BUDGET MANAGEMENT AS ECONOMIC MANAGEMENT:
Some Macro, Micro, Growth, Allocational, Structural and Efficiency Concerns

By Reginald Herbold Green

> On a cloth untrue
> With a twisted cue
> And elliptical billiard balls.
>
> - Gilbert and Sullivan

> Budget procedures are of critical importance. They should be related to programme goals and objectives...not used as substitutes for goals... They should be used to eliminate or reduce the bad side effects of a given policy, achieve cost efficiency...emphasise transparency, simplicity, speed and flexibility in programme formulation and execution.
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> - Budgeting and Planning for Development, 1976 UN Expert Group Report

> Public spending determines the availability of [physical and human] infrastructure...allocational influence is equally pervasive... Therefore, the government budget has a major impact because of its size and because for some goods and services it is the only, or the dominant, supplier... This is in addition to the overall macro economic effects of the budget [and] additional to specific policy uses of the budget...
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> - Bank of Tanzania, 1980-81 Economic Survey

> All, all of a piece throughout;....
> Thy wars brought nothing about;
> Thy lovers were all untrue.
>
> - Bryden

Public Expenditure, Budgets and Policy

One model of budget policy is reducing expenditure, eliminating deficits, and ensuring that all expenditure is within initial estimates and properly authorised/documented. This is the traditional - especially traditional colonial - budget paradigm; and one which has had a rebirth in post 1979 conditions of extreme resource scarcity and economic imbalance.

That it is a rather limited model with tunnel vision has been demonstrated many times. What is relevant here is that it does have clear policy and management assumptions. First, that public expenditure crowds out private and is basically amenity expenditure allowable if and only if 'surplus' private sector production provides enough tax revenue to support it. Second, that public sector borrowing (or at least public sector borrowing from banks and/or for recurrent expenditure) leads to domestic resource misallocation ('crowding out') and imbalance (inflation) and to external resource misallocation (public consumption imports) and imbalance (Current Account Deficit). Third, that holding to initial spending estimates and ensuring proper documentation/authorisation ensures efficient use of resources and (perhaps more critical in this model) averts overspending. To the extent these assumptions are correct (which is not negligible even if arguably far from total) the traditional paradigm is an economic management strategy.

A somewhat different model is of the Budget and Budgetary process as a mass of micro data, procedures, estimates, monitoring and evaluation (and political economically of bureaucratic, political, interest group and sub-class pressures and patterns of influence/control). This too - beyond its functional and technical aspects - implicitly incorporates an economic management model. However, in contrast to the first, it is basically a micro or (when it encompasses public revenue and expenditure as a whole) sectoral, not a macro, one.

A counter model is that of budgeting as blind guessing of unknown flows of resources pushed by ill understood policy instruments in uncertain directions over a contextual surface whose topology is badly mapped. Most comparisons of initially estimated to actual ex post revenue and expenditure, of policy targets and results and of programme output intentions and actuals suggest this vision has more than a little truth. From that perhaps two lessons can be drawn: management via the public finance process is neither conceptually nor empirically a hard science nor one in which general principles can be assumed to override contexts (e.g. "animal spirits of entrepreneurs" - including public sector ones) or exogenous shocks (e.g import capacity falls whose impact on production and revenue can wash out most or all countervailing management efforts in small, open economies); second, one critical element in management is reducing the degree of and increasing the flexibility in response to uncertainty, i.e. being less unable to posit the

allocational-revenue-production impact of a tax or subsidy and more able to determine rapidly if they are different from those intended as a first step toward taking corrective action.

It is certainly true that in Sub-Saharan Africa today public finance - as viewed from the perspective of almost any model - is a disaster area. Real cuts (e.g. over two thirds in Nigerian and Ivoirian capital budgets over 1983-85; over 25% per capita in basic public services in Tanzania over 1979-1985); massive recurrent deficits even in states which previously had long runs of recurrent surpluses; increased uncertainty as to actual results (in narrow budget balance and broader economic policy impact terms); day to day crisis management expedients overwhelming longer term, subtler, more analytical management efforts and instruments. In this public finance is not unique - SSA since 1979 has been and basically continues to be gripped by a set of interlocking exogenous and endogenous economic malaise, and is far from achieving stabilisation let alone recovery and reconstruction. Indeed, public finance - except in certain extreme cases - remains one of the more functional public policy areas and one which, however unexaminedly or even perversely, does have major economic management impact.

