

# The Roles of Participants in the Budgetary Process

Mukdad Ibrahim

American University of Ras Al Khaimah, United Arab Emirates

## Abstract

The aim of this paper is to discuss the propositions put forward by Aaron Wildavsky that spending departments within a public organization try to expand their budgets for better services, while the policy making committee tries to guard against budgetary expansion, giving the standard reasoning that there are insufficient public funds available to allocate towards all of the requested departmental budgets. The principal contribution of this article has been to further explore participants' roles in the budget process. The pre-existing literature on this topic suggest that department heads do act as advocates for their departments and that policy committee does act as the guardian. To overcome the conflict between advocates and guardian, the heuristics of incremental theory such as fairness and precedent need to be used.

**Keywords:** Budgetary Process, Role Analysis, Governmental Budgeting, Budget Planning.

## 1. Introduction

The concept of budgetary roles has been well developed in the literature on incremental budgeting. A volume of literature focuses on budgetary roles as a very important aspect in government budgetary decision making. In the Politics of the Budgetary Process, Aaron Wildavsky details at length the roles of departments as "advocates", budget officers as "cutters" and appropriation committees as "reviewers". Roles are one core concept of the incremental theory. Incremental theory makes reference to the roles of the budget decision makers, further making the assumption that these roles are defined, that players do not change the nature of the roles very much and that role players take a fairly narrow view of their roles. A feature of the role phenomenon is that departments try to expand their budgets and the finance directorate/ committee tries to guard against budgetary expansion.

## 2. Departments' Budget Role

Anton's study, *The Politics of State Expenditure in Illinois*, was published in 1966. In that study, Anton essentially confirmed Wildavsky's (1964) previous findings. He found that in Illinois, incrementalism provided by a better explanation of the budgetary process than did the Rational Model. According to Anton, programme related values were unimportant. The simple decision rules followed by the state budget analysts were to make marginal adjustments to the base. Moreover, Anton (1966) stated four rules for preparing and submitting budgets.

- 1) Avoid requests for sums smaller than the current appropriation.
- 2) Put as much as possible of the new request (particularly items with top priority) into the basic budget.
- 3) Increases that are desired should be made to appear small and should appear to grow out of existing operations (the appearance of fundamental change should be avoided).
- 4) Give the budgetary commission something to cut.

Anton concluded that "very few responsible agency administrators will be likely to request less money than is currently available to them. Crecine (1969) stated that the objective of a department director is: "to obtain the largest possible amount of funds for his department and his purposes".

## 3. Department Advocacy

Local government is a synthesis of semi-autonomous units that come together to form the organization as a whole. Each of the departments has its own goals, its own values, and its own interests. Each provides different services to the community and naturally desires to expand the scope of its activities, and to improve its financial position (Friedman 1975).

Wildavsky (1964) was the first writer who laid emphasis on the roles that the participants in the process carve out for themselves. He also pointed to the reasons why these roles are not strictly adhered to. A department acts as an advocate for its programmes and there are a multitude of variations on the advocacy theme. Officers consider themselves, and are regarded by others, as highly competent individuals who demonstrate a high degree of professionalism in carrying out the responsibilities that their roles require. They are in a position and a level of experience where they can best determine the needs and wants of their departments.

Collins *et al* (1987) found that departmental heads use the last period's budgetary appropriation as a baseline or starting point. They prefer to defend existing budgetary levels or seek only incremental changes in their budgetary requests.

Savoie (1990) has applied Wildavsky's "Guardian-Advocate" framework. He found that spending

departments in Canada, act as advocates for their programs and for increase spending while central agencies, such as the Department of Finance and the Treasury Board secretariat try as best they can to exert control on spending as guardians of the Treasury.

Imbeau (2005) empirically tested of Wildavsky's guardian-advocate model of budgetary process. His hypothesis was that the speeches of ministries of Finance are systematically different from speeches of ministries of Education or Health on certain specific aspects. To test his hypothesis, he performed the content analysis on 130 policy speeches delivered in the Quebec National Assembly from 1970 to 2004. His conclusion was that there are significant traces of budgetary role-playing in policy speeches in Quebec and that the intensity of role-playing varies with political parties.

Departments, pursuing an advocacy role orientation, seek increases in their appropriations. However, there is a narrow range of funding increases that they can request. If they ask for too much, they stand to lose the confidence of other political actors and subsequently the ability to achieve desired appropriation levels. If they ask for too little, the finance directorate is likely to oblige them by cutting part of their meagre request. Hence, departments base their requests on a strategy which incorporates expectations and prediction of other actor's behaviour so as to achieve optimal appropriation results.

In his book, *The Politics of Public Money*, Good (2007) sheds new light on the role of insiders in influencing government's spending and explores the interactions among budget players and, perhaps the most central of all, the relationship between Prime Minister and Minister of Finance. He examines the extent to which influence by players in the budgetary process is shifting from a bilateral relationship between departmental spenders and central guardians to a more complex multilateral relationship involving spenders and central guardians, as well as priority setters and financial watchdogs.

**3.1 Satisfaction with budget allocation.** Naturally, officials are affected by the environment in which they operate. This affects the two groups of actors (Advocates and Guardians). As a consequence, these actors play their roles in response to the nature of the environment, which surrounds them. If the officials agree on their own and other members roles and act in conformity with them, they may reduce their calculations and other efforts in the budgetary process and gaining greater level of satisfaction from their participation in the budgetary process. When they adopt the incremental methods and procedures to simplify their calculations using the precedent and fair share rules, department heads can be more satisfied with the budgetary process.

