



Module 6

Budget Administration in Emerging Democracies

Introduction

In this module we will look at a broad-based budgeting process, applicable to national, state, or provincial levels of government. The formulation of a budget is one of the most important and difficult tasks of government. Decisions about revenues, whether through taxes or other means, and expenditures have an impact on everyone in society. How revenue is raised and how money is spent tells the outside a lot about the values of a political community. Thus budgets are a symbol and tangible statement of government (and society's) priorities.

Upon completion of this module you will be able to:



Outcomes

- *explain* the role of the budget in a democratic process.
- *describe* the actors and/or stakeholders that influence the budget and its oversight.
- *describe* a broad budgeting process.
- *analyse* authentic case studies in light of the information presented in this module.

Terminology



Terminology

PPP

Public Private Partnerships

Budgets and the democratic process

Budgets are crucial to the democratic process because they allocate resources to the achievement of policy objectives. They provide one of the most important financial control and oversight mechanisms within the political arena. Legislative representatives have the ability to use their influence to assign money to various sectors, and depending on the legislative model, the potential to be actively involved in setting priorities to further the demands of the general population. Through the budget

allocation, they can provide for those groups that are the most vulnerable in society.

At the most basic level, a budget is a detailed account of how governments plan to raise and spend money; specifically, it provides control over the expenditure of public money and accountability to citizens. Ideally, budgets should serve to improve the lives of citizens and should embody the priorities of a society. Developing effective budgets is a complex activity wherein legislators must balance competing demands for scarce resources. Ultimately, the budget reflects a government's policies, priorities, planning, and implementation processes for delivery of goods and services. The budget reflects a government's policies, priorities, planning, and implementation processes for delivery of goods and services. Some of the main issues politicians confront today in developing budgets include:

1. Shortfalls in funds and the costs (including opportunity costs) for borrowing and not being able to deliver certain services. This requires the consideration of innovative and financially beneficial solutions such as Public Private Partnerships (PPP);
2. Budget constraints and how to influence other politicians with various self-interests (such as re-election or moving up the political hierarchy);
3. Revenue generation with the goal of maximising revenue collection while minimising collection costs and tax evasion;
4. Planning for future expenditures, which require a medium term expenditure framework and holding government departments accountable for all their expenditures, whether or not they were planned.

Key activities and engagements in budget development

Budgets are considered to have integrity and credibility when they are developed to align with a government's policies. Budgets must also be developed with accurate data and information. It must be the result of realistic planning, fiscal discipline, and held accountable for its outputs and outcomes.

Three key activities and relationships among stakeholders that are necessary to ensure ownership and credibility of the budget are:

1. Executive's engagement with civil society groups before tabling the budget, both for input and building support for the budget process;
2. Finance committee (which is responsible for coordinating and compiling the budget) collaboration with other committees for monitoring and oversight of the budget process; and



3. Civil society's exercise of the right to active participation in committee meetings dealing with the government's policies.

Purpose of the budget

Most parliamentarians would agree that the purpose of government and governing is to use the power afforded them by their citizens to deliver public sector goods and services. To achieve this, the government even attempts to modify private sector behaviour in pursuit of the greater social objectives.

One of the greatest difficulties in preparing a government budget is that the budget usually has a number of objectives, which are not always consistent with one another. According to Kernaghan and Siegel (1999) in preparation of the budget, the government must address at least three key objectives:

1. To set macroeconomic policy, at minimum those aspects which are affected by government fiscal policy, such as the use of revenues and expenditures to create budget surpluses and deficits;
2. To influence behaviour at the micro level, such as using tax provisions to increase government revenue, setting up trade tariffs to protect domestic industries, or encouraging research and development in exchange for tax benefits;.
3. To raise resources to cover planned expenditures. A good government tax system creates a stable flow of revenues collected yearly, which makes a budget quite predictable and more useful in planning.

The main problem that confronts the government is that these three different objectives may require different actions at the same time. Reconciling the competing demands of these objectives cannot only be difficult, but limit the usefulness of any single policy measure. As such, constant prioritising and re-prioritising of goals is necessary in the budget process.

The key question that informs the process of prioritising and re-prioritising of objectives is the purpose of the budget. According to the UNDP, a budget can be viewed as:

1. a political tool
2. an economic tool
3. a legal tool
4. a planning tool
5. a tool for allocation, reallocation and redistribution

6. an accountability mechanism.

