MODULE 4

Budgeting and negotiating

Overview

The budgetary process underlies most, if not all, aspects of the government of a country. Planners and policy makers in Ministries of Education must therefore be thoroughly conversant with the procedures associated with national budgeting so that they can make a better case in claiming resources from the central government. This module provides an insight into the budgetary process, especially the thinking underlying the formulation of sectoral and national budgets.

Objectives – the participant should be able to:

1. Distinguish between business budgets and budgets of national governments;
2. Trace the evolution of the budget process in the Commonwealth;
3. Identify the different approaches to drawing up a budget;
4. Explain the justifications made about allocations in the national budget;
5. Outline the criteria necessary for investment in education;
6. Calculate unit costs as part of the budgetary process;
7. Improve negotiating skills as part of the budgetary process.

What is a budget?

A budget is a document which outlines in a systematic way the incomes and expenditures of an individual, a firm or a national government, for a given period of time. Usually it is drawn up as a *forecast* of the expected income and proposed spending patterns that are likely to occur during the specified period. To draw up a budget, it is considered almost mandatory that the performance of the previous budget be considered. This certainly helps in drawing up a budget that reflects as accurately as possible up-to-date income and expenditure trends. In effect then, the budget becomes a plan on which to model the financial affairs of an individual, a firm or the national economy in the short term – usually about one year.

Unlike in the case of individuals or even national governments, in business there is a strong direct relationship between income and expenditure. Firms spend money to make money. Hence, expenditure is only undertaken for the purpose of generating income. National governments, on the other hand, are not profit-seeking organisations. Their revenues and expenditures are independent. Governments develop revenue budgets from their estimation of how much income they will collect through taxes, customs and excise duties, loans and other devices. Based on this, they develop expenditure budgets in accordance with the major projects, plans and philosophy of the government in power. 'Balancing' the budget is a similar concern, albeit at different scales, to that of personal and national budgeting.

What is the 'Appropriations Bill?'

The bid by public servants to spend government revenues in various ways has to be approved by legislative bodies. Every year the Finance Ministries of central governments present their revenue and expenditure budgets as an Appropriations Bill to Parliament for scrutiny and debate. The Appropriations Bill establishes fixed dollar amounts for various ministries and projects to achieve the objectives of government for that year. When it is passed, authorisation is obtained to spend taxpayers' money for the public good.

Like those of an individual, government's revenues are on the whole limited and fixed for selected periods. Like a monthly paycheck, taxes or customs duties cannot be increased in the short term to comply with any increasing need by the government for more money. Hence, it is absolutely necessary that assiduous care and attention be given in forecasting revenues realistically, otherwise the 'balance' of the budget may be compromised and deficits may occur.

The 'Budget', then, is the fundamental organising framework for the national government. Once the budget had passed into law, its integrity is guaranteed by various controls and mechanisms. For example, the *power of virement*, i.e. the right to move funds from an item to which it has been assigned to another item, can only be given by an Act of Parliament. Most importantly, the success of a budget (often in hindsight) is a particularly powerful comment on the ability of the government to manage the affairs of the country. Factors such as the stewardship function of government, the 'fixed' nature of revenues and the political implications of both make the national budget the most important single act of government in any year.

Historical development of 'the budget'

Commonwealth countries have inherited a legacy of governance structures which include the cycles and procedures surrounding the formulation of annual budgets. The specific names of the various ministries and governmental bodies may differ but the basic functioning of the system remains remarkably similar, especially in the smaller Commonwealth countries. Box 1 outlines the antecedents of the 'budget' in the United Kingdom. While it illustrates the simplicity with which the budget was conceived, there are certain trends which hint at how important this device was to become in the national economy.

Box 1

The Historical Development of the 'Budget'

Until the time of James II (1685–8), the actual business of government was carried on directly by the King, and the expenses were met partly from his hereditary revenues (for example from Crown lands) and partly from certain taxes (for example customs duties) which Parliament voted to him for life at the beginning of each reign. If expenditure looked like becoming too great to be met from these sources, the King would ask Parliament to vote him an additional 'supply'; having done so, Parliament would then consider the 'ways and means' of raising the money, and would impose such taxes as were necessary for the purpose. It is in accordance with this ancient usage that the House of Commons still sits as 'Committee of Supply' when it debates the government's spending plans, i.e. the 'Supply Estimates', and as 'Committee of Ways and Means' when it discusses tax proposals. Since the King's needs for additional supply arose at irregular intervals, while the ordinary business of government was regarded as his own affair rather than Parliament's, there was no occasion for regular annual budgets; indeed, the word 'Budget' was not used in anything like its modern sense until 1733.[1]

After the Revolution of 1688, and still more after the accession of George I in 1714, the political predominance of Parliament led it to exert closer financial control over the administration. Most of the cost of civil government was still met from the King's life revenues (the 'Civil List', as it was called), but from 1689 onwards the country was involved in a long series of wars with France, which caused military expenditure to rise greatly; this required annual votes of supply and the annual imposition of taxes, so that it soon became customary for ministers to draw up statements of the year's revenue and expenditure for submission to Parliament. Wars were financed by borrowing as well as taxation; the

National Debt, beginning in 1694 at 1.2 million pounds, had grown to 213 million pounds by 1783, and the interest on it became a major item in government's outgoings. To repay the debt meant running a surplus of revenue over expenditure, while to incur a wartime deficit meant obtaining Parliamentary authority for additional borrowing; in either case, a budgetary statement was necessary to explain and justify the government's financial programme. By the time of the younger Pitt (Prime Minister from 1783 to 1801, and again from 1804 to 1806) the Budget had become well established as a part of the routine of Parliament.

Pitt introduced the principle of the 'Consolidated Fund' – that is, of having a single central account into which all receipts are paid and from which all expenditure is met. Before then, several departments had been directly receiving the proceeds of taxes which were 'earmarked' for them, and had made their own arrangements for disbursements – a system which made it difficult to impose any kind of central control, as well as creating many opportunities for the misuse of funds by ministers and officials. With all expenditure being made from the Consolidated Fund, it is relatively easy to ensure that nothing is done which has not been authorised by Parliament; with all revenue going into the Fund, no individual department can finance activities of its own which have not been so authorised; and the state of the government's revenue and expenditure as a whole can easily be calculated by comparing inflows with outflows from the Fund over any given week, month or year.

