Republic of Moldova Ministry of Finance

Budget Classification and Chart of Accounts

PEMPAL TCoP Workshop

Dushanbe, Tajikistan,

11-13 October 2010

Structure of the current Budget Classification

* **Classification of revenues**
* **Classification of expenditures by functions**
* **Economic classification of expenditures**
* **Organizational classification of expenditures:**
  A – central and local public administrations and other spending units
  B – institutions and activities financed from the budget
* **Classification by programs**
* **Classification by categories of special funds**

Charts of Accounts

Different Charts of Accounts are used by:

* Central and Local Treasuries

* Spending units

* Rural and urban public administrations (mayor's offices)

* Rayonal budgets

* National House of Social Insurance

* National Health Insurance Company

Tajikistan, Dushanbe, 11-13 October 2010

Disadvantages of Budget Classification and Chart of Accounts

* **The Budget Classification does not comply with GFS2001 standards**

* **Incompliance of fiscal data**

* **Limited transparency**

* **Limited possibilities for evaluation of productivity of public finance**

* **Fragmentation of databases**
* **Low speed of processing**
* **Low level of security**
* **Duplication of operations**

Project "Management of public finance"

Component I "Budget planning and implementation methodology"

Component II "Internal public financial control"

Component III "Educational potential and training"

Component IV "Project management, monitoring and evaluation"

Tajikistan, Dushanbe 11-13 October 2010 .

Component I "Budget planning and implementation methodology"

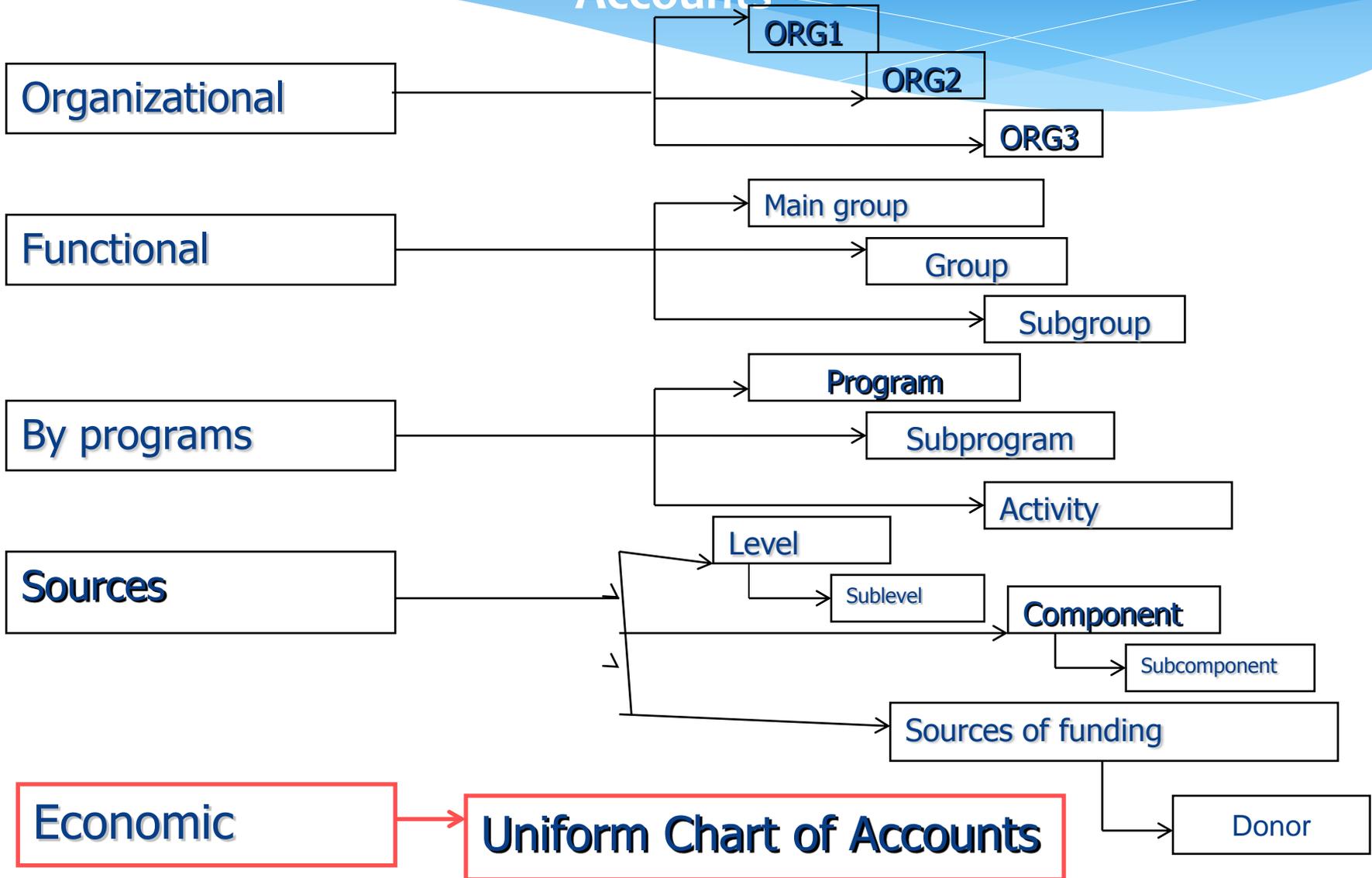**Subcomponent 1A** "Budgeting methodology"