These components of budgeting are not mutually exclusive. Most governments will use the budget to accomplish in some part all of these purposes. We will examine these more closely.

Political tool

The budget as a political tool reflects government policy and community values. The community includes civil society, the private sector, and the public service; however, it is ultimately the values of the government of the day that informs policy. This means that value judgments and trade-offs will occur; how well those judgments reflect the values of the community will determine the legitimacy of both the budget and the government. In order to be effective, public servants who implement the policies must do so in a manner consistent with the government's political philosophy and policy platform.

Economic tool

The budget as an economic tool addresses how to build the economy, influence investment, promote sustainable employment, contribute to a positive national savings pattern, as well as a host of other specific activities. The budget as an economic tool underpins the political objectives. In this regard, the budget should consider five things:

1. The short, medium and long term sustainability of measures to be taken;
2. Forecasts, trajectories, rates and targets of economic growth;
3. The rate of employment and where jobs can be realistically promoted and created;
4. Initiatives to influence the redistribution of income and opportunities; and
5. How to develop or increase the competitiveness of national or regional industries.

Legal tool

The budget as a legal tool should address the compliance of revenues and expenditures with the constitutional requirements and relevant legislation within the context of the requirements of a participatory democracy. In particular, the government will need to consider how far the budget complies with the protocol of financial and fiscal legislation, which is often embodied in legislation with titles such as the "Public Finance Management Act". The important point here is that government can only spend money that has been allocated through appropriation bills, and apportion bills – which must first be approved by the legislature.



Planning tool

The budget as a planning tool reflects that policy and planning cannot be done in isolation. The annual budget process must balance its strategic reviewing mechanism within its environment, with the greatest attention being paid to its economic environment.

Political and administrative officials need to determine how much money their respective departments will spend as well as estimate how much revenue they will raise in the upcoming years. This information can then be consolidated with other divisions at a state or national level for redistribution in the budget year. Thus, political leaders and administrators should be concerned with following key issues:

1. The government expenditure plan (e.g. what programs or services will be delivered?);
2. Revenue raising initiatives (e.g. what will the tax burden be and how will it be shared?);
3. A forward estimates process, often using expenditure frameworks with planning horizons between three and five years;
4. Government Treasury assumptions, such as inflation and the aging process;
5. Departmental assumptions, such as geographic shifts of a school going population; and
6. Any other state or national goals, such as hosting international events such as FIFA football matches.

Allocation, reallocation and redistribution

The budget is an allocation, reallocation, and redistribution tool for governments. The budget process calls for estimates on the funding required by different departments and programs. The budget then uses strategies and mechanisms to allocate financial resources, human resources, equipment, etc., in a way that reflects the social and political priorities of the government. Revenues collected by a government may be used specifically for one particular task, for example fees collected through highway tolls may be used only to maintain and repair those highways. However, this is often not the case. For example, collection of income tax at a national level does not guarantee that the funds collected in one region will receive the equivalent government expenditure in that same region. In fact, it may be quite the opposite. Often, taxes from the highly populated and tax rich cities are used to support or assist other parts of the country that are economically depressed. Income redistribution usually occurs through the national budget, but may also occur through the raising of a department's own revenue which is then targeted for redistribution. For example, taxes or levies on foreign goods

and services can be used to assist emerging entrepreneurs from disadvantaged groups.

Three elements of a responsible and reliable allocation of resources are:

1. Ongoing prioritisation and re-prioritisation of expenditures to ensure that the budget reflects the priorities, needs and demands of constituents and society as a whole;
2. Equitable, efficient, and effective measures for the allocations so that review and evaluation is possible and to ensure accountability to all taxpayers; and
3. Accessible, available, and affordable mechanisms for resource collection and (re)distribution.