**3.2 Spending evaluation.** Another way to gain deeper insight into the dynamics of the advocate role is to look at the officials' perception regarding the level of spending. Department officials believe that the money allocated to their departments are acceptable, when they obtain the same level of last year's expenditure plus the increases requested. They could be satisfied by receiving the same level of last year's expenditure plus an increment. Finally, officials will be unsatisfied when the money allocated to their departments was lacking in any incremental increases.

Spending department as a part of promoting their department's activities is to seek larger appropriations from one year to the next. This led them to play a bureaucratic politician role in addition to their role as professional people, in order to preserve earlier achievements and promote new policies. Thus, it is of utmost importance that officials possess the necessary political and negotiation skills to successfully defend their budgetary claims during the inevitable debates that would result as their claims passed through finance committee meetings.

**3.3 Preferred budget setting philosophy.** This issue involves a budget philosophy that a departmental manager would like to apply in the budgetary process. Three possible options can be suggested:

1. Base Maintenance. "I want to at least be able to maintain my programs at the current level of operation." A department using a maintenance strategy would be interested in maintaining its current level of program activities. Therefore, it would claim its last year's allocation plus an allowance for inflation.
2. Fair Share philosophy. "I would like to be sure my department/program receives its full share of any additional monies available." A department using a fair share strategy would try to be sure it received its proportionate share of all new funds raised by the organization.
3. Expansion Philosophy. "I want to expand my programs or add new ones whenever I can." A department using an expansion strategy would not see a need to be constrained by factors such as inflation. Nor would it see a need to be particularly reasonable in its claims.

Overall, the dominance of these three philosophies indicate that to great extent department officials define their particular part in the budget system as that of the advocate of their activities, goals, and spending levels.

#### **4. Guardian Role**

The main role of the finance committee or a finance directorate is to consider the detailed estimates of the program or area committees and present a summary to the policy committee of the overall financial situation.

In the budgetary process the finance directorate sets resource expectation levels for each department within an organization. These resource expectation levels specify what kind of budget that departments can make. There are three categories:

1. Resource Reduction. A department will be asked to present a reduced budget.
2. Standstill Budget. A department will be asked to manage at the same budget level as in the previous year.
3. Strategic Allocation. A department may get additional resources for specific activities linked to the city's strategic plan.

Top management's goals have been to save money by spending less. Thus, continuity and consistency in expenditure is the symbol of an incremental control orientation to budgeting. This year's budget is based upon last year's appropriation. The future is not more than an elongation of the past as the present is a continuation of what has gone so far.

The "Guardian" role can be seen when officials are asked to make savings in some activities in order to increase the expenditure for others. This shows the endeavour of the Policy Committee in capping the level of the expenditure at an early stage of the process. Containment rules imposed by the Finance Committee before departments prepare their budgets are more likely to prevent departments attempts to negotiate individual program changes through a process of partisan mutual adjustment based on relative program merit.

## 5. Conclusion

The roles played by the different participants act as co-ordinating mechanisms in the budgeting process. Officials are expected to play the role of advocate for activities. The Finance Department/Policy Committee takes the role of protector of the public purse. The patterns of mutual expectations markedly reduce the burden of calculation. To reduce the conflict between the advocates and guardians and increase the level of satisfaction in the budgetary process for both of them, two heuristics have to be used. The first one is called the fair share heuristic. This heuristic states that if one is to reconcile competing claims and yet satisfy everyone minimally, at least most of the time, then one must see to it that everyone gets a "fair share". However, fairness cannot be defined purely in the abstract, it must have some operational content to rely on for clarity. This is provided by the use of the second heuristic, which Lindblom (1959) has stressed as crucial, the heuristic of precedent. The way precedent works is as follows. If I have been getting about the same slice of pie all the while, then I certainly believe I will be entitled to at least that much this time, and if I am willing to recognize that my colleagues have a legitimate claim of the same sort, then a "fair" slice this time would be pretty much what I got last time, percentage-wise. So precedent is followed. These two interdependent heuristics help to significantly reduce interdepartmental conflict by giving each department their "fair share" which is determined by the historical proportions or percentages of the government budget that each department receives.

## References

- Anton, Thomas J. (1966) *The Politics of State Expenditure in Illinois*, University of Illinois Press.
- Collins, Frank; Munter, Paul and Don W. Finn (1987) The Budgeting Games People Play, *The Accounting Review*, 55 (1) 29-49.
- Crecine, John P. (1969) *Governmental Problem Solving* Chicago: Rand McNally.
- Friedman, Lewis B. (1975) *Budgeting Municipal Expenditure*, Praeger Publisher.
- Good, David (2007) *The Politics of Public Money*, Toronto: University of Toronto Press.
- Imbeau, Louis M. (2005) *Do guardians of the treasury speak like advocates of program spending?* Policy speeches and role-playing in the budgetary process of Quebec, paper presented at the annual conference of the Association for *Budgeting and Financial Management*, Washington D.C., November 2005.
- Lindblom, Charles (1959) The science of Muddling Through, *Public Administration Review*, 19 (1) 77-88.
- Savoie, D.J. (1990) *The Politics of Public Spending in Canada*, Toronto, University of Toronto Press.
- Wildavsky, Aaron (1964, 1979) *The Politics of Budgetary Process* Boston: Little-Brown and Company.