

Financing and economic management

Management of public expenditure and budgetary policy



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ



Content:

1. Budget - basic characteristics,
2. The state budget in the budgetary system of the Czech Republic,
3. Budget process,
4. The state budget, its function and budgeting as a planning process,
5. Budget methods.



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1. Budget - basic characteristics

Budget Law - deals with:

- adjusting the state budget,
- other elements of the budget system,
- budget management,
- behavior of subjects budgetary law.



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1. Budget - basic characteristics

Budgetary principles:

Budgetary principles provides the basis of budgetary law.

In the Czech Republic's budget law is based on the following principles:

- ✓ annual compilation and approval of public budgets,
- ✓ timeliness,
- ✓ time use of funds,
- ✓ realism and truth,

1. Budget - basic characteristics

In the Czech Republic's budget law is based on the following principles:

- completeness public budgets,
- unity of the budget,
- clarity budgets,
- not expediency of income and expenditure of purpose.
- long-term balanced budget,
- public,

1. Budget - basic characteristics

In the Czech Republic's budget law is based on the following principles:

- compilation of gross budgets,
- efficiency and economy,
- preferences expenditures before incomes.



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1. Budget - basic characteristics

Object, subjects and content of the budget law:

- natural persons,
- legal persons
- state and its legal persons,
- administrative offices and
- authorities, which do not have legal personality.

1. Budget - basic characteristics

Organizational unit of the state draws up its budget income and expenditure broken down by budget composition.

Organizational unit of the state classifies financial operations in terms of:

- A. chapters,
- B. species,
- C. functional.

2. The state budget in the budgetary system of the Czech Republic

Budgetary system means a system of public budgets; it means the state budget, local budgets of state funds and the budget of the European Union.

Income and expenditure are divided into **chapters of the state budget.**

2. The state budget in the budgetary system of the Czech Republic

Chapter of the state budget, for example:

- Central administrative authorities,
- Organizational state (regardless of type)
- for budgetary purposes (Academy of Sciences)
- Grant Agency of the Czech Republic,
- Deputies,
- Senate
- The Constitutional Court,
- General Cash Administration
- Operation of state financial assets and debt.

2. The state budget in the budgetary system of the Czech Republic

Incomes and expenditures of the state budget.

Among the incomes of the state budget will include the following incomes:

- income taxes,
- social security premiums and contributions to the state employment policy and accident insurance,
- including penalties,
- proceeds from the share of customs duties, etc.

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2. The state budget in the budgetary system of the Czech Republic

Incomes and expenditures of the state budget.

Expenditure included under the law on budgetary rules:

- expenditures for the operation of state organizational units and expenditures for the operation subsidiary organizations,
- expenditures for pension insurance, sickness insurance, accident insurance benefits, etc.,
- subsidies for municipal authorities on social welfare and assistance in material need,
- etc.

3. Budget process

Budgetary process is systematic set of activities, workflows and rules.

With this process, governing the establishment, negotiation, approval, implementation of the budget, budgetary control, reporting, analysis and presentation of the budget management.

3. Budget process

The total expenditures of the state budget, the Ministry of Finance determined based on the amount of medium-term expenditure framework contained in the resolution of the Parliament of the Czech Republic to the government draft law on the state budget for the current year.

3. Budget process

Budgeting - process:

- Ministry of Finance shall submit the draft state budget for the government to discuss,
- proposal is submitted to the Parliamentary Committee on Budget,
- state budget proposal is submitted to the President of the Chamber, - then the first, second and third reading,
- The House has agreed with the draft state budget, after the signing of the Prime Minister, the House and the President of the Republic is registered as a law on the state budget for the relevant financial year.

3. Budget process

For the implementation of the state budget is the government House.

The Ministry of Finance continually evaluate performance of the state budget.

After the end of the budget year, the Finance Ministry is preparing a draft state final account (bill submitted by the government House no later than 30 April of the year following the financial year under review).

4. The state budget, its function and budgeting as a planning process

The budget is an economic category, which is part of the financial company management or the state or other institutions. Can be defined as a plan of income and expenditure, statement of financial relations, financial management tool that has:

- ☐ factual character,
- ☐ financial feature.

4. The state budget, its function and budgeting as a planning process

The function of the budget:

- ✓ allocation,
- ✓ redistribution,
- ✓ stabilization,
- ✓ legislative,
- ✓ regulatory,
- ✓ control.



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5. Budget methods

| Characteristic | Supply approach | Demand approach |
|------------------|---------------------------------------|--|
| Budget methods | Take into account the historical base | Focus on goals, outcome, performance |
| Page income | Gross budgeting | Net budgeting |
| Page expenditure | Process controls | Audit results and performance |
| Time horizon | Usually one year | Exactly budget for one year, then the multi-annual outlook (for medium-term 2-4 years) |

Source: Upraveno podle OCHRANA, František. *Veřejná volba a řízení veřejných výdajů*. 1. vyd. Praha: Ekopress, 2003. 184 s. ISBN 80-86119-71-8.



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5. Budget methods

The budgetary methods, budgeting criterion.

| The method name | Budget criterion |
|---------------------|--|
| Incremental | Basis modified for increments (index). |
| Budgeting zero base | Start from zeros forget the past and begin to always "0". |
| Based MBO | Share objectives. |
| Software | Share goals within the program structure. |
| Performance | The share of the objectives pursued by the performance indicators. |
| Functional | Calculating the cost of activities. |

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The state budget, budget process, management by objective, objective, budgetary principles, methods of budgeting, medium term expenditure framework, allocations, budget structure, mandatory expenditures facultative expenditures.

References and further reading:

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List of tasks for students:

- 1) Explain the budget, budgetary policies and budgetary rules.
- 2) Explain the provisional budget and budgetary measures.
- 3) Budget structure in the budgeting process - explain.
- 4) State budget and the budget structure - describe.
- 5) Describe the budgetary process.
- 6) Methods of budgeting - name and description.