meeting appointed a drafting committee, composed of a participant from each country, to prepare the final report. Mr. Félix Dardón Rodas (Guatemala) was appointed Chairman and Mr. José Gil Majano (El Salvador) was appointed Vice-Chairman and Rapporteur. A working group of experts from each country was set up to study the technical aspects involved in standardizing the budgetary classifications used by the Central American countries.

9. After adoption of the final report at the closing meeting on 30 September 1963, appreciation was expressed to the agencies sponsoring the Workshop, for their contribution to its success and for the efficient organization and conduct of the proceedings. Statements along the above lines were made by the following: Mr. Lino Alfredo Medina (El Salvador), Mr. Fernando Murillo (Costa Rica), Mr. Emilio Peralta (Guatemala), Mr. Marco Tulio Banegas R. (Honduras) and Mr. Armando J. Borge (Nicaragua). Mr. Joseph Moscarella, Director of the Workshop, thanked the experts for their co-operation and declared the Workshop closed.

^{2/} See annotated agenda in annex II.

II. ACCOUNT OF PROCEEDINGS

1. Review of recent progress in budget management

10. The Workshop opened its proceedings by reviewing the progress that had been made in the budgetary field since the first Workshop on Budgetary Management held at Mexico City in September 1953. On that occasion special consideration had been given to modern methods of budgetary classification and presentation, with a view to obtaining the necessary information for framing fiscal and economic policies making for balanced economic growth in non-inflationary conditions.^{3/}

11. The participants expressed their satisfaction with the considerable strides made in the work of budget reform since the first Workshop, which had recommended the gradual introduction of economic and functional classification, along the lines of the schemes set forth in the Manual for economic and functional classification of government transactions.^{4/} The reports and recommendations of subsequent workshops in South America and other regions had also furnished useful guidelines for the improvement of budgetary procedures in some of the Central American countries.

12. At first, the reforms were mainly confined to meeting the requirements of a system of budgetary classification that would shed more light on the relationship between the public sector and the rest of the economy. The public sector accounts, classified according to the economic nature of the transactions, had usually been prepared to supplement the information required for legislative and executive control. They had proved most useful for analysis of the government sector in the studies on long-term development of the Central American economies undertaken in recent years for programming purposes. It was, however, recognized that in some countries there was considerable delay in publishing the economic classification. Hence it could not be used in analysing the short-term impact of public activity on the rest of the economy. In such cases the traditional concepts of the fiscal deficit continued in use as indicators of the inflationary pressures exerted by the Government on the economy, without considering the effect of the activities of autonomous institutions.

13. In the last few years the individual Central American countries had undertaken to carry out medium and long-term economic development programmes in which the Government played a vital role through its investments in economic and social infrastructural works and through measures designed to stimulate private productive activity.

^{3/} See Report of the Workshop on Problems of Budgetary Classification and Management (Mexico City, 3-11 September 1953) (ST/TAA/Ser.C/14).

^{4/} ST/TAA/M/12 and ST/ECA/49 United Nations Publication, Sales No.: 58.XVI.2.

14. The budget should constitute the basic instrument of a development policy. All the countries of the area had recognized the need to introduce changes in existing budgetary procedures, and had already initiated, or were about to initiate, the establishment of a system of programme and performance budgeting. This new technique was particularly suitable for the co-ordination of development planning with government budgeting, since it permitted the definition of specific programmes - for example, the construction of roads, malaria control, irrigation, education, etc. -; the measurement of the cost of such programmes and the quantification of their results in real or physical terms. Programme and performance budgeting therefore provided a link between the micro-economic aspects of economic development plans, as spelled out in the public sector programmes included under such plans and the relevant programmes covered by the government budget.

15. With regard to specific experience in Central America, Honduras had prepared functional and economic classifications for the first time in 1953. The budgetary reform carried out in 1955 had led to the adoption of such classifications as an essential part of the accounting structure, differentiating between control accounts serving accountability requirements and information accounts serving fiscal policy requirements. Transactions relating to enterprise activities were shown in separate accounts from those covering general government types of transactions. The Budget Office had been instrumental in establishing the new system, first applied to the 1954-55 budget.

16. The new classification had facilitated the preparation of summary statements in which the over-all cash deficit or surplus was reconciled with the changes in the cash holdings, net borrowing and changes in the public debt. Such summaries could serve as rough indicators of the over-all impact of government transactions on the economy, and were particularly useful to fiscal policy-makers, especially if based on the latest data available.

17. Honduras had introduced classifications of expenditure on a programme and activity basis in its 1962 budget, as a preliminary step towards reforming budget management. In 1963 the Government had made a first significant effort by endorsing both the annual budget and an information document, submitted in the form of a programme budget. Performance budgeting based on classifications strictly in accordance with that methodology would be introduced in 1964. A system of classifications had been worked out for the purpose; budget presentation had been devised exclusively on a programme, sub-programme and activity basis, the system of financial and accounting control system for each had been worked out, and control mechanisms for accounts and results were already in operation.

18. In Costa Rica and Panama conventional expenditure classifications had been modified in order to segregate transactions of a different economic nature. Since 1957 a distinction had been made in the Costa Rican budget between current and capital expenditure on goods and services, transfer

/payments and

payments and other transactions. The section of the Budget Estimates for 1964 relating to the Economic Budget was classified by programmes, sub-programmes, activities and projects.

19. The 1957 report of the Comptroller General of Panama also included a supplementary statement classifying government expenditure in 1956 and 1957 according to broad economic and functional categories. In the budget document itself expenditures were classified according to their object (salaries, current expenditures and capital outlays). Within the category of current expenditure sufficient detail was provided to permit the segregation of different categories of expenditure items. The Government of Panama had since 1960 gradually been introducing the principles of programme classification.

20. In El Salvador a basic distinction was made in the accounts between current and capital expenditure. The Informe Complementario Constitucional, published annually by the Minister of Finance, also included a summary of government expenditure and receipts classified along economic lines. In the course of 1963, on the initiative of the Budget Office and the National Economic Planning and Co-ordination Council, substantial methodological changes had been introduced with a view to establishing performance budgeting in the fiscal year 1964, along the general lines indicated by recent studies and experience. The 1964 budget would be based on programmes and sub-programmes, and its management and control would provide for economic, functional and object classifications.

21. The same general distinction between current and capital expenditure had been adopted in the Nicaraguan budget, where an object classification introduced in 1954-55 had established a firm basis for grouping expenditures according to their economic nature. A functional classification of expenditure based essentially on the United Nations Manual had been introduced in the 1958-59 budget. A new development was the inclusion of narrative statements in the 1960-61 budget document, which indicated the broad functions entrusted to each Ministry and the specific programmes for which it was responsible.

22. Important work in the field of economic and functional classifications had been carried out by institutions outside the Ministry of Finance. For example, the Memoria Anual published by the Banco de Guatemala included as a regular feature a chapter on public finance, which presented an economic classification of government transactions. Certain broad indications relating to function were given through additional sub-classification. Another important feature of that chapter was a monthly analysis of the deficit or surplus position of the Government.

23. It was generally agreed that extremely valuable co-operation had been received from the Joint Central American Programming Mission in the progress achieved by Costa Rica, Honduras and El Salvador in 1963, and an equally effective contribution from the Latin American Institute for Economic and Social Planning, ECLA and the Fiscal and Financial Branch of the

United Nations Department of Economic and Social Affairs, in the form of studies on experiments in introducing the system in other Latin American countries and other regions.

24. The progress made in the adoption of programme budgeting was the subject of prolonged discussion at the last three meetings of the Workshop, which dealt with the practical problems arising in the early stages of establishing the new system (see paragraphs 84-94).

25. Examination of the economic and functional classifications of government transactions prepared in the various countries showed that there were no conceptual discrepancies between them, the differences consisting rather in terminology or in the degree of detail in which they were published. It was considered a relatively easy matter to standardize the two classification schemes in the Central American countries within a short period.

26. A working group was established for the purpose, and prepared the schemes for economic and functional classifications set out in annex IV of the present report. These were based on the systems of classification contained in the United Nations Manual, adapted and simplified, as necessary, for use in the Central American countries, on the lines of similar budgetary classification schemes adopted at the Budget Workshop held at Addis Ababa in September 1961.^{5/}

27. The Workshop unanimously recommended the adoption of the two classification schemes on uniform bases, and the publication, in due course, of the fiscal statistics deriving from them in such a form as would permit comparison between the different countries of the area. Those statistics were considered essential for the studies being undertaken at the request of the Central American Economic Co-operation Committee, as a basis for reconciling the tax systems of the Central American countries with a regionally-oriented fiscal policy aimed at ensuring the efficient operation of the Common Market and at promoting the integrated development of Central America. On the expenditure side, the uniform classifications would be exceedingly useful for the co-ordination of national economic development plans with projects and programmes of regional scope.

2. Relationship between medium and long-term economic development plans and the annual budget

28. The participants devoted special attention to problems connected with the relationship between medium and long-term development plans and the government budget. The discussions were based on the aspects dealt with in the document prepared by the ECLA secretariat.^{6/}

^{5/} See ST/TAO/SER.C.53; E/CN.14/117/Rev.1.

^{6/} E/CN.12/BHW.3/L.5/Rev.1.

29. The Workshop considered that the subject under discussion presented some special features in the case of the Central American countries, since they had made a start on a systematic development planning process in close co-ordination with the economic integration activities which those same countries had been pursuing since the beginning of the past decade. The unification of five national economies posed its own problems that did not arise in the context of a single country. Hence the need for co-ordinating those countries' national development policies through greater identification of the aims of regional integration with those of individual countries. That common basis of interest had already found practical expression in the endeavours made by certain sectors to formulate regional plans - as, for example, the Central American Highway Plan and the projected interconnexion of some national electric power systems - and would be expanded through the co-ordination of the national development plans that were being prepared for 1965-69 and the activities of the sub-committees of the Central American Economic Co-operation Committee and other common market organs.

30. It was generally agreed that if the development plans, as envisaged, were to be successful, adequate machinery for their implementation would have to be set up in each country. The basic instrument for implementing development policy and its corresponding plans and projects is the public sector budget. In that respect, it was pointed out that effective co-ordination had to be established between the national development targets and the goals deemed to be desirable for the five countries as a whole in the context of integration, as well as between national medium and short-term targets and the annual government budgets. The Workshop welcomed the fact that each country was taking steps, on the basis of uniform criteria, to revise its budgetary system and perfect its planning mechanisms. A technical foundation was thus being laid which would greatly facilitate the formulation and application of national development policies and their co-ordination at the regional level.

31. There was some exchange of information on the individual countries' approach to planning. It was deemed necessary to set up a pyramidal-type planning organization which would function as part of a permanent administrative process, and would provide for active co-ordination between planning and the budget. Such a planning organization would permit budget preparation in the form of annual action programmes, in terms of short-term targets established within medium and long-term possibilities. The process would have to include the setting up of a permanent mechanism for consultation with the entrepreneurial and wage-earning sectors, thereby ensuring their active participation in the formulation of a development policy.

32. In the process in question, long-term and over-all planning would have to be the responsibility of the central planning offices. The sectoral plans would be drawn up by the Ministries and, where appropriate, by the autonomous development institutions, and the central office would be responsible for adapting them and making them compatible. The annual plans and performance budgets should be prepared conjointly by the central planning

/and budget

and budget offices, the respective sectoral offices in the Ministries and the administrative units in charge of the implementation of public administration programmes. That would enable the agencies responsible for the execution of plans and programmes to participate in their formulation, thereby ensuring greater interest in the attainment of the objectives laid down.

33. The information furnished by the participants made it clear that Central American experience in the field of planning was very recent, and only lately had measures been adopted to co-ordinate planning and budgeting.

34. In January 1963 the Government of Costa Rica had adopted Act No. 3087 setting up the Planning Office, attached to the Office of the President of the Republic, for the formulation of long, medium and short-term plans. The said Act provided that the annual budget must be presented on traditional lines and, moreover, "in accordance with programmes to be developed in the course of the ensuing year". Known as the Economic Budget, it had been submitted to the Legislative Assembly for the first time in 1963, for implementation in 1964. Its preparation was in the hands of the Annual Plans Department of the Planning Office, which had previously formed part of the Budget Office of the Ministry of Economic Affairs and Finance.

35. El Salvador had established the National Economic Planning and Co-ordination Council in 1962, under the Office of the President of the Republic, for the formulation of development plans. It was currently engaged in the preparation of a development plan for 1965-69 and a two-year investment plan for 1964-65. The government budget for the fiscal year 1964 would be presented to the Legislative Assembly in the form of a programme budget. The budget in question was at present being drawn up by the Budget Office of the Ministry of Finance, with the co-operation of the Planning Council.

36. In Honduras, the National Economic Council - also under the Office of the President of the Republic - was responsible for drawing up economic development plans. It was presided over by the Minister for Economic Affairs and Finance, and consisted of other Ministers, high officials and a representative of the private sector. The Council had drawn up a Two-Year Public Investment Plan for 1963-64, and was now drawing up a national development plan for 1965-69. The Budget Office, a branch of the Ministry of Economic Affairs and Finance, had for some years been using programme classifications in the structure of the government budget, which was to be presented by programmes, sub-programmes, activities and projects for the fiscal year 1964. The Budget Office had worked in close co-operation with the National Economic Council in the formulation of government programmes.

37. In Guatemala development plans were drawn up by the National Economic Planning Council set up in 1957. The Technical Budget Department of the Ministry of Finance co-operated with the Planning Council in the co-ordination of plans on the basis of available fiscal resources. It was expected to incorporate such plans in a programme and performance budget for the fiscal year 1964-65.

38. In Nicaragua the National Economic Co-ordination and Planning Office, under the Office of the President of the Republic, was responsible for sectoral and regional planning. Recently the first steps had been taken to co-ordinate programmes with the annual budget, which was prepared by the Budget Office, Ministry of Finance.

39. Following the above exchange of information concerning planning efforts in Central America, the participants pointed out some of the factors hindering progress in the formulation and execution of development plans and their relation with the budget.

40. Such factors included the difficulties stemming from the lack of uniform terminology and nomenclature for use in plans and budgets, which hampered the co-ordination of programmes and projects with sectoral plans. Further, the excessive centralization of planning activities sometimes prevented the integration of plans with programmes at the ministerial and autonomous agency level. Allied to this was the want of a timely flow of statistical data on which to base the formulation of programmes and to facilitate their execution and control.

41. There was general agreement on the need to have uniform indicators for use in the setting of targets, both by planners and by budget and administration officials. Special co-ordination would be called for in that connexion, so that the targets contained in development plans should not be expressed in units different from those used in the budget.

42. The participants considered it highly important to explore the possibility of drawing up detailed medium-term plans and projects for the public sector, each with its own budget, with a view to facilitating the preparation of annual programmes, covering a reasonable period, in which the necessary funds for completion of the activities and projects could be indicated. It might perhaps be advisable for future budget expenditure applications prepared by the Ministries to include estimates of expenses for the three or four ensuing years. Such a procedure would permit the expenditure budget to be more in line with the resources available, by indicating to the legislators the future commitments deriving from initial approval of specific programmes.

43. The expediency of extending the planning and budget relationship to the whole of the public sector, particularly to autonomous agencies and public enterprises, was also underlined. In that respect it was pointed out that accelerated development was achieved not only through the expansion of existing enterprises or the creation of new production units; continuation of existing activities must also be planned so as to improve the return on allocated funds.

44. The participants felt that a monetary policy should be formulated and applied which would be in line with the requirements of development programmes and would provide relatively stable conditions for their implementation. In that connexion, it was considered that the national

economic budget worked out on the basis of schemes showing the sources and use of funds was a valuable tool for the purpose.

