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**THE PLANNING-PROGRAMMING-BUDGETING SYSTEM  
(PPBS) - A REVOLUTIONARY DECISION-MAKING AND  
MANAGEMENT TOOL**

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**Abstract:** In this short paper, we try to analyze and outline the importance and implications of PPBS, its nature and role and its potential impact on governmental agencies and institutions.

Nowadays, more than ever before, organizations and institutions – generally, and governmental agencies and institutions – especially, are being confronted with the concept of PPBS (planning-programming-budgeting system). In a very complex world, in the context of evolution of the society, we need a process for identifying, costing and assigning a complexity of resources for establishing priorities and strategies in a major program and for forecasting costs, expenditure and achievements within the immediate financial year or over a longer period.

*Key words: planning, programming, budgeting, resources, cost, decision, strategy, priorities.*

### **1. Introduction**

The Planning, Programming, Budgeting System (PPBS) is an in-depth budget format in which strategies are planned in multi-year increments, programs are regularly analyzed to ensure optimal strategies are in place, and budgets are developed to provide resources according to those strategies. PPBS was mandated for all federal programs by President Johnson in the 1960s and later rescinded in the 1970s, however the U.S. Department of Defense (DoD) has continued to use it for over 30 years.

The planning-programming-budgeting system (PPBS) should be regarded by Extension personnel at all levels as a new and exciting tool to be used in the development, management, and evaluation of Extension programs.

The special attraction of PPBS for Extension personnel should be in the development and evaluation of new alternatives or new courses of action for achieving specific Extension goals. Many Extension programs have not been subjected to the thorough review provided by systems analysis. Every Extension administrator wants to do more than his resources will allow. PPBS will help that administrator make choices between competing programs.

Those who master the concepts, learn the techniques, and begin the process of implementation will benefit both in terms of the quality of their own programs and in the amount of scarce resources allocated to them. PPBS is best thought of by the Extension administrator as a package of techniques for assisting in the allocation of resources, management of programs, and evaluation of total Extension effort.

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Basic to PPBS is the development of very specific objectives for the organization and the structuring of programs to meet these objectives. This is accompanied by the development of analytical studies to identify alternative means of reaching objectives, their versus their benefits, and the development of a management information system that will assist program administrators in determining how well they are doing what they set out to do. The programs, and the analyses developed, those responsible for resource allocation among competing programs (in both administrative and legislative roles) will have their decision pre sharpened and the total resources available to the organization be more effectively used.

## **2. PPBS – general overview**

The main purpose of PPBS was to develop explicit criteria, open to thorough debate by all interested parties, that the Secretary of Defense, the President and Congress could use to measure the requirement for and sufficiency of defense programs.<sup>23</sup> Central to this purpose was to link, integrate, and provide a bridge between planning and budgeting, so that planning would be fiscally informed and annual budgets would follow instead of leading plans.<sup>24</sup> The PPBS developed by Hitch and others on Secretary McNamara's staff facilitated fulfilling the purpose by identifying the system's fundamental principles. [1]

The PPBS is a cyclic process containing three distinct but interrelated phases: *planning*, *programming*, and *budgeting*. In addition to establishing the framework and process for decision-making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The decisions shall be based on and consistent with a set of objectives, policies, priorities, and strategies. The ultimate objective of the PPBS is to provide the managers the best mix of human resources, equipment, and support attainable within fiscal constraints. Throughout the PPBS, the manager can provide centralized policy direction while placing program execution authority and responsibilities with the organization components.

The purpose of the PPBS is to produce a plan, a program, and, finally, a budget for the organizations.

In the **planning** phase, the role and posture of organization in the world environment shall be examined, considering enduring the need for efficient management of resources. The focus shall be on the following major objectives: defining the strategy necessary to help organization maintain and grow in the future; planning actions necessary to accomplish that strategy and ensuring the necessary framework (including priorities) to manage organization resources effectively for successful activities accomplishment consistent with resource limitations. This review shall culminate in the issuance of the organization guidance.