Other measures of Pitt's foreshadowed the system which emerged from Gladstone's reforms of the 1860s, whereby the year's tax changes are embodied in a single Finance Act, while the programme of government's spending is embodied in a single Appropriation Act bringing all departments' estimates together.

Source: Open University, 1972, pp. 38–39

[1]An anonymous pamphlet in that year compared the Chancellor (Walpole, who was also Prime Minister) to a cheapjack opening his 'budget' (or bag) of tricks. The term caught on, but lost its satirical overtone.

Activity 1

Box 1 shows how the budget began to take on more than just its original bookkeeping function. What aspects of the budget can you see growing in importance over time? What similarities do you discern between the historical development of the 'Budget' and its various mechanisms in the United Kingdom and your own country?

Box 2 below gives a contemporary description of the expanded role budgets now play in national economies. In it we see the importance and care given to the processes by which the budget is drawn up. You may see a strong link between these processes and the 'aspects of the budget' that you detected in Activity 1.

Box 2

A Contemporary View of the National Budget

Governments allocate scarce resources to programmes and services through the budget process. As a result, it is one of the most important activities undertaken by governments. As the focal point for key resource decisions, the budget process is a powerful tool. The quality of decisions resulting from the budget process and the level of their acceptance depends on the characteristics of the budget process that is used.

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. A good budget is far more than the preparation of a legal document that appropriates funds for a series of line items. Good budgeting is a broadly defined process that has political, managerial, planning, communication and financial dimensions.

A good budget process is characterised by several essential features. A good budget process:

- incorporates a long-term perspective
- establishes linkages to broad organisational goals
- focuses budget decisions on results and outcomes
- involves and promotes effective communication with stakeholders
- provides incentives to government, management and employees.

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

Source: National Advisory Council on State and Local Budgeting, 1997

Budgets then, have undergone evolution and metamorphosis, so much so that they are often now used as a means to judge whether a government is competent in handling its affairs. This evaluation rests on the fact that the ways of drawing up budgets (see Box 3) have evolved into very sophisticated procedures that allow for greater control of resources, greater accountability in the disbursement and use of those resources, and a better understanding of the budget as a tool which can be used to effect the plans and programmes of a government for the common good. In essence then, this expanded notion of good budgeting amounts to good government.

Table 4.1. Ministry of Education – Estimate of the Amount Required in the year ending 31 December 1996 for the Salaries and Expenses of the Ministry (*$1,179,627,224)

(Sub-heads under which this vote will be accounted for by the Ministry)

Sub-heads	**1994** *actual*	**1995** *estimates*	**1995** *rev. estimate*	**1996** *estimates*	*Variance*
Personnel	699,566,336	773,095,642	730,365,000	784,320,000	53,955,000
Goods & services	79,005,794	90,202,944	99,970,000	110,149,772	10,179,772
Minor equipment	436,522	680,000	680,000	1,000,000	320,000
Current transfers & subsidies	132,471,139	149,417,671	150,036,800	158,827,172	8,790,372
Current transfers to statutory boards	240,013	336,420	352,620	230,280	122,340
Total recurrent expenditure	911,719,804	1,013,732,677	981,404,420	1,054,527,224	73,122,804
Capital development programme	94,202,957	99,430,000	132,177,000	125,100,000	7,077,000
Total head	1,005,922,761	1,113,162,677	1,113,581,420	1,179,627,224	66,045, 804

Source: Republic of Trinidad & Tobago, 1995, p.132.
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Box 3

Approaches to Budgeting

Line Item Budgeting – This technique has been widely used for many years in assigning amounts to each expenditure category of the budget. In line item budgeting, the emphasis is placed on the specific *objects* for which funds are expended wherein each line item shown in the budget document is assumed to be the proper base for an expenditure. As a result, budgets are planned around each line item separately, and the new budget is based on increases applied to each line's base – usually the expenditure level of the previous budget cycle – see Table 4.1 opposite.

The major benefit of line item budgeting is that the budget is considered to be the sum of its parts, with each part considered separately in terms of some measure of need. Further, it permits some tracking of expenditures over time. Finally, it suggests some consideration of programmatic needs, although the concept is not as sophisticated as other techniques discussed below. Because it has been in place for many years and because it is easily understood, it has survived despite the advent of other more sophisticated budgeting techniques.

Despite historic popularity, there are several drawbacks to line item budgeting that deserve consideration. A major drawback is that this technique depends on the budget document almost exclusively for allocation decisions. . . . Too little information is provided about how allocations are made, the process is too dependent on experience, and little or no record of decision processes is evident.

Obviously, the use of such a method fosters the cloistered appearance of budgets, vests decisions in only a few persons, and does not facilitate the greater degree of accountability required of today's educational planners.

Programme (or Performance Budgeting) – Development of programme budgeting represents movement of the budget process into a more modern phase. Also known as *functional budgeting* or *function-object budgeting,* programme budgeting differs from line item budgeting in that the various funds in a budget are internally organised according to their specific objective or purpose. The budget document no longer serves as the decision document because a more sophisticated method of fund structures is used for internal decision and control processes. Enabling this process is an elaborate system, developed with the advent of electronic accounting systems using various national reporting standards, wherein sub-accounts break expenditures in a budget into incrementally smaller parts related to how the money is used.

Source: Adapted from Thompson, Wood and Honeyman, 1994, pp.309–10

In many Commonwealth countries, the central financing unit uses a system of line item budgeting while the various ministries use programme budgeting. In most cases a hybrid system emerges where there is the traditional line item classification but it is expanded to incorporate a breakdown of activities or projects associated with each line item. However, there is a perceived need on the part of planners in the system to move closer to the demands and thus the benefits of programme budgeting.

The requirements of programme budgeting are:

- a high level of intra-governmental coordination between the administrative agencies responsible for budgeting matters and overall development planning, for example preparation of annual budgets within the context of the longer-range planning framework of the national development plan;
- setting both short-term and long-term goals and objectives;
- formulating specific programmes and related projects in terms of the set goals and objectives;
- setting performance targets in relation to the programmes and projects and linked to the overall goals and objectives;
- internal restructuring of government ministries and departments to implant the required skills and the management structures to carry out the envisaged tasks;
- cost accounting methodologies compared with the cash-based accounting associated with line item budgeting;
- expertise in accurate calculation of unit costs.

