



MINISTRY OF THE ECONOMY, FINANCE AND
NATIONAL SOLIDARITY

INTRODUCTION TO BUDGETARY CONCEPTS

DRAFTING OF FINANCE ACTS

The process of drafting finance acts

In accordance with Article 10 of Organic Law No. 020/2014 of 21 May 2015 on Finance Acts and the Implementation of the Budget (LOLFEB), the purpose of finance acts is to determine the State's revenue and expenditure, to define the conditions for budgetary and financial balance, to adopt the State budget and to report on the implementation of the State budget.

The following are classified as finance laws: the annual finance law, the amending finance law or supplementary budget, and the settlement law.

- The drafting of the **initial Finance Act** takes place in accordance with Decree 0078/PR/MEP/MBCP and focuses primarily on:
 - The macroeconomic and budgetary framework;
 - The preparation of the macroeconomic and budgetary framework document (DOCAMAB), and the organisation of the budgetary policy debate (DOB);
 - The framework letter;
 - Budget conferences and the arbitration phase;
 - The finalisation of the draft Finance Act and budgetary documents.
- The **Amending Finance Act** sets out the changes to revenue and expenditure that occur during the financial year compared with the budgetary allocations set out in the previous Finance Act.
- The **Settlement Act** (Article 17 of the LOLFEB) sets the final amount of the State's revenue and expenditure, and the resulting budgetary and accounting outcome. It sets out cash flow operations and ratifies regulatory measures that have affected the implementation of the budget.

Structure of the State budget

The State budget comprises three main parts:

- The **general budget** sets out all revenue and expenditure, with the exception of those in the supplementary budgets and special accounts;
- The **supplementary budgets** set out the operations of State departments that do not have legal personality. Each supplementary budget constitutes a specific remit;
- **Special accounts** comprise earmarked accounts and trading accounts.

Budget classification

The State budget is presented in the following structure: **Mission–Programme–Action–Title**:

- A **mission** is a major public policy. It may be ministerial or inter-ministerial and comprises a set of programmes contributing to that public policy. It constitutes the unit for the approval of budgetary appropriations;
- A **programme** is a unit for the allocation of appropriations and the approval of the general budget. It comprises a grouping of appropriations intended to implement a measure or a coherent set of measures representing a public policy, to which specific objectives are attached;
- An **initiative** is a component of a programme that specifies the intended use of the appropriations;
- **Appropriations** are presented by title under revenue and expenditure. The titles correspond to types of transaction. The LOLFEB defines four (4) revenue titles and six (6) expenditure titles.



Parliament's approval of finance laws

The passing of finance laws by Parliament is governed by **Articles 21, 22, 23, 24, 25, 26 and 27** of the Organic Law on Finance Laws (LOLFEB).

- **Identification and roles of each stakeholder**

The process for adopting finance laws is carried out by the Prime Minister and members of the government, who draft and adopt the finance laws and present them to Parliament, and by Members of Parliament, who vote on the finance laws and scrutinise the government's actions.

- **How the process works**

The draft Finance Bill (PLF) is drafted and presented, on behalf of the Prime Minister and in consultation with all sectoral ministers, by the Minister for the Economy and Finance. It is tabled, together with its accompanying annexes, by the Government in Parliament no later than 45 days after the opening of the second ordinary session.

Adoption of the Finance Act for the year

1. The Minister for the Economy and Finance refers the matter to the General Secretariat of the Government for the budget documents to be forwarded to the Council of State for approval and to the Court of Auditors for an opinion;
2. Presentation of the Draft Finance Bill to members of the Government at an interministerial meeting and subsequently at a Cabinet meeting;
3. Forwarding of the draft Finance Bill to the Economic, Social and Environmental Council (CESE) for its opinion;
4. Referral to Parliament for consideration and a vote on the Act;
5. Adoption of the Finance Act by both Houses of Parliament in identical terms;
6. Submission by the Minister responsible for Relations with Constitutional Institutions to the Constitutional Court to review the constitutionality of the Finance Act;
7. Submission of the passed Act to the President of the Republic for promulgation;
8. Publication of the Act in the Official Journal.