Chain of accountability

The budget is one mechanism of accountability and control over a government. To ensure this accountability the taxpayer must know how their money is being spent. The following elements comprise a general chain of accountability of the revenue/expenditure budget cycle:

1. Decision makers must have regular engagement with the executive commencing early on in the budget cycle. This cycle begins with the prioritisation and planning stage, moves on through the implementation and spending stage, and ends with the adjustment stage and quarterly reports. The budget should begin with a statement of the department's vision, objectives, and identified priorities that their programs are intended to address;
2. Accessible documentation that breaks out the following aspects of the budget:
 - a. the budget statement,
 - b. the budget review, and
 - c. the budget submission format.
3. The budget statement should detail expenditure at the program level rather than the departmental level. Actual expenditure of the previous year should be noted alongside the original planned estimate of expenditure as well as reasons for the revisions, which are very useful in understanding trends;
4. Expenditures should be described and understood within the context of:
 - a. cost-drivers (the key activities or circumstances that impact costs and must be identified in order to accurately estimate, predict and essentially manage costs),

- b. the linkage between inputs and outputs and their relationship to the medium term outcomes (usually between 3 to 5 years), and
- c. the systems and procedures that are used to deliver goods and services.



Note it!

The first step in estimating costs is measuring cost behaviour as a function of appropriate cost drivers. Choosing a cost function starts with choosing cost drivers. Managers use activity analysis to identify appropriate cost drivers. Activity analysis is especially important for measuring and predicting costs for which cost drivers are not obvious. Different organisations can have a variety of different types of fixed and variable costs. Understanding cost behaviour provides managers with valuable insights about how cost will respond to managers' decisions as well as to outside influences.

5. The value of the allocated financial resources should be estimated after considering:
 - a. core functions,
 - b. individual and program performance, and
 - c. financial management.
6. Compliance to any legislation regarding public finance management.

Budget reform in emerging democracies

In recent years, a culture of performance and accountability has been growing in the public service. Budgeting is seen to be at the heart of good governance, with emphasises accountability, delivery excellence, and change. As such, governments the world over are making changes in the way they carry out public management. This often means a shift in the style and mode of governance.

Developing democracies rely heavily on co-operative governance, which is often entrenched in their new or amended constitutions. Good governance also involves the active engagement of civil society, a competent administration, and an alert legislature that vigorously exercises its oversight powers. It also demands that outputs be linked directly to the identified outcomes at not only departmental level but also programs at all levels.

Budget reform depends on appropriate institutional design, functional government structures, and sound policies. Each of these enhances can make for strong debates between government ministries. Sound budgets are critical for two reasons:

1. Government spending affects a country's rate of economic growth.
2. Government spending affects the welfare of the country's citizens.

The main challenge of an efficient budget then becomes the utilisation of often very limited financial resources to maximum effect. Overspending has obvious detrimental effects, but too little spending can represent underinvestment in things that are critical to a growing economy and a healthy community.

The budget reform process should adequately reflect any government commitment to increase the political, social, and economic integrity of the budget and to ensure a sense of public ownership. Usually reforms focus on the following elements to achieve this:

1. Increased political involvement in the development of the budget;
2. More rigorous estimation of the revenues by taking into account economic growth, revenue collection, inflation, and national borrowing;
3. Introduction of transparency, enabling increased accountability in the system;
4. Ensuring that legislatures are constitutionally empowered and have the capacity to scrutinise and amend budgets;
5. If governing in a federal system, provinces/states/territories should have fiscal autonomy over the national allocations of their total revenue;
6. Developing multi-year budgeting (also referred to as medium-term expenditure frameworks); and
7. Consultations, hearings, and other inputs from civil society groups.

Oversight and the role of the legislature

The role of the legislature in the budget process often includes the following:

1. the legislative capacity to influence, amend, and debate the budget; and
2. the constitutional function that requires that all budgets through the instrument of the Appropriation Bills, be passed by the respective legislatures before money is authorised for expenditure.

In some countries, such as South Africa, the concept of the budget refers to both revenue and expenditure, whereas in the United Kingdom, the



word budget commonly refers only to revenue. For the purposes of this course, the term budget will include both revenues and expenditures.

The budget (also referred to as the Estimates or Estimates of Revenue and Expenditure) reflects the policies of the government. It must take into account resource constraints through a rigorous process of prioritising and re-prioritising both its policies and how those are reflected in the budget. The legislatures of democratic countries will usually have a Standing Committee of Finance, which has constitutional responsibility for the oversight and monitoring function of the appropriations (the budget allocations). They directly monitor the budget as submitted by the Treasury and put forth by the executive responsible for Finance.