Some of the benefits of programme budgeting are:

- greater control and accountability;
- inter-agency co-operation of the planning and budgeting function, as well as co-ordination between the Ministries of Finance and the spending ministries;
- an assessment of tasks and activities accomplished in the budget period;
- an assessment of the cost-effectiveness of the specific tasks that were approved to be performed in the budget period.

Source: Adapted from Commonwealth Secretariat, 1997

Box 4

Programme, Planning and Budgeting Systems (PPBS)

Given the progress represented by programme budgeting, the next logical step was greater refinement through a system that linked programmes, planning and budgeting into a more integrated whole. PPBS is a method for improving how decisions are made about the allocation of scarce resources. For example, suppose instruction in schools needed to be improved. This goal will be tied into every step and level between the chalkface and the national planning system. Along the way alternative methods of improving instruction will be considered in terms of costs and benefits. PPBS is a means of organising information so that the consequences of particular choices can be seen clearly.

This system revolutionises how budgets are conceptualised. It requires that each ministry, and each level within a ministry (and that includes each school) systematically formulate their own developmental plans in broad agreement with national goals. Programmes of spending are then earmarked based on perceived needs and goals. The same desired outcomes are reflected in all the linked plans from the national to the individual school level. A clear relationship is thus evident of what outcomes or objectives were funded and an evaluation made as to the benefits of such expenditure.

The recent thrust towards decentralisation of schools and the need to implement school based management procedures highlights the importance of this approach to budgeting. PPBS contributes powerfully to the concept of accountability, both as a consequence of its focus on outcomes and by its ability to continue and extend the object-function code account system to include analysis of success. For example, at the level of the school a major function code such as 'buildings and classrooms' can be broken down to the outcomes stated by an individual teacher of an expenditure that would be tracked by account code and linked to some assessment criteria such as standardised test scores.

Source: Adapted from Thompson, Wood and Honeyman, 1994, pp.310–11

Activity 2

- *What approaches to budgeting are evident in your country at the national and ministerial levels?*
- *What strategies and mechanisms do you foresee as necessary for the proper implementation of a programme budgeting system at both levels?*

Box 4 goes on to describe a more sophisticated budget design known as Programme, Planning and Budgeting Systems.

This model of budgeting is conceptually quite advanced and requires sophisticated know-how to implement, especially in regard to the accumulation of its database and the use of systematic accounting procedures. Many countries have been stymied in their desire to implement this system by the inherent complexities. The Cook Islands use this type of budgeting, called 'output budgeting', at both the national and ministerial levels. The following is an example of how they organise one output for budgeting purposes.

Box 5

The Curriculum – Performance Indicators

Deliverables	*Measures*	*Qualitative Indicators*
Implementation of the Primary School Science Curriculum by the Secretary of Education	Quality of syllabus to meet standard required by the Secretary of Education	Syllabus endorsed by the Secretary of Education and implementation by 30 June 1998.

From the above we get the picture that this form of budgeting goes far beyond the juggling of funds. Allocations are based on making the programmes in which those funds will be expended explicit, and furthermore, criteria, timelines and measurement and evaluation are applied at various stages before more funds can be accessed.

Activity 3

- *Consider the implications of implementing PPBS in a country with which you are familiar. How will the budgeting process need to be conceptualised in order to fulfil the requirements of PPBS?*
- *PPBS is sometimes described as having a different value system to that of other budgeting systems. One way in which this has been understood is that there are thought to be potential conflicts between programmes and staff for scarce resources. Suggest a relevant example.*
- *PPBS is also understood as forcing a climate of accountability in social and political structures which have been historically non-accountable. How far do you agree with this description?*

The approach to budgeting known as zero-based budgeting (Box 6) has become more relevant to countries struggling with structural adjustment imperatives in an era of financial stringency. The overall philosophy of this budgetary approach has to do with cost-cutting and is economical in its emphasis, rather than discriminatory, where equity and pedagogical issues are concerned. It reflects the tension that is always present in educational financing – to what extent can we maintain considerations of equity, efficiency and quality education in our decisions about financing the system.

Box 6

Zero-Based Budgeting

Zero-based budgeting is an example of how external political realities can press changes on educational organisations during an era of fiscal austerity and retrenchment. Often thought to be a military concept, ZBB was first instituted in the federal government under President Carter as an effort to trim federal spending through implementation of sunset laws designed to zero out unproductive or unjustified government programmes. . . . Broadly appealing psychologically, the basic premise supporting ZBB is that all budget categories must be completely re-justified each fiscal year to cut waste and thus improve organisational and fiscal efficiency. From an operational perspective, all budget categories must be set at zero and those responsible for preparing budgets must carefully justify the amount of money to be placed in each fund. To complete each budget cycle requires rebuilding the need for every staff position, every piece of new equipment, and every supply purchased.

The conceptual benefits of ZBB are obvious. The product of an era of high inflation and discontent with government waste, ZBB represented a better chance of assuaging taxpayer anger by giving the impression of strong government action to reduce both waste and government growth. Additionally, the concept had other legitimate bases, particularly that budget growth should not continue unchecked without serious questions about positive contribution to the educational enterprise.

Despite ZBB's conceptual strength, many problems were experienced in its operationalisation. Like PPBS, the process of zeroing budgets was extremely complicated for a variety of important reasons. ZBB was also often criticised as a cost reduction method that required more resources for effective preparation than could be saved by the process. The same problems of internal strife seen in PPBS were also inherent to zero-based budgeting, as elective and enrichment courses were indiscriminately asked to exhibit the same justification for existence as core areas of instruction. Additionally, the notion of zeroing core courses was inherently impossible creating incredulity. Although most persons would likely describe ZBB as a fundamentally good idea, its problems were so significant that many districts have abandoned the concept in recent years. Vestiges of ZBB still linger, however, as many districts have continued the concept of preparing best case – no growth – worst case scenarios given the present uncertain revenue prospects commonly faced by schools in many states.

Source: Adapted from Thompson, Wood and Honeyman, 1994, pp. 312–13

Activity 4

- *The approaches to budgeting described so far represent different philosophical positions of the relationships between revenues, expenditures and programmes.*
- *Reflect on the budgetary philosophy in your country and suggest what value positions are accorded each of these in drawing up the 'Budget'.*
- *Under what circumstances do you see zero-based budgeting as a valuable exercise?*

What is the national budgetary process?