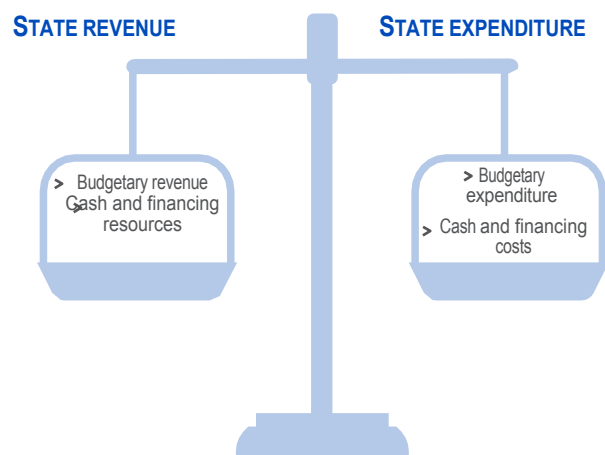
BUDGET BALANCE/BUDGET DEFICIT

What is a balanced budget?

A balanced budget is one of the principles of public finance, alongside:

- **Budgetary annuality:** the budget year covers one year. In Gabon, this corresponds to the calendar year from 1 January to 31 December.
- **Budgetary specificity:** the appropriations allocated are limited and categorised according to a classification system. Since 1 January 2015, appropriations have been broken down into missions, programmes, actions and titles.
- **Budgetary unity:** the State budget is set out in a single document.
- **Budgetary universality:** the State budget sets out all the State's revenue and expenditure without any restrictions or earmarking.
- **Budgetary integrity:** this implies the completeness, consistency and accuracy of the financial information provided by the State when drawing up the budget.

A balanced budget refers to the need to balance the accounts so as to avoid a deficit in the state budget.



The nature of revenue and expenditure

Revenue

Title 1: Tax revenue	Taxes, duties, levies and other compulsory transfers other than social security contributions
Title 2: Donations, bequests and grants	Donations, bequests and grants
Title 3: Social security contributions	Social security contributions
Title 4: Other revenue	Income from property, sales of goods and services, fees for services provided by the State, fines, penalties and confiscations, voluntary transfers other than donations, and miscellaneous revenue

Expenditure

Title 1: Financial costs of debt	Interest on debt
Title 2: Staff costs	Permanent staff, temporary staff, session allowances, etc.
Title 3: Expenditure on goods and services	Stationery, seminars and conferences, etc.
Title 4: Transfer expenditure	International membership fees, scholarships, grants, etc.
Title 5: Capital expenditure	Vehicles, roads, dams, etc.
Title 6: Other expenditure	Fines, redundancy schemes.

Allocation of revenue

- **Supplementary budgets** set out the transactions of State departments without legal personality arising from their activities involving the production of goods or the provision of services giving rise to the payment of fees, where such activities are carried out as their principal function by those departments.
- There are two types of **special accounts**:
 - **Special-purpose accounts** record, under the conditions laid down by a Finance Act, budgetary transactions financed by specific revenue which, by their nature, is directly related to the expenditure concerned.
 - **Commercial accounts** record industrial and commercial transactions carried out on an ancillary basis by State departments that do not have legal personality.
- **Specific allocation procedures** relate to support funds, the allocation of revenue and the reinstatement of appropriations.

MULTILATERAL SUPERVISION

What is multilateral surveillance?

Multilateral surveillance is a regional mechanism for defining and monitoring economic policies amongst CEMAC member states.

Multilateral surveillance in the CEMAC zone has two objectives:

- **To ensure the convergence of Member States' macroeconomic and sectoral policies** towards sustainable performance;
- **To ensure that the various national fiscal policies are consistent** with the common monetary policy.

Surveillance framework

At the institutional level, the multilateral surveillance framework comprises Community bodies and national structures within each Member State.

The multilateral surveillance framework is structured around:

- A national unit in each Member State;
- A Community unit;
- A supervisory board;
- An EUAC Council of Ministers.