Subcomponent 1B "Buget implementation methodology"

Subcomponent 1C "Financial management information system"

Subcomoponent 1B "Budget implementation methodology"

* **To draft a Budget Classification (GFS 2001)**

* **To draft a Uniform Chart of Accounts for accounting in public sector**

* **To draft Methodological norms for implementation of the national public budget**

Structure of Budget Classification and Uniform Chart of Accounts

Organizational → ORG1, ORG2, ORG3

Functional → Main group, Group, Subgroup

By programs → Program, Subprogram, Activity

Sources → Level, Sublevel, Component, Subcomponent, Sources of funding, Donor

Economic → **Uniform Chart of Accounts**

Current and new Budget Classification

	Current	No. of digits	New	No. of digits
Organizational	Main spending unit	3	Main spending unit	4
	Spending unit of second level	4	Spending unit of second level	5
	Institution type	3	Institution type	3
Functional	Main group	2	Main group	2
	Group	2	Group	1
			Subgroup	1
By programs	Program	2	Program	2
	Subprogram	2	Subprogram	2
			Activity	3
Special funds	Categories	3		
Economic	Chapter/ Article	3	Type	1
			Category	1
	Paragraph/ Subarticle	2	Chapter	1
			Article	1
			Subarticle	1
			Element	1
Sources			Budget level	1
			Budget sublevel	1
			Component	1
			Subcomponent	2
			Sources of funding	1
			Donor	3
Total		26		38

Current and new Functional classification

Действующая		Новая	
основная группа	Наименование	основная группа	Наименование
1	Государственные услуги общего назначения	01	Государственные услуги общего назначения
2	Международная деятельность	02	Национальная оборона
3	Национальная оборона	03	Общественный порядок и безопасность
4	Юстиция	04	Услуги связанные с экономической деятельностью
4^1	Конституционная юрисдикция	05	Охрана окружающей среды
5	Поддержание общественного порядка и национальная безопасность	06	Жилищное и коммунальное хозяйство
6	Образование	07	Здравоохранение
7	Наука и инновации	08	Отдых, культура и религия
8	Культура, искусство, спорт и мероприятия для молодежи	09	Образование
9	Здравоохранение	10	Социальная защита
10	Социальное страхование и социальная помощь		
11	Сельское, лесное, рыбное и водное хозяйство		
12	Охрана окружающей среды и гидрометеорология		
13	Промышленность и строительство		
14	Транспорт, дорожное хозяйство, связь и информатика		
15	Жилищное и коммунальное хозяйство		
16	Топливно-энергетический комплекс		
17	Обслуживание государственного долга		
18	Пополнение государственных резервов		
19	Прочие услуги, связанные с экономической деятельностью		
20	Деятельность и услуги, не отнесенные к другим основным группам		
23	Кредитование минус погашение		
25	Превышение доходов над расходами		
26	Дефицит		
27	Внутренние источники финансирования		
28	Внешние источники финансирования		
29	Средства от продажи и приватизации имущества публичной собственности		