In most countries of the Commonwealth the responsibility for producing the budget is assigned to the Minister of Finance. The first step is a circular sent out to all ministries giving detailed instructions to permanent secretaries and heads of departments on the procedures to be followed in the preparation and submission of the draft estimates of expenditure for the coming year. Analysis of the present budget is a must as it informs proposals for the next budget. Box 7 below is an excerpt from such a circular.

Box 7

Minister of Finance Circular No.3 dated May 13, 1997

- 1.5 The 1998 Budget will be circumscribed by the following documents:
  - the Medium Term Policy Framework (MTPF) 1997–1999; and
  - the Strategic Plan and Draft 1998 Workplan of each Ministry, Department or Agency.
- 1.6 With respect to the MTPF the following should be noted:
  - The MTPF outlines Government's macroeconomic management programme and its sectoral development policies over the next three years. The MTPF also presents projections of key macro-economic indicators including the GDP growth rate, the fiscal balance, the balance of payments and external financing requirements for the period.
  - Over the last three years, Trinidad and Tobago returned to the path of economic growth, and this trend is expected to continue over the medium term. To realise the desired level of economic development, Government must continue to meet its objectives of growth and efficiency, and at the same time deal with the challenges which emerge in achieving the social objectives of equity and poverty reduction, and the ecological objective of sound natural resource management.
  - These objectives will be met by increasing the level of investment in those sectors, where there is potential for increasing employment. The agriculture, tourism, construction and manufacturing sectors have been targeted to assist Government in its objective of poverty reduction, unemployment relief, and growth of the non-oil sector.
- Permanent Secretaries, Heads of Departments and Senior Managers are to ensure that their organisations' plans inform their budgetary proposals. Indeed, Ministries/Departments are advised to have their planning processes and activities coincide with and linked to the budgetary exercise in order to make a simple but definitive progressive step towards programme budgeting for the more effective allocation of resources.

Source: Republic of Trinidad & Tobago,1998, pp.4–59

Box 7 illustrates the nature of the directives circulated to ministries as a preamble to drawing up the national budget. It is apparent that important decisions have already been made as to the areas in which the government feels funding should occur. One would expect that a preliminary stage occurred before this when each ministry would be given a chance to make a case for funding their own projects. A clear picture emerges here that ministry representatives must have a very good and well-researched case in hand when making a bid for national funds.

Activity 5

The directives of a Ministry of Finance excerpted in Box 7 give us an idea of the key philosophical assumptions about budgeting that is evident in this country at this time.

- *Evaluate the nature of these assumptions as they concern – a specific budgetary approach, a developmental perspective for the country, linkages between broad organisational goals, justification for priority areas, and involvement of all in the process.*
- *One notion of the mission of the budget process states that: '. . . the budget process is to help decision makers make informed choices for the provision of services and capital assets and to promote stakeholder participation in the decision process'. (NACSLB, 1997)*

What is your impression of the nature of stakeholder participation as described in Box7?

Interviews undertaken with participants from Ministries of Education and Finance in Tokelau, Niue, Fiji, Samoa, Tonga, the Solomon Islands, Vanuatu and the Cook Islands resulted in the following criticisms of the budgetary process in their countries:

- little consultation between those proposing budgets and those finalising the budget;
- what the Ministry of Education thought may be important was viewed differently by those with the final say;
- unrealistic expectations by heads of departments always led to significant budget cuts;
- little or no consultation between the Ministry of Education and other ministries;

- too little time left in the budget cycle for proper screening and debate of budget proposals;
- feedback to ministries was lacking;
- little or no input from teachers and principals in the proposals coming from the Ministry of Education.

Source: Adapted from Commonwealth Secretariat, 1997

Activity 6

- *Consider the budget process in your country. To what extent are these criticisms applicable to your context?*
- *To your knowledge, have there been improvements in the budgetary process in any of the countries mentioned?*
- *How can the budget process be improved?*

Once the estimates of expenditure from the various ministries and government departments reach the Ministry of Finance, the task becomes two-fold. Firstly, on the expenditure side final decisions have to be made on the allocation of funds so as to effectively achieve the intentions of the Government and be in close accord with the wishes of the population. Justification for budgetary allocations depends on these questions:

- What purposes will be achieved by this expenditure?
- What will be the benefits and costs of spending the money in this way?
- Should more or less be allocated to a particular service?
- Can the money be spent more efficiently to achieve a given purpose?

Secondly, on the revenue side deliberations have to take into account the desire to distribute the burdens of taxation in a politically acceptable fashion. This task is solely concerned with the short-run economic effects of the budget. The thinking behind the budget is often a source of concern to citizens and officials of the various ministries. In Box 8 below a government official responsible for the final say in drawing up the budget reflects on his government's intentions.

Box 8

New Strategies for Formulating the Budget

This is ideally what a budget is supposed to do. But of course, we never attain the ideal and never are able to satisfy everyone in the community. If we reduce taxation, some people say that this is giving concession to the rich or to the establishment. If we increase taxation, it's supposed to be inhibiting investment and development of the industrial and agricultural sectors, etc. If we come down too heavily on industry, the agriculturalists say that we haven't given enough assistance to agriculture, etc.

I don't believe that anybody who works on a budget or who actually tries to prepare a budget is ever able to satisfy everybody in a community. I am talking now about a national budget, as opposed to a budget of say, a firm. But even in firms, you have problems between departments and division when you come to discuss the capital budget of a company.

Now I would like to spend a little time to explain how we do the budget exercise. We are involved in what is known as 'double budgeting', in a sense that you have a recurrent budget, which takes care of the recurrent expenditure of the Government, including wages, etc., and we have the capital budget which deals with the development programme. Both of these exercises involve a great deal of work – quantitative work – and especially the capital budget, and for which we depend a lot for our inputs on the ministries and the agencies of government. In order to try and get a picture of what these agencies and ministries want to do, how they want to spend the money they hope to get, we send out, very early in the year, a very comprehensive circular, in other words, the circulars contained requests for both the recurrent estimates and the capital budgetary estimates.