Convergence criteria

CEMAC convergence criteria at the time of the transition:

- Primary budget balance (as a % of GDP) ≥ 0 ;
- Annual inflation rate ≤ 3 per cent;
- Outstanding public debt (as a % of GDP) ≤ 70 per cent;
- Accumulated arrears (external and domestic) = 0;
- Convergence criteria since January 2017: indicators 1 & 2.



Fiscal sustainability

A. Definition

Fiscal sustainability is determined in relation to a **programme** that brings together the appropriations intended to implement a coherent set of measures falling within the remit of a single ministry, to which expected outcomes are linked.

The implementation of these actions requires **budgetary planning** that aligns the departments' projected activities with the allocated and expected appropriations and posts.

Planning and its execution must be **sustainable** in relation to the annual budgetary authorisation and the requirements of the macroeconomic and budgetary framework document (DoCaMaB), thereby enabling the fulfilment of commitments made or planned, and the management of their budgetary implications during the current year and in subsequent years.

Expenditure planning is deemed '**sustainable**' if the allocated and planned appropriations are sufficient to cover expenditure already committed (compulsory expenditure) and expenditure that is essential or unavoidable.

B. Factors for analysing budgetary sustainability

The assessment of the sustainability of budgetary planning takes into account the scope, the comprehensiveness of expenditure and the consistency of budgetary forecast documents.

Taking the scope of the programme into account

- Verification that entities and departments across the entire scope of the programme have been taken into account;
- Checking that activities across the entire scope of the programme have been taken into account.

Checking the comprehensiveness and prioritisation of expenditure

- Verifying that all expenditure has been taken into account;
- Checking that mandatory expenditure has not been omitted, and also verifying the accuracy of such mandatory expenditure;
- Checking that essential expenditure has been accounted for and that it is justified;
- Checking that appropriations for goods and services have been allocated, at a minimum, to ensure the ongoing delivery of public services;
- Checking that appropriations for goods and services are allocated to achieve the annual results set out in the Annual Action Plan (PAP).

Checking the consistency of implementation documents

- Verification that activities (action plan) comply with the agreed objectives;
- Verifying that the commitment plan and the disbursement plan are consistent with the activity schedule and the timetables for ongoing and forthcoming projects;
- Monitoring the consistency of the procurement plan.

Ultimately, it can be said that sustainability (whether macroeconomic or budgetary) consists of ensuring that a state or public body will be able to honour its current commitments in the future. It must be able to manage the budgetary consequences of its decisions both in the current year and in future years.