For the purposes of this paper the focus of attention is on central government budget/budgetary processes (recurrent and capital including local government and pulic enterprise elements included in the central budget). However, the analysis also (in certain respects perhaps even more) applies to consolidated public sector revenue/expenditure patterns and policies. These are not considered in detail here partly because consolidated public sector budgets are not, in practice, used as economic management frames in SSA (however desirable that may be) and because the production/surplus generation roles of public enterprises broaden the scope of the relevant management issues well beyond the coverage practicable in a short paper.

Why Does It Matter?

Why should budget management - especially in SSA - be viewed as central to economic management?

First, the central government budget is the largest single bloc of expenditure

(and especially of expenditure subject to public managerial and policy control). In general it is between 20 and 30% of total national expenditure (and 25 to 40% of monetarised gross domestic product). The point of special significance in SSA is not that this share is high by global standards. Excluding transfer payments SSA government budgets are about average in global terms as a share of GDP, and including them well below average. Rather it is that household produced and consumed consumption is a higher share in SSA than elsewhere and is singularly difficult to subject to policy controls and that monetised expenditure is less and less predictably manageable than in most other economies. Similarly on the revenue side the budgetary 'take' significantly affects disposable incomes and therefore household and enterprise command over non-public sector goods and services.

Second, because - necessarily - both budgetary revenue and expenditure come from specific sectoral and functional and geographic sources and are allocated to equally specific uses. Therefore, they affect not simply overall levels and public/private makeup of supply and demand but also its locational, sectoral and functional (or interest group or sub-class) makeup.

Third, in many sectors the government is the only plausible, the only actual or the dominant supplier of goods/services. Law and order is not the only example of the former nor health/education/pure water of the second and third. In practice a broad range of economic infrastructure goods (e.g. roads, bridges, electricity) and services (e.g. agricultural research and extension) are - under SSA conditions - either government (public sector) supplied or very limited in scope and access.

Fourth, the pattern of large chunks of private sector production and consumption is significantly influenced by policies usually operated in conjunction with the budget even if their primary purpose is not the getting or spending of state revenue. For example grower prices (and subsidies to support or taxes effectively reducing them) do influence which crops are emphasised and how marketing is carried out even if - taken alone - their impact on overall output is more problematic. Similarly protection, exchange control, export subsidy and related measures (and business views as to their stability and effectiveness) do influence what goods can be/are produced and whether they are directed to domestic or export markets (or both and in what proportions) and through which official, private, parallel or illicit

marketing channels.

By and large government budgets and budgetary processes cannot avoid having these impacts. There is no real choice of cutting budget size, allocation and incentive/disincentive influences down enough to make them secondary in relation to economic events and therefore to economic management. Even if there were such a possibility it is not evident that such a course would be managerially efficient. Budgetary processes (whatever their limitations) do have greater coordination, more coherence and consistency checks, more efficiency tests (in respect to a variety of objectives), more transparency and a stronger tradition of serious analysis than most other political economic policy processes in SSA. This is not an argument for 'an imperial budget' taking over all policy and management issues, but it is one for making use of the economic impact and overall processual coherence of national budgets explicitly in economic management.

