

Several reasons exist for the adoption of complementary budgets. These include the implementation of new policies, unforeseen changes in the economic conditions, natural disasters, emergencies, unexpected legal obligations and reallocation of funds. However, frequent use of complementary budgets may reflect poor budget preparation procedures, inappropriate costing of programmes or governmental failure to adhere to announced budgetary policies.

According to the survey results, over 50% of LAC countries approved complementary budgets during the last three years under study, a similar figure to OECD member countries. The reasons for approving complementary budgets are diverse. A third of LAC countries attributed it to changing economic forecasts, and a quarter to emergency events, notable examples being the earthquake that occurred in Haiti in 2010 or the floods that occurred in 2011 in Colombia. Argentina, Brazil, Costa Rica, Dominican Republic, Jamaica and Peru approved complementary budgets in each of the 3 years spanning from 2010 to 2012. In the case of Peru, the main reason for approving complementary budgets was to carry over appropriations from one year to another. In Brazil, complementary budgets were used to transfer funds from one appropriation to another, while in Costa Rica they were used to incorporate new resources from loans approved by congress as well as from new tax resources.

Reserve funds are mainly established for granting budgetary flexibility to governments when faced with unforeseen expenditures such as natural disasters, external conflicts, economic crises and epidemics. Such reserves are commonly subject to regulations defining the size of the fund, the nature of spending and the rules to activate the reserve by spending governmental units. Reserve funds are established in about 75% of the OECD member countries and only half of LAC countries, including Dominican Republic, Honduras and Jamaica. The most common reason for establishing reserve funds in the LAC region is to meet unforeseen expenditures, followed by financing new policy initiatives. Six LAC countries (Argentina, Brazil, Dominican Republic, Honduras, Panama and Paraguay) reported that, to a lesser extent, reserve funds are also used to meet major forecasting errors in macroeconomic and other assumptions underlying the budget. In the case of Ecuador, no reserve funds exist, however the law stipulates that it is possible to modify the budget up to 15% without approval from the legislature.

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

A complementary or supplementary budget contains proposed amendments to the main annual budget. This is the mechanism with which the government seeks legislative approval for spending that differs from the original budget and appropriations. Supplementary budgets are given legal force through adjustment or supplementary appropriations.

A reserve fund, also called contingency reserve fund, is a separate fund or a budget provision set aside to meet unforeseen and unavoidable requirements that may arise during the budget year, like natural disasters or armed conflicts.

A budget appropriation is defined as an authorisation from a specific fund to a specific programme to acquire obligations for a purpose and period of time. Annual appropriations are made through annual budget laws. Supplementary budget appropriations are sometimes granted subsequent to the annual law if the annual appropriation is insufficient to meet the specified purpose.

Further reading

- Lienert, I. (2010), "Role of the Legislature in Budget Processes", International Monetary Fund, Washington, DC.
- Phaup, M. and C. Kirschner (2010), "Budgeting for Disasters: Focusing on the Good Times", *OECD Journal on Budgeting*, Vol. 2010, No. 1, OECD, Paris, <http://dx.doi.org/10.1787/budget-10-5kmh5h6tzrns>.

5.13. Countries that approved complementary budgets and have reserve funds, 2013

Country	Approval of complementary budgets			Existence of reserve funds
	2010	2011	2012	
Argentina	●	●	●	●
Barbados	●	●	○	○
Brazil	●	●	●	●
Chile	○	○	○	●
Colombia	○	●	●	●
Costa Rica	●	●	●	○
Dominican Republic	●	●	●	●
Ecuador	○	○	○	○
El Salvador	●	●	●	○
Guatemala	●	●	●	○
Haiti	●	○	○	○
Honduras	○	○	○	●
Jamaica	●	●	●	●
Mexico	○	○	○	○
Panama	○	○	○	○
Paraguay	○	○	○	○
Peru	●	●	●	●
LAC total				
●	10	10	9	8
○	7	7	7	9
OECD total				
●	22	22	x	25
○	11	11	x	8


Key:

● Yes

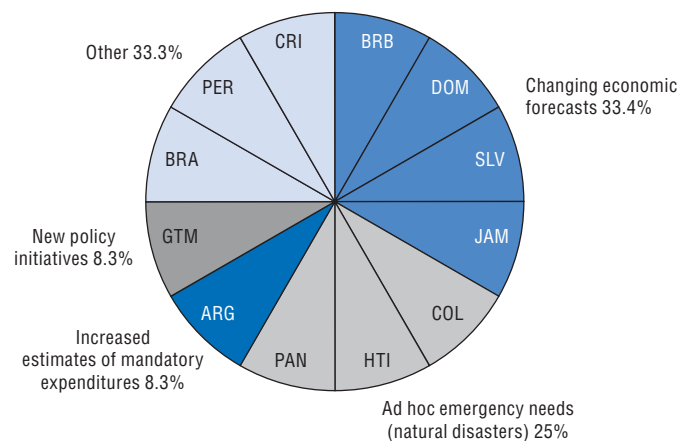
○ No

x Not available.


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

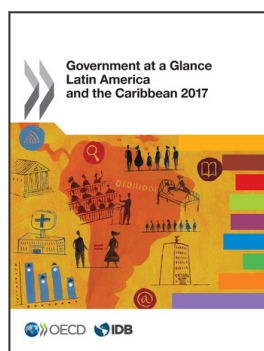
StatLink  <http://dx.doi.org/10.1787/888933431710>

5.14. main reason to approve complementary budget, 2013



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

StatLink  <http://dx.doi.org/10.1787/888933431246>



From:

Government at a Glance: Latin America and the Caribbean 2017

Access the complete publication at:

<https://doi.org/10.1787/9789264265554-en>

Please cite this chapter as:

OECD (2016), “Complementary budgets and reserve funds”, in *Government at a Glance: Latin America and the Caribbean 2017*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264265554-27-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.