BUDGETARY STRUCTURE, APPROACH AND PROGRAMME GOVERNANCE

Some general points

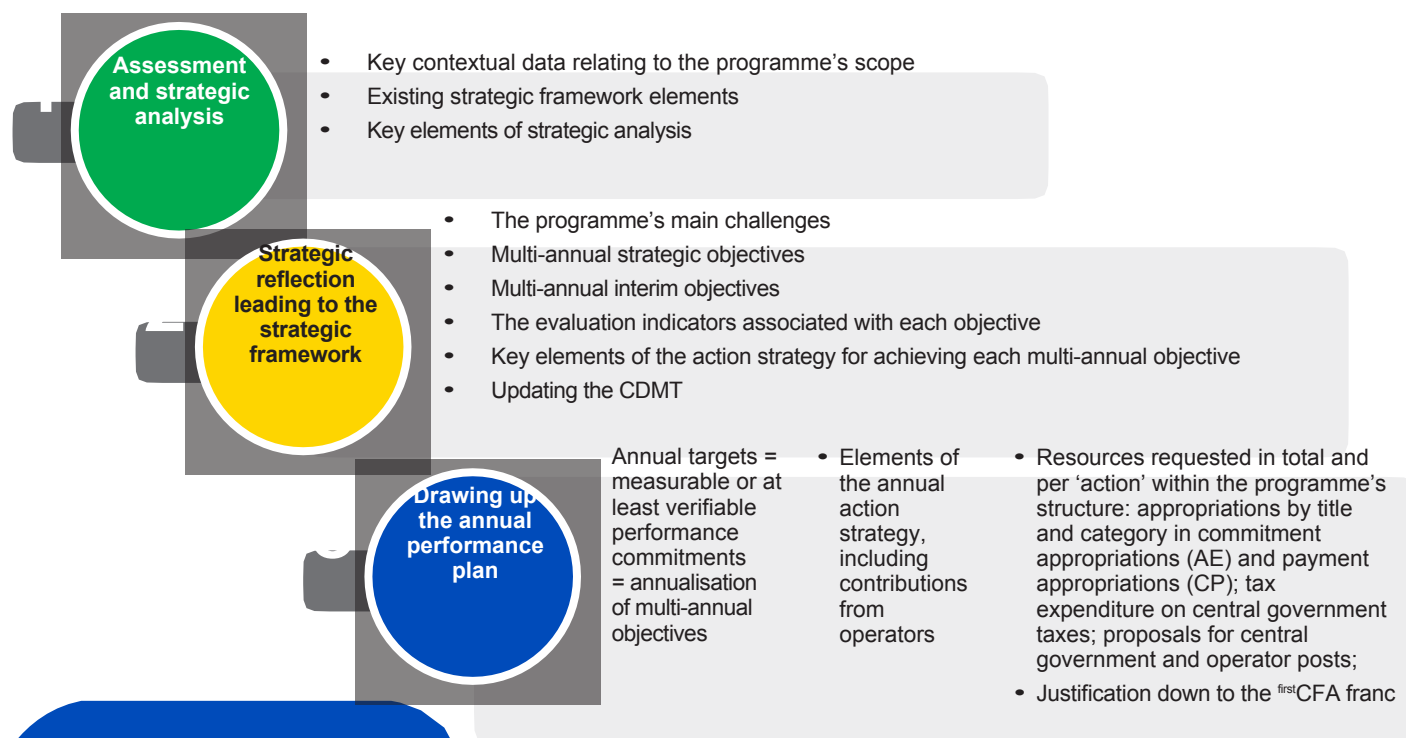
What is the Programme-Based Budgeting (PBB) approach?

- A method of drawing up, voting on and implementing the budget based on programmes that contribute to public policies, to which specific performance targets are linked.
- Requests for resources (staffing levels and funding) that are soundly argued and justified on the basis of physical and financial factors (quantity, unit cost, etc.)
- Management flexibility (block allocations, fungibility) granted to managers for the implementation of these objectives, in return for which they must be accountable to Ministers, Parliament and the Court of Auditors.
- Year-round monitoring of objectives and indicators (action plan, performance and budgetary dashboards)

In response to the expectations

OF PARLIAMENT	THE PEOPLE OF GABON	GOVERNMENT STAFF
- To achieve greater clarity regarding the budget and transparency in its implementation and in budgetary documents - To take action on the resources allocated to public policies	- Citizens: knowing how tax money is spent - The service user: to be able to rely on a public administration that better meets their needs - Taxpayers: ensuring that their tax money is used effectively	- Receive clear objectives - Benefiting from greater flexibility - Accounting for the use of public funds and the implementation of public policies

The performance approach



What is the PAP?

- The PAP is one of the annexes accompanying the draft Finance Bill. It is drawn up annually and presented by mission;
- The PAP is the document in which the head of mission sets out the objectives;
- The PAP sets out, by programme:
 - The scope of the programme and a description of the actions;
 - A strategic analysis of the programme. In particular, the contextual factors, key developments and areas where the administration is expected to deliver. Its strengths and weaknesses;
 - A breakdown of appropriations by action and by title;
 - The staffing table by category, including current staff, potential departures and new recruits.

An annual performance report (RAP) for each mission (see Accountability)

- At the end of each financial year, ministers and the administration report to MPs and senators on the results achieved and the appropriations spent through the Annual Performance Report (APR) for the mission and the programmes comprising it.
- The RAP, an annex to the Appropriation Act, is the counterpart to the PAP, an annex to the Finance Act for the year.

Programme governance

Programme governance refers to **the process and methods used to manage, administer and monitor** public policies.

