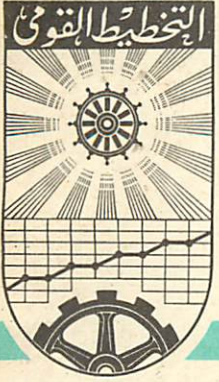


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OUTLINE OF COURSES ON BUDGET
CLASSIFICATION AND MANAGEMENT

by

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Outline of Course on Budget
Classification and Management

The Course on Budget Classification and Management is divided into three main parts:

- (I) The organizational requirements and techniques of budget formulation, execution, and control.
- (II) Tools and methods used in analysis of public Sector Transactions with a view to planning economic and social development.
- (III) Programme and Performance Budgeting techniques and the problems relating to their Practical application.

In this year only part II of the General Course is being given.

The main testbooks for this course are:

- I) U.N. Manual for Economic and Functional Classification of Government Transactions.
- II) Development programming and Public Budgeting in the UAR. by Dr. I. H. Abd-El-Rahman.
- III) U.N. Manual for Programme and Performance Budgeting.

PART I

An efficient budget system, i.e. the Provisions and Procedures governing the formulation practices of the budget, its modification, execution and control aids in planning and in bringing about the accomplishment of a desired fiscal policy. It may even be of assistance in selecting a policy. However, the planning, adoption, and execution of a financial policy as such must ultimately depend on fiscal, economic and political factors. A course in budget system and administration deals with methods of improving the techniques and administrative procedures with a view to reduce waste and inefficiency.

The various procedural stages of formulation, execution and control of the budget are closely inter-related. However, for purposes of discussions they are broken down into separate topics and will therefore be necessary to include as part of the subject matter an analysis of the methods by which these various procedures can best be co-ordinated and inter-related.

BACKGROUND

Budgeting in a political framework.
Economic and social consideration.

The role of the budget as an instrument of political and economic policies of the Government is to be discussed under these headings as a background to problems of budget techniques and administration.

THE BUDGET CYCLE

Time Schedule
Relationship between agencies
Division of responsibilities
Budget Document
Budget Authorization
Budget Control

In this section a possible model of the budget cycle and the relationship and co-ordination between the various phases will be considered.

Organizational Requirements of Budget
Formulation and Control.

DEPARTMENTAL BUDGET OFFICES

Relationship with Central Budget Offices.
Budget Office Organization
Time space of Budget Formulation
Techniques of Revenue and Expenditure Estimates

CENTRAL BUDGET OFFICE

Responsibilities of the Central Budget Office
Organization of Budget Office
Nature of Budget Review

This section will deal primarily with the question of the most appropriate organization in order to develop successfully budget staff and most efficient budget operation. In discussing the role of the Budget Department the emphasis should be on the

administratively accepted functions rather than on statutory provisions. As regards organization problems, the intention is not only to consider internal division of labour but also management arrangements and relation between the various agencies and the budget authorities.

Whether the Central Budget Office should be considered as a "watchdog of the Treasury" primarily responsible for reviewing individual departmental action or for assisting departments to secure maximum results of available appropriation will for example determine the quality of the staff needed for the job. In other words, should the Budget Office engage in management analysis or should it not? If the answer is in the affirmative, what action can be done to develop requisites to best advantage. Should the assignment of budget officers be made in terms of functions to be performed, agencies to be served or some other criterion.

Budget Authorization

Role of legislative authorization in budget making.

Discussions under this title will seek to answer such questions as the following:

Is the best organization decided upon as a result of discussions under parts III and IV above affected by legislative concept of budget function? Is the budget analysis also affected?

Budget Executive and Control

Central Budget Office Control Over Expenditure

Role and Function of Accounting and Audit Agencies.

Closing of Accounting

Management needs and the system of accounts.

PART II

A. The role of government and the purposes served by public sector accounts: chap. I, II, IV of the Classification Manual.

The increasing role of governments in the economic life of their countries and the adoption of comprehensive planning in underdeveloped countries called for new types of information which would provide a clear picture of the impact of government transactions on the economy. The existing administrative accounts of governments were designed in the old days of "Laissez faire" primarily to serve purposes of accountability. Now a new set of accounts is needed to serve policy formulation.

The type of information needed in every country for policy purposes will depend on the scope and nature of the government activities, the simplicity or complexity of the economic structure of the country and some other factors. However policy accounts of government transactions would be particularly useful if they were incorporated in a system of national income and product accounts in order to see government transactions in perspective and in relation to other sectors of the economy. The issues to be dealt with under this section are:

- I. The classification of government transactions for policy uses, their relation to traditional accounting information and national income accounts.
- II. A theoretical analysis of the nature of government transactions.
- III. Structure and composition of the public sector.
- IV. The major developments in budgeting and public accounts which have occurred in recent years in this country to facilitate policy formulation.

B. The Economic Classification of government transactions:

Chapters V, VI, and VII of the Manual

The Economic classification of government transactions requires an analysis of the transactions according to homogeneous economic categories. It distinguishes broadly between purchases of goods and services, payments of interest, transfer payments and receipts, income from entrepreneurship, and transactions in financial assets and claims. The system of government economic accounts consists of current and capital accounts of the sub-sectors of the government sector, e.g. trading enterprises, financial enterprises, and ancillary agencies, which are then re consolidated for the whole sector.

The topics to be covered will therefore deal with:

- I) The definition of types of government agencies.
- II) Principles of economic classification.
- III) Detailed economic classification schemes and definitions.
- IV) The application of the classification to the various govt. agencies and their consolidation.

C. Functional Classification:

Functional classification of government transactions groups under one heading or functional category all expenditures serving the same purpose such as health, Education, etc. irrespective of the organizational structure of the government and the spending units. Such a classification will show the type of contribution the public sector is making to the national economy, e.g. Health, education, Housing etc., which can further be classified into social and economic infra - structure and final output.

The usefulness of functional classification will be enhanced by combining it with economic classification to show at the same

time economic characters of the expenditures serving a certain purpose.

This Section is divided into:

- I. Principles of functional classification.
- II. Detailed functional classification scheme.
- III. Combined economic-functional classification of government transactions.

PART III

Introduction to programme and performance budgeting techniques.

Programme and performance budgeting emphasizes the things to be done by a government agency rather than things to be bought. This is achieved by linking budget estimates to the purposes and objectives of the expenditure requested by the various agencies in terms of specific programmes, projects and activities. A general introduction to this technique will deal with the concept of programme and performance budgeting in some detail, the criteria for divisions and sub-divisions of the total work or effort of an agency, and the measurement of accomplishments and results. Administrative, accounting and statistical difficulties which may be faced prior to introduction of this technique will also be considered.

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