

Formulating the budget implies consultation and negotiation with line ministries and other spending units. One of the main objectives of the central budget authority is to consolidate a budget proposal that reflects policy priorities and takes into account the spending trajectory and existing financial commitments. Commonly, as means of enforcing fiscal discipline and signalling policy priorities, expenditure ceilings are set on spending units' initial requests. In the course of the process to set the budgetary ceilings, disagreements between the CBA and line ministries about resource allocation can arise. Such controversies require resolution by a third party with the authority to decide on budgetary matters and the capacity to balance budgetary interests.

Setting expenditure ceilings for line ministries is a regular practice in 71% of LAC countries surveyed, which is slightly higher than in OECD member countries (64%). Countries such as Argentina, Barbados, Brazil, Chile and Ecuador set ceilings at the ministerial level. Colombia is the only LAC country that sets ceilings exclusively at the agency or other organisational level. In Honduras and Mexico, ceilings are determined at other aggregate levels (e.g. programme or sector). Panama reported that ceilings are not set on initial budget requests.

The resolution of disputes between ministries in the budget formulation is a responsibility of the minister of finance in half of LAC countries, as in Colombia, Costa Rica, El Salvador, Honduras and Paraguay. In the cases of Argentina, Chile and Guatemala disputes are settled by the president, while in Jamaica, Peru, Brazil and Dominican Republic disagreements are resolved by the cabinet or a ministerial committee.

Exceptionally, some accounts could be excluded from the budget proposal yet are expected to be referred within the budget documentation. Off-budget expenditures are likely to involve transactions such as the activities of public enterprises, credit provided or guaranteed by government or social security funds. In some occasions, off-budget expenditures cannot be effectively controlled through the budget process and over time may pose challenges to the sustainability of public finances.

Off-budget expenditures are not as common in LAC countries as they are in OECD member countries. Emergency or contingency funds exist in 29% of LAC countries, for example, in Chile, Costa Rica, Dominican Republic, Haiti and Panama. Only 18% of LAC countries report off-budget expenditures in the form of loan guarantees and 12% as social security or infrastructure capital funds. In the majority of the cases (57%) the information about these funds is included in the budget

documentation. Meanwhile, 39% of OECD member countries report off-budget expenditures in the form of social security funds, 36% as loan guarantees, 21% as infrastructure capital funds and 15% as emergency or contingency funds. Information about these funds is included in the budget documentation for the majority of OECD member countries, reaching over 75% in social security funds and loan guarantees.

### Methodology and definitions

Data refer to 2013, drawing on country responses to the 2013 OECD Survey of Budget Practices and Procedures. Respondents were predominantly senior budget officials in LAC countries and OECD member countries. Responses represent the countries' self-assessments of current practices and procedures. Data refer only to central/federal governments and exclude the sub-national level. OECD totals are based on responses by 33 OECD member countries.

An aggregate expenditure ceiling is a quantitative upper limit on all, or a large part of the government expenditure, which is set for a specific year, generally expressed in absolute numbers.

Off-budget expenditures correspond to financial transactions that are not accounted for in the budget.

### Further reading

- Robinson, M. (2016), "The coverage of aggregate expenditure ceilings", *OECD Journal on Budgeting*, Vol. 2015, No. 1, OECD, Paris.
- IDB (2015), *Building Effective Governments*, Inter-American Development Bank, Washington, DC.
- Guzmán, M., M. Marcel and M. Sanginés (2014), *Presupuestos para el desarrollo en América Latina*, Inter-American Development Bank, Washington, DC.
- OECD (2014), *Budgeting Practices and Procedures in OECD Countries*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264059696-en>.


### Figure notes

- 5.6: In the case of the Dominican Republic, disputes are settled by the Finance Minister and the Minister of Economy, Planning and Development. In the case of Brazil, disputes are settled by the Federal Budget Secretariat that is composed by the Ministries of Planning and Economy. For more complicated cases, the Ministry of the Presidency (Casa Civil) intervenes. Data for Haiti are not available.