Macro Economic Levels and Balances - Domestic

The budget is the major managerial tool available to SSA states to alter macro economic levels of production and of demand as well as of macro economic balance. This is a multi-faceted area in which contexts and time frames are critical.

e.g. in the context of excess capacity, an import constraint on production, a very high import content in investment and falling real household and public sector per capita consumption a prudent medium term stabilisation/recovery strategy may be to reduce fixed investment (and thus future potential output) in order to allow increased growth of actual output (by increasing capacity utilisation) and to target savings at the true (net of indirect as well as direct import component) domestic component of fixed capital formation. If successful such a macro economic strategy stabilises (and balances) while buying time to articulate and secure the resources to implement a longer term capacity raising strategy. In fact the context and constraints posited apply to a majority of SSA economies so that a serious reexamination of the medium term efficiency of raising potential (but unuseable) capacity at the expense of achievable output is needed. Budgetarily such a shift would imply lower real budget allocations to capital and higher to recurrent. On the recurrent

deficit closing/borrowing requirement reduction front it would imply using the fiscal dividend from higher output and consumption and raising taxes/fees plus cutting fixed investment rather more than cutting real service levels or (in most cases) public sector real wages and (less uniformly) salaries. This would probably not raise savings much but it would reduce public sector borrowing (implicitly largely by reducing private sector savings) which - together with lower demand for construction - would tend to reduce inflationary pressures.

One branch of macro economic management is concerned with short, medium and long term increases in actual output and in potential output growth. (As illustrated, the two may diverge in the short or medium term but in the longer term sustained actual output growth does require parallel capacity growth.) The total size of the budget - both on expenditure and on revenue accounts - is a major element in such management. So are certain policies subsumed in the totals including wages, salaries, producer prices (especially if statutorily or less directly) have major spread effects on other prices and incomes. So are broad measures effecting use of scarce and plentiful (e.g. unskilled labour, in some cases underutilised land) resources and of raising productivity (e.g. by research and extension in agriculture, construction, small scale industry, by education and improvement of health/nutrition levels).

Another branch of macro economic management is concerned with overall balances of supply and demand - in practice with avoiding the stigmata of severe imbalance: higher rates of inflation and unsustainable levels of current account external deficits. (In principle the reverse imbalances characterised by widespread capacity utilisation together with low inflation and overall external balance surpluses would call for managerial correction just as urgently. Perhaps unfortunately, that is not the actual set of problems confronting budget managers in SSA today.) The overall budget level considerations and the broad (e.g. wage policy) ones apply here too - but in a direct opposite to that in terms of raising output or capacity. The scarce/plentiful resource tradeoffs and productivity raising aspects apply in the same direction (in general each would reduce imbalance by raising supply) albeit less strongly since imbalance macro management usually has to operate over a shorter time frame than output/capacity raising strategies. In addition current deficit/overall borrowing requirement reduction are

substantially more significant in the balance than in the output/capacity enhancement aspect of macro management. (However, the reduction must be real - delaying payments or converting subsidies into public or private enterprise deficits covered by bank borrowing does reduce recorded budgetary deficits/borrowing but not overall resource imbalances. It is a way of hiding, not dealing with, imbalance and is, most unfortunately, one encouraged by the particular form, time frame and rigidity of IMF Agreement "trigger clauses".)

Macro Economic Balance and Levels - External

At least in the budgetary context, macro economic external management has tended to focus on balance (current account deficit levels and financing) rather more than on levels (earned import capacity expansion). Clearly levels of government spending - and especially of public sector investment whose import content is not fully financed by external grants or soft loans - do have an impact on imports and ceteris paribus (i.e. holding exports constant) the current account deficit. Similarly to the extent that domestic borrowing sustains higher levels of spending than would otherwise take place and/or substitutes for external finance of the direct and indirect import content of public sector investment it does increase the CAD and reduce the sustainable level of CAD (whether the source is bank borrowing or otherwise).

Beyond that the relationship of government spending and borrowing to the CAD is much less clear cut and simple than is sometimes argued. Government recurrent expenditure is not, in general particularly import intensive. Private amenity consumption and investment is usually substantially more import intensive than health, education and extension services or rural public works.

A related macro-management question is external borrowing. The current 20-40% external debt debt service to exports ratios of most SSA economies greatly exacerbate external balance management. Future external debt management must both seek to reduce them and to finance large enough CADs to allow stabilisation and recovery faster than can be achieved through export expansion/import substitution. Because in SSA virtually all medium and long term (and much short term) external debt is either public sector or government

guaranteed, external debt management is directly linked to budgetary management.