There is a need to strike a balance between the principle of separation of powers between the Executive and the Legislature and the principle of co-operative governance. This means balancing the need for greater involvement of members of the Finance Committee as well as other committees in the budget process but not compromising the oversight and monitoring function of the Standing Committee of Finance.

Reviewing the principles of the budget

As required by the constitution, the Standing Committee of Finance debates the principles of the budget, while the portfolio committees debate the detail of the budget, i.e. the outputs and outcomes of the various programs are linked between a macro level principle and a micro level detail.

The Standing Committee of Finance analyses the budget so that it is able to determine the intentions behind the proposed revenue and expenditures. It also looks at the budget to establish the effectiveness and efficiency of the expenditures and collection of revenues.

One way a Standing Committee of Finance can accomplish this in a consistent fashion is by outlining the requirements for written departmental submissions for the Estimates of Revenue and Expenditure. Guidelines should accommodate a medium term expenditure framework. They should ensure that all legislation that has been passed regarding public financial management have been taken into account. To do so, guidelines have to be reviewed and revised as necessary. The development of budget submission guidelines recognises that the key to a useful budget is the equitable, efficient, and effective allocation of scarce resources and that any measures adopted and/or proposed to deliver services should be both accessible and affordable.

Useful budget submission guidelines recognise that there should be an equitable, efficient, and effective allocation of scarce resources to meet the needs and demands of constituents. It also should take into account

that any measures adopted and/or proposed to deliver services should be both accessible and affordable to the individual and groups targeted.

Reviewing the detail of the budget

Once the debate on the principles of the budget has occurred, each portfolio committee exercises its oversight on the detail of their respective allocations in the budget. For example, the Standing Committee on Health would review the health allocation. The budget is also examined and deliberated upon and presented to the legislature for a full debate.

Role of the legislature

The oversight role of the legislature requires an in-depth study of the Estimates and related submissions from the Treasury and other Departments dealing with the respective budget allocations. Each committee receives input from civil society and other actors and puts together budget estimates and related submissions.

The Standing Committee on Finance also obtains a macro-economic analysis of the budget. This analysis suggests to the committee what the implications of the budget will be, particularly with respect to various regions (national, state, provincial, or territorial).

The committee's engagement with civil society groups and the executive serves the purpose of ensuring that the priorities of various constituencies are considered when developing the budget. It also ensures that a process of consultation by the executive has taken place during the budget process. The participatory process ensures the integrity and credibility of the budget thereby encouraging broad ownership of the budget, enabling its use as an effective tool for public financial management. After the consultations and input, the legislature usually will have the power to amend the budget.

While the budget process is inclusive from its earliest stages, the nature of the participation of the legislature does not prevent it from exercising its oversight role.

Policy framework compatibility

The Standing Committee of Finance projects the position of government through its oversight over the budget. It can offer an assessment of the progress the government has made against fiscal targets and with reference to fiscal principles.

The legislature holds the executive accountable through the oversight role of the Standing Committee. This creates a healthy tension between the executive and the legislative arms of government. The legislature can inquire into the inputs, outputs, and outcomes. This should lead to a better



understanding of the current macro-economic environment and an evaluation of the prioritisation of programs within policy and budgetary constraints.

Some principles that are grappled with in budgets include the following:

1. Adherence to fiscal targets;
2. Sustainability of or increase of the governmental sector net worth;
3. Personnel expenditure, recruitment, retention, and training of public servants in order to improve conditions of service;
4. Asset maintenance;
5. Limitation growth in net cost of services and outlays;
6. Prudent risk management; and
7. Revenue generating initiatives and maintenance of existing revenue streams.

Policy framework

The Standing Committee on Finance will also exercise its oversight function by translating the budget principles and proposals into law with respect to three core policy issues:

1. A development policy framework within which the government works to pursue its objectives of creating a representative democracy and economically viable society;
2. A growth, employment and/or redistribution macroeconomic strategy implemented to realise the policy objectives of the development policy framework; and
3. A medium term expenditure framework which recognises that the budget is not a stand-alone exercise, but rather a process of prioritisation and re-prioritisation, resulting in the planning of two streams of expenditures:
 - a. capital expenditures (CAPEX), and
 - b. operational expenditures.