45. The conclusions reached might be summed up as follows:

(a) The planning systems being established in Central America should be developed in future with an eye to proper co-ordination between national development plans and the efforts to achieve Central American economic integration. The former should be framed in accordance with the tenor of regional development policy;

(b) These aims should be crystallized in the formulation and implementation of long, medium and short-term plans, co-ordinated with annual budgets covering the whole of the activities of the public sector in every country;

(c) The preparation of plans and budgets should be entrusted to a suitable planning and budget organization of the pyramidal type embracing all levels of the public administration, and should be undertaken in consultation with the entrepreneurial and wage-earning sectors;

(d) In order to establish the technical bases for the integration of planning and budgeting, it was essential to standardize the terminology, nomenclature, and classifications used in the two processes;

(e) Special efforts should be made to improve national statistical systems so that timely and adequate information could be furnished for planning purposes;

(f) Methods of estimating and projecting financial resources must likewise be established to ensure continuity in the execution of programmes and projects;

(g) An economic and financial policy capable of providing stable conditions for the execution of development plans should be devised. The national economic budget is a valuable tool for working out a monetary and credit policy that is compatible with development programmes.

3. The performance approach to government budgeting

46. In considering this point, the Workshop discussed the benefits to be derived by Governments from adopting the method of performance budgeting.^{7/} It was unanimously agreed that a performance budget is a useful tool for carrying out development plans, and that, in addition, it provides guidelines for rationalizing the public administration and introduces a series of new factors conducive to the exercise of more effective control through assessment of specific results to be attained rather than by mere accounting operations.

^{7/} E/CN.12/BRW.2/L.4, The Manual for economic and functional classification of government transactions, was used as a background document for this discussion.

47. Note was taken of the fact that in programme and performance budgeting more emphasis was laid on the accomplishments of government departments than on their purchases. Thus, in contrast to the traditional budget, attention was focused less on the means of achieving an objective (wages, equipment, travel expenses, etc.) than on actual results (kilometres of highway built, schools or hospitals constructed, hectares of land made fit for cultivation or irrigated, etc.). Intrinsically, the new technique could be applied to a limited extent in improving the efficiency of certain departments, or it could be utilized in over-all programming of the public sector within a national development plan.

48. In that connexion, it was considered desirable to place special emphasis on the establishment and selection of medium and long-term targets to be attained with the funds allocated. It was agreed that there should be a gradual introduction - such as was already taking place in a number of Latin American countries - of programme and performance budgeting into the budget practices of Governments, and that the system should be granted legal recognition through the passage of appropriate legislation. The Workshop took note that such legal recognition had taken different forms. In the United States the law had not had to be amended in order to introduce the system, but in many Latin American countries special legislation had been required, as in Bolivia, where legal recognition had been granted under the constitution itself, or in Colombia, where it had taken the form of a legislative decree. In Peru and Paraguay, on the other hand, new organic budget laws had been enacted that governed the whole system. In Argentina the methods of constructing the programme budgets were regulated by decree. In Brazil the Government had passed legislation on the budget classifications to be applied at the Federal, State and local levels. In Ecuador and Venezuela the system was introduced without any change in the existing legislation, and that would also be possible in the Dominican Republic, where the legislation was flexible and permitted the system to be introduced without the need for any special legislation.

49. The participants exchanged information on the situation in Central America with respect to the legal recognition of programme budgeting. In Costa Rica legislation had already been enacted for that purpose, in the form of Act No. 3087 of 1963, which established a "financial budget" and an "economic budget", on a programme and performance basis. The Governments of Honduras and El Salvador were considering the adoption of new organic budget laws. Guatemala and Nicaragua were also interested in changing their budget legislation in order to establish the legal basis for the budget changes to be introduced when the 1964-65 estimates were prepared. Prior to those developments, Panama had enacted Act No. 75 in 1960, laying down methods of budget programming.

50. The participants stressed the need to conceive the budget as a plan of which the annual budget act constituted legal recognition. In that instrument funds were classified by Ministry and by programmes. It should include a section giving the details of the budget expenditure by programme and performance, which would provide information about the programmes,

/sub-programmes,

sub-programmes, activities and projects, with the targets concerned, allocation of resources and measurement of costs. In that way the legislative branch, when approving the allocation of funds by programme, would have access to full information about the Government's plans, and the executive branch would have an effective working guide in implementing those plans.

51. The Workshop discussed at some length the various problems that arise in connexion with the legal recognition and subsequent operation of a system of programme and performance budgeting, and it was considered that there were a number of requisites for those two stages.

52. It was considered essential to the successful application of the system that the authorities' decision to introduce it should be taken at the highest level, and that their support should be maintained through the various later stages of its introduction. Examples were given of the President of the Republic himself, and the Council of Ministers, having taken the decision to apply the new techniques. Reference was also made to the difficulties that arose in those countries where there were a number of autonomous institutions in which the central Government did not always have sufficient power to bring about the required changes. It was recommended that in such cases the aim should be to persuade such bodies that they should apply the system, by showing them the advantages of the new methods.

53. Another requirement for the application of the technique of performance budgeting was that there must be a full understanding of the new system on the part of the legislative organs responsible for the analysis and approval of the budget.

54. There was agreement as to the need for a thorough understanding, on the part of the officials at the various levels of government, of the advantages of the system as an administrative tool. From that standpoint, it was considered important that experts on organization and methods should participate in budget reforms, to ensure that such reforms would go hand in hand with changes in the execution of the system that would permit the adoption of more flexible and expeditious procedures, whose advantages are appreciated at all administrative levels. In addition it was recommended that training courses on the subject should be held, and manuals on budget preparation widely distributed, in order to elicit the interest of public officials.

55. Some participants suggested the desirability of distributing information to various sectors of the population that would benefit from the programmes, and permitting their participation, in order to win their support and facilitate programme execution in the areas concerned. Experience had shown that any performance budgeting system introduced in Central America must be adapted to the individual features of the country concerned.

56. At the close of the debate on this topic, the following conclusions were reached:

(a) The technique of performance budgeting should be applied to public sector budgets, in order to ensure the allocation of State resources in terms of development plans;

(b) Governments should be recommended to adopt systems of performance budgeting provided with a proper institutional framework and backed by legislation to ensure their workability;

(c) The value of the performance type of budget as a means of facilitating parliamentary discussion should be made clear to legislators;

(d) Decentralized agencies and autonomous enterprises should be induced by persuasion to introduce performance budgeting;

(e) Government officials should be informed about the new techniques and trained in improved practices of budget planning and implementation;

(f) Governments should be recommended to supplement budget reforms by changes in civil service structure and procedures, designed to increase its efficiency in the execution of public sector plans and programmes.

4. Performance budget classifications and measurement of results

57. The Workshop was particularly interested in this subject because of the importance, for budget programming, of establishing a satisfactory classification by functions, programmes, activities and projects. The Workshop had before it, as a guide to its discussions, the Manual de presupuesto por programas y actividades already referred to, together with a document prepared by the ECLA secretariat.^{8/}

58. It was agreed that a good classification of programmes, sub-programmes, activities and projects, accompanied by a proper classification by object of expenditure, provided the information needed to grasp the operational costs of the programmes and analyse public expenditure from the standpoint of their effect on economic development.

59. With respect to the form of presenting the programmes in the budget, it was suggested that the classification should distinguish between operational and investment programmes. The former could be divided into sub-programmes and activities, and the latter into sub-programmes, activities, and "works" (see definition in Annex V. A.3). In relation to the contents of each of those items, the Workshop discussed the preliminary definitions

^{8/} Estructura de un programa presupuestario (E/CN.12/BRW.3/L.6).

that might be used, taken from the Report of the Workshop on Budgetary Classification and Management in South America, held at Santiago, Chile, in September 1962.^{9/} The definitions, as revised, are given in Annex V.A of the present report, together with model schemes for the identification of programmes, sub-programmes and activities in the fields of education, health and agriculture. As the classification by programme should be accompanied by a classification by object of expenditure, the Workshop considered it useful to draw up a preliminary scheme to serve as a guide for standardizing the classification of accounts for the countries of the area (see Annex V. B).

60. The Workshop noted that in many of the countries that use the system the programmes were not properly organized, which made it difficult to establish the relations between the annual sectoral programmes (in agriculture, education and health, for example) and the corresponding sectoral development plans. The lack of co-ordination was due to the fact that in some countries the programmes were established at the departmental level and in others at the Ministerial level. For example, in the United States and Philippines budgets the programmes were established within agencies or sub-sections of Ministries, and their basic aim was to measure the effectiveness and costs of the programmes and activities. In many Latin American countries, on the other hand, programmes were established at a higher level, and were organized according to functions within a Ministry. That made it possible to group together all the programmes of the same type under a single function, even though they came under different departments, and facilitated their co-ordination with sectoral development programmes.

61. In the United States and Philippines budgets allocations were made at the level either of programmes, or of groups of activities, whereas in some Latin American countries the allocation of resources was somewhat inflexible, in order to prevent any possible abuses in expenditure.

62. It was noted that in some countries the programme budget system was used mainly to measure the cost of the activities and improve the efficiency of the services. In Latin America there was more concern with the problem of establishing targets and evaluating results, because of the importance attributed to the use of programme budgeting as a planning instrument.

63. The discussion of the subject showed that once the scheme of classification by programmes and activities had been drawn up, units of physical measurement of targets and results had to be decided upon that the administration could conveniently use for the purpose of analysis, revision and evaluation. However, it was conceded that to convert the budget to the performance system, it was not immediately necessary to identify all such measurements. At the time of establishing the new system all that was needed were simple methods of identifying the volume of work, with an eye to future improvements.

64. When the chapter on the subject in the Manual was discussed, it was considered important to establish work units appropriate for the measurement of results. An unsatisfactory choice could lead to inaccurate measurement of results, which might in turn produce wrong administrative decisions. If the work units were to fulfil their purpose, they must be measurable, they must reflect the work done, they must be verifiable by comparison with other control data, and they must be comparable over given periods. The units must be expressed in familiar terms and their meaning must be clear to the staff. Quality controls were also important adjuncts of the system, and should be established as part of the definition of the work unit, or else be laid down in some other way in order to ensure a consistently satisfactory output. In addition there should be a system of records, information and analysis to make it possible to obtain the best possible results.

65. The participants arrived at the following conclusions at the close of the discussion:

(a) Clearly-defined criteria should be laid down for distinguishing between programmes, sub-programmes, activities and projects. For this purpose, it would be advisable for the Central American Governments to adopt model classification schemes for use as a guide;

(b) The scheme of programmes, sub-programmes, activities and projects incorporated into the government budget should, as far as possible, be a standard scheme used for both planning and accounting purposes;

(c) The measurement of results should be based on proper classifications that would permit the total cost of the programmes, activities and projects to be determined, and unit costs within each category to be calculated.

5. The performance budget and accounting

66. In discussing this point, the Workshop stressed the importance of accounting in the preparation and management of performance budgets and the need for close co-operation between accounting offices and budget offices in the adoption of this system of budgeting. It noted that some of the information needed for a performance budgeting system was strictly financial in nature, and that other kinds of data were also needed, for instance on volume of work and activity. In addition, it pointed out that the necessary information could be obtained not only from account books but also through sampling and other statistical and analytical techniques.

67. It was agreed that public accounting, which in the past had been primarily concerned with controlling the use of funds, should be used as an instrument of the financial administration and economic development programming. Since such additional accounting functions required a higher level of technical skill, some of the participants pointed out the need for special courses on public accounting and auditing at universities and other educational centres.

68. While recognizing that the differences between public and private accounting were lessening, the Workshop recommended caution in the use of business accounting practices in the public sector. Those practices should be applied only in specific cases, and only after the necessary adjustments had been made. The adoption of highly detailed accounting systems would not be particularly useful for a large number of government activities. It was noted in that connexion that unit cost data were of more relevance to certain spheres of activity such as education, hospitals and public works than to administrative activities where they often had no great significance. Moreover, in some cases such data as workload figures might in themselves provide sufficient guidelines and criteria for the establishment of objectives and the evaluation of results, without any attempt to compute highly accurate unit costs.

69. Also considered most advisable was the adoption of a single system which would yield all the basic accounting data for fund control, budget management and economic analysis. The existence of multiple, unco-ordinated accounting systems might not only result in unnecessary expense, but make for confusion in the use of the data. The accounting system, besides placing particular emphasis on budget expenditure, should adequately reflect the flow of revenue into the Treasury and present the Government's cash position in relation to the needs of the various programmes. It was therefore agreed that budget, operating and asset and liability accounts should be included in a single system. The advantages and feasibility of such integration had been demonstrated in several countries of the area.

70. The concept of an integrated accounting system did not preclude the decentralization of accounting activities. It did, however, assume that all accounts should be established on a uniform basis and that the data yielded by the different types of accounts should serve the purpose of comparison and consolidation.

71. Public enterprise accounting presented a special problem. The difficulties were multiplied by the fact that the accounts usually carried by such enterprises resembled those in the private sector more than those of regular government agencies. The discussions brought out the importance of stipulating that both over-all accounts and financial reports should reflect the operations of public enterprises, at least in summarized form. Otherwise, the broad scope which should characterize the accounting system devised for performance budgeting would be seriously impaired.

72. Performance budgeting emphasized the costs and results of operations. Its application to accounting should therefore be considered in the light of the different expenditure headings - disbursements, obligations, accrued expenditures and accrued costs - each of which presented the transaction from a particular standpoint and was useful for financial management purposes. Disbursement data were essential for cash planning and control; the recording of obligations on the basis of purchase orders and other commitments was frequently the means for budgetary control of funds; accrued expenditures reflected the receipt of goods and services and the resulting liabilities;

/accrued costs

accrued costs recorded the use or consumption of goods and services. The Workshop agreed that of the four bases for recording transactions, accrued costs represented the greatest accounting refinement, and called for critical evaluation as to their applicability to the specific activities for which they were considered. Thus, for example, there was little advantage to be gained from applying the accrued cost basis to a programme whose funds were spent almost entirely on salaries and wages incurred for current purposes. On the other hand, a programme involving substantial capital expenditure or large inventories might require accrued cost data which would make for satisfactory planning and control.

73. The participants recognized that performance budgeting was more effective if at least the more substantial capital expenditures were distinguished from current expenses. At the same time, they cautioned against making a broader distinction than was required for the particular programme concerned.

74. The various ways of entering revenue were also considered, and it was pointed out that different bases might be used for different sources of revenue. Thus, the accounts for some types of revenue should be on an accrual basis, while others need be entered only on the basis of actual receipts. The mixed character of the revenue accounts could have its counterpart on the expenditure side, i.e., accrued costs could be determined for certain activities, while in other cases there would be little point in going beyond accrued expenditures.

75. The fact that programme classifications were an integral feature of performance budgeting did not detract from the usefulness of traditional expenditure classifications: by function, economic item, organization and object. It was agreed that performance budget classifications supplemented rather than superseded the traditional types. It was generally considered that the application of performance budgeting must also include the formulation of improved revenue classifications, which could facilitate cash planning and control, and the adaptation of programme disbursement needs to revenue receipts.

76. The manner in which appropriations were made greatly affected the facility with which performance budget accounting could be carried out. It was noted that the broad nature of the appropriations made by the United States Congress simplified the use of performance budgeting and made for flexibility in its execution. Officials responsible for programme planning and management normally required far more detailed data than was needed by the legislative body for its analysis of appropriation estimates and its review of programme results. A classification considered satisfactory for administrative purposes might be too restrictive if incorporated in the formal budget appropriations. Hence such appropriations should if possible comprise several classifications. Where the executive branch was empowered to transfer budget appropriations, a more detailed appropriation structure would be feasible. Accounting must, of course, reflect the basis on which appropriations were made (cash, obligation, accrued expenditure

/or accrued

or accrued cost); however, transactions could also be recorded and analysed on bases other than those used for the appropriations.

77. Budgeting control systems frequently provided that appropriations be limited by a system of quarterly allocations. Such allocations, which were normally reflected in the accounts, could be used to relate the allocation of funds to work programmes.

78. Working capital funds established for activities of an industrial nature, for the maintenance of inventories or the furnishing of central services could simplify the task of recording the commitments contracted for individual programmes or their components. There were usually inter-agency transactions that were completely separate from those relating to working capital funds. If the flow of services, goods and funds between agencies, were not fully reflected in the accounts, the figures reported might present a very distorted picture of what had actually taken place.

79. It was agreed that in the formulation or revision of accounts consideration should be given to the need for facilitating examination by the auditor. This in turn required an insight into the nature and scope of the auditor's task, which in certain cases should be confined to a strictly financial review; and in others should also include an evaluation of performance.