In the **programming** phase, the organization shall develop proposed programs consistent with its guidance. These programs shall reflect systematic analysis of activities and objectives to be achieved, alternative methods of accomplishing them, and the effective allocation of the resources. In this phase are analyzed the programs to provide a risk assessment based on the capability of the organization and support program to execute the strategy approved during the planning phase. A program review is conducted.

In the **budgeting** phase, the components of organization will develop detailed budget estimates for the budget years of the programs approved during the programming phase.

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There are several elements that identify the organization's budget as the product of a PPBS. In PPBS, budgets are developed on a multi-year basis and framed in terms of programs, rather than line items. The budget briefing outlines service requirements based on the programs and strategies, and accounts for them in the long-term. Necessary strategic and budgetary changes are projected into a file, much further than other standard budget formats. PPBS also calls for analyzing alternatives and cost effective methods to achieve objectives; the budget briefing demonstrates this in discussing what should be terminated or modified in the Year Program of Public Acquisitions (*what, how much and how we buy*). The PPBS can also be characterized by its framing and extensive justification of the budget in terms of objectives and strategy. [2]

The fact that governmental organizations has elected to use this budget method demonstrates its perceived adequacy. Chief among the benefits of the PPBS is that it allows for the use of policy and analysis as a guide for budgeting. Unlike incremental budgets, PPBS is a system of planned progress, when policy from higher up on the hierarchy provides the basis for budget estimates in the lower levels. The emphasis is placed on accommodating changing needs based on shifts in policy instead of continually funding programs because they simply exist. This is also allows the organization to categorize funding under objectives that may involve several agencies, strengthening resources for those objectives, instead of funding by agency and possibly fragmenting resources.

Also among its strengths, the multi-year forecasting of PPBS transforms the annual routine of preparing a budget into a conscious appraisal and formulation of future goals and policies. Taking a long-term view allows for deeper economic analysis which is beneficial not only in that it is more objective, but it also informs the policy behind the budget. The PPBS continues to be successfully used by governmental organizations because it bands together agencies performing similar and interrelated tasks, it integrates policy and objectives with the budget process, and provides a format for the organizations to forecast long-term goals through the budget.

But, despite these strengths, PPBS has some limitations. The usage of PPBS is not without shortcomings. The primary drawback is that PPBS is not a widely used system, thus organizations are forced to translate their budgets into standard formats. In addition, PPBS can be very time consuming because it is not iterative, thus each year requires new reflection on objectives and policy priorities. Using a PPBS requires technology with the capacity to handle very large, complex data. In recent years, this has become less of an issue, but in the early days of adoption it presented a major challenge. Finally, framing budgets in terms of objectives results in little tactical instruction on the daily implementation of those budgets. [3]

One of the best attributes of using PPBS is the transparency of priorities. Authorities can request the organizations explicitly their priorities and can see this.

### **3. Cost-Benefit Analysis and Systems Analysis**

Through the adoption of PPBS, some of the tools of the economist are being applied to the decisions made in the public sector. The economist is concerned with the allocation of resources to competing demands. As part of the program examination it might be well then for administrators to examine the alternatives to meeting the needs of the people.

In some cases an activity must be carried out under conditions of political necessity. The role of the analysis then will be to find the set of programs which reach the target while minimizing the use of resources. In other cases the program to be chosen might

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involve a trade off between targets or specific target groups. Basic Extension activities (e.g., off campus courses for credit) would be an example of a minimizing situation. In **cost-benefit analysis** or **cost-effectiveness studies**, there is a thicket of problems to be considered, including secondary benefits, the length of project life, and the choice of the proper discount rate.

The benefits to the individual and to society are measured in increased incomes to participants in the courses. This can be estimated by data from local sources or imputed by using national data. Obviously it is not proper to credit all increased income to additional activities, but this might suggest the types of activities will have a high payoff to the individual.

