

Statesmanship in Budgeting

By Lieutenant Colonel Ignacio Coloma, FS



Government budgeting has its own demand for statesmanship from the time the budget is prepared up to the time funds are allocated and later accounted for in a system where there should not be over-centralization of accounting authority



THE LIFE CYCLE of government budgeting begins with the budget policy statement of the President. With the interest of the whole country in mind, he indicates what his fiscal plan is for the nation in any specific year.

The President usually issues a policy statement, including that on the

budget, after a thorough study of the matter. It is reasonable to expect that such a study has been thoroughly made by the National Economic Council. And, as an immediate staff office of the executive, the Budget Commission can be expected as usually furnishing pertinent data before the President

his department's level, based on the directive issued in accordance with the budget policy of the President. The chief of bureau or office does the same on his level.

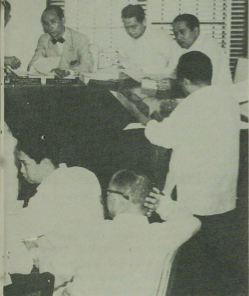
A budget directive results in the determination of programs and projects which are translated into peso costs preferably as far as units of work measurements. The estimate results are funnelled upward where they undergo a series of reviews.

Honest Budget Review

Budget reviews are no more than general surveys, re-examinations, or critiques on the proposed budgets formulated. Such reviews are expressed in the form of a systematic statement, and stated definitely and clearly, in terms of the formula enunciated by the President. It is computed pursuant to the guidance furnished by the Commissioner of the Budget. In a school or college, a budget review is likened to a repetition of a lesson after its original assignment with the difference that the reviewer is not the same person as the one to whom the lesson was originally assigned.

Actually, reviewing a budget means that the reviewer has to detach himself from the personal angle of the problem, like the ideal researcher, to remove bias and unfairness not much to the agency concerned but more in favor of the general welfare. In the military, it is about the same as that of an inspection: to determine the state of discipline, the condition of the equipment, the actual morale of the troops, and the like.

It is necessary that a reviewer be up-right, honest, careful and true to



makes any commitment.

Actually, it is the Commissioner of the Budget that interprets the budget formula of the President. He sets up the requirements and at the same time indicates the methods and procedures to be followed in accordance with the formula. The Commissioner of the Budget does this by the issuance of a budget circular which has the weight and force of a directive coming from the President himself.

It is the duty of a Secretary of a Department to prepare his plans at



On the national level, the only power that can authorize a budget is the Congress of the Philippines, consisting of the House of Representatives and the Senate.

his oath to uphold the ideals of his government and sincere in his actions for the benefit and good of his country. This is or should be of equal application to all types of budget reviewers, whether a member of the budgeting agency, the budget commission, or of the law-making body. For to be otherwise, a reviewer, regardless of the agency which he represents, would be betraying his employment and the very people who are footing his salary in the expectation that he will be of help in their government in particular, and to them in general.

Modern Concept of Budgeting

One of the more modern concept of government budgeting envisions a single budget document for a certain definite period for all activi-

ties. The combination this year of proposed current and capital expenditures of the national government together with the proposed public works outlays during the budget year beginning from 1 July 1956 is in the proper direction. It is good mainly for clarity because the budgets of all units that compose the whole are added together to give the sum of the whole.

To integrate, however, is not an easy matter even on the agency level. Actually, there is a lot more hardship in integrating the budget at intermediate or higher levels because the factors of (1) economy of the country, (2) administrative necessity and (3) political expediency necessarily come into the picture.

It is natural that estimating units

have the tendency to inflate the cost of their requirements. The practice is not only dishonest but also it misleads the reviewer who, in almost all cases, will be forced to apportion what small ceiling he has at his command. It is more dangerous when the reviewer is one who is not from the agency concerned because such a reviewer, being unfamiliar with the working characteristics of the agency, will have a tendency of trusting merely to his general knowledge which, in the past, has proved to be unreliable.

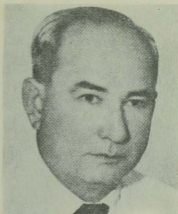
There is one practice that is commendable in this connection and that is the courtesy of having the agency select where to cut when the cutting is to be imposed. It should be encouraged by the powers that be in the office where reviewers, regardless of what level, are connected.

Budget Authority

On the national level, the only power that can authorize a budget is the Congress of the Philippines consisting of the House of Representatives and the Senate. Specifically, it is Congress that invests a budget with authority, or legal power. Stating it in another way, it is only Congress which can authorize, approve, permit, or sanction a national budget.

Budget authorization, by Congress, is certainly a difficult process and involves (1) ascertainment of what the government can appropriate, and (2) how much of the government's income Congress is willing to allocate to a particular activity.

The determination of what shall the income of the government be



Hon. TOBIAS FORNIER

during a budget year demands not only industry but also patience and readiness to understand problems of national import. The ascertainment by Congress of how much of the government's income should be allocated to a particular activity is as difficult if not actually harder to do considering the unending list of projects, all apparently as important as the other, demanding funds and more funds.

The incidence of balancing the income against the expenditures resulting from the unprogressive but nevertheless unavoidable procedure of minimizing the expenditures because of the inadequacy of income is of course readily recognized. Stated simply, however, the focus of attention in any case if our young Republic is to be developed properly.

One reason why great care should always be the rule when passing upon the merits of a proposed national budget is its importance to the country and its people. Specifically, the money allocation may be

so little that accomplishment intended to be achieved may turn out to be too big an order. Another is because an insignificant activity may be given funds over and above what it really needs with the result that while one agency which should have been given more is having a hard time, the other agency which has a less priority right for more funds is taking it easy.

Performance Budget

In performance budgeting, the focus is on the accomplishment. The actor, naturally, is the operating agency. The agency's head, therefore, should be afforded all the means and devices to enable him to show beneficial results of his administration.

Under the present scheme of things, however, the accounting service which is for all intents and purposes a managerial tool, is not a part of the operating agency. In addition, there is also an auditor in each operating agency that tends to be more of a hindrance in operations than a help.

Specifically, the accounting service should be transferred from the Budget Commission as envisioned in the bill of Senator Gil J. Puyat about two years ago. The auditing service should be limited to post audit rather than pre-audit if the intention is to really give the operating agencies a fair chance to achieve what they are expected to accomplish with the small amount of funds that the government can afford to appropriate for them.

Over - Centralization

When an agency receives an ap-

propriation from the government, it is but proper to demand that the same operating agency state the moneys received and spent during a given period. Actually, this is being made now. But it is being made by the Budget Commission through its representative in the agency. Why? Because the Commissioner of the Budget has an over-all control of all accounting services in the national government much against the ever-deafening cry against too much centralization in this country according to public administration experts.

Moreover, accountability has a more practical approach now than the old and almost useless trial balance method. Actually, the more modern meaning of accountability is that it is a statement of accomplishments in terms of how much an agency has spent for each. The latter is definitely better because it is more understandable and therefore can really be up to date to serve as a managerial instrument to better serve for purposes of good management.

In an atmosphere where the accounting service is the responsibility of the Commissioner of the Budget and the pre-audit system being the focus of activity of the Auditor General, it is doubtful whether an operating agency can be accountable to anybody for what it is doing. The thing is this: Can one cook be responsible for a menu when actually there are three cooks in all who made it?