80. The feasibility of reforms in public accounting was influenced by the following factors: government practices and traditions; the manner in which authority to prescribe accounting systems was allocated; the distribution of accounting responsibilities among the different government agencies; the availability of skilled technical personnel and accounting equipment; and acceptance of the proposed changes. Another factor was the speed with which it was desired to introduce the changes. The particular circumstances of each case would indicate whether the changes in accounting procedures should be introduced all at once or by stages.

81. Possible methods of closely relating planning, the budget and public accounting were also discussed. The annual budget covered targets and funds for a year's activity. In executing the budget it would be advisable to prepare periodic schedules of the projected operations. Tax collections and expenditures should be reconciled in a budget of cash holdings which would regulate actual treasury management. Implementation of such operations should be indicated in periodic progress reports in which authorized expenditure was compared with cash holdings, and programmed results with those actually obtained.

82. For the sake of satisfactory co-ordination between planning, budget and accounting techniques, it would be advisable to set up a system of consultation or a co-ordination committee composed of representatives of the offices concerned to reconcile the nomenclature, classifications, definitions and other items which would facilitate the integration of the above-mentioned process.

83. The conclusions reached by the Workshop were as follows:

(a) A salient feature of performance budgeting is the establishment of a system of accounts capable of providing the fiscal data required for the preparation and management of a performance budget;

(b) The adaptation of the traditional systems of accounting to one based on performance budgeting should be undertaken through close co-operation between the staff of the respective budget and accounting offices;

(c) There should be a single accounting system that would comprise budget, operating and capital accounts, and show the over-all structure of the system so as to enable summary accounts to be made up on the basis of information not only from central departments but also from public enterprises;

(d) For accounting systems to be perfected, they should not only furnish information on the programmes themselves, but also establish the bases for controlling expenditure and cash holdings, handling inventories and capital assets, administering the public debt, adjusting costs, auditing and conducting an economic analysis of financial operations;

(e) The use of accrued costs as a basis of accounting and the extent to which accounts are itemized should be determined by the characteristics of each programme and the fiscal information required. Similarly, the bases for entering receipts should be modified in accordance with the source of the revenue;

(f) The particulars regarding appropriations should be sufficiently detailed to meet the requirements of legislative control over expenditure while retaining enough flexibility to allow for effective budget management;

(g) The extent of the accounting changes to be made should be commensurate with the amount of time that is deemed necessary to put them into practice. Reforms should be realistic, and consistent with the particular circumstances of each government, as well as with the time, effort, expenditure and inconveniences involved in the process of conversion;

(h) It would be advisable to set up a committee composed of representatives of the offices concerned to undertake the work of reconciling planning, budgetary and accounting terminology.

6. Establishment of a system of performance budgeting

84. The debate on this topic centred on the following questions: (a) whether to establish the system simultaneously in every area of the administration or to introduce it by degrees, using particular agencies or organs for pilot studies; (b) the extent to which the technique should be applied during the first phase; (c) the stages of work involved in establishing the system satisfactorily; and (d) aspects relating to changes in the administrative organization.

/(a) General

(a) General or partial establishment of the system

85. The participants discussed the question of whether the system should be introduced simultaneously throughout the public sector, in the central administration only or in some of the latter's subsidiary agencies chosen as a testing-ground.

86. Current experience in Costa Rica, El Salvador and Honduras were reviewed, together with those of other Latin American countries, and attention was drawn to the disadvantages of covering the whole public sector during the first year, owing to the difficulty of achieving proper co-ordination between the different autonomous agencies and enterprises. With respect to the most effective way of introducing the new methodology into the central government, the most positive results were deemed to have been achieved by those countries which, from the very outset, had instituted the system in every branch and dependency.

87. The Workshop was inclined to recommend that those countries that had not yet adopted the performance budgeting system should do so on as broad a basis as possible, and try to cover in the first year the whole of the central administration, with a view to extending the system in subsequent years to autonomous agencies and enterprises. Although these should not receive first priority in introducing the new technique, the Workshop agreed in stressing the advisability that they too should adopt that method of budgeting. The application of performance budgeting to public enterprises would achieve the following important aims: (a) it would provide the enterprise itself with the basic information needed for its decisions; (b) it would facilitate the analysis of its operational efficiency, the extent to which its installed capacity was being used, and its financial situation, so that the subsidies provided by the Government to offset losses and any contributions it recommended to finance new investments could be based on adequate information, and (c) it would establish a routine system for providing information useful in formulating annual, medium and long-term plans. Similarly, the inclusion of this technique in the administrative methods of such enterprises would, of course, be facilitated by the commercial accounting system they used, which provided the type of data needed for the methodology of performance budgeting.

(b) Scope of application of the technique during the initial phase

88. It was recognized that wide possibilities were offered by the technique of performance budgeting, as a means of ensuring that the budget system becomes a multi-purpose instrument for rationalizing and planning government activities; as a medium for providing legislators and the public in general with information on such activities; as a methodological approach which permits much more efficient execution of the budget; as a mechanism for financial control and the control of the results achieved in the execution of the budget, and as a yardstick to go by in working out a satisfactory administrative structure. The Workshop proceeded to consider which of those advantages could be reaped during the first stage of the system's introduction.

89. Given the efforts that are currently being made by the countries of the area to evolve and prepare national development plans in keeping with the aims of integration, it was considered that the changes to be introduced into the budget system should aim at transforming it into a planning instrument as soon as possible. Accordingly, during the first year in which the technique is applied, the programmes being carried out by government agencies should be identified, their targets indicated, and an endeavour made to bring home to every level of the administration, and particularly to the officials responsible for implementing programmes, exactly what is involved in programming future activities and administering a programme with a twofold purpose, the financial management of budget appropriations and the attainment of the targets established when the budget was prepared.

90. It was believed that once the first stage of rationalizing the programmes of government action and identifying approximate targets had been completed, it would be possible in subsequent years to go on to the analysis of the levels of efficiency of each programme and to cost studies of those programmes that needed them, thus making it easier to apply criteria of priority in establishing future targets.

(c) Stages in the adoption of the technique

91. The Workshop was given a detailed account of the way in which performance budgeting was being introduced in the three countries that were to adopt the system in 1964. Their experience, which was regarded as encouraging, indicated that the first step was to set up a joint working group of officials and technical experts from the branches concerned with budget preparation, management and control, particularly the Budget Office and the planning offices.

92. The working group should discuss and establish the general design of the new budget system, define the strategy of its introduction - levels of government to be covered during the first year, how far the new technique was to penetrate, etc., consider the possible obstacles arising from the existing legal provisions, and lastly prepare instructions and forms for the departments, explaining the new methodology, its main concepts, and the new budget classifications involved.

93. The Workshop considered that in the working out of the draft budget estimates by the departments in accordance with the new instructions and forms, it was most important that the members of the central working group should give continuous guidance to the officials of Ministries and departments, and that at that stage training courses for those officials should be organized.

94. Lastly, it was emphasized that when the drafting of the estimates had been completed and the budget document submitted for the approval of the legislature, there should be a publicity campaign to make known the scope and possibilities of the new system, and an effort should be made, in particular, to assist and guide the parliament with a view to facilitating a proper analysis of and approach to the new form of budget.

(d) Aspects relating to changes in the administrative organization

95. The participants stressed the need for organizational changes and spoke of the difficulties encountered in defining programmes because of the inflexibility of the existing administrative structure. Most of them agreed that such changes ought not to be undertaken during the first year of the new system, but should instead be proposed when the implementation of the budget programmes began to disclose inefficiency, duplication of services, and unnecessary or outdated activities. Once government activities had been identified in the first stage of the technique's application, the specific activities of each subordinate agency could be determined, together with their cost. Thereafter, as the direction taken by development plans became clearer, the scheme of budget programmes could be perfected and the administrative organization of the units responsible for their execution improved.

96. As in the case of the previous items, the experience of Honduras, El Salvador and Costa Rica was described by the participants from those countries and gave rise to a most useful discussion.

97. Without prejudice to the general conclusion concerning changes in the administrative organization and the stage at which they should be introduced, it was agreed that even in the first year steps would have to be taken to establish well-organized central budget agencies which would ensure the satisfactory operation of the system, and provide more reliable information on the results and on the personnel and input requirements of each individual programme, to be used in preparing future budgets. In addition, budgetary planning and programming offices should be established in the Ministries from the outset, to carry out the work of sectoral planning, and preparation and implementation of the budget in the fields concerned. Such offices would serve as permanent links with the central budget agencies and with the central planning office.

98. In considering that point the Seminar took up the question of the location of the central budget agency, concentrating in particular on the possibility of either making it a part of the central planning office, at the level of the Office of the President, or placing it in the Ministry of Finance.

99. It would, on the one hand, be convenient for purposes of orientation, co-ordination and control at all government levels if the central budget agency were at the highest level, close to the centre of decision for government action. On the other hand, for purposes of budget execution, particularly in the fiscal domain, the budget office must be closely linked with the Ministry of Finance, which was responsible for the Government's financial action.

100. Most of the participants believed that the best arrangement would be to keep the budget office within the Ministry of Finance, while permitting

/close co-ordination

close co-ordination between that office and the central planning office. In arriving at that conclusion the participants were influenced by the fact that in Latin America the Ministry of Finance is one of the most powerful departments as regards government decisions, since financial problems are those that impose the most inflexible restrictions on government action. The above course was agreed to as the best, subject to the proviso that it would be open to revision once general organizational reforms in the structure of the civil service had altered the existing functional relations and the hierarchy of action of government agencies.

III. CONCLUSIONS AND RECOMMENDATIONS

101. The Workshop noted with satisfaction the achievements of the Central American countries and Panama in budget reforms and development planning. The participants laid particular stress on the need to redouble the efforts being made in these fields until integrated mechanisms have been created for the formulation, implementation and control of development plans and their co-ordination with annual budgets. For that purpose it was deemed essential that the programming process should be closely connected with the work of preparing the budget and that adequate co-ordination machinery should be established.

102. The economic integration of Central America will create an increasing need for co-ordination between the national development plans designed to expedite the balanced growth of the different economies. The Workshop attached special importance to the establishment of planning mechanisms and budgetary systems on uniform technical and methodological bases aimed at making such co-ordination easier to achieve.

103. With those ends in mind, the Workshop recommended that the technique of performance budgeting be adopted in the countries that have not yet done so, on the grounds that it is especially suited for converting the budget into an effective instrument in the execution of economic development plans.

104. It was noted that the technique of performance budgeting is being introduced in accordance with the guidelines set forth in the Manual for programme and performance budgeting which is a valuable contribution to the establishment of this type of system. It was acknowledged that general standards should be formulated and applied in the Central American countries, to make it possible for uniform classifications by programmes and activities to be worked out, with due allowance for the particular circumstances and administrative systems of each country. It was thought advisable that the fiscal year should be the same in all the countries of the area and that it should coincide with the calendar year.

105. The Workshop particularly recommended the adaptation of public accounting systems to the implementation requirements of development plans and performance budgets. Stress was laid on the importance of perfecting the organization and structure of the national accounting systems to ensure

a regular flow of uniform data on the progress of plans and programmes, and an efficient control of funds.

106. The Workshop was of the opinion that, to ensure greater effectiveness in the preparation of development plans and their co-ordination with the annual budgets, it would be advisable to reorganize the central budget offices and to create sectoral planning offices at the ministerial level.

107. Note was taken of the progress made by the countries of the area in economic and functional classifications, as recommended by the first Workshop on Problems of Budgetary Classification and Management, held at Mexico City in 1953. The present Workshop endorsed the recommendation put forward on that occasion that the Manual for economic and functional classification of government transactions should continue to be used as a guide for the work of reclassification. It was further recommended that the Governments should adopt a simplified scheme for the economic and functional classification of transactions in the public sector, to serve as a standard basis for the area.

108. The Workshop pointed out that the classifications by programmes and activities and by object of expenditure should be made as uniform as possible for all countries. Note was taken of the definitions of programmes and activities that had been suggested by the Workshop on Budgetary Classification and Management in South America, held at Santiago, Chile, in 1952. The present Workshop supplemented the definitions (which appear in Annex V below) by a provisional classification of expenditure by object in order to facilitate the introduction of the classification on a uniform basis and its integration with the system of performance budgeting.

109. Attention was drawn to the valuable contribution which the Joint Central American Programming Mission had made to the improvements in budget practices introduced in the countries of the area during 1963, and stress was laid on the desirability of the mission's extending its technical assistance activities to all the Central American countries in the interests of the methodological uniformity, referred to in the preceding paragraphs.

110. It was agreed that there was urgent need for training national officials in budgetary and public accounting techniques, inaugurating or improving the relevant university courses and redoubling the valuable efforts being made by ESAPAC at the regional level through its training courses, by the Latin American Institute for Economic and Social Planning and by other international organizations.

111. It was recommended that expert working groups should be set up in the countries of the area to study specific problems connected with performance budgeting, and to formulate, in the light of their experience, the standards and methods needed for the most efficient functioning of the system.

112. In order to make a periodic evaluation of the progress achieved in standardizing budget nomenclature and to suggest expedient improvements, it was recommended that annual meetings of experts on budgeting and public accounting should be held in the countries of the area, and that information on the advances made in those fields should be published regularly, together with the relevant statistics, by the regional organizations concerned.

113. The Workshop was considered to have provided a highly useful opportunity for an exchange of information among the Central American experts and to have aroused fresh interest in accelerating the progress of budgeting techniques in the area. It was decided that the next Workshop should be organized for the region as a whole in order to make for a wider exchange of experiences.

Annex I

LIST OF PARTICIPANTS

1. Central American countries

Costa Rica

Enrique Volásquez	Director of the Budget
Jorge Luis Araya F.	Deputy Chief of the Department of Annual Plans, Planning Office
Fernando Murillo	Auditor of the University of Costa Rica
Hugo Jiménez R.	Budget Officer of the Ministry of Transport
Lidio Donato	National Institute of Housing and Town Planning
Franklin Molina Montes de Oca	Administrative Head of the National Institute of Housing and Town Planning
José Antonio Flores Lara	Auditor of the Costa Rican Institute of Electricity
Isaías González	Secretary General of the Office of the Comptroller General
Alfonso Retana Sandí	Head of the Central Government Section of the Department of Budgetary Control, Office of the Comptroller General

El Salvador

José Gil Majano	Technical Adviser of the Ministry of Finance and Head of the Department of Administrative Studies
Francisco Arturo Lacayo	Official of the Budget Office
Lino Alfredo Medina	Deputy Director, Central Accounting Office
Roberto Ortiz Avalos	Official in charge of the Public Finance Department of the Department of Economic Research of the Central Reserve Bank.

/Guatemala

Guatemala

Emilio Peralta	Director of the Technical Department of the Budget Office, Ministry of Finance
Victor Manuel Rosales Peña	Comptroller General of Guatemala
Arnoldo Beldetón	Bank of Guatemala
Félix Dardón Rodas	Technical Adviser of the Ministry of Finance

Honduras

Héctor Medina	Director of the Budget
Marco Tulio Banegas R.	Head of the Department of Budget Analysis and Evaluation

Nicaragua

Félix Hernández	Deputy Director of the Budget
Armando J. Borge	Head of the Division of Expenditure, Budget Office

Panamá

Pedro Fernández	Analyst of the Budget Office
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2. Joint Central American Programming Mission

Jorge Irisity	Consultant on budget questions
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3. Secretariat

Joseph Moscarella	Co-ordinator of Studies of the ECLA Office in Mexico and Director of the workshop
Wilburg Jiménez Castro	Director of ESAPAC
Gonzalo Martner	Economist of the Latin American Institute for Economic and Social Planning

/Alfred Landau

Alfred Lenzlau

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/Annex II

Annex II

ANNOTATED AGENDA

1. Review of the work of budgetary reclassification

In the Workshop on budgetary management held in Mexico in 1953, the gradual introduction of classifications based on economic character and function was recommended. It was considered that those classifications would provide the information essential for the formulation of government policy in the economic and social fields, and there was a specific reference to the draft classifications presented in the Manual for economic and functional classification of government transactions (United Nations publications, Sales N°:58.XVI.2).

Budgetary classifications of this type have already been adopted in many Latin American countries. In some of the Central American countries their application is the responsibility of such institutions as the Central Bank or the Central Statistical Office, and constitutes a part of the work relating to the preparation of the national accounts. In others (Honduras and Nicaragua) the classifications of government transactions by economic character and function are included in the budget itself, or are annexed thereto.

