

Paper 1

Financial Administration:

Monetary and fiscal policies;
Public borrowings and public debt Budgets – types and forms;
Budgetary process; financial accountability;
Accounts and audit;

1. Budgeting is draped with trappings of professionalism, technology, and expertise; but it is also a system of values and politics. - Wildavsky; Comment.

15 marks (250 words)

Approach

The question demands to provide the explanations for various facets of budgeting. It is essential to provide enough content and examples for all the facets that are mentioned in the question.

From Paper2

We can provide enough number of examples from the Indian budgetary system; however, we need to mention some of the examples outside India in order to maintain paper specificity.

Introduction

Robert Smith and Thomas Lynch describe budget in four perspectives, “the political event dealing with broad based planning, an economic activity that carries out cost and benefit analysis, an accounting activity that ensures that the money is spend as per the wisdom of the policies, and management function which implements the targets and goals mentioned in the budget.”

Body

As mentioned by Smith and Lynch budget is a formal document involving various technicalities;

- **Professionalism:** Budget involves that knowledge, skills and aptitude; that are possessed by the professionals in the field of administration, economics and management. A perfect budget can only be prepared by such a diligence and professionalism that has great experience in this job.
Ex: several countries have a separate recruitment gate way to select the budgeting team. And the selection process includes accounting challenge, management challenge, budgeting simulation challenge, etc.
- **Technology:** Budget nowadays is embedded with the state of the art technology. Here, the technology is used in various stages like, estimation of the expenditure by via big data analysis, calculating the probable time via

advanced statistical computations (PERT), strategic planning with the help of technological intelligence (AI) etc.

Ex: some of the advanced types of budgeting systems like the, Output Budgeting, Zero based budgeting, Outcome budgeting, etc, are no less than technological innovations.

- **Expertise:** Budgeting, as mention earlier, requires great skill and expertise related to accounting, management, finance, etc. As mentioned by Smith and Lynch, budgeting requires specialization in estimation, formulation, adoption, presentation and execution; i.e. in all the stages of budget.
Ex: expertise of Chief Economic Advisor, Finance secretary and even Finance Minister (Manmohan Singh 1991 budget) is humungous in preparation of budget in India.

Further, along with the entrapped technicalities, budget is also a system of;

- **Values:** Budgeting process involves both the economic and humane values. Economic values include the prudence, accountability, responsibility, efficacy, efficiency, etc.
However, the humane values involved in the budgeting are the equity, last mile connectivity, last man reach, faithful utilization of tax payers money, public friendly taxation, etc.
Ex: the budget is a value pregnant, if it provides of enough plan and allocation of funds, for the social sectors like the education, employment, health, nutrition, etc.
Also, gender budgeting is the best example to explain why budgeting can be considered as the value system.
- **Politics:** It is an adage, in the administrative parlance, that, budget is all about politics and our stand on the budget is dependent on our place in the politics. Aaron Wildavsky even goes to the extent of saying, “budgetary decision making is largely political, rather than based on economic conditions”.
Also, budget provides the achievement of ruling party in the previous year and its plans and agendas for the coming fiscal year. It is a sound bugle of the government for propaganda of the self, and a platform to announce its manifesto.
Ex: “10 Points Vision for the Decade” of the (2019-20) budget;

Conclusion

Hence, budget contains all and sundry that is relevant for administration. It is the very fuel by which the administration runs, and it is the very remote through which the administration is controlled. Finally, as said by Joseph Schumpeter “Budget is the skeleton of the state and the truest reflection of the distribution of power and influence”.

2. How is PPBS (Planning Programming Budgeting System) different from PPBE (Planning Programming Budgeting Execution)? Illustrate.

10 marks (150 words)

Approach

A direct question, which asks to bring out the differences between the two types of budgetary systems; precise differences carry maximum marks.

From Paper2

Again we can bring good number of examples from the Indian budgetary system. However, we need to balance it by providing examples from the budgeting process of other countries of the world.

Introduction

PPBS were started in the Secretariat of Defence of USA, by McNamara; in order to deal with the process of planning and allocation of funds for the defence acquisitions of the US. However, on account of various loopholes pointed out by various experts, PPBS got refined multiple times, and finally in 2004; a fully fledged novel process called PPBE came into existence.

Body

As PPBE takes its origin from the PPBS, most of the processes remain the same, namely;

- Planning to set the goals and objectives.
- Collection of past 6 years' database, that helps in planning.
- Finding the alternatives to achieve the goal.
- Analyzing these alternatives on the basis of costs and opportunities.
- Fixation of optimum alternatives, and finalizing the budget.

However, the following differences were brought into it by PPBE;

- For better management and sequencing of the budgeting process, an **Integrated Program Budgetary Review Guidance**, was circulated to all the staffs that participate in budgeting. This avoided the number of post review changes made to the budget, and the programs then were moved from programming phase directly to the execution phase.
- Added to it **Policy Implementation and Execution Review Units** were created in every office in order to keep a track on the execution of the budget.
- Further, the **field offices- here the defence wings; were actively involved** in planning and programming of the budget. This increased the effectiveness of planning, as the Defence Secretariat would then get clear information

regarding the implementation of the past budgets and the preference for the future ones.

- Also, PPBE changed the **annual budget of PPBS to bi-annual budget**. Here, the budget for the second year was just the modification of the first. And the modifications were carried out consulting the field agents. This, not only reduced the time and resource involved in budgeting but also that, the field could get an **opportunity to modify their preferences in the mid-way**.
- Lastly, in the back drop of giving an active role to the field agents in budgeting; a **Centralised Training** was planned to skill the field workers in line with the staff agents in the budgeting process.

Conclusion

Thus, the PPBE also concentrated on the execution of the program, rather than just formulation of it. It is from PPBE that, the process of monitoring, review and feedback got a huge popularity in the administrative arena. Further, PPBE, coupled with strong feedback mechanism, gave rise to a new concept called Output Budgeting.