Page 1

01=1+2+7+17+18+20
02=3
03=4+4^1+5
04=11+13+14+16+19
05=12
06=15
07=9
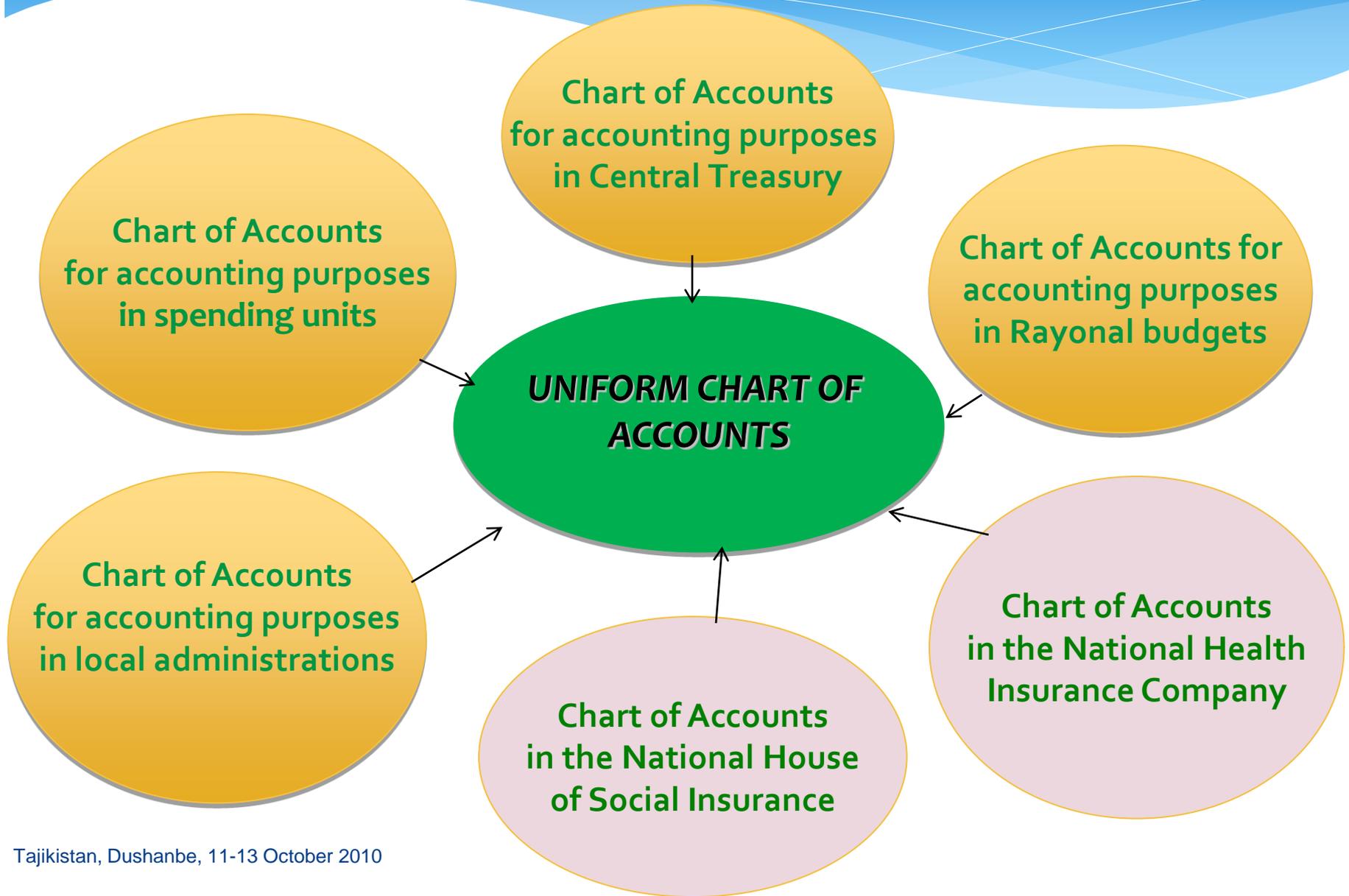08=8
09=6
10=10