The Technical aspects of the subject were fully dealt within the previous Workshop. It is believed that on the present occasion it would be useful to focus discussion on the experience of the different countries in the use of economic and functional classifications in analysing the influence of the public sector on the economy, and in formulating short-term development programmes.

2. Relation between medium and long term economic development plans and the fiscal budget

The Central American countries have decided to promote economic and social development through medium and long term plans. In the public sector the execution of such plans is the responsibility of various executive departments of the Government and of autonomous development institutions. The budgets of the government bodies are the basic instruments for carrying out the development programme, because of the importance of this programme in public investment, and because of the effect of public expenditure and fiscal policy on private activity.

The adaptation of the budget system to the requirements of planning gives rise to a series of problems, for example: (a) What should be the relation between development plans and annual national budgets?

/(b) What

(b) What problems are posed by substantive co-ordination between annual plans and the budgets of the Government and the autonomous agencies? (c) What machinery could ensure such co-ordination at the various stages of the budgetary process? (d) Should the Budget Office be part of the planning body, or could other methods be used to ensure close co-operation in the formulation of public sector plans? (e) What features should the budget have if it is to provide the information needed for the formulation and control of plans? (f) In what way, or through what machinery, could the financing of public sector plans be co-ordinated with that of private sector plans?

3. The performance approach to government budgeting

Generally speaking programme and performance budgeting at the national level throws more light on what government departments have done than on what they have purchased. Consequently the main emphasis, unlike that of the traditional form of budget, is less on means to achieve an aim (wages, materials, travel costs, etc.) than on the actual results (kilometres of road built, schools and hospitals built, hectares of land made fit for cultivation or irrigated, etc.) This new technique can also be used on a limited scale to improve the efficiency of individual departments, or can be used in the over-all programming of the public sector within the framework of a national development plan. What would be the requirements of a budget programme to meet this last aim?

4. Performance budget classifications and measurement of work

The formulation of a budget based on results and aims is facilitated by the classification of expenditure by function, programme and activity or project. The functional classification of public expenditure is the starting point for the introduction of a programme budget system. Recent experience in some countries of the area has shown the difficulty of applying such a classification on a uniform basis, except for such well-defined public services as health or education. How far can the analysis of public expenditure by programmes and activities contribute to the definition of "functions" that would be operative for planning purposes?

The measurement of work can be defined as a system that permits the establishment of a functional relation between the workload and the wage hours needed to perform it, or the cost of all the items needed for its performance, including wage hours. Its main aims are to determine the efficiency of government bodies and to provide quantitative information for programming at the project or activity level. Although the quantitative information is the essential item in programme and performance budgeting, it needs to be supplemented by qualitative data.

/5. Performance

5. Performance budgeting and public accounting

The main function of public accounts has traditionally been to serve as an instrument that enables the executive authority to account for the funds whose use has been authorized by the legislative branch. For this type of accounting, data classified according to the origin of the funds, the agencies responsible and the object of expenditure are adequate. The same principles apply for programme budgeting, but administrative needs are more fully recognized. What changes are needed in public accounts in order to provide data in a form that will facilitate an effective control of the work in attaining the targets established?

6. Establishment of a system of programme and performance budgeting

The establishment of programme and performance budgeting is a gradual process that is notably flexible, and can consequently be adapted to the conditions obtaining in the country concerned. In practice it may not be possible to establish the system at once in a complete and generalized form, because of difficulties relating to shortage of staff, the time needed, or the very size of the public sector. Consequently it is advisable for practical reasons to introduce it in instalments, first in a few departments or agencies, and in subsequent financial years in the remainder. Recent experience in some Central American countries may throw some light on this and other problems that arise at the initial stage when performance budgeting is adopted.

Since the Central American countries have already begun, or are about to begin, introducing performance budgeting, it may be desirable to consider at the present Workshop the possibility of adopting uniform standards of classification and budgetary presentation. This would facilitate the comparative analysis of government activities in the countries of the area, and also make it easier to undertake the co-ordination and joint programming of projects of regional interest in connexion with Central American economic integration.

Annex III

LIST OF DOCUMENTS

A. Documents submitted by the secretariat

1. Provisional Agenda E/CN.12/BRW.3/L.1
2. Provisional annotated agenda E/CN.12/BRW.3/L.2
3. List of documents submitted by the secretariat E/CN.12/BRW.3/L.3.Rev.1
4. Manual de presupuestos por programas y actividades y Anexo, document prepared by the Fiscal and Financial Branch of the United Nations Department of Economic and Social Affairs E/CN.12/BRW.3/L.4 y Add.1
5. Algunas consideraciones sobre las relaciones en la programación del desarrollo y el presupuesto fiscal, document prepared by the secretariat of the Economic Commission for Latin America E/CN.12/BRW.3/L.5/Rev.1
6. Estructura de un programa presupuestario, document prepared by the secretariat of the Economic Commission for Latin America E/CN.12/BRW.3/L.6
7. La adaptación de la organización presupuestaria a las necesidades de la programación presupuestaria, document prepared by the Economic Commission for Latin America E/CN.12/BRW.3/L.7
8. La aplicación del presupuesto por programa y actividades a las empresas públicas document prepared by the secretariat of the Economic Commission for Latin America E/CN.12/BRW.3/L.9
10. Administración presupuestaria: informe de la Reunión Técnica sobre Problemas de Clasificación y Administración Presupuestaria, México, D.F., September 1953. E/CN.12/BRW.3/L.10
ST/TAA/Ser.1/14

/B. DOCUMENTS

B. DOCUMENTS SUBMITTED BY PARTICIPANTS AND
PROVISIONAL REPORT OF THE WORKSHOP

1. Observaciones preliminares al establecimiento de un sistema universitario de presupuesto por programas y actividades, document prepared by Fernando Murillo Bonilla, Auditor of the University of Costa Rica
BRW 3/1
2. Aspectos generales del sistema presupuestario panameño, document prepared by the Budget Office, Department of Planning and Administration, Office of the President of Panama
BRW 3/2
3. Proceso presupuestario, document prepared by the Budget Department of the Ministry of Finance of Honduras
BRW 3/3
4. Manual de clasificaciones Presupuestarias (preliminary version), document prepared by the Budget Office of Honduras
BRW 3/4
5. Ejemplo de presentación del documento presupuestario según la técnica de presupuesto por programas, document prepared by the Budget Office of Honduras
BRW 3/5
6. Anexo desglosado de gastos según renglones de la "Clasificación por objeto específico", document prepared by the Budget Office of Honduras
BRW 3/6
7. Anexo desglosado de "Sueldos y salarios permanentes", document prepared by the Budget Office of Honduras
BRW 3/7
8. Manual del presupuesto económico por programas y actividades (preliminary version), document prepared by the Planning Office, Department of Annual Plans, Costa Rica
BRW 3/8
9. Instructivos

9. Instructivos y formularios sobre la planificación económica y elaboración del presupuesto por programa, document prepared by the Budget Office of El Salvador BRW 3/9
10. Informe provisional del Seminario BRW 3/10

C. INFORMATION AND BACKGROUND DOCUMENTS

1. Report of the Workshop on Budgetary Classification and Management in South America, Santiago, Chile, 1962 ST/TAO/SER.C/58
E/CN.12/634/Rev.1
2. A manual for economic and functional classification of government transactions, New York, 1958 United Nations
publication, Sales No:
58.XVI.2
3. Reclassification of government expenditures and receipts in selected countries, New York, 1958 United Nations
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58. XVI.3
4. Report of the Workshop on Budgetary Classification and Management in South America, Santiago, Chile, 1959 ST/TAO/SER.C/39
E/CN.12/538

/A. SIMPLIFIED

Annex IV

A. SIMPLIFIED MODEL ECONOMIC CLASSIFICATION OF GOVERNMENT TRANSACTIONS

Table 1

CENTRAL GOVERNMENT

Consolidated transactions of general government agencies,
government enterprises and ancillary agencies

A. Current Account

Expenditure	Receipts
<p>1. Purchases of goods and services for current operations</p> <p>(a) Remuneration and other benefits</p> <p>(b) Other purchases of goods and services for current operations</p> <p>2. Interest</p> <p>(a) In domestic currency</p> <p>(b) In foreign currency</p> <p>3. Subsidies</p> <p>4. Transfers to income account of households</p> <p>(a) Pensions to government employees</p> <p>(b) Other transfers</p> <p>5. Transfers for current operations to:</p> <p>(a) Central general government agencies not included in the consolidation</p> <p>(b) Local government</p> <p>6. Current transfers to abroad</p>	<p>8. Sales and charges</p> <p>9. Net surplus from government enterprises and ancillary agencies</p> <p>10. Provision for depreciation of fixed assets of government enterprises and ancillary agencies</p> <p>11. Interest and dividends received</p> <p>12. Compulsory transfers from income account of domestic sectors</p> <p>(a) Taxes on personal income</p> <p>(b) Taxes on corporate income</p> <p>(c) Social security contributions</p> <p>13. Contributions to government employees' pension schemes</p> <p>14. Other transfers from income account of domestic sectors</p> <p>15. Taxes on production and expenditure and other taxes</p> <p>(a) General sales and turnover taxes</p> <p>(b) Selective sales taxes</p> <p>(c) Royalties on natural resources</p> <p>(d) Import duties</p> <p>(e) Export duties</p> <p>(f) Taxes on foreign exchange</p> <p>(g) Licence taxes</p> <p>(h) Taxes on assets</p> <p>(i) Property transfer taxes</p> <p>(j) Surplus of fiscal monopolies</p>
	/16. Transfers

Expenditure	Receipts
7. Current expenditure	16. Transfers for current operations from: (a) Central government agencies not included in the consolidation (b) Local government 17. Current transfers from abroad
18. Current receipts	Balance: 19. Saving before depreciation

B. Capital Account

Expenditure	Receipts
20. Gross capital formation (general government) (a) Purchases of new capital goods (b) Purchases of existing capital goods (c) Stockpiling (net) 21. Gross capital formation (government enterprises and ancillary agencies) (a) Purchases of new capital goods (b) Purchases of existing capital goods (c) Stockpiling (net) 22. Transfers to capital account of domestic sectors (a) Central general government agencies not included in the consolidation (b) Local government (c) Public and private enterprises (d) Households 23. Capital transfers to abroad	19. Saving before depreciation 33. Sales of existing capital goods 34. Transfers from capital account of domestic sectors (a) Death duties (b) Other capital taxes (c) Other 35. Capital transfers from abroad 36. Repayments of direct loans and advances from domestic sectors (a) Central general government agencies not included in the consolidation (b) Local government (c) Public and private enterprises (d) Households

E x p e n d i t u r e	R e c e i p t s
<p>24. Direct loans and advances to domestic sectors</p> <p>(a) Central general government agencies not included in the consolidation</p> <p>(b) Local government</p> <p>(c) Public and private enterprises</p> <p>(d) Households</p> <p>25. Direct loans and advances to abroad</p> <p>26. Acquisition of ownership rights in</p> <p>(a) Public enterprises</p> <p>(b) Private enterprises</p> <p>27. Purchases <u>less</u> sales of claims on domestic sectors</p> <p>(a) Central general government agencies not included in the consolidation</p> <p>(b) Local government</p> <p>(c) Public and private enterprises</p> <p>(d) Households</p> <p>28. Purchases <u>less</u> sales of claims on non-residents</p> <p>29. Repayments of direct borrowing from domestic sectors</p> <p>(a) Central bank</p> <p>(b) Commercial banks</p> <p>(c) Other sectors</p> <p>30. Repayments of direct borrowing from abroad</p> <p>(a) Public bodies</p> <p>(b) Private bodies</p> <p>31. Net increase in receivables.</p>	<p>37. Repayments of loans and advances from abroad</p> <p>38. Net increase in deposits with government savings banks</p> <p>39. Direct borrowing from domestic sectors</p> <p>(a) Central bank</p> <p>(b) Commercial banks</p> <p>(c) Other sectors</p> <p>40. Direct borrowing from abroad</p> <p>(a) Public bodies</p> <p>(b) Private bodies</p> <p>41. Sales <u>less</u> purchases of negotiable long-term securities issued by central government agencies</p> <p>(a) In domestic currency</p> <p>(b) In foreign currency</p> <p>42. Sales <u>less</u> purchases of negotiable short-term securities issued by central government agencies</p> <p>(a) In domestic currency</p> <p>(b) In foreign currency</p> <p>43. Issue of securities in exchange for ownership rights</p> <p>44. Net increase in payables</p>
32. Capital expenditure	45. Saving before depreciation and capital receipts
Balance:	
<p>46. Net increase in cash:</p> <p>(a) Counterpart fund deposits</p> <p>(b) Other</p>	

TABLE 1. NOTES AND DEFINITIONS

General note

1. The model account shown in table 1 represents a consolidation of the transactions of all units that form part of the central government, including (a) sectors of the general government, that is, Ministries and central government departments and the autonomous or semi-autonomous institutions that provide similar services (such as those dealing with education, welfare, social security, etc.); (b) ancillary agencies that supply goods and services to other units of the central government (such as naval shipyards, munition factories, central purchasing offices, etc.), and (c) State commercial and industrial enterprises. ^{1/}

2. The data for the preparation of table 1 are obtained from the main budget accounts of the central government and, where necessary, from special accounts (ordinary and extraordinary accounts, current accounts, capital accounts, etc.).

As government accounts are generally on a cash basis it is assumed that general government transactions are recorded in the same form. However, since State enterprises normally use the commercial system of accounting, it is assumed that their transactions will be recorded on an accrual basis. As far as possible the same accounting system should be applied by the ancillary agencies, in order to make possible a proper assessment of the results of their activities, and of the costs of goods and services furnished to other government bodies, and to ensure efficient budget management.

3. The model account does not provide for depreciation of fixed assets of general government agencies or for the imputed cost of capital owned by them, or for the net increase in pension liabilities in respect of government employees. For government enterprises and ancillary agencies that keep separate commercial accounts, the depreciation data are obtained directly from those accounts. In table 1 the reserves for depreciation of fixed assets of government enterprises and ancillary agencies are shown as a separate item on the receipt side of the consolidated current account (item 10).

4. The wide variation in pension arrangements for government employees makes it difficult to arrive at a generally acceptable solution for the recording of this item in the economic classification. Consequently the treatment in the model account will not be suitable in every case and is put forward simply as one of the possible solutions. The methods set forth in the Manual have been slightly modified in the simplified model account in the sense that explicit entries are shown on the receipts and expenditure sides of the current account for such transactions. Contributions to pension schemes are included under current expenditure on goods and services as part of the wages of government employees (sub-item 1a), and shown as a separate item on the receipts side as "Contributions to government employees' pensions schemes". The actual cash payment of pensions to government employees is included under "Transfers to income account of households" (sub-item 4a).

^{1/} For detailed definitions of the various types of governmental agencies, see A manual for economic and functional classification of government transactions, op. cit., chapter V.

ITEM-BY-ITEM DEFINITIONS

1. Purchases of goods and services for current operations

All purchases of goods and services are included hereunder except: (a) those for capital formation for civilian purposes (existing physical assets, new capital goods, stockpiling (net) and, (b) transfers in kind to other sectors. Expenditure should be recorded on a gross basis, without deduction of offsetting receipts from sales and other charges (see item 8).

Purchases of goods and services for current operations comprise:

(a) Remuneration and other benefits

(i) Remuneration and other benefits in respect of civilian employees (Manual, items 1.1 (a) and (b)).^{2/} This includes remuneration in cash and in kind. Cash remuneration consists of ordinary payments of wages and salaries, and including overtime pay, reckoned before deduction of tax and employees' contributions to social security and pension funds. Employers' contributions, and cash supplements such as bonuses, family allowances and severance pay, are also included.

Remuneration in kind covers the value of food, clothing and lodging that is supplied free of charge. This item does not include the remuneration of self-employed workers engaged in the production of capital goods (see 20 (a)).