Accessible reporting measures

Ideally, the executive and legislative branches of government are highly and dynamically engaged. The goal of accessible reporting measures is to enhance the process of accountability and transparency. The reforms developed attempt to achieve the following objectives:

- Providing a summary of each allocation in a clear and concise manner so that the allocation is easily understood;

- Developing a budget statement using a program-based approach to the budget, thus increasing budget accountability and transparency;
- Presenting the budget in a format that allows annual comparisons at the department level;
- Presenting financial information using performance indicators to show performance efficiency, economy, sustainability, and progress towards predetermined goals;
- Developing strategies, within the constraints of the allocations, to achieve expected delivery outcomes clearly defined over their required time horizon.
- Working with heads of departments, financial managers, etc., through the Ministry of Finance and/or Treasury to discuss how to comply with the budget submission format to ensure that the written submissions are relevant and useful in oversight and monitoring by the legislature and that it contains a constructive set of operational guidelines.

Methods used for oversight

A Finance Committee can use a number of analytical tools and approaches in exercising its function of oversight. The committee ensures that resources are: 1) effectively allocated, 2) effectively employed, and 3) configured in a sustainable manner in order to realise policy priorities. To accomplish this they may rely on quantitative tools and qualitative approaches.

Quantitative tools

Several quantitative tools, including statistical tools are commonly used:

1. Gross Domestic Product (GDP) per capita;
2. Planned government expenditure by department;
3. Inflation rate;
4. Degree and substance of transformation;
5. Quantification of capital expenditures;
6. Cost-containment and cost-cutting measures for personnel costs;
7. Impact of constraints on delivery; and
8. New funding-formula for revenue allocations.

Qualitative approaches

Qualitative approaches to appraise the budget include the use of a standard format, annual reports, and presentations by the departments on its budget submission that provide the Committee an opportunity to



explore, through questioning, the more detailed points of the principles of the budget. Finance Committees use four key qualitative parameters in their analyses. These are:

1. the economy
2. efficiency measures
3. effectiveness
4. sustainability measures.

In the context of budget appraisals, *economy* refers to spending less without compromising results. The goal is to minimise the costs of inputs, while producing acceptable quality and level of deliverables.

Efficiency refers to how well resources are allocated to produce results. The goal is to maximise results for the least amount of input. The trouble, however, with the concepts of economy and efficiency is that some “results” (such as fairness, equity, due process and public participation) are difficult to measure.

Effectiveness refers to how successfully outputs or deliverables achieve implied or stated objectives and contribute to broader strategy and policy goals.

Sustainability links operational expenditure to capital expenditures (CAPEX) to ensure a balance. Short-term, medium-term, and long-term needs are also factored into sustainability. Sustainability is concerned with institutional and structural matching of resources to meet the basic needs of the people and lay the foundation for the infrastructure needed for sustained economic growth and job creation. More effective matching in the allocation of resources should result in the transformation of government ministries and departments, since government focused on sustainability will be more in tune with the needs of the citizenry, and thus will be better able to reflect the developmental and people-centred nature of a democratic government.

Budget guidelines and submissions process

The reporting cycle for the exercise of oversight by the legislature on the budget process is dynamic. Priorities change and new demands emerge; these necessitate budget reviews and amendments.

The first stage of the budget reporting cycle is a submission to the Finance Committee. The submission should complement the annual report, which in itself is insufficient for the Committee to exercise oversight of the budget effectively since it focuses on the previous year with only cursory speculations into the next year. The new submission shifts focus from the previous year; it plans expenditures for the new

year. This submission gives the legislature the opportunity to exercise its duty of statutory oversight; this promotes transparency. The written submission forms part of a presentation by the department, which is then followed by questions and clarifications.

This format seeks to achieve the following objectives:

1. Provide an explanation of the tabulated figures contained in the estimates of revenue and expenditure (usually compiled in a White Book or White Paper) and the Budget Statement;
2. Provide information that complements rather than replicates the figures in the White Book and the Budget Statement;
3. Provide annual comparisons among departments and within the department. The core function of the department and its priorities needs to be clearly reflected in the budget;
4. Provide opportunities for departments to identify and communicate their areas of successful delivery, together with an evaluation of their performance;
5. Provide a medium-term vision (i.e., three-year projection), where there is a linkage between outputs and outcomes
6. Provide graphical representations of trends should be provided to facilitate the analysis of the budget (e.g.: current and capital expenditure, personnel expenditure, and core and non-core functions); and finally,
7. Recognise gaps and problem areas based on performance. Emphasis is placed on the linkage between output and outcome, effectively shifting the measurement of performance from a simple savings perspective into a more delivery-driven model.