This approach highlights the key players in the management hierarchy, their roles and the tools used to steer programmes.

MANAGEMENT-LEVEL STAKEHOLDERS AND THEIR ROLES

The various management-level officials are appointed by ministerial order and their roles are governed by Decree 193/PR/MBCFPF of 22 May 2012 establishing and organising the roles of Programme Manager, Programme Operational Budget Manager and Operational Unit Manager.

The Programme Manager (RPROG) draws up the programme budget, provides strategic oversight of programme implementation, assesses the programme's results, and allocates funds amongst the operational budgets.

The Programme Operational Budget Manager (RBOP) allocates the year's objectives and funds amongst the RUOs within their remit, oversees the management of the Programme Operational Budget (BOP), and evaluates the BOP's results.

The Operational Unit Manager (OUM) implements activities to achieve the objectives, allocates the funds assigned to their unit and assesses the unit's performance.

The managers responsible for budget execution – the Programme Manager (RPROG), the Operational Programme Budget Manager (RBOP) and the Operational Unit Managers (RUO) – are delegated authorising officers for the funds made available to them.

They exercise managerial authority over all those contributing to the programme, including state operators.

- Negotiation of objectives
- Obtaining regular reports
- Steering of activities and management of funds
- Evaluation of results

Managerial responsibility (focus)

Managerial responsibility gives RPROGs, even without any hierarchical authority, the legitimacy to lead:

- Management dialogue;
- Steering;
- Evaluation with the RBOPs and the operators' management teams.

ACCOUNTABILITY

Accountability refers to the obligation on every authorising officer to account for the use of the funds allocated to them in the context of commitments made in relation to public policies. **It enables compliance with budgetary authorisations to be verified.**

Under the new public management framework, which steers public action towards a performance-based approach and for which the LOLFEB provides the legal basis, accountability has evolved from a simple exercise in producing accounting documents (general administrative accounts, general state accounts) to a process aimed at **demonstrating the fulfilment of managerial responsibilities.**

ACCOUNTABILITY DOWN TO THE LAST FRANC

1. General overview

- Justification down to the first franc (JPF) constitutes the third part of the PAP following the strategic presentation of the programme, objectives and performance indicators (Article 13, paragraph 13 of the LOLFEB). It is the tool used to explain the appropriations requested from Parliament.
- For each programme, the section on the JPF is intended to justify the substantive and financial content of the summary budget tables at programme and mission level.

2. Justification of appropriations at programme level

- The justification of appropriations for the programme is carried out on a title-by-title basis, drawing on the detailed information used to draw up the budget proposal.

3. Justification of appropriations at the action level

For each title, the justification consists firstly of breaking down expenditure by priority level:

Mandatory expenditure: expenditure that must be paid with certainty and for a specific, known amount, given a legal act that has already been adopted (e.g. outstanding payments from the previous year, multi-annual contracts, etc.);

Essential expenditure: this comprises, on the one hand, unavoidable expenditure, which consists of costs that are certain to be incurred but are estimated at the time of the BOP review (e.g. commitments already made but for which the service has not yet been provided, water, electricity, etc.), and, on the other hand, expenditure essential to the performance of core functions / the provision of basic public services / the achievement of the annual objectives of the PAP.

3.1 Justification of appropriations for goods and services (Title 3)

Expenditure is justified, where possible by objective, activity by activity, and by category of expenditure in accordance with the budgetary nomenclature, using a limited number of justifying factors in order to ensure the JPF remains clear and comprehensible.

3.2 Justification of transfer appropriations (Title 4)

The justification for transfer appropriations takes into account various grants (to operators, associations, federations, etc.) and international contributions.

These constitute compulsory expenditure: liabilities that are certain to be paid and for a specific, known amount, given a legal act that has already been taken (e.g. outstanding payments from the previous year, multi-year contracts, etc.).

3.3 Justification of investment appropriations (Title 5)

The justification for investment appropriations must specify the type of project – fixed assets, acquisitions, construction, major building repairs, acquisition of shareholdings, etc. – in line with strategic objectives.