#### 5.4. Ceilings on line ministries' initial requests and inclusion in the budget, 2013

Country	Ceilings on initial budget requests			
	Total/overall expenditure of the line ministry	Agency level or other organisational level	Other aggregate levels (e.g. programme or sector)	No such limits
Argentina	●	○	○	○
Barbados	●	○	○	○
Brazil	●	○	○	○
Chile	●	○	●	○
Colombia	○	●	○	○
Costa Rica	●	○	○	○
Dominican Republic	●	○	●	○
Ecuador	●	○	●	○
El Salvador	●	○	○	○
Guatemala	●	●	○	○
Haiti	●	○	○	○
Honduras	○	○	●	○
Jamaica	●	○	○	○
Mexico	○	○	●	○
Panama	○	○	○	●
Paraguay	●	○	○	○
Peru	○	○	●	○
<b>LAC total</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
●	12	2	6	1
○	5	15	11	16
<b>OECD total</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>
●	21	4	12	5
○	12	29	21	28


Key:  
● Yes  
○ No

Source: 2013 OECD survey on Budget practices and procedures  
StatLink  <http://dx.doi.org/10.1787/888933431679>

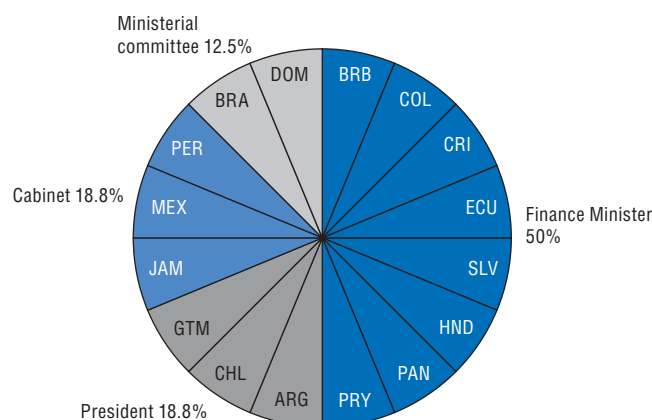
#### 5.5. Type of off-budget expenditures, 2013

Country	Off budget expenditures				
	Social Security funds	Loan guarantees	Infrastructure Capital funds	Quasi fiscal activities of state owned enterprises	Emergency/contingency funds
Argentina	○	■	○	○	○
Barbados	○	○	○	○	○
Brazil	○	○	○	○	○
Chile	○	○	○	○	■
Colombia	■	●	○	○	○
Costa Rica	●	●	●	●	●
Dominican Republic	○	○	○	○	■
Ecuador	○	○	○	○	○
El Salvador	○	○	○	○	○
Guatemala	○	○	○	○	○
Haiti	○	○	○	○	■
Honduras	○	○	○	○	○
Jamaica	○	○	○	○	○
Mexico	○	○	■	■	○
Panama	○	○	○	○	■
Paraguay	○	○	○	○	○
Peru	○	○	○	○	○
<b>LAC total</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
■	1	1	1	1	4
●	1	2	1	1	1
○	15	14	15	15	12
<b>OECD total</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>
■	10	9	4	3	3
●	3	3	3	3	2
○	20	21	26	27	28


Key:  
■ Exist and included in the budget documentation  
● Exist and not included in the budget documentation  
○ Do not exist

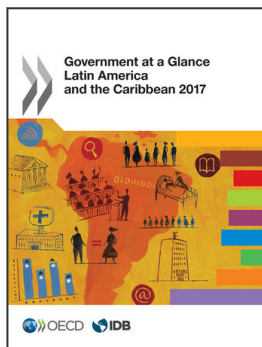
Source: 2013 OECD survey on Budget practices and procedures.  
StatLink  <http://dx.doi.org/10.1787/888933431687>

#### 5.6. Actor in charge of the resolution of disputes between ministries in the budget formulation, 2013



Source: OECD (2013), Survey of Budget Practices and Procedures.

StatLink  <http://dx.doi.org/10.1787/888933431199>



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