(ii) Pay and allowances of armed forces (Manual, item 1.1 (c)). This includes the same items as mentioned under 1 (a), for members of the armed forces. Civil defence personnel are not considered members of the armed forces. Income in kind excludes the value at cost of shelter provided to members of the armed forces (barracks, billets, sleeping quarters on ship board), but should in principle include the cost of housing provided free of charge to career military personnel. Extraordinary police expenditure incurred in the performance of defence tasks (such as the quelling of an uprising) should be classified here.

(b) Other purchases of goods and services for current operations

(i) Rental of fixed assets (Manual, item 1.2). All payments of rent for the hiring of fixed assets such as buildings, machinery equipment and land.

(ii) Military construction and equipment (Manual, item 1.3). Purchases for direct military use of articles similar to capital goods (as defined in item 20 (a)) in that they are both durable and costly in nature. It also

^{2/} The references in brackets are to the definitions in the United Nations Manual, op.cit., pp. 77-107.

covers outlays, other than on purchases of land, for the construction of military buildings and defence works, such as barracks, administrative buildings, training grounds, fortifications, and airfields, as well as tanks, warships, war planes, guns, and other equipment, such as cars and trucks for use by military personnel or for defence purposes.

Nevertheless the purchase of buildings and equipment for plants administered by defence departments is included not under this item but under item 21.6, as part of the capital formation of government enterprises. Also excluded is the construction of housing for military personnel, which is covered by item 20 (a).

(iii) Other goods and services for current operations (Manual, item 1.4). Includes materials, office supplies, expendable military supplies, rent, fuel and light, repairs and maintenance, printing, travel expenses, telephone and telegraph charges and other items for current operations. The remuneration of members of legislative bodies is also included, together with the payments made by a social security fund for health services provided to their members by persons or institutions not hired or owned by the fund.

Purchases from other central government agencies are excluded, except those from ancillary agencies keeping their own accounts.

2. Interest (Manual, items 13.2 and 13.3)

Covers interest paid by general government agencies and financial enterprises to sectors outside the central government. Payments by one government agency to another are not included, for instance, payment of interest by trading enterprises on the capital advanced to them by government agencies. This item also covers interest paid by government enterprises on overdrafts and other commercial credits.

3. Subsidies (Manual, item 16)

These are cash payments to domestic producers, other than in return for goods and services rendered, which are treated by the recipients as receipts in their trading accounts. Transfers in kind to producers should also be classified under this item, together with the deficits of government enterprises which are run at a loss as the result of a policy decision.

This item can be subdivided for the purpose of segregating subsidies that are mainly related to consumer goods and allied services, such as bread, rice, clothing, etc., from subsidies on investment goods and services and goods and services for export. If the subsidies to producers are paid in such a way as to enable a particular group of consumers or investors to obtain materials for which all other consumers or investors have to pay unsubsidized prices, they may be treated as current transfers to households or as capital transfers, respectively.

/4. Transfers

4. Transfers to income account of households (Manual, items 17 and 43.2)

This item consists mainly of payments in cash to households and to private non-profit institutions serving households, that add to their disposable income and are not paid in direct return for goods supplied or services rendered. The types of payment included are benefits to the unemployed, aged and disabled, family allowances, veterans' benefits, scholarships, grants to private schools and to private social welfare organizations, and pensions to former government employees. Transfers paid through intermediaries such as local agencies of the general government are included in this item as transfers to households. Also included are assistance in kind to the poor, food and clothing given to victims of a natural disaster, the cost of free school meals, etc.

5. Transfers for current operations

- (a) To central government agencies not included in the consolidation
- (b) To local government (Manual, item 18)

Transfers to central government agencies not included in the consolidation as well as transfers to general government agencies at the local level (provinces, municipalities, etc.) treated by them as current receipts. Transfers made by central government agencies for social purposes and channelled to recipients through local general government agencies are excluded (see item 4).

This item can be subdivided into (i) transfers for specific purposes and (ii) general transfers.

Item (i) consists of transfers to local government for current expenditure on goods and services, to be used for purposes specified by the central authorities (education, health, etc.). Item (ii) comprises transfers for general purposes, the disposal of which is left to the discretion of local government bodies.

6. Current transfers to abroad (Manual, item 20.1)

Military aid (in cash, but not in kind), grants to supplement the revenue of a dependent territory (which are analogous to a transfer to local government for current operations), contributions to meet the administrative costs of international organizations, relief contributions in cash and in kind, social security pensions paid to former residents currently living abroad and all other transfers connected with the current income and expenditure of the recipient.

8. Sales and charges (Manual, items 7.1 to 7.4)

Sales of goods and services by general government agencies, except sales of assets as defined in item 33. Included are:

(a) Sales of existing military construction and equipment within the country. Sales to other sectors of the national economy of articles classified in item 1 (b). The corresponding purchase by the sector concerned is normally considered as a purchase of assets, unless the items acquired are to be used as scrap.

(b) Other sales and non-regulatory charges effected by general government agencies to other sectors. Charges, often only nominal in amount, by general government agencies for goods supplied and specific services rendered to those paying the charges. The charges may be divided into three categories:

(i) Charges made on the same terms to all who are willing to pay them in connexion with services provided in the main by general government agencies rather than private bodies. This category would cover charges for social services rendered by government institutions, such as hospitals, clinics, schools, universities and the like.

(ii) Charges similar to those under (i), except that they are in connexion with services provided in the main by private bodies. This category covers all sales of goods and services not elsewhere included, e.g. disposal of surplus materials other than extraordinary disposals, sales of government publications, admission charges to public places, minor rentals, receipts from cafeterias operated by the government for its employees and receipts from any other type of minor activity incidental to a general government service. Tolls and similar charges for roads, bridges, harbours, etc. are included here when they are not received by agencies treated as enterprises, i.e., agencies which are separately organized in such a way that both the expenses of operations and the receipts can be identified.

(iii) Specially reduced charges for particular classes of consumers and producers in respect of goods and services similar to those paid for in full by other buyers, e.g., reduced charges for school meals and special food for children, seeds and fertilizers at reduced prices, etc.

(c) Regulatory charges. Charges by general government agencies in connexion with their official activities and for services for which there is no parallel in private industry. Such services can normally be provided only by government, since they depend on the exercise of compulsory powers. Examples of charges paid mainly by enterprises are those connected with quality control of export products and inspection of health and safety measures. Examples of charges paid mainly by households are those for birth and marriage certificates, passports, drivers' licences and applications to the courts.

9. Net surplus from government enterprises and ancillary agencies

This item represents the balance between the trading surpluses and deficits of government enterprises operating in direct competition with other producers. The trading surpluses of ancillary agencies with separate accounts should also be included here. Surpluses from fiscal monopolies are not presented under this head, but under item 15 "Taxes on production and expenditure". Deliberate deficits in trading enterprises resulting from a policy decision to operate at loss are considered as subsidies and are normally included in item 3 "Subsidies". They are shown in item 4, "Transfers to income account of households", if a particular class of consumers is able to obtain goods and services at lower prices than those paid by all other consumers. The net surplus of government enterprises should be derived from the commercial accounts kept by them (see Manual, tables 17 and 19).

10. Provision for depreciation of fixed assets of government enterprises and ancillary agencies (Manual, item 3)

This item concerns provision for the wearing out and obsolescence of capital goods. In principle, there should be provision for the depreciation of all items treated as fixed capital assets. This is normal practice for government enterprises keeping commercial accounts, and the relevant data can be obtained from their accounts, and from those of ancillary agencies that keep commercial accounts.

11. Interest and dividends received

(a) Interest received from central government bodies not included in the consolidation

(b) Interest received on loans and advances to local government bodies (Manual, item 15.2)

(c) Interest and dividends received from other sectors (Manual, items 15.3 and 15.4)

This comprises interest and dividends received by government from outside sources in respect of loans and advances as well as holdings of bonds and shares. Any interest or dividend earnings of government enterprises from non-consolidated sectors would also be included here.

12. Compulsory transfers from income account of domestic sectors (Manual, item 21.1 to 21.3)

Taxes and other compulsory levies which would be regarded by those paying them as payments out of their income account, but which are not levied on a particular form of production or type of expenditure. Taxes classified under this head also have the following characteristics:

(a) they are levied regularly; (b) they are normally assessed according to the individual circumstances of the taxpayer; and (c) they are neither confiscatory nor assessed on the capital estate of a deceased person. The basis on which they are assessed may be total income, specific types of income or net worth.

Social security contributions are included here, even though the rate of contribution may be the same for all contributors regardless of income and size of family.

The amount to be recorded represents the actual receipts from the public net of any tax refunds.

This item is subdivided as follows:

(a) Taxes on personal income (Manual, item 21.2)

Covers taxes on all types of personal income. The basis on which they are assessed may be total income, or specific types of income such as wages and salaries, professional income, interest or dividends. Taxes on net worth, i.e., on the excess of the aggregate value of assets owned over the aggregate value of liabilities, are also included, together with the "expenditure tax" which, unlike ordinary taxes on production and expenditure, is levied on the taxpayers' total expenditure during the financial year.

(b) Taxes on corporate income (Manual, item 21.3)

Payments by corporations, co-operatives and non-profit institutions serving the business sector, in respect of income taxes, excess profits taxes, and taxes on undistributed profits.

(c) Social security contributions (Manual, item 21.1)

Payments to social security funds (or receipts from taxes earmarked for social security purposes) by employers and self-employed persons. Contributions paid by the government in its capacity of employer are included, since they are regarded as part of wages. Contributions to pension funds or schemes for government employees are excluded.

13. Contributions to government employees' pension schemes
(Manual, item 43.1)

Government and employees' contributions to pension schemes. This item counterbalances the entries on the expenditure side under items 1 (a) and 20 (a).

14. Other transfers from income account of domestic sectors
(Manual, items 21.4 and 22)

(a) Penalties, fines and other compulsory transfers of income

"Other" compulsory transfers would consist of forfeits (e.g. forfeited bail) and special assessments such as those levied on owners of property directly affected by public improvements, e.g. the building of a road.

(b) Voluntary transfers

Payments of "conscience" money, voluntary reimbursements for relief supplies provided and other voluntary transfers from domestic sectors. The excess of receipts from the sale of lottery tickets over the payment of lottery prizes is also included. Alternatively, lottery transactions could be treated as carried out by an enterprise operated for revenue purposes.

15. Taxes on production and expenditure and other taxes
(Manual, item 23)

Taxes levied upon the gross value of production or upon gross receipts from sales, which can be regarded as forming part of the cost of producing or acquiring particular commodities or as falling on specific types of expenditure, and taxes on the use of specific assets and property transfer taxes, with the exception of general property taxes. The profits made by fiscal monopolies should also be included here. Amounts actually received net of any refunds should be recorded.

This item should be subdivided as follows:

(a) General sales and turnover taxes

Taxes levied on gross sales receipts of retailers at a common rate, whatever the type of commodity or service sold, and taxes levied on the gross sales receipts of other types of business enterprises.

(b) Selective sales taxes

Taxes levied at specific rates on specific commodities, whether collected from producers (manufacturers' excise taxes), from retailers or from middlemen, and on specific services such as entertainment and transport. Import and export duties are not included in this group.

(c) Royalties on natural resources

These are royalties on the removal of natural products (petroleum, gas, iron ore, timber, etc.) from government land.

(d) Import duties

Covering all import duties, whether levied on the basis of the value or of the quantity of goods imported. Receipts from the issue of import licences and stamp and other duties on shipping documents are also included.

(e) Export duties

The same type of levies as those described under the head of import duties.

(f) Taxes on foreign exchange

Taxes levied specifically on the purchase of foreign exchange. The profits from multiple exchange rate schemes should be included here.

(g) Licence taxes

Amounts charged for licences to exercise a business, profession or trade, and levied either at a flat rate or on some base other than gross receipts or net income.

/ (h) Taxes

(h) Taxes on assets

Taxes levied on the use of specific physical assets as, for example, motor vehicle taxes, or taxes on the occupancy of land and buildings (assessed on the rental value or capital value of the property). This item, however, excludes taxes on the income derived from owning and letting property or on the imputed income of an owner-occupier. It also excludes "general property taxes" (i.e., taxes applied at a uniform rate on the aggregate value of a broad heterogeneous group of assets owned by the taxpayer). These taxes are sometimes an administrative device for taxing income, or they may represent a capital levy.

Taxes on the use of specific physical assets may be calculated on the value of the assets or on their number. An example of the latter is a tax imposed per head of livestock.

Taxes on financial assets, such as those imposed on the value of bank deposits, stocks, bonds and mortgages held by the taxpayer, are also included here if they do not form part of a general property tax.

(i) Property transfer taxes

Taxes levied on sales of all types of assets, real and financial, including registration duty on documents recording the transfer of property.

(j) Surplus of fiscal monopolies

16. Transfers for current operations

- (a) From central general government agencies not included in the consolidation;
- (b) From local governments (Manual, item 24)

This is the counterpart of item 5 on the expenditure side. It covers contributions from local government bodies to the current expenditure by central general government agencies in their areas for such purposes as police and justice, education and public health. When the cost of such services is shared, the sector acting as principal (and not as agent) in entering into contracts for the purchase of the goods and services, is to be regarded as the sector undertaking the expenditure, and the other sector as simply contributing to the cost. Thus, if a school is run by a central government agency, which engages the teachers and buys school materials and other supplies, local government contributions to the cost of running the school are included in this item, even if part of the responsibility for the supervision of the school rests with the local authorities. Transfers of shared receipts deriving from taxes levied by local government may also be presented under this head. Such transfers are to be distinguished, however, from transfers of receipts of taxes imposed by the central government but collected by local government for administrative convenience. The latter are not recorded here but shown under the appropriate item of tax receipts.

17. Current transfers from abroad (Manual item 27)

This includes:

- (a) Taxes received from non-residents net of any tax refunds, and
- (b) transfers in cash or kind for current operations.

Transfers in kind received from abroad for the use of the government should be recorded here at the time the goods are placed at the disposal of the Government, and the corresponding entry made under item 1 (b). The value put on the goods should be that agreed upon with the donating country. Transfers in kind for military purposes are excluded.

If the goods are for the use of other sectors, the transfer from abroad should be offset by an equal entry under item 20 (c) "stockpiling (net)". Sales of the goods should be recorded under the same item, as and when they take place, at a value equal to that placed on the goods when received from abroad. If the value actually realized from the sales is lower than this, the difference should be recorded as some kind of transfer payment. This may take the form of a subsidy if sold to producers, or of a social transfer if it is for the benefit of households. If the value realized from the sales is significantly higher than the original amount, the difference should be recorded as a tax on production and expenditure.

Proceeds from sales on the domestic market are frequently channelled into special funds (counterpart funds), which are governed by certain rules laid down in agreements concluded between the donating and the receiving Governments. Net changes in such funds should be taken into account in the item 46 "Net increase in cash". When the counterpart-funds device is used, it is customary to earmark a certain part of the value of the goods received for use by the donating country. The amounts involved should be included in item 6 "Current transfers to abroad".

19. Saving before depreciation

Balance item.

20. Gross capital formation (general government)

Covers all expenditure on goods and services related to capital formation for civilian purposes by general government, including financial enterprises.

(a) Purchases of new capital goods (Manual, item 6.1)

Covers outlays for the acquisition of new buildings, new construction and new machinery and equipment with a useful life of longer than one year. Also covered are outlays on goods produced by an agency for its own use with its own labour, such as payments of wages and salaries to employees engaged in such activities. This remuneration is shown in a separate sub-item so

that the total sum of wages and salaries paid by general government agencies can be determined by adding the amount of this sub-item to item 1(a). Purchases of second-hand capital goods from abroad are also included here. Outlays for new buildings and construction cover schools, hospitals, prisons, and law courts, as well as highways, roads, streets, bridges, dams, airports and flood control works, etc. Expenditure on alterations and renewals which extend the normal life of existing assets or raise their productivity are also included here. Goods of no particular value purchased regularly, such as small tools and items of office equipment, should, even though durable, be classified as purchases of goods and services for current operations.

(b) Purchases of existing capital goods (Manual, items 6.2 and 6.3)

Purchases of second-hand equipment and other existing capital goods, except purchases from abroad which are regarded as new from the domestic standpoint and are included in the previous sub-item. Purchases of land, whether for civilian or military use, are also included.