The supply/demand levels side of external macro economic management poses particular challenges to SSA budgetary management. Macro budgetary impact on exports has tended to be negative for at least a decade and a half more than offsetting specific budgetary and other policies intended to raise exports. The reasons relate to overvalued exchange rates and domestic market conditions much more conducive to secure profits than exports at least partly created by macro and micro budgetary and budget linked policies and to lack of adequate counterbalancing export incentives (whether of a cost reduction or revenue enhancement type). Similarly import substitution particularly in food, energy and capital goods (including construction materials and spares) has not been proceeding rapidly (in many cases at all) judging by import to output ratios nationally and sectorally. How much of this relates to macro and how much to micro budgetary policy and practice is unclear, but the record is, in general, so weak as to make the quest for more effective management instruments (which may relate to knowledge and infrastructure or to reallocation of imports as much as or more than to price or subsidy policies) urgent.

This macro management issue is independent of the "expert led growth" debate. At present most SSA economies are constrained both as to capacity expansion and as to capacity utilisation by inadequate import capacity. The need to restore and expand earned import capacity (exports) is clear. Because export prospects are not particularly bright, there is a parallel need to reduce the required ratio of imports to domestic output with food, fuel, construction materials, engineering products, intermediate manufacturing inputs the most common key sectors (especially where consumer goods manufacturing is already fairly firmly established on a broad front).

Sectoral Makeup and Balance

Macro economic management by itself is inadequate. The makeup of budgetary sources and uses is as critical as its overall level.

On the expenditure side the recurrent/fixed capital balance issue has already been cited. Further issues arise in respect to levels (and intra sectoral

balance within them) of education, health, water, research and extension, public administration, security, economic infrastructure operation, debt service, production incentives (including tax concessions treated as analagous to equal subsidy expenditure), consumption transfer payments. Each of these has distinct economic effects of its own on present and future production, capacity to produce and demand. Equally the balance among them (especially for expenditure sectors which contribute to making possible, raising productivity in or lowering costs of production) i.e. better health and access to pure water and education are valuable to agricultural production but without operational transport infrastructure and access to inputs (which may or may not require input subsidies) are likely to be distinctly less than cost efficient in that respect.

Similarly within most sectors severe imbalances exist. Real budgetary cuts have made actual levels of operating inputs too low relative both to fixed capital and to personnel. The attempts to balance by skimping on maintenance and cutting real wages/salaries compound the resulting inefficiencies. Within sectors some managerial means to improve efficiency exist - both new fixed capital formation and some administrative overheads could usefully be pruned to allow partial operating input maintenance and real wage level restoration while continued increases in establishments parallel to inability to use existing personnel fully requires, at the least, critical reexamination. However, part of the shift must be intra-sectoral. Pure administration and security expenditures are both harder to evaluate and to cut than most heads - both now appear in many cases to be too large relative to other sectors. Similarly many (not necessarily all) producer and consumer subsidies look to be less efficient ways of increasing/sustaining production or living standards than other public expenditure heads including, e.g. health and economic infrastructure maintenance. Which shifts are needed is a contextual question, e.g. drought relief food (or food for work infrastructure creation) may be efficient expenditure while urban food subsidies in the context of limited supplies available at those prices relative to urban target groups and radical curtailment of basic rural services may be very inefficient expenditure.

The export/import substitution managerial concern cited at macro level also applies at sectoral - albeit perhaps less than at macro and micro. e.g. energy pricing, taxation, investment and knowledge creation/production promotion (e.g. for firewood and charcoal) are sectoral policy issues linked

to the budget and to efficient import substitution.