The length of the project life will probably not be a great consideration in Extension work, but it might be a consideration in comparing a new system of teaching (as a TV tape) with the teach role. The life of the equipment will be one of the crucial estimates to be made. Another consideration will be the selection of a discount rate for discounting the stream of benefits; usually a low rate favors long lived capital with future benefits; a very high rate would favor systems with an immediate payoff and low capital use.

An important part of PPBS is **systems analysis**. It is a methodology, a way of looking at problems of choice under conditions of uncertainty. As a methodology, it demands as its first step a very clear statement of organizational goals or objectives. These objectives must be stated clearly and operationally—in terms of the things done to meet objectives.

The notion of a system and its analysis implies that if the objectives, the means, and functional responsibilities are specified, tasks can be performed more efficiently. The system components be arranged so that compatibility and purposeful performance be achieved by organization and adjustment of system components.

The concept of a system and the analysis of the components their relationship to the total system is a skill that all Extension staffs must begin to develop. A county director looking for a topic for his next administrative conference would do well to forget about rehashing the intricacies of the expense account forms and spend a day in a systems analysis workshop.

Systems analysis demands a multi-discipline approach to the problem. A systems analysis team ought to include economists, sociologists, political scientists, as well as the program experts of Extension. In many ways, the county staff of Extension is a systems analysis team, if its members can just be taught to look at their problems in an analytic, systems-oriented way.

Using the operationally defined statement of objectives, systems analysis then proceeds to examine the alternative ways of achieving these objectives, the costs of the various alternatives and the benefits obtained as applied to costs.

Given the necessity for quantifying objectives for educational programs, the most immediate payoff for systems analysis in Extension today may well be in the area of identifying new alternatives. The challenge of PPBS and systems analysis for Extension is in the imaginative application of the techniques of systems analysis, a consideration of the interaction of all the sub-systems, the extension of the boundaries of the system, and the identification of new alternatives.

A fundamental requirement of systems analysis is that it be open and explicit. This means that assumptions, calculations, data, and judgments are laid bare for both proponents and opponents of policy to examine. Obvious errors, inconsistencies in analysis, and faulty data are easily identified by friend and foe alike.

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Systems analysis should be oriented to outputs rather than to the inputs of Extension programs. Expenditures must be tied to specific goals. The analysis should not be oriented only to inputs such as conferences, short courses, workshops, bulletins, staff time, and media. These are not goals in themselves, but only instruments to achieving goals. Extension agencies will be forced to shift attention away from traditional and often beloved instruments. They must focus on explanations of their objectives rather than their means. If the analysis indicates the beloved instrument is of little utility in meeting the defined objective, then the analysis will have been I worth the effort.

Extension, as well as the total university, must begin to evaluate the benefits of the various techniques used in its programs. Some form of media or format evaluation will have to be a part of an Extension PPBS effort, and in fact should be done without PPBS. The introduction of much of the new educational equipment into the Extension effort comes at a time when it can be evaluated by a PPB System. It may be that the cost of an additional agent could better be allocated to the development of an effective programmed learning text, a loop film, or an imaginative TV tape.

### **4. Conclusion**

In conclusion, PPBS is an important decision-making and management tool, of real use to activities. More and more, organizations will be asked to illustrate its usefulness to the society it serves. PPBS will I assist in showing what is useful, what is wasteful, and will assist in the management of the change that is taking place in the mix of programs.

Although modified frequently, PPBS evolved into PPBE and exists today because PPBS was never meant to be a closed, rigid or perfected management system. Components thus often view PPBE as taxing, overly complex and unresponsive to some of their concerns.

Despite some limitations inherent in the PPBS approach it has remained steadfast and still represents the best budgetary option for the governmental organizations. At this time no other budgetary system has the same capacity for long-term planning, integration of multiple agencies with similar goals, or direct link between objectives and budgetary prioritization and policy implementation. The size, complexity, and importance of the operations of the modern organizations demands a budget system that addresses all those elements and allows for regular reexamination of objectives, PPBS is the most suitable system for them.

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