What we have also tried to do is not to indulge in arbitrary cutting. Previously, one of the very big problems in the budget exercise and in the implementation of the budget was that in the Ministry of Finance, because of the lack of information, or lack of coordination a lot of the cutting and the pruning in the budget exercise was done in a very arbitrary fashion. What we have tried to do is to ask the people in the ministries and the agencies to rank their projects so that we will have some indication of where they feel their priorities lie among their total project package. This is so because if we have to cut back, in cutting we use their ranking and not just cut arbitrarily and so interfere with ongoing programmes which they feel are more important than other programmes which they have included in their submission. So we have put all this in our circular and we endeavour to get back from the ministries their estimates, so that we could have comprehensive discussions with them in detail on every aspect of their programme, and pull everything together, so that we have a comprehensive picture of the way in which the money will be spent overall and what impact the expenditure will have on the economy as a whole.

Now, I am not here trying to criticise my colleagues in any way, but one of the problems which we face is that many of the ministries do not submit their estimates on time. Very few ministries in fact do this, and this creates a serious problem for the people in the Ministry of Finance. We are forced then to do the Budget Expenditure Exercise without having the kind of detailed discussion that we would like to have with the ministries concerned. Several of them do not give the kind of information we want with regard to the ranking of the project, and again, this pushes us back into a situation where we have to arbitrarily, or using our best guesses or best knowledge, cut their programmes when they require cutting from the way we see it, and not from the way we see it in collaboration with them.

When we get in all the submissions, we then try to put the budget back together and see how much we can give to each Ministry. This is where the question of the relationship between recurrent and capital expenditure also arises, because a lot of the capital expenditure which is contained in the Capital Budget has implications for the Recurrent Budget, and this is where we have to do a very careful exercise in seeing what capital programmes – what a particular capital programme will mean in terms of recurrent expenditure which will be required in the fiscal year in question.

Source: Barsotti, 1992, pp. 176–78

Activity 7

- *These are attempts to introduce transparency into the process of budget allocations. How satisfactory is the explanation given about what programmes are accepted and rejected?*
- *Investigate whether ministries receive feedback about their budget proposals, which have been denied, and what is the nature of this feedback.*
- *Suggest in a concrete way how the capital development programme impacts on the recurrent budget.*
- *In your opinion, what must the Ministry of Education put in place to take advantage of this way of organising the budget process?*

The Ministry of Finance prepares the final version of the budget to be laid in the House. Once parliamentary authorisation is obtained the budget is implemented. In the following year, the performance of the budget comes up for audit. Reports from the Auditor General's office are laid in the House and these are examined by the Public Accounts Committee.

This is the **budget cycle**. In any given year, budgets for three years – the previous year, the budget year and the following year – come under consideration. For the previous year's budget, analysis and auditing are being carried out. For the present year, the budget is being executed and monitored. For the following year, ministries and departments are in the process of preparing draft estimates.

Thus, although in principle the previous year's budget must be consulted in order to draw up this year's budget, it is often the case that this year's budget has to be implemented immediately the previous budgetary year finishes while the previous budget is still undergoing auditing and review. Hence, budgets are being developed only on a preliminary analysis of the previous budget's performance.

What is the response of the Ministry of Education?

The concerns of Ministries of Education in Commonwealth countries should be on increasing their understanding of the national budgetary process so that they could make a more informed bid for state resources. This would focus attention internally on how the ministry goes about developing its plans and programmes, how it approaches the task of producing its draft estimates of expenditure and, how much it appreciates the dilemmas and intentions of central governments in the final allocation of resources.

At the same time, the onus is on the Ministry to educate decision makers in finance about the nature and purpose of education. This can best be done if the Ministry produces well-crafted and expertly budgeted plans that echo the national goals of the country. Negotiating skills thus come into play – first, in how budget documents are prepared, and secondly, in crucial meetings between both ministries where Education's proposals have to be justified and defended.

The development of sound budgets therefore is an essentially political undertaking. The deliberations of the planner in Box 8 seem to be largely a process of weighing up what resources exist against what is requested and then proceeding towards rational distribution. However, Box 9 suggests some political issues that are also important to Ministry of Education officials in formulating their budget proposals.

Activity 8

While reading the excerpt in Box 9 below, consider the issues embedded in the following questions.

- *Since Ministries of Education already have ratified plans for education over a specified period, how can they deal with variations in annual budget allocations that stray far from original estimates?*
- *Since the making of effective budgets seems to lie in the realms of politics and economics, should Education Ministries engage in economic forecasting and political analysis?*
- *Since education already receives a large slice of expenditure allocations, how can Ministry officials produce effective budget proposals requiring even more expenditure?*
- *'. . . the true genius of enlightened educational planning lies in how closely and effectively technical skills and political insights can be brought to bear upon the achievement of a given set of objectives' (Weiler, 1984, p.474). Discuss.*

Box 9

The Politics of Resource Allocation and Utilisation

One of the reasons why education is such an eminently conflictual, and hence political, element in virtually any society is its claim on a major portion of a country's resources and the potential for this claim to be contested by other sectors of state activity. This observation bears directly on the question of why educational plans face problems of implementation. Probably the single most important reason why educational plans that are otherwise well designed encounter problems of implementation is concerned with the availability of the right resources at the right time. Plans are always designed with certain assumptions about the kind and quantity of resources that will be available at given points over the planning period; these assumptions normally take the form of political commitments made at the time the plan was designed and reflect, in turn, political choices about priorities in a country's development policies.

These priorities, as we are aware, have a way of changing over time, sometimes over relatively short periods of time, and these changes tend to alter materially the assumptions about available resources on which a given plan was predicated in the first place. In theory, of course, plans can be changed in order to reflect changed circumstances; in reality, however, plans in education as elsewhere, tend to assume a fairly solid existence of their own once they have been made, and the adjustment to a changing resource situation is often made on an ad hoc basis at the interface between plan and implementation.

Where changes in the resource base for the implementation of educational plans can potentially be of such importance, an understanding of the factors that might lead to these changes becomes a matter of prime importance for those interested in the development of an education system. Such an understanding would include a realistic assessment of the stability and resilience of the country's overall resource base (and an understanding of the economic and political factors that might endanger that stability, such as world price fluctuation or armed conflict); a 'map' of the political weights of competing claims on that resource base, which would involve an assessment of the political strength of different ministries and other public agencies and their leadership; and a reading on the seriousness with which the country's leadership is committed to the aspirations embedded in the educational plan. It lies in the nature of things political that each of these can only be imperfectly ascertained. Nonetheless, the important task seems to be to reduce, by whatever degree seems feasible, the level of uncertainty that surrounds in many cases the resource assumptions of educational plans. My point is that such a task primarily requires a political analysis.