(c) Stockpiling (net) (Manual, item 5)

This item represents the net movement in stocks of goods, the purchases of which are not included in item 1 (b) as part of general government expenditure on goods and services for current operations. It covers the accumulation and disposal of strategic and other materials set aside for emergency purposes, as well as the accumulation and subsequent disposal of relief shipments of food, clothing, medicines and other supplies received as aid from abroad for the benefit of other domestic sectors.

Receipts from sales of surplus war material and other goods, which were classified under item 1 (b) when purchased, should be deducted from the net increase in stocks.

21. Gross capital formation (government enterprises and ancillary agencies)

Covers all expenditure on goods and services for capital formation by government enterprises and ancillary agencies keeping separate accounts.

(a) Purchases of new capital goods

See definition of item 20 (a).

(b) Purchases of existing capital goods

Purchases of land and existing capital goods (see item 20 (b))

(c) Stockpiling (net)

This is the value of the net change over the accounting period in the volume of goods purchased and goods produced, measured on the basis of commercial accounting practices.

22. Transfers to capital account of domestic sectors (Manual, item 19)

These are unrequited payments which the recipients would regard as paid into their capital accounts. As a rule the capital nature of these payments is clear from the obligations imposed on recipients as a condition for receiving them.

This item covers transfers to finance the construction of residential and non-residential buildings, the acquisition of machinery and equipment, increases in stocks and public works, such as roads, irrigation and sewerage systems, etc., war damage compensation and transfers to finance lending activities by public and private financial enterprises outside the central government sector.

23. Capital transfers to abroad (Manual, item 20.2)

War reparation payments, grants given to finance capital formation, or to help finance a deficit in the foreign transactions of the recipient country, and other grants given as part of a programme of general economic aid.

24. Direct loans and advances to domestic sectors
(Manual, items 28.1 to 28.5)

Money lent directly to a particular borrower in the sectors specified in sub-items (a) to (d), where the documents setting out the terms and conditions of the loan do not give rise to a negotiable claim, i.e., a claim in the form of a financial instrument which the lending body could sell to a third party. Negotiable documents are shown in items 26 and 27.

25. Direct loans and advances to abroad
(Manual, item 28.6)

Money lent directly to a particular borrower abroad.

26. Acquisition of ownership rights
(Manual, item 30.1 (a))

This item comprises the purchases of equity shares or ownership rights to provide part or all of the initial capital requirements of a public or private enterprise or to provide additional capital to one already established. The term "public enterprise" is used for enterprise subject to government control, but not included in the model account.

27. Purchases less sales of claims on domestic sectors
(Manual, items 29 to 31, except 30.1 (a))

Covers net purchases of negotiable financial claims issued by different bodies within the local government sector, net purchases of all types of bonds bearing a fixed rate of interest issued by independent public enterprises, and net purchases of ownership rights and bonds bearing a fixed rate of interest in respect of private enterprises. Receipts from cancellation of shares and the disposal of assets on the liquidation of an existing independent public enterprise, and receipts from the sale of shares upon termination of public ownership are deducted from this item (see item 26).

27. Purchases less sales of claims on non-residents
(Manual, item 32)

Covers all types of claims on non-residents except direct loans. This item is subdivided in the following way:

(a) Net increase in foreign exchange reserves

Covers the net increase in gold, foreign currency, foreign bank deposits and other foreign currency assets held for the account of the central government by a government financial enterprise, such as a foreign exchange stabilization fund and a multiple exchange rate scheme. This item does not apply to countries where official reserves are treated as held by the central bank for its own account.

If multiple exchange rate schemes are not used, the net increase represents simply the net cash outflow in domestic currency in respect of purchase and sales of foreign currency assets. Consequently, a net decrease can be measured by the cash inflow from the net sale of foreign exchange. If, however, a multiple exchange rate scheme is being used, the value of the net change should be calculated by applying an average of the buying and selling exchange rates which prevailed during the accounting period to the changes in the quantities of different currencies held. If the increase assessed in this way is greater than the change in terms of the net cash outflow in domestic currency, the excess should be included as part of taxes on foreign exchange (item 15 (f)). If there is a decrease in reserves (assessed in the same way), and it is less in amount than the net cash inflow, the difference should also be classified as part of taxes on foreign exchange.

(b) Changes in the net International Monetary Fund position

The net IMF position of a country represents its initial subscription to the IMF in gold and its own currency, less the IMF's holdings of its currency.

(c) Subscription to the International Bank for Reconstruction and Development and the International Finance Corporation

These are the initial subscriptions to the IBRD and IFC less these institution's holdings of the different countries' domestic currencies.

(d) Purchases less sales of claims on non-residents

Covers all kinds of claims on non-residents except those covered by the subdivision of item 28 and by items 25 and 36.

29. Repayments of direct borrowing from domestic sectors
(Manual, item 37)

Repayment of direct loans from a particular borrower. This item is the obverse of item 39.

30. Repayment of direct borrowing from abroad
(Manual, item 38.2)

This item is the obverse of item 40.

31. Net increase in receivables (Manual, item 33)

This covers:

(a) The difference between the value of goods and services sold and payments received during the accounting period, (b) advance payments for purchases of goods and services, and (c) the difference between interest accrued and amounts received for interest on claims of the central government sector against other sectors.

Any changes in the amounts which one central government body is owed by another in the nature of receivables should be included here. Changes in the amounts owed by one government body to another in the form of payables should also be included. Consequently this item, when aggregated for all central government agencies, excludes any changes in indebtedness within central government.

This item (together with number 44) reconciles the difference between the balance of transactions recorded on an accrual basis and the net change in cash. If all transactions were recorded on a cash basis, this item would not be needed. 3/ It may also be used to record any discrepancies that may arise from using for certain items (e.g., those affecting the balance of payments with the rest of the world) information from a source other than the government accounts used for all the remaining items.

33. Sales of existing capital goods
(Manual, items 11.1 and 11.2)

Sales of goods will be classified under items 20 (a) and (b) and 21 (a) and (b). All sales of land, whether by civilian or by military authorities, are included

34. Transfers from capital account of domestic sectors
(Manual, items 25 and 26)

Covers compulsory or voluntary transfers from (a) the capital account of persons such as result from death duties, capital levies, confiscations and gifts and bequests of a capital nature, and (b) the capital account of other domestic sectors, such as contributions from local government to the cost of road construction and other capital projects undertaken by the central government, as well as net transfers of central bank book gains resulting from currency depreciations.

(a) Death duties

Taxes on the capital estate of a deceased person, e.g., inheritance and estate taxes and probate duties.

3/ It is assumed, however, that the transactions of government enterprises are recorded on an accrual basis.

/(b) Other

(b) Other capital taxes

These consist of (i) capital levies, i.e., taxes assessed on the capital value of part or all of a taxpayer's estate or income, which are levied at irregular intervals to meet some extraordinary government expenditure (e.g., redemption of war debt, reconstruction expenditure, etc.), or in conjunction with monetary reforms to eliminate excess liquidity. As the rate of tax is generally very high, and the payments are of an exceptional non-recurrent kind, a capital levy is presumed to be paid out of accumulated wealth and to be treated as a capital transfer; (ii) confiscations, unless imposed on a corporation or unincorporated private enterprise. It is convenient to record confiscations in kind, i.e., those which result in acquisitions of fixed assets, ownership rights and commodities, as receipts not at the time of confiscation but at the time the confiscated articles are disposed of; (iii) taxes on gifts inter vivos.

(c) Other

These include (i) transfers (net) of central bank currency depreciation gains, i.e., the balance of incomings and outgoings resulting from transfers from the central bank to the central government of book gains resulting from depreciation of domestic currency (appreciation of foreign currencies), or coverage of book losses resulting from domestic currency appreciations (foreign currency depreciations); and (ii) voluntary transfers from domestic sectors.

35. Capital transfers from abroad (Manual, item 27.2)

See definition of item 23.

36. Repayments of direct loans and advances from domestic sectors (Manual, items 35.1 to 35.5)

Repayment of loans and advances included in item 24.

37. Repayments of loans and advances from abroad (Manual, item 35.6)

Repayment of loans and advances included in item 25.

38. Net increase in deposits with government savings banks (Manual, item 36)

Net increase in deposits in government savings banks, including accrued interest credited to deposit holders.

39. Direct borrowing from domestic sectors
(Manual, included in item 37)

Money borrowed directly from a particular borrower, when the form of the borrowing is such that it does not give rise to a claim which can be sold to other sectors.

40. Direct borrowing from abroad (Manual, item 38.1)

Loans from foreign Governments, international credit institutions and private institutions.

41. Sales less purchases of negotiable long-term securities issued by central government agencies
(Manual, item 39)

New issues and sales less redemption and purchases of negotiable securities with a maturity when issued of more than one year. Included are sales and purchases by one central government agency of securities issued by another. The item is subdivided into (a) issues in domestic currency, and (b) issues in foreign currency. Since both types of issues may be held by residents and non-residents alike, this subdivision will only roughly correspond to that between borrowing at home and borrowing abroad.

42. Sales less purchases of negotiable short-term securities issued by central government agencies
(Manual, item 40)

The same definition applies as for item 41, but with the difference that the securities should have a maturity when issued of one year or less.

43. Issue of securities in exchange for ownership rights
(Manual, item 41)

The issue of negotiable securities as compensation for the acquisition of ownership rights (e.g., in the case of nationalization) less any securities cancelled in connexion with the return of enterprises to private ownership.

44. Net increase in payables (Manual, item 44)

See item 31. The amounts entered here represent the difference between the value of goods and services bought and payments made for them during the accounting period, as well as advance payments received for the sale of goods and services and the difference between interest accrued and amounts paid for interest or liabilities of the central government sector in respect of other sectors, except where accrued interest is added to the liability. Any change in the amount owed by one government body to another in the form of payables should be excluded.

Changes in amounts deposited with a government body in a suspense or other form of account representing a central government liability vis-a-vis an outside body should be included here together with any other changes in central government liabilities not included elsewhere. For example, premiums received less claims paid in respect of some voluntary government insurance scheme should be included here.

45. Saving before depreciation and capital receipts

Balance item.

46. Net increase in cash (Manual, item 34)

Net increase (+) or decrease (-) in holdings of domestic currency in the form of notes, coins or deposits with a central bank, commercial banks or a banking agency within the central government. Cash holdings are defined as including cash earmarked for specific purposes such as unspent balances of earmarked taxes and balances in counterpart funds. Earmarked cash balances should be shown separately.

/B. FUNCTIONAL

B. FUNCTIONAL CLASSIFICATION OF GOVERNMENT TRANSACTIONS

Table 2

CENTRAL GOVERNMENT

Group	Category	Sub-category	H e a d i n g
1			<u>General services</u>
1	01		General administration
		1	Organs of state
		2	Fiscal administration
		3	General economic regulation
		4	Conduct of foreign affairs
		5	Other
1	02		Justice and police
		1	Administration
		2	Law courts
		3	Police
		4	Prisons
		5	Other places of detention and correction
1	03		General research and scientific services
1	04		Defence
		1	Administration
		2	Armed forces
		3	Civil defence
		4	Other
2			<u>Social and community services</u>
2	01		Education
		1	Administration
		2	Primary schools
		3	Secondary schools
		4	Colleges and universities
		5	Technical training institutions
		6	Adult education, libraries and museums
		7	Other

Group	Category	Sub-category	Heading
2	02		Health
		1	Administration
		2	Research
		3	Hospitals
		4	Medical and dental centres and clinics
		5	Individual health services
		6	National health scheme
		7	Special health programmes
2	03		Social security and special welfare services
		1	Administration
		2	Social security benefits
		3	War veteran benefits
		4	Maternal and child care
		5	Care of aged and disabled
		6	Care of the mentally defective
		7	Other welfare institutions
2	04		Community services
		1	Administration
		2	Housing
		3	Fire protection
		4	Water supply
		5	Sewerage, refuse disposal and other sanitary services
		6	Recreation
		7	Social and community services not included elsewhere
3			<u>Economic services</u>
3	01		Agriculture and non-mineral resources
		1	Administration and regulation
		2	Research
		3	Agriculture
		4	Forestry
		4	Hunting and fishing
3	02		Fuel and power
		1	Administration and regulation
		2	Research
		3	Coal mining, petroleum and natural gas
		4	Electricity, gas, steam heat and power

Group	Category	Sub-category	Heading
3	03		Other mineral resources, manufacturing and construction
		1	Administration and regulation
		2	Research
		3	Mineral resources not classified elsewhere
		4	Manufacturing
		5	Building and construction
3	04		Transport, storage and communications
		1	Administration and regulation
		2	Research
		3	Railways
		4	National highways
		5	Roads and streets
		6	Waterways
		7	Water transport
		8	Air transport
		9	Other transport, storage and warehousing
		10	Communications
3	05		Other economic services
		1	Administration and regulation
		2	Research
		3	Commerce
		4	Economic services not included elsewhere
3	06		Multi-purpose projects
		1	Administration
		2	Projects
4			<u>Unallocable expenditure</u>
	01		Interest on general debt
	02		Subsidies not included elsewhere
	03		General transfers to local government
	04		Foreign economic aid and other unallocable transfers to abroad
	05		Repayment of direct borrowing
	06		Religion
	07		Other

TABLE 2. DEFINITIONS

1. General Services

1.01 General administration (Manual, item 1)

1.01.1 Organs of state. Includes the remuneration of members of legislative bodies, of the official head of state and of their staff, and expenditure on goods and services used in the operation of these organs including expenditure for provision and upkeep of buildings and office facilities; and for related library and research activities. Also includes similar expenditure for audit bodies, permanent or ad hoc commissions and other agencies acting on behalf of the legislature.

1.01.2 Fiscal administration. Expenditures in connection with the collection of taxes, raising of public money, management of the public debt and control over the disbursement of public funds (other than by bodies acting on behalf of the legislature). The typical agencies concerned are the Ministry of Finance, the Budget Office and internal revenue and customs authorities. Also included are the management expenses of government financial enterprises organized for collecting savings and issuing coins.

1.01.3 General economic regulation. Expenditure of bodies concerned with the planning and supervision of general policy and development programmes (e.g., Ministry of Economic Affairs, Planning Commission) and all agencies for regulating general economic activities and controlling the use of resources. Includes price and wage control agencies, labour arbitration boards and agencies charged with the regulation of weights and measures, registration of business concerns and regulation of banks for control over credit policies. Includes also the management expenses of multiple exchange rate schemes and foreign exchange stabilization funds.

Agencies primarily concerned with the regulation of specific production and trading activities are shown under the appropriate sub-heads.

1.01.4 Conduct of foreign affairs. Expenditure incurred with the object of protecting and promoting all agencies charged primarily with the formulation and execution of foreign policy and the handling of foreign relations (e.g. Ministry of Foreign Affairs, diplomatic and consular services). Includes expenditure on broadcasting services and other media providing information for foreign countries, as well as libraries and other cultural activities conducted abroad. Broadly speaking, the expenditure of all agencies established abroad, except those of a military nature, is covered. Contributions to meet the costs of international bodies other than specialized agencies are included, but not expenditure on foreign economic aid, which is shown under the head of 4.04.

1.01.5 Other. Expenditure for central government personnel management, the collection and provision of information to the public

/(e.g., the

(e.g., the central statistical office) and general services not classified elsewhere. Registration and control services of a social rather than economic nature (for example, registration of births, deaths and marriages, and immigration services) are included here. Transfer payments to immigrants are also shown under this sub-head.

1.02 Justice and police (Manual, item 3).

Includes all expenditure related to the preservation of law and order, e.g. for the provision and upkeep of law courts, police forces, prisons and other places of detention and correction.

1.02.1 Administration. Expenditure for the central administration of activities connected with the maintenance of internal order.

1.02.2 Law courts. Expenditure for law courts and the judicial system. Covers all general legal tribunals, and related agencies in charge of parole and probation activities and the registration of legal titles to property. Includes also transfer payments for legal aid to households and private non-profit institutions. Agencies responsible for the regulation of economic activities are not shown here, but under sub-head 1.01.3 "General economic regulation", even though they may perform judicial functions.

1.02.3 Police. Expenditure for police activities including traffic control. Excludes expenditure for special internal security forces, which is classified under 1.04.2 "Armed forces". Traffic control activities may alternatively be classified under "National highways" (3.04.4) or "Roads and streets" (3.04.5).

