

Topic 6: State budget

1. Concept and principles of the state budget.
2. Budgetary process.

Didactic purposes:

- *Definition and essence of concept «the state budget».*
- *Knowledge of principles of the budget.*
- *Concept definition «the budgetary process».*
- *Analysis of stages of the budgetary process.*
- *Keywords: state budget, budgetary deficiency, budgetary surplus, budgetary process, draught of the state budget, Parliament, Ministry of Finance, financial control.*

1. Concept and principles of the state budget.

- The state budget is the main part of the budgetary system.
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- *From the legal point of view, the State budget is a law in which the possible income and expenses of the state on a certain period of time (usually are specified 1 year).*
- *From the economic point of view, the State budget reflects the economic relations connected with process of distribution of gross domestic product for performance by the state of the functions.*
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- The state budget is a document of financial forecasting and during too time the document comparing state revenues and expenses for the certain period of time.

Budget principles:

- 1) The regularity of the budget *has 2 directions*:
 - 1.1 Treats time period for which the budget is created and accepted.
 - 1.2 Time period during which the income turns out and expenses are carried out; includes the financial plan approved by parliament and the government.
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- 2) The principle of the budgetary unity - provides use of uniform budgetary classification and documentation, and also use of uniform regulations by drawing up, consideration and the adoption of the budget.

Budget principles:

- 3) Principle of indivisibility of the budgetary income.

- 4) Reality of the budget - a real financial situation.

- 5) A principle of the budgetary balance - a full covering of the budgetary expenses the ordinary budgetary income.

- In developing countries the scarce budget as growth rate of expenses exceeds similar growth rate of the income, as a rule, is accepted.

- **The main reasons which cause the budgetary deficiency:**

- Growth of administrative facilities of the state.

- Growth of social expenses.

- Growth of expenses on repayment of the state debt.

- The budgetary deficiency usually becomes covered at the expense of the extraordinary income which include the state debt or, at worst, issue of money.

- **The budget can be:**

- 1) scarce,

- 2) surplus,

- 3) the balanced.

- 6) Publicity principle.

2. Budgetary process.

- **The budgetary process** is activities of authorities for drawing up, consideration, the statement, execution and the conclusion of the project state and local budgets.

The budgetary process includes the following stages:

- 1) Development of the draught of the state budget.
- **1 stage:** in the terms established by the government, the Ministry of Finance provides to the government the bill on the budget next year.
- **2 stage:** till 1.10 every years the government provides to parliament the bill on the budget the forthcoming year and an explanatory note - the list of changes in the legislation, following of the project about the state budget.

- 2) Consideration and the approval of the draught of the state budget - the project about the budget is considered by Audit Chamber which provides to parliament the response on the draught of the state budget.
- The commission on the budget and finance (parliamentary) considers the bill on the budget and provides the responses to parliament. It also makes the report and the list of recommendations about the bill on the budget and provides them to parliament.

The parliament considers the bill on the budget in the 2nd readings:

- In the first reading the parliament hears the report of the government and the report of the commission on the budget and finance, the report on the law on the budget the next year and considers:
 - . BNP main directions,
 - . Basic provisions of the project.
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- The parliament approves the bill on the budget in the first reading and returns the commissions on the budget and finance for preparation for the second reading.
- If the parliament rejects the law on the budget in the first reading, it defines terms for improvement and repeated providing the project about the budget in the 1st reading.

- In the second reading the parliament on representation of the commission on the budget and finance considers:
 - a) expected income and their structure,
 - б) expected expenses, their structure and appointment,
 - В) deficiency or surplus of the budget.
- Till December 5 of every year the parliament accepts the bill on the budget the next year.

- 3) Performance of the state budget - responsibility for performance of the state budget lies on the government.
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- *Within 10 days after adoption of law about the budget the Ministry of Finance requests:*
- a) plans of financing of state authorities and the institutes subordinated to them;
- б) makes monthly distribution of the income according to the law on the budget for a year.
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- Within 45 days after the publication of the law on the state budget the Ministry of Finance approves monthly distribution of the income and expenses of the state budget according to the budgetary classification.

- 4) Conclusion of the project. Closing and statement of budget accounts.
- Performance of the state budget assumes accounting registration of the income and expenses, and also their collection.
- Data of accounting are fixed in quarterly accounting reports and in annual reports on the budget performance, which main participants of the budgetary process make without fail and provide in the Ministry of Finance.
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- The main account of budget performance reflects set of operations on collection of the income and implementation of the public expenditures.

- 5) Budgetary control. The state financial control in RM is carried out:
 - 1) Parliament through Audit Chamber.
 - 2) The government through department of financial control and audit at the Ministry of Finance.
 - 3) The auditor firms checking both public institutions, and the private companies.
- Depending on interests for the sake of which financial control is carried out, it is possible to allocate **2 forms of financial control**: internal and external.
- Performance of the state budget is supervised by Audit Chamber which estimates legality and correctness of the realised financial operations.

Main lines of the budgetary

process:

- 1. The complex process, which including a set participants (the state institutes, state authorities of management etc.).
- 2. Cyclic process as stages of the budgetary process are established by special laws where concrete terms on drawing up, execution and the conclusion of the budget are fixed.
- 3. It is political process - all decisions depend not only on market requirements, but also from political groups, parties etc.
- 4. The process focused on making decisions on distribution of limited resources, according to needs of society.