Source: Weiler, 1984, pp.472–73

Officials in the Ministry of Education can negotiate a more receptive audience for their budgetary plans and programmes, if they also consider that part of their task is to educate the decision makers in finance about the nature and purpose of education. Box 10 below illustrates the conflicting demands that economists and education planners have for increasing investment in education.

Box 10

The Privileged Position that Education should have in the National Plan

For the economic planning experts, education has a double aspect: in the short term (the period of a 4- or 5-year plan), the economy must try to provide education with the means it requires to expand, not only because it trains future workers, but because of the other factors we have referred to. Economic expansion will not benefit during this short period from these supplementary efforts made on behalf of education; on the contrary, they will delay the entry of young men and women into the active population, and may even mean a reduction in the amount of productive investment.

In the medium or long term, as a result of earlier educational expansion plans, the active population will derive the benefit of an expanding flow of better-educated and trained young people. This will gradually transform the intellectual and vocational structure of the population. The higher skills of the active population will make it possible for production techniques to be constantly improved and for the steady progress of economic expansion. From this angle, there is no doubt that educational development is an investment. The advantages of this type of investment are not restricted to the sort economists try to calculate but are felt in all spheres, whether social, domestic, cultural or democratic.

This investment should be given a privileged position in national development plans, which not only aim at raising production and the standard of living but concern every aspect of human society. However, the financial priority which must be given to education does not in any way exclude – indeed, because of the large sums expended on education, it requires – the making of every effort to rationalise the use of such funds and to obtain the best possible returns.

Source: Poignant, 1967, p. 47

Activity 9

Outline a presentation that you would make to top officials in the Ministry of Finance about the importance, not only of maintaining the present investment in education, but of significantly increasing that investment.

Box 11

The Human Factor in the Development Matrix

The concept of development underlying the notion of human competence is predicated on the role of people as autonomous participants in the process of social change and improvement, capable (competent) of both understanding the complex dynamics of development processes and of affecting and influencing the direction of these processes. Just as 'development' has many facets, the human capabilities and competencies required to participate actively in these different facets range as widely.

Once we understand development as no longer limited to the realm of economic production and consumption, but as also including such things as the sustenance of cultural traditions and identities, the quality and ease of interpersonal and intergroup communication and action, the inculcation and growth of active and critical citizenship, the possibility for recreation and leisure time, and the achievement and preservation of good health, the range of 'human competence' required to sustain this wide array of development objectives expands correspondingly. For example, it is obvious that poor health and nutrition will have a detrimental effect on a person's ability to participate in the process of economic production. At the same time, however, there is absolute and independent value in sustaining peoples' health and physical well-being regardless of its impact on their productive abilities.

The notion of human competence as a key issue in development, and the complex set of social interventions involved, present a major challenge to the world of policy. At the policy as well as at the conceptual level, some of the simplifications of conventional and overly narrow models of human resource development will have to give way to more complex and comprehensive policy strategies. These strategies will have to be cognisant of both the broader range of competencies that form the objectives of human competence development, and of the richer set of social interventions that can be mobilised to achieve those objectives.

Source: Adapted from Chinapah, Löfstedt and Weiler, 1989, pp. 21–23

One way that education personnel may consider in trying to persuade central authorities to release more funding for educational projects is to advocate an understanding of the educational enterprise as one encompassing all facets of social life (Box 11). In this way the project of education becomes equated with the goals of development which are also the concerns of central government .

Activity 10

Analyse a recent national budget proposal. What paradigms or perspectives are most evident about development – economical, human competence or others?

Even though education can substantially justify its claim for a 'privileged' position on the national budget, it must, like all other sectoral interests, present the most economical case to the central government. This would entail:

(i) the expert calculation of unit costs (Boxes 12 and 13) and

(ii) the careful analysis of training priorities for investment (Box 14)

Box 12

Calculation of Unit Costs

Cost analysis in education is typically calculated in terms of units. The unit cost of a good or service represents the ratio between the cost (of production, sale or purchase) of a given quantity of goods or services and the quantity expressed as a number of units. The valuation of the unit cost of the service of education implicitly presupposes that the production of education can be quantified. We can distinguish two ways of quantifying the production of education: (a) by reference to the number of examination successes or academic performance; and (b) by reference to attendance. Under (a), the simplest units to count are the number of examination successes, or, more generally, the number of pupils reaching a certain standard of education. Under (b), the practice is to consider either production capacity in terms of the number of teachers, classes or places, or attendance itself by reference to the number of pupil-years (or more simply of pupils) or the average daily attendance (ADA). We shall now consider the advantages and disadvantages of these different forms of unit costs.

Cost per graduate. The average cost per graduate (i.e. per successful candidate in the terminal examination at each level of education) is arrived at by taking a notional cohort of pupils or students, assessing the total cost of educating them until they have all quit the education sector and calculating the total number of graduates in the cohort. The average cost per graduate is the ratio of total cost to number of graduates. A much simpler method is – after estimating the average number of graduates over a period of time, and the ratio between this average and actual enrolments, calculate the total cost of education, and, consequently, the average cost per graduate. This kind of unit costing affords some valuable indications of the efficiency of education systems. The comparison of the theoretical costs and the real costs indicates the volume of economic wastage from dropout and repeating. However, assigning the whole financial burden to graduates alone has the effect of substantially increasing the cost per graduate, since it disregards the other pupils who quit the education system after attaining a certain level.

Cost by level of education attained. For this reason, not only graduates but pupils who quit the system after completing one, two, three, etc., years of study, should be included. This is a more precise costing procedure as those who quit the system before graduating have nevertheless acquired some education and knowledge, which is appreciated, in particular, by their prospective employers. It is therefore only fitting that they should be taken into account in costing.

Unit cost per pupil. This is the formula most currently used. It is the ratio between recurrent money costs and enrolments; recurrent costs only and not capital costs are taken, since the ratio between capital expenditure in any given year and the number of enrolments in that year would have little significance.

Cost per average daily attendance. In some countries, and to allow for the fact that the number of enrolments does not always match the actual attendance, another formula has been adopted, namely that of dividing recurrent costs by a magnitude representing the number of pupils attending each day, i.e. the 'average daily attendance'. Thus, Canada and the United States of America, for example, publish for primary and secondary education costs by average daily attendance.