Uniform Chart of Accounts in the context of the reform

Chart of Accounts for accounting purposes in Central Treasury

Chart of Accounts for accounting purposes in spending units

Chart of Accounts for accounting purposes in Rayonal budgets

UNIFORM CHART OF ACCOUNTS

Chart of Accounts for accounting purposes in local administrations

Chart of Accounts in the National House of Social Insurance

Chart of Accounts in the National Health Insurance Company

Budget Classification and Uniform Chart of Accounts
in the context of the reform

Budget Planning

Budget Implementation

Budget Classification

$BC=CA$ **(cash method)**

Chart of Accounts

(accrual method)
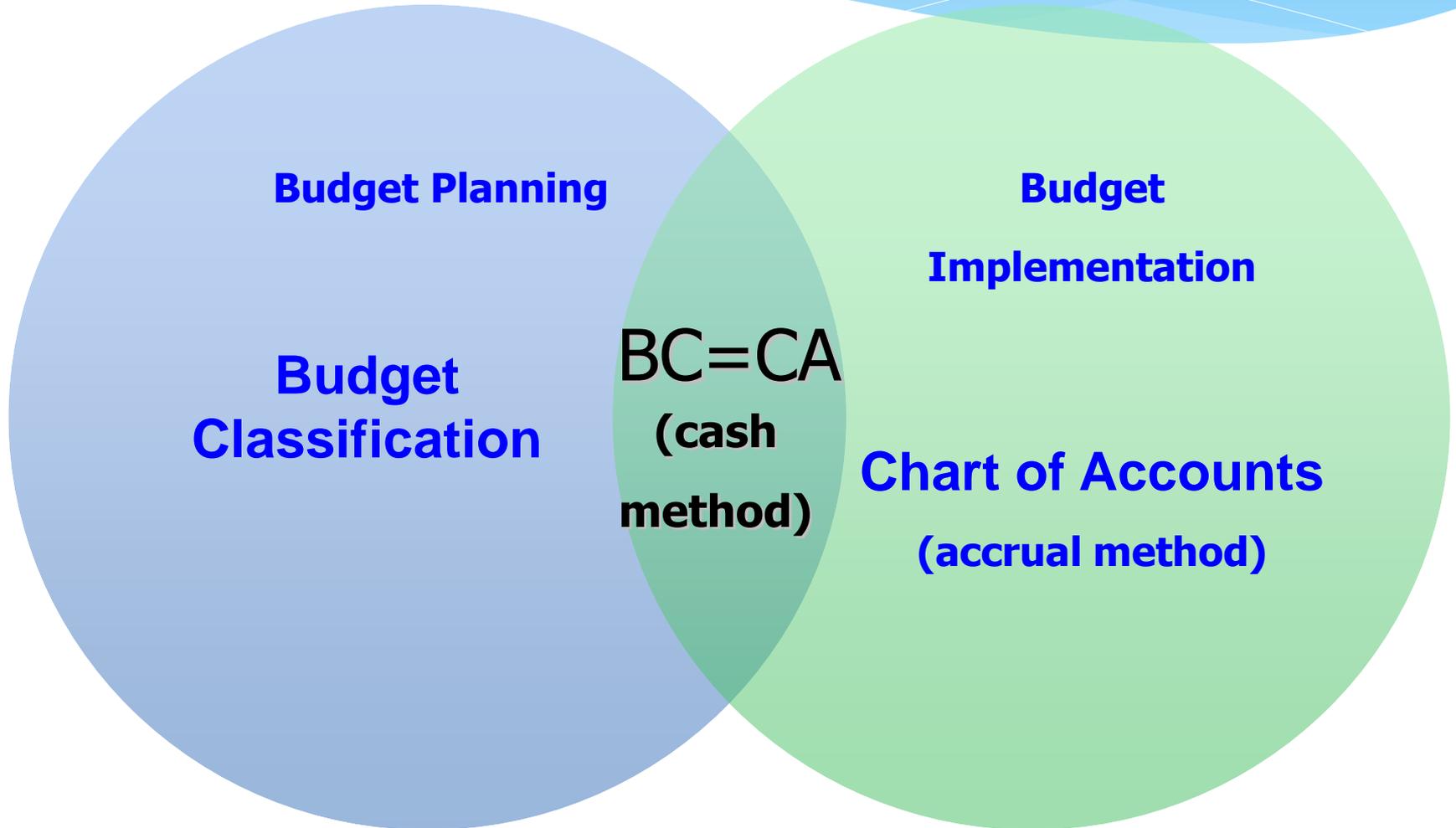
Economic Budget Classification and Uniform Chart of Accounts

	Economic Classification	Uniform Chart of Accounts
1 Revenues	1	1
2 Expenditures	2	2
3 Non-fiscal assets	3	3
4 Fiscal assets	4	4
5 Liabilities	5	5
6 Outputs		6
7 Extra-balance accounts		7