On the revenue side differential taxation by sector always requires ongoing examination from a managerial viewpoint. High taxes on exports (agricultural or other) make sense only if there is an economic surplus to be captured with little production disincentive - not now the case for most SSA exports. Low taxes on export earnings may be less effective than preferential foreign exchange allocations, provision of cost reducing training or infrastructure or exchange rate adjustment in stimulating exports. High taxes on fuel (high logically means above full cost of transport infrastructure provided which suggests road motor vehicle fuel and purchase tax and licence rates are as often low as high) do reduce energy import requirements and - in the case of gasoline - fall on an amenity consumer good. But they also fall disproportionately on distinct rural (and urban) areas and are remarkably inflationary because they are passed on (with cost plus markups) throughout the economy. No general judgement can be passed but sectoral rate differences need regular examination in terms of their continued managerial efficiency in respect to production, demand and inflation. (General progressivity questions - including differential rates of indirect taxes - are rather different. However, deviations in protective tariffs - measured in relation to domestic value added, not import cost - do need regular rejustification for the same reasons as major sectoral divergencies.)

Macro Impact

While the budgetary process in general is a rather blunt instrument for achieving micro (single product, enterprise or individual) impact this is not necessarily the case of all aspects to that process either as to intent or as to unintended impact. For example an additional profits tax on net cash flow over 25% of invested capital in mining enterprises may be an efficient instrument to tax a particular enterprise whereas a general sales tax rate of 75% on clothing accessories may have a major unintended (and undesired) impact on a manufacturer of safety gauntlets.

In the case of very large (relative to GDP or exports or tax revenue) units direct budgeting attention is managerially necessary. The same applies to particularly significant products - e.g. staple foods, fuel. The more general

problem, however, is anticipating (and if appropriate forestalling or alleviating) unintended micro consequences of more general expenditure or revenue measures.

Again the issues are likely to be contextual. e.g. if prices for drought resistant crops are raised across the board a general sectoral issue arises if good harvest year commercial sales are negligible, storage costs high and the average time from purchases to droughts in excess of one year - a problem exacerbated if the success in encouraging greater production of these crops is high. If in addition in a specific region which already has a surplus of these crops, in which they 'compete' with a major export and in which the price change is paralleled by a knowledge breakthrough (e..g high yielding cassava cultivar) a specific micro problem is likely. First, export production will decline. Second, food security will not be enhanced appreciably. Third, both the export and the drought resistant crop marketing cost burdens on the budget will rise (higher unit costs because of a volume decrease in the first case and higher loss making throughput in the second). Either more selective application of the drought resistant crop price increases or a parallel increase in the export crops price or both would be among the instruments for micro management available to limit these unintended/undesired consequences.

Distribution and Redistribution

Pulic revenue and expenditure distribute and (barring very unlikely assumptions) redistribute. However, they do so in a variety of ways which have differential impact both on beneficiaries, size of benefits and net impact on production.

Expenditure by itself distributes rather than redistributes. However, because use of public services is rarely precisely equal to taxes/fees paid it normally redistributes when taken together with the revenue raising side of the budget.

In general - but not in respect to any and all measures - redistribution to below average income recipients can be shown to have an arguable economic and a strong social case. Within it three types can be distinguished:

a. primary redistribution which increases recipients' ability to produce (earn income) through enhanced access to (including ownership of) productive assets;
b. secondary redistribution which increases both potential productive power and welfare through provision of "human resource" services, e.g. health, education, pure water;
c. tertiary redistribution which comprises pure consumption transfers.

In each category recipients may be above not below average income, e.g. credit and extension services usually go disproportionately to above average rural income households; higher education ex ante is skewed to children of above average education (and income) households and ex post places its recipient in an upper income category; government housing subsidies are usually concentrated on upper income civil servants. Similarly within each category some uses are relatively cost efficient in increasing beneficiary welfare and some are not. However in general three points can be made:

First, primary and secondary redistribution are likely to be more economically efficient because they can have positive output impact (indeed may be justified on that ground alone). Second, tertiary redistribution to above average income groups is hard to justify. Third, achieving greater equality via public policy in a context of falling real output and income per capita is at best a loss reduction exercise. Especially in SSA the poor need higher real earned incomes and more public services rather more than less inequality. The case for redistribution from a strictly economic perspective is that in poor countries basic primary and secondary redistribution cannot usually be financed without limiting expenditure particularly beneficial to upper income groups (unless it has very high production gains directly or via tax revenue benefitting the poor) and adopting a progressive tax system.