The central principle underpinning the written submission is that the allocation of financial resources will fit with the identified priorities of the provincial socio-economic environment set within the boundaries of national policy. Moreover, the structure and system of financial management will be deemed successful if it facilitates fiscal discipline without interfering with delivery priorities, ultimately balancing affordability and accessibility against the prudent government expenditure. Making this assessment cannot be done in isolation; it must consider the integration and implementation of programs that cut across departments.

The details of the budget concern directories, programs, and subprograms in terms of their financial management, structure, and existing capacity. It examines the links between outputs and outcomes.



Departmental written submission format

Often, budget submission guidelines will set the format to be followed when preparing the written budget submission for presentation to the Finance Standing Committee. The document will usually consist of:

- a cover page;
- an index;
- an explanation of the detail required in each section.

The document should not be lengthy, (for example, South Africa's budget guidelines suggests between 20 and 40 pages), but the length of the submission will obviously depend on the number of directorates within the department. Departments are usually given some discretion in determining the level of detail to be given. A standardised format allows comparative analysis.

Understanding standard budgetary strategies

No matter what the specific budget submission guidelines established or the style of budgeting used, participants in the budget-making process employ various strategies to achieve their goals. Hugh Helco and Aaron Wildavsky (1981) have identified a common framework used in parliamentary systems to describe the roles of various participants. These participants can be conceived as either *spenders* or *guardians*.

The underlying assumption for this framework is that Ministers operating departments, i.e., *spenders* are motivated to keep their clients (programs) contented (and quiet) as well as taking political credit for departmental or program successes. One way to do this is by ensuring that clients are adequately funded. Meanwhile, the Minister of Finance and the head of the Treasury are defined as *guardians*, since they are rewarded for reducing deficits and holding taxes steady. The framework states that the size of the budget and its allocation across programs and departments is an outcome of the game played by the spenders and guardians.

While the most important tactic for a spender is to maintain the trust of the guardian, the following is a list of other common strategies employed by spenders:

1. **Padding the budget** – The budget is padded but only to the extent that the targets presented are credible. This is an important strategy since all budgets should contain some provision for contingencies to allow managers some breathing room in the upcoming year. It can also be argued that spenders must pad their budgets to some extent since a spender who presents a very lean budget could be put in a potentially dangerous position if even the slightest cuts are made. This would also be true if it is

assumed that the guardian believes that all requests are padded to begin with.

2. ***Mobilising constituency interest groups*** – A Minister will encourage interest groups to make greater demands on the department to increase the department's bargaining power.
3. ***Crisis*** – Managers can use real or created crises to help establish the importance of their program and increase their bargaining power.
4. ***The thin edge of the wedge*** – A program begins with a very small request for funds and subsequently attains a commitment for it. However, once people become dependent on the program or it has become a stable line item in the budget, guardians will have difficulty eliminating it. Instead, it is not uncommon that funding for such programs is in fact increased over subsequent budgets.
5. ***Kill the friendly giant*** – When budget cuts are necessary, it is advisable to begin cuts with the programs most popular with the public, thus ensuring that eventually, guardians will be forced by public demand to ramp up funding for the program again at some point in the future.
6. ***End Run*** – During the budget cycle, requests for funds are constantly being compared and contrasted against one another and the competition for limited funds is intense. This strategy is one where a Minister will propose a new program part-way through the year (although it should be presented as an unforeseen or extra-ordinary expenditure) and obtain spending commitment from cabinet without having to compete for funds through the regular budget process.
7. ***This program saves money*** – If even a costly program in the short run can be marketed as being cost-saving in the long run, there is a better chance of attaining greater funding. One area where this strategy is often used is with respect to programs relating to health. For example, a Minister may argue that more money spent on fitness and health education today will result in lower health care costs in the future.
8. ***Fire truck first*** – This strategy stems from a story in which a fire chief wanted a new fire truck and a new fire station in the same year. In the tale, the city council gave him the option of one or the other, since request for both in the same fiscal year was too excessive. The fire chief selected the fire truck, which when delivered, was unable to be accommodated in the existing fire station, thus forcing the city to eventually provide funds for the fire station as well.