Capital cost per class. For capital expenditure, it is significant to use the formula of cost per place by relating the cost of construction and initial equipment to the number of places provided. This cost is very useful in making projections. The techniques habitually used in the choice of investments can easily be applied to school building by comparing the annual cost per place of different projects, the costs being estimated in the light of the economic life of the different projects and the appropriate cash flow discount rate.

The Educational Price Index – Unit cost projections are made at a general level of constant prices. Each of the goods and services which enters into the production of education has its individual price trend, with the result that the average price index of the service of education varies even at the general level of constant prices; unit costs must therefore be adjusted in the light of this trend. The indexes which reflect these variations are usually called 'relative price indexes'.

Source: Adapted from Hallak, 1969, pp. 41–43 and 52

Activity 11

- *How can unit costs be used by decision makers to assess the internal and external performance of education?*
- *As far as you know, what information is available to Ministry of Education officials to help them in the calculation of unit costs?*
- *Investigate how educational price indices are constructed for a selected country.*
- *Interview a policy maker or planner in the Ministry of Education in a country with which you are familiar. To what extent is there an emphasis on the calculation of unit costs to support decisions about educational programmes?*

Box 13

Unit Costs and Curriculum Decision Making

The unit costs of academic education and vocational education at the secondary level have been the subject of many economic analyses, often fueled by the long-standing debate over the relative merits of two types of curriculum to meet the employment and manpower needs of a developing economy. In general, unit costs of vocational education are found to be higher than those of academic or general education. But because there are different types of vocational training and different institutional arrangements for vocational education (such as vocational schools, company-affiliated vocational schools, schools with a diversified curriculum) in different countries, the difference in cost between the two types of curriculum varies widely. Obviously, cost comparison alone is incomplete for informing the debate over the choice of curriculum in secondary education; the benefits and effects of different curricula have to be taken into account, too.

Cost disparities by curriculum also exist in higher education. Data for a sample of developing countries show that university subjects like agriculture, sciences, and engineering are on the average more than twice as costly as general subjects. And in terms of the magnitude of recurrent cost per pupil, the descending order for the subjects was as follows: agriculture, sciences, engineering, arts, humanities and social sciences. Subjects near the top of the list have higher recurrent expenditures because of lower student-teacher ratios and higher capital expenditures.

For education systems in developing countries, expenditure per pupil exhibits the following patterns: (a) it rises with the level of education; (b) it is dominated by personnel costs, although the proportion for personnel costs decreases with the level of education; (c) it is higher for boarding schools than for day schools at the secondary level; (d) it is generally higher for vocational education than for academic education at the secondary level; (e) it is higher for engineering and science subjects than for arts and humanities at the tertiary level; and (f) it has a built-in tendency to rise over time.

Source: Adapted from Tsang, 1988, pp. 204–205

Activity 12

- *Why are the unit costs of secondary education higher than that of primary education?*
- *Present a case to the Budget Planning Unit in the Ministry of Education for certain modes of technical-vocational education to be retained based on unit costs and cost-benefit considerations.*
- *Why is there a tendency for unit costs to rise over time?*
- *Contrast the unit costs involved in distance education and traditional academic programmes.*

While unit cost analysis is important in putting together the budget proposals for education, costs alone cannot dictate the eventual decisions. As Box 14 below shows, the training priorities for investment in education have to be assessed on many different criteria.

Box 14

Assessing Training Priorities in Developing Countries

Cost considerations. Even if graduates of a particular training course have a much higher productivity than graduates of other courses, this does not necessarily mean that priority should be given to this type of training. The unit cost structure of producing graduates of different kinds has to be brought into the analysis in order to compare the social costs and benefits of providing schooling of various types and thus arrive at a training strategy for the future.

Investment priority signals versus point forecasts. An alternative to a specific point forecast would be to offer a desired direction of change: for example that in view of the present conditions the output of skilled workers should be expanded without specifying the exact magnitude of the expansion. In other words, given our inability in practice to anticipate future technological changes and their manpower implications, it might be preferable to adopt a plan aiming at gradual expansion of enrolments in schools and courses that exhibit the highest benefit-cost ratios.

Consideration of alternative loci of training. Apprenticeships and on-the-job training have long been used to supplement the efforts of institutions of formal education. One type of training may serve to reinforce the other: it is easier for graduates of the formal school system with a solid grounding in theory to specialise in different trades later on. The two may also be alternatives: many skills can be acquired either in a specialised institute or on the job. Where this is the case the relative cost of skill formation in the two loci will be crucial in deciding where training should take place.

Supplementary signals from private demand. The social cost-benefit signals regarding the desirability of expanding particular types of training can be supplemented by private sector indicators as to where investment in training should take place. When there are long lists of applicants for certain courses and those admitted are only a small fraction of those who are prepared to enroll and pay the fees, there is the presumption that the supply should be expanded.

Considerations of educational quality. Once educational costs are brought into the analysis, issues of internal efficiency and educational quality become more apparent. For example, could a graduate of training course X be produced at lower cost? What internal managerial, pedagogical and organisational changes might lead to lower unit costs? Would a lower unit cost mean a decline in educational quality? Conversely, one may even consider an increase in unit costs for the sake of improving the quality of the graduates.

Source: Adapted from Psacharopoulos, 1984, pp. 575–78

How can the Ministry of Education engage in effective negotiation?

Negotiations can be defined as a process that involves two or more parties who are seeking to resolve their conflicting or diverging points of view into a single decision that is mutually satisfying to all parties involved. In a negotiating process there are issues to be addressed and conflicts or divergent views to be resolved. Two or more parties are involved. Each party marshals its case, plans arguments and counter-arguments and assess the power position of its counterpart.

The preparation for and actual negotiating process requires an understanding of the context in which the negotiations are taking place and of the issue to be resolved. In addition, in order to negotiate effectively, it is important to know the interests and objectives of all those involved in the negotiations; to have adequate supporting information and documentation;

and for each party to agree on the negotiating strategy to be employed. The persons negotiating should also be competent in communications skills, be flexible and be able to contribute to establishing a cordial environment for productive deliberations.

Education officials are required to negotiate locally with the Ministry of Finance and sometimes directly with the International Financial Institutions (IFIs). Negotiations involving officials from the Ministries of Education and Finance are, in general, relatively circumscribed. In many cases no negotiations take place at the final allocation of resources to the various sector ministries. Even without this limited negotiating room, education officials can influence decisions on allocations by entering into dialogue with their counterpart finance officials in order to understand different perspectives and to agree on procedures and requirements for a budget that costs elements for the education sector as seen within the wider national development programme.