Other distributional/redistributional issues include sectoral (noted above), rural/urban (which overlaps but is not identical to the lower/upper income division), geographic (specific location) and functional (i.e. rent, profit, labour income). The last is probably not a manageable approach in SSA except in respect to taxation of "natural resource rents" (e.g. high profits in diamond mining or petroleum production) where the tax cannot be shifted to domestic users. First the definition of income for functional purposes does

not correspond to workable tax categories (e.g. much of the 'profit' of small enterprises is really labour income of owners, property rentals largely relate to improvements and are thus a return on capital); second rent and profit taxes can often be shifted to purchasers; third progressive income and consumption taxes are in practice (even if not necessarily in theory) more effective at taxing the bulk of profit and rental incomes than special taxes targeted on rent or unincorporated enterprise profits.

One problem in managing distribution/redistribution in the SSA budgetary process is lack of even approximate data on incidence of direct and indirect benefits from expenditure. This is not insuperable - systematic examination and a working contextual knowledge plus a limited number of sample surveys and of census questions could provide a data base - but it has rarely been given priority even in countries seriously pursuing redistributive policies and using the budget for that purpose.

Efficiency of Expenditure and Revenue Raising

Efficiency is not a concept independent of a goal. Efficiency is necessarily in relation to a target or objective. Several different efficiencies are relevant to public spending:

a. cost control - i.e. keeping actual expenditure close to that initially budgeted while getting the specific programme or project carried out. Other things being equal holding down the cost of achieving a defined task is efficient because it saves on the use of scarce real resources;

b. value for money in respect to inputs i.e. ensuring that all expenditure is efficient in the quantity of relevant inputs secured. An example of increasing efficiency in this sense is the substitution of a limited array of generic for a wider range of brand name pharmaceuticals;

c. value for money in terms of specified outputs i.e. organising expenditure to ensure that any given level results in as great a 'production' of the specified (in quality as well as quantity terms) output as possible;

d. value for money in goal achievement i.e. ensuring that the formal output quality, quantity and mix are efficient in achieving the goals they are supposed to serve. e.g. in many SSA economies agricultural research has relatively large financial and personnel allocations and in some formal sense a fairly high output of activities carrried out. However it notably does not provide adequate flows of local condition tested, user economic viability (or even national economic viability) tested and peasant useability tested knowledge nor interact coherently with either agricultural education or agricultural extension. Therefore, in terms of real objectives it is not efficient.

Administrative Functionality

A standard mistake in economic policy and instrument design is failure to consider administrative considerations. This leads to systems which are too complex and require too many discretionary decisions to be administered effectively, promptly or even as intended.

A classic example was an automobile annual registration tax keyed to engine capacity, initial cost and age. It was intended to yield revenue, deter purchase of fuel intensive or expensive cars and reward careful maintenance (leading to long life). Whether an annual registration tax was likely to be large enough to be very effective in providing such incentives was open to question. What was not in question was that determining the licence fee required tedious examination of scarce records and complex calculations which drove the insurance company (required to issue the licence jointly with compulsory third party cover) to the verge of administrative breakdown and caused a major lag in licence/insurance issuance and revenue recovery. The tax was streamlined to a lower number of rates on the same categories as the insurance cover and thus handleable as another column on the same form. While the complex incentive effects (if any) may have been weakened, cost of collection fell sharply, licenses and insurance were brought up to date and both speed of payment and volume of collections increased markedly.

The lesson is that simplicity, clarity and relative ease of handling (whether on revenue or expenditure side) are important. Complex procedures are unlikely to be fully understood or to be carried out promptly or accurately.

A second consideration is formulations which limit the possibility of avoidance or evasion on the revenue side and of unintended or fraudulent claims on the expenditure side. This may mean basic wording more restrictive than intended plus a clear list of exceptions (but one short enough so both officers and payers/claimants do examine and understand it).