The one common strategy most used by guardians in the budget is underestimating revenue, which results in underestimating the amount available for expenditure. This increases the guardian's bargaining power in budget negotiations.

The bargaining process ensures that budgeting decisions are incremental, whereby few major changes occur from one year to the next. Ultimately though, it appears that overall budget process is stacked in favour of the spenders as i) there are more of them relative to guardians, and ii) there are more good reasons to justify spending money than for guarding it.

Public participation

As budgets ultimately allocates money for the delivery of services, and in doing so, is a symbol of the priorities of society, it is important the citizens support it. This sense of ownership is developed through engagement by the government with the people through the executive and the legislature. Both the constitution and the legislative framework of a country can be used to ensure that the people's voice is reflected in the budget, especially when prioritising and re-prioritising certain items.

Citizens can participate in the legislature's work by presenting suggestions and voicing concerns through committee meetings and public hearings. Individual legislative members meet people through their constituency mechanisms. These involve regular briefings, and opportunities to hear about the needs, concerns, and aspirations of the citizens.

Measures that can be useful to increase public participation in government decision-making processes, and thus the budget process, include the following:

- Regular engagement between the legislature, through its finance and various portfolio committees, and members of civil society. These meetings should include marginalised groups in society such as minorities, women, the disabled, youth, as well as different business sectors;
- Engaging with civil society organisations through
 - a. public committee meetings,
 - b. hearings and forums, and
 - c. visits of the committees to the various projects, sites, offices, establishments, and communities where program delivery is taking place.

The underlying principle in public participation is to ensure that governance is not divorced from the people that the government serves. It is in this way that the budget serves as an instrument of policy

implementation and transformation. Ultimately, the goal is that the electorate will have the ability to make informed evaluations of its government base on its budget priorities and delivery.



Reading

For a good exposure to the budgetary process and good governance in public systems, you may like to refer to the World Bank publication in its Public Sector Governance and Accountability series, entitled “Budgeting and Budgetary Institutions”, available at

<http://siteresources.worldbank.org/PSGLP/Resources/BudgetingandBudgetaryInstitutions.pdf>

Module summary



Summary

In module six we examined the central role of budgets in governing, with particular emphasis on its role in the democratic process.

Establishing the budget is one of the most important and difficult tasks of government, since the allocation of resources impacts everyone in society. We saw that the budget serves many diverse purposes and should be used as a tool to help government carry out its responsibilities to its citizens. Budgets are in fact often considered central to a democratic process, since they ought to reflect the choices and priorities of a society. As such, the process by which a budget is developed can be a key indicator of the level of democratisation within a society.

This module also looked at how engagement among civil society, the legislature, and the bureaucracy is intertwined and necessary in developing and implementing a democratic budget. The general process for developing a budget, including both the positive and negative impacts of broad participation in the budget decision-making process was also discussed.

The last section contained a sample budget and an example of the minimum legislative requirements to be fulfilled for Money Bills in a South African province. These provided an opportunity to see the application to real budget of the topics covered in this module.

In module seven, we will continue to focus on financial administration, but with specific attention to the issue of coordination and management of development assistance in emerging economies. We will also revisit some key donor organisations discussed in module five and examine key issues for both donors and recipient governments.

Module seven will finish with a stock take of the experiences of these donor organisations and the lessons learned with respect to the management of financial and technical resources provided to them by multilateral donors.

Assessment



Assessment

Answer the following questions with reference to both the larger global context, as well as your local context. Ensure that you provide examples to illustrate your points.

1. Explain why budgets are described as being crucial to the democratic process with reference to both their symbolism and their pragmatic utility.
2. What are the factors that increase or decrease a budget's legitimacy, and explain why they are important?
3. What are the chief objectives of a budget, how does the budget achieve these?
4. Explain why a budget represents a variety of tools used to achieve a variety of purposes.
5. What elements are the most important in order to increase the political, social and economic integrity of a budget? If your jurisdiction was to engage in budgetary reform, which elements would you suggest are the most important and why?
6. Outline the role of the legislature in providing budgetary oversight. In your jurisdiction, which of the key functions is the most important in ensuring transparency and accountability?
7. Explain the tension that exists between budget spenders and guardians. Give examples of the tactics of each with reference to your own jurisdiction.



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Further Reading



Reading

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