1.02.4 Prisons. Expenditure for the operation and upkeep of prisons, and for new construction.

1.02.5 Other places of detention and correction. This sub-head is comparable with 1.02.4, but in relation to other places of detention and correction such as criminal asylums and reformatories.

1.03 General research and scientific services (Manual, item 6 a)

Expenditure on research and scientific services which are not linked to the provision or promotion of any particular type of service but which are of benefit to the whole community. Covers expenditure of general government agencies engaged in general research in science, and contributions to non-profit institutions engaged in similar activities. Includes expenditure on atomic energy research, except for defence purposes (shown in 1.04.2), on meteorological services, geological and map-making surveys and the like. Meteorological services provided in conjunction with transport facilities are included in group 3.04.

1.04 Defence (Manual, item 2).

All expenditure directly serving defence needs and purposes.

1.04.1 Administration. Expenditure for the central administration of activities serving defence purposes.

1.04.2 Armed forces. Expenditure to keep the army, navy and air force in a state of readiness. Covers all expenditure with the exceptions noted below, whether by defence or other departments, on the recruitment, training, equipping, moving, feeding, clothing, housing and medical care of the armed forces. Includes expenditure for military construction and equipment, and for research, inspection and storage. Contributions to the cost of international military organizations are also included.

Expenditure excluded consists of: (a) foreign military aid (classified under 1.04.4), (b) pensions awarded for death or disability and other special aid to war veterans (classified under 2.03.3), and (c) expenditure directly serving civilian purposes and not incurred as a necessary part of the cost of maintaining a self-sufficient organization for the armed forces. The latter is classified under the appropriate civil heading. If the police is used to a great extent for fighting rebels or for similar tasks which are over and above what may normally be regarded as police duties, it is preferable to include extraordinary police duties in this item while leaving expenditure on normal police work in 1.02.

1.04.3 Civil defence. Expenditure for the strengthening of public services to meet the emergencies that might arise in time of war, the training of civil defence personnel and the acquisition of stocks.

1.04.4 Other. Net expenditure on stockpiling of strategic materials and expenditure for foreign aid clearly undertaken for defence purposes. The distinction between foreign economic and foreign military aid may often be quite tenuous, and, in practice, the description given in the legislative appropriation of funds may have to be used as the best guide for the purpose.

2. Social and community services

2.01 Education (Manual, item 7)

Expenditure for the provision, support, supervision and regulation of schools and institutions of higher education, such as colleges, universities and technical training institutes. Also includes adult education, provision of libraries and museums, and scholarships or similar grants to individuals. All educational activities are included, unless they are an integral part of some other government service. Examples are military schools, classified under "Defence" (1.04) and reform schools included under "Justice and police" (1.02). Schools for the deaf, dumb and blind are considered as welfare institutions and classified accordingly under

/"Social security

"Social security and special welfare services" (2.03). Where expenditure on school health services is significant in amount and can be isolated, it should be classified in item 2.02.7. The net cost of providing cheap school meals should be shown under sub-head 2.03.4 as a special welfare service.

2.02 Health (Manual, item 8)

Expenditure on facilities or services for preventing and curing human illness. Expenditure on similar facilities and services for members of the armed forces is not classified here but under "Defence" (1.04.2). Veterinary services are shown under "Agriculture" (3.01.3).

This heading is divided to show the costs of central administration (2.02.1); expenditure on research (2.02.2); expenditure on all hospitals (2.02.3), including those run for war veterans and contributions to private hospitals; expenditure on medical and dental centres and clinics (2.02.4) other than child welfare clinics which come under the sub-head 2.03.4; expenditure on individual health services (2.02.5), (i.e., medical, dental and opthalmic treatment and midwifery services) including contributions to private health insurance schemes; and, where applicable, expenditure on the national health scheme (2.02.6) for the various health services provided, except the costs of central administration which are shown under sub-head 2.02.1.

Expenditure on special health (2.02.7) includes outlays on the provision of drugs and appliances and on activities in the field for the purpose of fighting and controlling particular diseases and carrying out vaccination and immunization programmes.

2.03 Social security and special welfare services (Manual, item 9)

Types of activity and benefit payments are identified as far as possible by the category of persons benefited. This heading is subdivided to show costs of central administration (2.03.1); social security benefits (2.03.2), including unemployment insurance benefits, contributions to private unemployment insurance schemes, payments of pensions to former government employees, payments of non-contributory pensions and other forms of assistance to the needy not related to a social security scheme; war veteran benefits (2.03.3), including support payment to war veteran organizations; maternal and child welfare (2.03.4), including payment of family allowances and maternity benefits, net cost of cheap school meals, expenditure on child welfare clinics and orphanages and provision of home help for mothers, etc.; care of the aged and disabled (2.03.5); care of the mentally defective (2.03.6); and other welfare institutions not included above (2.03.7). Transfers to local government for special welfare services should be classified under the appropriate sub-head.

2.04 Community services (Manual, items 5 and 10)

Expenditure for the provision, assistance or support of housing and

/related slum

related slum clearance activities, and for the planning and supervision of multi-purpose schemes for community development (these being shown in the Manual under item 6 b). Also includes fire protection, sewerage and refuse disposal, water supply and other sanitary services, such as food and drug inspection, disinfection and smoke regulation, expenditure on the provision and upkeep of recreational facilities such as parks, playgrounds and athletic fields, and of such social facilities as botanical and zoological gardens and radio and television studios. Payments to theatres, orchestras and art groups run on a non-commercial basis are also classified here, together with contributions to the Y.M.C.A., the Y.W.C.A., boy scouts, girl guides and other youth organizations.

3. Economic services

3.01 Agriculture and non-mineral resources (Manual, item 11)

Expenditure for the conservation, development and effective use of the soil, forests, livestock, fishing resources and wild-life of a country. Includes outlays for veterinary services, extension services, land irrigation and drainage, reclamation of waste land, land settlement, reforestation, forest fire prevention, propagation and protection of fish and wild-life, etc. This item is subdivided to show the costs of central administration and regulation (3.01.1), research (3.01.2), agriculture (3.01.3), forestry (3.01.4), and hunting and fishing (3.01.5).

Sub-head 3.01.1 covers the costs of central administration, and the costs of inspection and regulation not directly imputable to a particular group of industries under this head. The expenditure of separately organized units in charge of regulating or inspecting a specific industry is classified under the appropriate sub-head.

Research or experimental work affecting more than one group of industries is shown under 3.01.2. Costs of research directly associated with a particular industry are classified under the relevant sub-head.

The subheads 3.01.3, 3.01.4 and 3.01.5 include capital formation of government trading enterprises, and subsidies, capital transfers and loans to units operating in the industry in question. Management expenses of financial enterprises whose operations are linked to a particular group of industries are also included and shown under the corresponding sub-head. Financial enterprises which service more than one group of industries covered by this heading are included under sub-head 3.01.1.

3.02 Fuel and power (Manual, item 12)

Expenditure on the extraction and development of coal, petroleum and natural gas, including prospecting, surveying, map-making and other related activities and on the production, transmission and distribution of electricity, gas, steam heat and power. This heading is subdivided into administration and regulation, research and broad industrial groups, as in the case of heading 3.01.

3.03 Other mineral resources, manufacturing and construction (Manual, item 13)

Expenditure in connexion with the extraction, development and distribution of mineral resources other than coal, petroleum and natural gas; expenditure on manufacturing and facilities connected with the building and construction industries.

3.04 Transport, storage and communications (Manual, items 4 and 14)

Expenditure on the provision and maintenance of transport and communication facilities by land, sea and air. They include docks, harbours, improvements in inland and coastal waterways, roads and highways, bridges, terminals and airports, as well as improvements in the postal, telephone, telegraph and radio services. Expenditure on storage and warehousing is also included.

3.05 Other economic services (Manual, item 15)

This heading covers activities not specified under previous headings or which cannot be allocated to the economic services shown separately in the scheme. It is subdivided to show costs of central administration (3.05.1); research (3.05.2); commerce (3.05.3), which includes all expenditure on activities not elsewhere included (3.05.4) as, for example, advisory services provided to the business sector in general and to the entertainment and personal service industries (cinemas, theatres, restaurants and hotels).

3.06 Multi-purpose projects (Manual, part of item 6 (b))

Includes expenditure on irrigation, flood control and electric power projects that are difficult to group under specific heads.

4. Unallocable expenditure (Manual, items 10 (d) and 16 to 20)

This heading covers expenditure that cannot be allocated to particular services or activities as defined in the scheme. Examples are interest on the general debt, subsidies not included elsewhere, general transfers to local government, foreign economic aid and other unallocable transfers abroad. Also included are expenditure on the State church, when applicable, or contributions to religious organizations for purposes of general assistance as well as provision for other social services not included above.

Annex V

A. PROVISIONAL SCHEME FOR THE SPECIFICATION OF PROGRAMMES

1. Model scheme for the specification of programmes, sub-programmes, activities and projects in respect of education

Functional Group 2: Social and community services

Function 2.01. Education

Programme	Sub-programme	Activity	Project	Heading
OPERATING PROGRAMMES				
I				<u>Central administration</u>
	01			<u>Executive Office</u>
	02			<u>Central co-ordination</u>
		1		Management and co-ordination
		2		Public relations
		3		Press and information
	03			<u>Planning and evaluation</u>
		1		Education statistics
		2		Studies on education
		3		Preparation of plans and programm
		4		Budget preparation
		5		Evaluation
	04			<u>Advisory services</u>
		1		Legal
		2		Technical and administrative
		3		International technical assistance
	05			<u>General administration</u>
		1		Management and co-ordination
		2		Personnel administration
		3		Purchases and supplies
		4		Accounting and control
		5		Maintenance services
		6		General services
		7		Inspection
II				<u>Basic educational services</u>
		1		Management and co-ordination
		2		Teaching research and experiments

Programme	Sub-programme	Activity	Project	Heading
		3		Use of teaching equipment and material
		4		School libraries
		5		Guidance for teachers
III				<u>Primary education</u>
	01			<u>Administration</u>
		1		Management and co-ordination
		2		Plans and programmes for primary education
		3		Personnel administration
		4		Budget management
		5		School endowment
		6		Inspection
	02			<u>Pre-school education</u>
		1		Management and co-ordination
		2		Kindergartens
		3		Nurseries
	03			<u>Primary education</u>
		1		Management and co-ordination
		2		Urban primary education
		3		Rural primary education
		4		Scholarships and boarding facilities
	04			<u>Primary vocational training</u>
		1		Management and co-ordination
		2		Rural education
		3		Technical training
IV				<u>Intermediate education</u>
	01			<u>Administration</u>
		1		Management and co-ordination
		2		Plans and programmes for intermediate education
		3		Personnel administration
		4		Budget management
		5		School endowment
		6		Inspection
	02			<u>Secondary education</u>
		1		Management and co-ordination
		2		Secondary education
		3		Scholarships and boarding schools
	03			<u>Business training</u>
		1		Management and co-ordination
		2		Business training
		3		Scholarships and boarding facilities
				/04 <u>Industrial</u>

Programme	Sub-programme	Activity	Project	Heading
	04			<u>Industrial training</u>
		1		Management and co-ordination
		2		Industrial training
		3		Scholarships and boarding facilities
	05			<u>Agricultural training</u>
		1		Management and co-ordination
		2		Agricultural training
		3		Scholarships and boarding facilities
	06			<u>Training in the arts</u>
		1		Management and co-ordination
		2		Training in the arts
		3		Scholarships and boarding facilities
	07			<u>Trade schools</u>
		1		Management and co-ordination
		2		Training in mechanical crafts
		3		Scholarships and boarding facilities
	08			<u>Training in home economics</u>
	09			<u>Special training</u>
V				<u>Higher education</u>
	01			<u>Financing of university education</u>
	02			<u>Financing of non-university higher education</u>
	03			<u>Financing of scientific research</u>
VI				<u>Training of teaching and administrative personnel</u>
	01			<u>Administration</u>
	02			<u>Training of primary school teachers</u>
	03			<u>Refresher courses and in-service training for teachers</u>
	04			<u>Training for intermediate school teachers</u>
	05			<u>Refresher courses for intermediate school teachers</u>
	06			<u>Training of university teachers</u>
	07			<u>Training of inspectors and administrators</u>

/VII Adult

Programme	Sub-programme	Activity	Project	Heading
VII				<u>Adult education</u>
	01			<u>Administration</u>
	02			<u>Literacy campaigns</u>
	03			<u>Supplementary school education</u>
	04			<u>Manpower training</u>
	05			<u>Community education</u>
VIII				<u>Cultural extension services</u>
	01			<u>Administration</u>
	02			<u>Publications</u>
	03			<u>Public libraries</u>
	04			<u>Promotion of the arts</u>
	05			<u>Promotion of the sports</u>
	06			<u>Educational radio, television and cinema</u>
				INVESTMENT PROGRAMMES
IX				<u>School construction</u>
	01			<u>Administration</u>
	02			<u>Rural school construction</u>
		1		Preparation of projects
		2		Construction of classrooms (list of works)
	03			<u>Urban school construction (list of works)</u>
	04			<u>Construction of schools for intermediate education (list of works)</u>
	05			<u>Construction of buildings for higher education (list of works)</u>

2. Model scheme for the specification of programmes, sub-programmes, activities and projects in respect of health

Functional Group 2: Social and community services

Function 2.02. Health

Programme	Sub-programme	Activity	Project	Heading
OPERATING PROGRAMMES				
I	01	1		<u>Central administration</u>
				<u>Executive office</u>
				<u>Central co-ordination</u>
	02	1		Management and co-ordination
		2		Public relations
		3		Press and information
	03	1		<u>Planning and evaluation</u>
				Management and co-ordination
				General statistics and biostatistics
				Medical and sanitary studies
				Preparation of plans and programmes
				Budget preparation
				Evaluation
	04	1		<u>Advisory services</u>
				Legal
				Technical and administrative
	05	1		<u>General administration</u>
				Management and co-ordination
				Personnel administration
	06	1		Purchases and supplies
				Accounting and control
				Maintenance services
	07	1		General services
				Inspection
II	01	1		<u>Basic health services</u>
				<u>Personnel training</u>
				Professional training
	02	1		Training of auxiliary personnel
				In-service training
	03	1		<u>Laboratory services</u>
				Chemical and biological analyses
				Preparation of biological products
	04	1		Scientific research

Programme	Sub-programme	Activ- ity	Pro- ject	Heading
	03			<u>Public health training</u>
	04			<u>Nursing</u>
		1		Standards of work
		2		Supervision
	05			<u>Food and drug control</u>
		1		Drug control
		2		Food control
		3		Narcotics control
		4		Control of cosmetics
	06			<u>Medico-social service</u>
	07			<u>National public health transport service</u>
		1		Air
		2		Surface
III				<u>Maternal and child health</u>
		1		Management and co-ordination
		2		Pre-natal health care
		3		Care at birth and care of the newborn child
		4		Care of infants and pre-school children
		5		School health
IV				<u>Nutrition</u>
		1		Management and co-ordination
		2		Education in nutrition
		3		Nutrition research
V				<u>Dental health</u>
		1		Water fluorination
		2		Dental care
		3		School dental attention
VI				<u>Environmental sanitation</u>
	01			<u>Administration</u>
	02			<u>Urban sanitation</u>
		1		Sanitary engineering
		2		Sanitary inspection
	03			<u>Rural sanitation</u>
		1		Sanitary engineering
		2		Sanitary inspection

Programme	Sub-programme	Activ- ity	Pro- ject	Heading
	04			<u>Veterinary services</u>
		1		Rodent control
		2		Rabies control
		3		Insect control
VII				<u>Epidemiology</u>
	01			<u>Administration</u>
	02			<u>Control of communicable diseases</u>
		1		Management and co-ordination
		2		Tuberculosis control
		3		Malaria control
		4		Leprosy control
		5		Venereal disease control
		6		Smallpox control
		7		Yellow fever control
		8		Chagas' disease
		9		Poliomyelitis control
	03			<u>Control of non-communicable diseases</u>
		1		Management and co-ordination
		2		Cancer control
		3		Control of cardiovascular diseases
		4		Control of endemic goitre
		5		Accident control
VIII				<u>Mental health</u>
		1		Management and control
		2		Alcoholism
		3		Child delinquency
		4		Clinics for behavioural disorders
IX				<u>Occupational hygiene</u>
		1		Prevention of occupational diseases
		2		Prevention of work accidents
		3		Occupational engineering
X				<u>Medical care</u>
	01			<u>Administration</u>
		1		Management and co-ordination
		2		Planning
		3		Acquisition of hospital equipment