These two administrative desiderata may limit flexibility. While this can be 'cured' by discretionary provisions, discretion needs either to be limited in probable number of cases (in which case it can be exercised at a 'high' level with time for serious case by case review) or to be bounded by readily understandable (to both those seeking and those empowered to grant it) guidelines (in which case more decentralised discretion covering longer numbers of cases is practicable). The former procedure is appropriate for, e.g. major tax concession, the latter for, e.g. operating a rule that in up to 25% of cases school fees may be waived for children of low income households.

Similar considerations apply to efficiency tests. If these cannot be understood and operated by administrators they cannot be made truly operational. This is one of the defects of fully articulated and conceptualised programme and performance budgeting as opposed to clear and comprehensible performance targets/tests such as capital and recurrent costs per rural household served by a water scheme or daily hotel keeping (room, board, general administration) costs in residential institutions (e.g. hospitals, schools).

Managerial and Policy Feasibility

Two major problems arise in trying to relate policy goals to policy instruments. One relates to trying to achieve too many goals with one instrument with the result that none is served very well. It is not true that one instrument is inherently useable for only one goal, e.g. universal primary education serves equity (male/female, rural/urban), secondary redistribution and production enhancement goals and a differential sales tax can achieve progressivity up to quite high income levels while yielding substantial revenue and avoiding excessive complexity of rate structure. On the other hand mixing protective and consumption deterrant with progressivity and

revenue goals in indirect taxes is usually relatively ineffective and leads to substantial confusion both as to what is sought and what has been achieved. This suggests inter alia that protective tariff schedules separate (at least for policy and evaluation - not necessarily for collection) from revenue or general foreign exchange saving tariff schedules are desirable from a managerial point of view.

A second pattern arises from supposing either that all goals are mutually independent, complementary or competitive (involving tradeoffs to achieve the most acceptable balance among goals possibly by using different instruments for each goal even though this results in partial cross-cancellation) or in failing to identify what - if any - significant relationships (complementary or competitive) actually do exist.

The end result of this problem is likely to be lack of clarity as to targets, relationship between targets and instruments and even greater lack of clarity as to results or the efficiency (including opportunity cost of limiting attainement of other goals) with which they have been achieved. The result is the operation and continuation of patterns which hardly seem managerially or administratively plausible.

e.g one SSA economy cut mass vaccination/immunisation of children 90% within a (foreign exchange constrained) 50% cut in expenditure on drugs. Given the demonstrable high cost efficiency of the programmes in respect to both morbidity and mortality the disproportionate cut seems unlikely to have been an efficient adaptation to any constraint.

Further substitution of generic for branded drugs and limiting purchases to a limited basic drug list (for which medically analysed prototypes exist) could probably have saved at least ten times as much foreign exchange as the vaccination/immunisation curtailment.

e.g in one case a high indirect tax on sugar was paralleled by a general subsidy to sugar producers. No evident purpose was served by this partial cross cancelling - either higher consumer prices (with the increase going to the grower) or a reduction in the indirect tax rate (to the producers' not the consumers' benefit) would appear to have been an improvement on the status quo.

Operating the budgetary process as an explicit multi goal managerial instrument does not require primarily new or increased numbers of instruments but rather using and evaluating them differently:

a. specifying managerial targets in advance in attainable and measureable form;

b. working out the consequences of policy and instrument combinations before they are put into operation. e.g. one SSA economy recreated district co-ops to perform certain functions previously handled by centralised marketing bodies. To ensure the incentive effect of grower prices it set these net of all co-op or marketing body costs. To allow flexibility and autonomy to co-ops it gave them the power (subject to rather perfunctory scrutiny by a non-managerial, non-economic body) to determine their own budgets (and therefore unit costs). No target expenditure reductions (much less means to enforce them) were set for marketing bodies losing functions. The net effect is fairly certain to be an increase in marketing costs met for domestic market crops by higher prices, losses disguised as working capital borrowing and/or Treasury subsidies and for domestic crops either the disguised losses, the subsidies or both. This despite a two year phasing in of the co-ops to facilitate forward planning suggests remarkable lack of coordination among concerned bodies and a failure to apply any kind of managerial tests;