Tajikistan, Dushanbe, 11-13 October 2010

Economic Budget Classification and Uniform Chart of Accounts – hierarchic structure:

Economic classification

Level 1	**Type (1)**
Level 2	**Category (1)**
Level 3	**Chapter (1)**
Level 4	**Article (1)**
Level 5	**Subarticle(1)**
Level 6	**Element (1)**

Uniform Chart of Accounts

- Class (1)
- Subclass (1)
- Group of accounts(1)
- Account (1)
- Subaccount I level(1)
- Subaccount I I level (1)
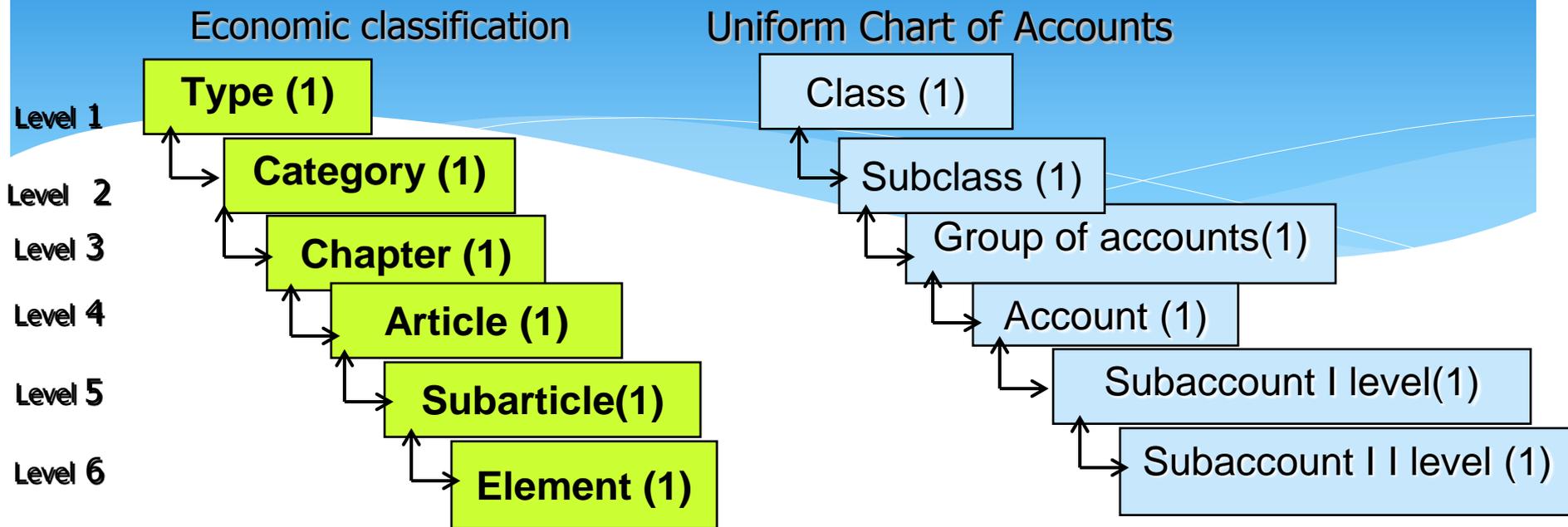
EXAMPLES:

1 "Revenues"

11 "Taxes and fees"

111 "Income tax"

1111 "Income tax on physical persons"

11111 "Income tax on salary"

2 "Expenditures"

21 "Payment to employees"

211 "Salaries"

2111 "Employees' salaries"

21111 "Full-time employees' salaries"

211111 "Official rate of pay"

Reform Calendar

January – April 2011 **Preliminary forecasts**
Middle-term Budget Concept
Updated forecasts of middle-term budget

August   2011   **Draft Budget Law for 2012**

September 2011   **Examined by the Government**

October – November 2011   **Examined by the Parliament**

December 2011   **Budget Law for 2012 voted**

1 January   2012   **Budget implementation**
Monitoring of budget implementation
Reporting on budget implementation

Risks

* **Political situation**

* **Management Accountability for the decisions made**

* **Potential for reforms implementation**

Challenges

* **Change awareness** (Government, chairmen of rayons, mayors, leaders of institutions)

* **One-time transition** (Budget Classification and Chart of Accounts with Information System)

* **Training** (instructions, continuity, cooperation with training institutions)

* **Staff** (turnover, motivation, level of education)