Programme	Sub-programme	Activ- ity	Pro- ject	Heading
	02			<u>General medical and hospital services</u>
		1		Management and co-ordination
		2		Care of newborn infants
		3		Care of hospital patients
		4		Care of out-patients
		5		Home care
		6		Emergency services
		7		Blood banks
	03			<u>Specialized medical and hospital services</u>
		1		Management and co-ordination
		2		Care of hospital patients
		3		Care of out-patients
XI				<u>Financing of health agencies</u>
	01			<u>Financing of public agencies (list)</u>
	02			<u>Financing of private agencies (list)</u>
				<u>INVESTMENT PROGRAMMES</u>
XII				<u>Hospital construction</u>
	01			<u>Preparation of projects</u>
	02			<u>Construction of general hospitals</u>
	03			<u>Construction of special hospitals</u>
		1		Sanatoria for tuberculosis
		2		Psychiatric hospitals
		3		Cancer hospitals
		4		Leprosy hospitals
		5		Maternity hospitals
		6		Traumatological hospitals
		7		Children's hospitals (list of works)
	04			<u>Construction of health centres</u>
	05			<u>Hospital endowment</u>
	06			<u>Repairs and upkeep</u>

3. Model scheme for the specification of programmes, sub-programmes, activities and projects in respect of agriculture

Functional Group 3: Economic services

Function 3.01. Agriculture and non-mineral resources

Programme	Sub-programme	Activity	Project	Heading
<u>OPERATING PROGRAMMES</u>				
I				<u>Central administration</u>
	01			<u>Executive Office</u>
	02			<u>Central co-ordination</u>
		1		General secretariat
		2		Press and information
		3		Public relations
		4		Co-ordination with other agencies
	03			<u>Advisory services</u>
		1		Planning and evaluation
		2		Budget
		3		Legal Counsel
		4		Technical assistance
		5		Organization and methods
	04			<u>General Administration</u>
		1		Management and co-ordination
		2		Personnel administration
		3		Purchases and supplies
		4		General services
		5		Accounting and control
		6		Social welfare services for employees
II				<u>BASIC SERVICES</u>
	01			<u>Administration</u>
	02			<u>Studies and research</u>
		1		Management and co-ordination
		2		Soil surveys
		3		Agricultural research
		4		Laboratories
		5		Aerophotogrammetric studies

Programme	Sub-programme	Activ- ity	Pro- ject	Heading
	03			<u>Agricultural training</u>
		1		At the primary level
		2		At the intermediate level
		3		At the university level
	04			<u>Agricultural economics</u>
		1		Management and co-ordination
		2		Agricultural statistics
		3		Land use
		4		Rural administration
		5		Studies on the financing of agriculture
		6		Prices and markets
		7		Co-operatives
		8		Marketing
		9		Taxes
	05			<u>Meteorological services</u>
		1		Management and co-ordination
		2		Weather forecasts
		3		Climatological studies
		4		Observatories
	06			<u>Mechanized services</u>
	07			<u>Community development</u>
III				AGRICULTURAL EXTENSION
	01			<u>Administration</u>
	02			<u>Extension services</u>
		1		Management and co-ordination
		2		Preparation of information material
		3		Organization of clubs and home improvement
		4		Training of extension workers
		5		Training of rural leaders
	03			<u>Agricultural extension</u>
		1		Management and co-ordination
		2		Research into extension methods
		3		Courses on up-to-date farming methods
		4		Courses on production techniques
		5		Input distribution services

Programme	Sub-programme	Activ- ity	Pro- ject	Heading
	04			<u>Livestock extension services</u>
		1		Management and co-ordination
		2		Courses on production techniques
IV				<u>DEVELOPMENT OF AGRICULTURAL PRODUCTION</u>
	01			<u>Administration</u>
	02			<u>Crop promotion</u>
		1		Rice
		2		Coffee
		3		Sugar-cane
		4		Cacao
		5		Fruit
		6		Cotton
		7		Crops in general
	03			<u>Agricultural services</u>
	04			<u>Plant protection</u>
V				<u>DEVELOPMENT OF LIVESTOCK PRODUCTION</u>
	01			<u>Administration of the programme</u>
	02			<u>Promotion of livestock production</u>
		1		Development of milk production
		2		Development of poultry production
		3		Development of cattle production
		4		Development of pig production
		5		Development of sheep production
		6		Development of fisheries production
		7		Development of small industries
		8		Artificial insemination
		9		Purchase of breeding animals
		10		Development and use of grasses, ensilage and tedding
	03			<u>Animal health</u>
		1		Zoonosis research
		2		Animal nutrition research
		3		Eradication of sheep mange
		4		Brucellosis control
		5		Control of foot-and-mouth disease
		6		Control of parasitic diseases
		7		Swine fever control
		8		Other animal health protection measure

Programme	Sub-programme	Activity	Project	Heading
VI				USE AND CONSERVATION OF NATURAL RESOURCES
	01			<u>Administration</u>
	02			<u>Water conservation</u>
		1		Management and co-ordination
		2		Rural hydrological studies
		3		Regulations for water use
		4		Control of contamination
		5		Drainage
	03			<u>Soil protection</u>
		1		Management and co-ordination
		2		Erosion control
		3		Assistance for soil conservation
		4		Conservation of virgin land
		5		Other soil conservation measures
	04			<u>Forest protection</u>
		1		Management and co-ordination
		2		Forestry research
		3		Planting and reforestation
		4		Fire control
		5		Conservation of parks
		6		Forest protection
		7		Training of forest guards
		8		Forest inventories
	05			<u>Fisheries control</u>
		1		Management and co-ordination
		2		Fisheries research
		3		Marine fisheries
		4		Inland fisheries
		5		Fish-culture stations
		6		Fishing regulations
		7		Preparation of a fishing map
	06			<u>Game protection</u>
		1		Management and co-ordination
		2		Hunting regulations
VII				IRRIGATION
	01			<u>Administration</u>
	02			<u>Irrigation studies</u>

Programme	Sub-programme	Activ- ity	Pro- ject	Heading
		1		Management and co-ordination
		2		Agro-economic studies
		3		Hydrometric studies
VIII				LAND SETTLEMENT
	01			<u>Administration</u>
	02			<u>Land settlement studies</u>
		1		Management and co-ordination
		2		Land research
		3		Preparation of cadastral survey
		4		Basic studies
		5		Preparation of maps and plans
				INVESTMENT PROGRAMMES
IX				<u>Irrigation works</u>
	01			<u>Building administration</u>
	02			<u>Works construction</u>
		1		Preparation of projects
		2		Dam construction
		3		Canal construction
		4		Small irrigation works
		5		Utilization of underground water
		6		Irrigation by sprinkling
X				LAND SETTLEMENT WORKS
	01			<u>Works construction</u>
		1		Management and co-ordination
		2		Formation of settlements
		3		Demarcation of sites
		4		Infrastructural works
		5		Social works
	02			<u>Technical assistance</u>
		1		Formation of co-operatives
		2		Inspection
		3		Technical assistance for settlers

Notes on classification by programmes and activities

It was thought best to divide the programmes into two kinds: operating programmes intended for the production of services, and investment programmes for the production of capital goods.

1. Operating programmes

It was deemed advisable to establish a set of standards for unifying the preparation and presentation of specific operating programmes. To achieve standardization it is essential to make a precise definition of an operating programme and its constituent elements.

Programme

It was suggested that the term programme should be taken to mean an instrument for fulfilling the functions of the State, and for establishing goals or targets, whether quantifiable or not in terms of the end product, which would be attained through the integration of a body of efforts and the human, material and financial resources assigned to them at a given aggregate cost, to be undertaken in principle by a high-level administrative unit within the Government. For example, the function "education" can be subdivided into programmes of primary, intermediate and higher education, etc. Each one of these programmes can then be divided into sub-programmes as appropriate.

Sub-programme

It was proposed to use the term sub-programme for the division of certain complex programmes aimed at facilitating the execution of the work in a specific field by virtue of which partial targets are set to be attained through concrete action undertaken by specific operating units, with the human, material and financial resources assigned to them and at a given cost. For instance, a programme of intermediate education would comprise the sub-programmes of ordinary secondary education, business, industrial, agricultural and vocational training, etc., all of which are carried out by clearly-defined operating units.

Activity

In view of the fact that the attainment of a goal established in relation to the end product within a programme, or of partial end products within a sub-programme, is effected through certain activities, it was suggested that an activity should be defined as a more limited division of each of the actions undertaken to achieve the targets of an operating programme or sub-programme, consisting in the execution of certain processes of works (through the use of the allocated human, material and financial resources and at a specific cost), for which an intermediate or low-level administrative unit, e.g. a section, is responsible. Teaching, the publication of teaching material, research, etc., might be activities constituting part of a sub-programme on business training.

Tasks As

Tasks

As the execution of an activity implies in its turn the fulfilment of certain stages within a process which are termed "tasks", the Workshop proposed that the term should be taken to mean a specific operation forming part of a process aimed at achieving a particular result. For instance, the following tasks might be established as part of the activity of publishing teaching material: drafting of texts, publishing, distribution and storage.

2. Investment programmes

As in the case of operating programmes, a set of standards can be laid down for the presentation of investment budget programmes. In the case of an investment programme, each of the parts comprising it would have to be defined. The programme may thus be divided into sub-programmes, projects, works and labour.

Programme

The Workshop proposed that the programme should be the instrument for establishing the targets to be achieved through an integrated set of investment projects.

Sub-programme

A sub-programme would represent a division of complex programmes covering certain specific areas in which investment projects were carried out.

Projects

A project is a series of works carried out within an investment programme or sub-programme, for the formation of capital goods constituted by the production unit capable of functioning independently, such as a highway, a hospital or a hydroelectric plant.

Works

The term "works" would mean a part or stage in the construction of a specific capital good forming part of a complete project, such as a stretch of highway, part of a hydroelectric plant, etc.

Labour

Labour is defined as a systematic effort to execute each phase of a works project: excavation, levelling, clearing and other operations required for the construction of, for instance, a highway.

These definitions enable budget categories to be established and co-ordinated with national medium-term investment plans and long-term economic development plans. It was made clear that the above definitions were to be regarded merely as guidelines for the establishment of programming and that research into those concepts should be continued.

B. PROVISIONAL MODEL CLASSIFICATION BY OBJECT OF EXPENDITURE

1. Simplified classification scheme by object of expenditure

Group	Sub-group	Description
0		<u>Personal services</u>
	1	Salaries for permanent posts
	2	Salaries for temporary posts
	3	Extra pay
	4	Day wages
	5	Per diem
	6	Entertainment allowances
	7	Remuneration for technical services
	8	Fees
	9	Other
1		<u>Non-personal services</u>
	10	Communications
	11	Other public services
	12	Advertising, printing and binding
	13	Travel and related expenses
	14	Transport
	15	Rental
	16	Insurance and commission
	17	Equipment maintenance
	18	Upkeep of works
	19	Other
2		<u>Materials and supplies</u>
	20	Foodstuffs and agricultural and forest products
	21	Minerals (except hydrocarbons)
	22	Textiles and clothing
	23	Paper, paperboard and printed matter
	24	Leather and rubber products

Group	Sub-group	Description
	25	Chemicals and related products
	26	Non-metallic mineral products
	27	Metal products
	28	Miscellaneous products and supplies
	29	Other
3		<u>Machinery and equipment</u>
	30	Production machinery and equipment
	31	Office equipment
	32	Medical and sanitary equipment
	33	Educational and recreational equipment
	34	Transport equipment
	35	Communications equipment
	36	Animals (cattle)
	39	Miscellaneous equipment
4		<u>Purchase</u>
	40	Land
	41	Buildings
	49	Other purchases
5		<u>Construction</u>
	50	Communications media
	51	Buildings
	52	Urban amenities
	53	Installations
	55	Agricultural constructions
	59	Other
6		<u>Current transfers</u>
	60	Pensions
	61	Direct transfers to individuals
	62	Direct transfers to enterprises
	63	Transfers to institutions and local government

Group	Sub-group	Description
	64	Contributions to international organizations
	65	Individual fellowships
	69	Other
7		<u>Capital transfers</u>
	70	Contributions from autonomous institutions
	71	Contributions to government enterprises
	72	Contributions to local government
	73	Contributions to private persons and agencies
	74	Contributions to abroad
	79	Other
8		<u>Public debt</u>
	80	Amortization of the domestic debt
	81	Interest on the domestic debt
	82	Amortization of the external debt
	83	Interest on the external debt
	89	Commission and other expenditure
9		<u>Other financial disbursements</u>
	90	Loans and advances
	91	Acquisition of financial assets
	99	Other
10		<u>Aggregate appropriations</u>
	100	Aggregate appropriations
	101	Unforeseen expenditure
	102	Items for strengthening other appropriations
	109	Other

II. General definitions

0. Personal services

This group comprises all cash expenditure under the head of services rendered by permanent and non-permanent civil and military personnel. It includes ordinary salaries, wages, extra pay, entertainment allowances, and all other cash remuneration prior to deductions for operating and investment programmes (construction on a cost-plus-fee basis, etc.). Excluded are loans in kind and contributions by the State to social security and pension schemes for its officials and workers.

1. Non-personal services

Comprising payments of services not related to remuneration of employees' services, made to persons or to public or private institutions in compensation for the rendering of non-personal services or for the use of personal property or real estate, as, for example, public utilities, advertising, printing and binding, per diem and travel expenses, carriage, building rental, land and equipment, financial services, services for the regular upkeep and repair of works, and miscellaneous services.

2. Materials and supplies

Comprise the purchase of supplies, materials and all goods used in government activities. The supplies are expected to have an average life of a year or less. For practical purposes, this group also includes articles that may last longer but are not regarded as fixed assets because of their low unit value and the difficulty of stocking them. Military supplies, materials and equipment come into the same group, whatever their unit value and average useful life.

3. Machinery and equipment

Includes all expenditure on the purchase of machinery and/or equipment and the accessories and fittings that form part of or supplement the main unit, and expenditure on transport and installations in connexion with such purchase.

Each specific item in this group indicates whether the particular type of equipment concerned is a new purchase or has been in use.

Extraordinary repairs that prolong the useful life of the equipment beyond the normal limit would also come into this group.

The goods included under the head of machinery and equipment will be itemized in accordance with the two broad specifications that they should be durable and in permanent use.

4. Purchase of real estate

Includes expenditure for the purchase of land and buildings which should be differentiated by type in the specific itemization, i.e., office buildings, housing, warehouses, etc.

5. Construction

Comprises expenditure for the financing of building on a contract basis as well as additions and extraordinary repairs also undertaken on that basis.

The term construction covers buildings, urban facilities and hydroelectric works, highways, ports, airports, the installation of electricity, telegraph and telephone cables and the like.

Extraordinary additions and repairs are those which, once undertaken, will improve or prolong the normal life of a building or work.

6. Current transfers

Comprise current disbursements to enterprises or persons for transactions not involving counterpart goods or services, as, for example, pensions, personal bonuses, indemnities, subsidies, grants, contributions to social security and pension funds, etc.

7. Capital transfers

Include expenditure with no offsetting entry for investment in public or private agencies and bodies. Also includes transfers to finance the construction of housing and other buildings, the purchase of machinery and equipment, increases in stocks or working capital, the financing of credit activities, etc.

8. Public debt

This group includes all expenditure connected with public debt liabilities deriving from the sale of securities or direct internal and external loans. It covers amortization, interest, commission and other charges related with the servicing of the debt.

9. Other financial disbursements

Comprise expenditure under the head of loans, the purchase of credit documents, shares and title deeds and other similar disbursements.

10. Aggregate appropriations

Outlays under the head of unclassified expenditure in the other categories, items for unforeseen expenditure and expenditure to strengthen other budget items.