c. coordination of actions to ensure consistency and efficiency of results - a requirement the cost of whose absence is illustrated by the previous example. (Coordination need not mean that all related actions are taken by the same body; the budgetary process is one which has powers to enforce coordination and consistency without erecting an 'imperial Treasury'.);

d. an ongoing evaluation of actual results and the efficiency with which they have been achieved against initial targets and efficiency estimates with a view to identifying causes of deviations in order to reverse (or minimise) negative ones and capitalise on/expand positive ones.

Achieving these targets - like any other targets - requires skilled personnel

and time both of which are scarce. Therefore it is critical to identify which policies, instruments, targets, revenue and expenditure items are most critical and thus should have priority in deploying managerial resources. It is also necessary to devise approximations and shortcuts which (however incomplete or theoretically over-simplified) do give approximately correct projections, evaluations and alternatives in time to be of use in decision taking and implementation. Precisely wrong data or correct data two months after an erroneous decision was taken on no data are managerially very inferior to timely, roughly correct approximations.

Sensible - even if somewhat simplistic - rules of thumb have a good deal to be said for them as management tools so long as they are not turned into immutable tablets of stone and so long as the more complex considerations for which they are approximations are kept in the institutional memory of those using them. Three examples relevant to the budgetary process are:

1. maintaining at least a balance between recurrent revenue and recurrent expenditure preferably with a surplus toward debt amortisation and/or fixed capital formation;

2. holding the government budget allocation within a bank credit ceiling set in terms of accommodating real output growth and exogenous price increases but not itself generating inflation at the increase required in currency circulation plus a definite proportion (which will be contextually related to the share of public sector in total investment and to how much public enterprise capital finance is channelled through the government budget) of commercial bank domestic credit formation;

3. setting total road user levies (fuel and vehicle taxes, vehicle registration and licenses) at levels broadly covering cash flow costs of road - bridge - ferry operation, maintenance and construction preferably with additional levies on saloon cars and at least premium gasoline to take account of their nature as amenity consumer goods.

Concluding Reflections

Treating the budgetary process as a means to economic management broadly defined requires explicit attention to targets and their coordination, to results and their divergence from targets, to efficiency and to causal relationships. Using the budget and budgetary process as management tools is not in any normal sense ideological. Failure to evaluate results, waste of resources and lack of coordination are no more virtues in the context of a transition to socialism than of a transition to neo-liberalism. What is true is that management serves ends which are political economic and therefore in part ideological. Thus any actual managerial process will be in an ideological content. Trade offs among goals and the efficiency of certain results in respect to goals will be evaluated differently - the need to project and evaluate them is not however significantly changed.

However an economic management approach to the government budgetary process does require fairly significant changes in outlook and organisation:

a. perceiving economic management (and not simply economic analysis) as central to the budgetary process (and not simply the Budget Speech);

b. creating capacity for analysis, coordination, evaluation from a managerial perspective in the central unit (or units) responsible for the budgetary process and ensuring that that capacity is located and perceived in such a way as to have substantial access to and influence on decision takers and implementers;

c. creating managerial cadres in implementing bodies (nothing after all is more diffuse in implementation than the budgetary process even though key initial decisions are - or can be - highly coordinated) so that the central managerial perspective is not encapsulated in a void so far as operationality is concerned (in some cases the hardest requirement - Treasuries and Ministers of Finance are far more likely to be managerially oriented than middle level administrators and specialist professionals in other ministries - or even public enterprises);

d. either uniting the key central agencies - Finance, Economic Affairs, Development Planning - responsible for overall economic management in one

relatively harmonious ministry/agency or creating a genuinely ongoing coordinated evaluation - proposal making - implementation - evaluation process among them. (There is no magic about a single ministry but in practice the Budgetary Process and the Treasury are central and are more likely to relate to managerial and analytical expertise from within their own ministry.)