Some guidelines that education officials can follow for conducting negotiations are listed below:

- It is important to be able to communicate effectively the value of education and human development in the broader socio-economic development of the country and in relation to policy planning;
- Relevant statistical data and supporting documents contribute to strengthening a position taken in the negotiating process;
- It is necessary to stress by providing examples, if necessary, of the efficiency and effectiveness of the Ministry's performance in implementing projects and programmes;
- The presentation should specify priorities and each should be costed in detail;
- The proposed expenditure should be realistic and in keeping with the managerial and technical capacities of the ministry or institution to implement planned activities effectively;
- Extra-budgetary resources already secured or being negotiated should be stated. In negotiating with IFIs, the Ministry or Education sometimes perceives itself to be the less strong partner. This is so for several reasons:
  - IFIs are holding the purse strings;
  - IFIs are usually well-prepared with a large database at their disposal;

- the negotiations are invariably taking place within a larger context of economic policymaking and a range of conditionalities.

However, it is important for Ministries of Education to note that IFIs are very aware of the harsh effects that adjustment policies and measures have had on the social sector. Also, there is a widespread global consciousness of the pivotal role of the social sector in human development. These considerations should give education officials room to negotiate from a position of strength with the IFIs.

Education officials also need to understand the culture and operating procedures of the particular institutions. They should be familiar with all the elements of the project or programmes for which resources are required. They should base their arguments on well prepared project documents that are supported by reliable research findings, objective analyses, and qualitative and quantitative data.

Source: Adapted from Commonwealth Secretariat, 1997

Activity 13

- ***Work in two groups: education personnel presenting budget proposals to finance officials. Each group will marshal relevant arguments based on the proposals. In the negotiating process each group should demonstrate a sensitive awareness of the priorities of the other group.***

Summary

The budgetary process is best understood when it is seen both as part of an ongoing national developmental planning exercise and as an annual fiscal measure. The final product, the budget document, assumes less importance in this conceptualisation. If the process is perceived to be the more important aspect, then there is considerable potential for the Ministry of Education to make a more informed bid for national resources. No longer will it acquiesce in arguments such as: 'there is only one national pie and you have to be content with your slice'. It could be in a position to show how national resources could be more equitably distributed, possibly with an expanded conception of education and its role in national development, and even make a case for a different structure of allocations in education.

More emphasis, then, should be placed by the Ministry of Education at all levels on how it formulates and costs its plans. If its targets can be aligned with national goals and its costings are rigourous and accurate, then it will be in a stronger position to bargain for scarce resources. It will also need to prepare thoroughly to ensure it has the skills and quick thinking necessary at negotiating sessions.

These emphases will in turn depend on a spirit of decision-making that takes into account the contribution of persons at all levels of the education system. It is a glaring paradox that schools represent the major project in education, yet principals, teachers and parents are excluded from the budget planning process. Planning is the essential preserve of those who believe they know what is going on in schools. To make more informed budget proposals, Ministry of Education officials need to show that they have incorporated the prioritised needs of all the stakeholders in education.

The spirit of communication and participation that has been shown to be necessary for the budget planning exercise is also in principle necessary for an effectively run Ministry of Education. The conceptualisation of the budget process in a more comprehensive mode than hitherto augurs well for the Ministry of Education to become more knowledgeable about the needs and strengths of its own sector.

Wrap-up: discussion and extended reflection

Financial management: a constituent of the management process

- One of the many misconceptions in the management of finance is that it is merely about money, income and expenditure, or budgeting and costing. It is, however, one of the important phases of the management process that helps to relate needs to resources and the implementation process and assists in the achievement of the desired goals. The emphasis here is on *education-driven* rather than on *resource-driven* educational plans, programmes and projects. Most educational innovations in this part of the world are, however, resource-driven.

Financial management: a staff development strategy

- As already indicated, the process of financial management facilitates organisational planning, co-ordination, control and evaluation. The process thus enables ongoing staff development and this encourages participation of all those involved in organisational activities such as vision-building, evolutionary planning, context-based staff development, initiative-taking, monitoring, supervision, restructuring and reculturing. In other words, everyone in the organisation participates in financial decisions and takes the responsibility of implementing them successfully.

- The effectiveness of any initiative in so far as devolution of financial management is concerned, will not be realised unless it enables involvement of all concerned in the decision-making process. Such an initiative even at territory level does not enable human resource development at various department levels. The management of finance here has moved from one central authority to a similar position at a lower level in the administrative hierarchy. Devolution initiatives should ensure that everyone in the system learns to use funds sensibly and in a more cost-effective manner.

Budgeting

- In order to manage finance effectively, it is important to have some understanding of the budgeting and costing processes. Budgets are the means through which expenditure is related to needs. It also, therefore, facilitates organisational planning, co-ordination, control and evaluation. Budget, the formal set of figures written on a piece of paper, is the consequence of these activities and becomes a guide to the management of future activities.
- The budgeting process has four phases: budgetary review, forecasting, implementation and evaluation. While it is appropriate to annualise the budget, the process itself is ongoing.
- The main problems in budgeting include turbulent economic climates, often insufficient research-based data, micro- and macro-politics, escalating costs, inflation and devaluation costs, and overambitious projects.

Costing

- As seen above, budgeting is concerned with drawing up an overall financial plan as a part of the institutional management process. Costing is concerned with determining the specific costs of an educational activity. The focus here is on providing data about the viability of competing activities.
- An educational administrator has to be realistic in developing and implementing a plan, programme or project. He/she has to take into account what resources are available to implement the plan, programme or project in a given period of time. The costing of education is not as easy as costing an annual budget. The annual budget does not give all the information on costs of education.

- Educational costs can be affected by: changes in price level of goods and services, inflation, demographic changes, raising of school leaving age, teachers' salaries, rise in education standards, new policy decisions and demand for higher education.

The management of educational finance is a 'hidden curriculum' and not many people at the school or system levels are involved in it. This discussion emphasises that financial management is a component of the total educational management process. In an interactive fashion it contributes to the achievement of desired goals. It operates best when it takes a partnership and collaborative route and when it is transparent to the stakeholders. If this happens the process of financial management becomes a learning platform.

Source: Adapted from Sharma, 1997)

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