

# Glossary

## **Appropriation**

The budget as approved by the legislature for a line item of spending. The budget law gives the executive branch the authority to incur obligations, which become due during the budget year up to a specified amount for specified purposes within a financial period (usually one fiscal year).

## **Below-the-line items**

These are below the line drawn to establish the deficit between revenues and expenditures; correspondingly, above-the-line items comprise expenditures and revenues. Below-the-line items thus normally relate to the financing of the deficits.

## **Budget provision**

The amount of appropriation proposed or approved for a line item or for a higher aggregate set of line items, such as a subprogram, program, sector, etc.

## **Commitment**

The placement of a purchase order or signing of a contract or other agreement for the provision of goods or services.

## **Contingency reserve**

A small portion of the total budget that is set aside for expenditures on unexpected needs or emergencies, not appropriated in other budget lines.

## **Entitlement**

Any spending program where expenditure is open-ended (usually transfer/grant payments) and where recipients must be paid or given transfers/grants, if they meet certain criteria. Some common examples are found in social security programs, unemployment programs, and poverty programs.

## **Extrabudgetary funds**

Accounts held by government bodies but not included in the governmental budget; expenditures from such accounts are often financed by earmarked revenues or user fees and charges.

## **Organic budget law**

A law specifying the schedule and procedures by which the budget should be prepared, approved, executed, accounted for, and final accounts submitted for approval.

**Outturn**

Actual revenues and outlays on expenditures.

**Payment order**

Authorization for payment against a bill or invoice made by officials of line ministries, the ministry of finance, and others.

**Planning reserve**

A small portion of total planned budget expenditure that is (notionally) set aside by the ministry of finance before the budget is formulated, and then allocated to budget line items by the cabinet according to perceived policy priorities on individual sectors, programs, etc.

**Provisional appropriation**

Legislation that permits an expenditure to get under way before the actual budget appropriation, without any further authorization procedures. This is most commonly used at the start of the fiscal year (e.g., when the legislature has not yet finalized the budget).

**Quasi-fiscal operations**

Activities of the central bank (or possibly other state-owned financial or nonfinancial enterprises) that are in nature similar to fiscal actions pursued by the government. Although undertaken at the direction of the government, they are usually financed by the banks or state enterprises but not included in the government's budget. Examples include credit to commodity boards (or other entities) at below-market interest rates, and central bank expenditures on the bailout of failing banks.

**Reconciliation**

Usually, the process of checking payment orders issued by a government agency against actual payments according to bank statements; (reconciliation can also apply to other stages of the expenditure process, such as commitments made and payment orders issued).

**Special accounts**

Accounts recording transactions of an "exceptional" character that are made outside the normal procedures for expenditure approval and recording; many refer to temporary accounts (such as advances), or to transactions whose authority is questionable or to the accounts of formal extrabudgetary funds or "below-the-line" accounts.

**Special funds**

Usually similar to extrabudgetary funds, but sometimes refer to funds financed by earmarked revenues/user charges that are within the government's budget.

**Supplementary appropriation**

Legislation passed during the budget year to provide for expenditures additional to the original budget.

**Suspense accounts**

A type of special temporary account used to record balances, or correct mistakes in amounts, that have not yet been “posted” to the relevant line item. Such transactions often include payments of adjustable advances, until the final amount chargeable is known.

**Verification**

Once a bill for goods or services has been received, the relevant line ministry/spending agency must confirm that the bill is correct and that the goods or services have in fact been received. At this point, the bill becomes a liability of the public sector; in accrual accounting terms, an expenditure is recognized even though the bill has not yet been paid.

**Virement**

The process of transferring expenditure provision from one line item to another during the budget year. To prevent misuse of funds, spending agencies must normally go through administrative procedures to obtain permission to make such a transfer.

**Warrant**

A release of all, or more commonly a part, of the total annual appropriation on a quarterly or monthly basis that allows a line ministry or spending agency to review commitments.