

Border Guard Colonel László Tóth

Official external examiner's report and author's presentation
on the PhD thesis titled

**Analysis and rationalization of the budget estimates of the Border Guards,
development of new management possibilities**

Consultant:

Professor

Ret. Colonel Dr. Pál Gazda

Budapest

- 2004 -

Our country's accession to the European Union calls forth the new approach to public administration and public services. At present, cost-effectiveness and rationality make up ever growing requirements of public administration mechanisms and public service tasks.

The statement stands for the sector of law enforcement as well, especially for the planning of policing organizations' budgets. The rapidly changing environment and the more limited amount of resources all presented new situations for political leaders and the leadership of the Border Guards.

It would be therefore practical to transform the structure of policing organizations to suit new challenges, and to make an effective planning of tasks to match the rapid changing of environment. On the other part, it is very important that in the new environment law enforcement organizations should be able to finance tasks by the practical implementation of modern theories and creation of models from economics, management sciences, etc., and by adopting and accepting methods used in private economy.

The Border Guards reached a new stage of its development and transformation. It must design a new complex task system, a suitable structure, rules of work procedures, and the appropriate schedule of transformation for the period of full membership in the Union.

There can be no doubt about the necessity of proper financial, material, and technical funding of professional tasks. Consequently, the European Union promotes our country's intentions of accession. In the frame of the different international grants (PHARE, CCOP, etc.) the Border Guards received more than 5 billion Forints worth of technical equipment in the last few years. On the contrary, financial aid is not enough by itself for the fulfillment of European Union requirements, thus there is great need for national financial resources.

The present topic is a socially-politically actual issue, since after 1989 in Hungary there has been no true reform in the budget. The end of the process is definitely not clear. There is no task-based financing. Financial possibilities are strictly limited.

The topic is closely related to my person, since I am personally responsible for the financial management of the Border Guards. Due to the actuality of the topic and in line with the

requirements of scientific research work, I deemed it reasonable to analyze, process, systematize the financial management system of the Border Guards.

The goals of my research:

1. Describing the reasons of the disadvantageous financial position of the Border Guards.
2. Analyzing, systematizing, and searching for the rationalization of the budget estimates.
3. Demonstration of the reasons and need for making restrictive measures, and the positive effect of these measures.
4. Working out possible enterprising activity alternatives that can be undertaken by the Border Guards.

Taking all this into consideration I examined the history of the role of public sector, the budgetary systems, and the macroeconomic role of public goods.

I made analysis of the basic activities of one of the segments of the state budget: the Border Guards as a central budgetary organ. I also examined the tasks that are financed through central budget and the structure that furthers the realization of the goals.

In the course of my research work I looked for the solution of the problems of financing, and tried to present the possibilities that highlight the rational allocation of financial resources.

I examined further possibilities of restrictions. I outlined the responsibilities of leaders and the necessity of making restriction plans.

When processing questions I tried to use partial conclusions to help finalize the ending conclusions and give proposals and recommendations for the development of management system of the Border Guards. I analyzed enterprising activities – as an alternative possibility of increasing incomes – by presenting its drawbacks and barriers.

I gave directions for implementing the effective and successful resource-allocation of the Border Guards, for improving cost-effectiveness, and as a conclusion of my research, for the working model never used before by the Ministry of Interior.

I used **as research methods** the evaluation and analysis of the documents available, materials related to the subject, budget reports, specialized literature, and databases of information. I carried out research visits abroad, and at operative and central organs (headquarters) of the Border Guards. I explored and presented how the Border Guards' financial management system adopted itself to the country's changes of economy and social-political situation. I carried out problem-exploring discussions and interviews with workers dealing with financial management at different levels of executive and operative authorities and armed forces, as well as professionals of scientific workshops making research in the topic.

Taking all this into consideration, **in the first chapter** I presented the role and place of the Border Guards in the state budget, and made a draft about the **financial management of the Border Guards as part of the state budget**. I drew up **changes** in the structure and task system of the Border Guards after 1989, and examined the **reasons of the disadvantageous financial positions** of budgetary organs, and the Border Guards with more details.

In the second chapter, I determined **possible directions of rationalization** in the financial management of the Border Guards. I surveyed the newest result of modern economics and public administration sciences using international literature. I detailed **cost-lowering** possibilities presently implemented by the Border Guards, methods of **increasing incomes**; I made rational proposals for the uses of incomes. I put a special emphasis on detailing **restriction requirements**, and restriction plans.

The third chapter introduces the testing of **new possible solutions** of the financial management of the Border Guards through problems of financing and outlining legislative circumstances. I detailed **possible forms of enterprising** at the Border Guards, individually scrutinizing the headquarters and directorates. **I created recommendations** concerning the future requirements of undertaking enterprises, and the effective implementation of them at the Border Guards.

I summarized the scientific results on the topic in several published and scientific works during the research period, and tried to make a good use of the experiences of my research in my professional duties by developing the legislative background, and the institutional and operational system of the Border Guards.

Summarized conclusion, recommendations

The conclusions drawn from the analysis and rationalization of the budget estimates of the Border Guards and the research and development of new management possibilities can be summarized as follows.

It is proved that the state has special significance in ensuring public goods. The level of distribution of public goods is therefore determined by policy and budgetary system of the state. The renewal of the budgetary system depends on the all-time 'redistribution' determined in the laws about the budget, more specifically it depends on the changes in the inner ratio of expenditures.

The structure changes of the Border Guards matched the social-political changes elastically. After 1989, the leadership of the Border Guards always recognized the actual need of change in time. By following changes on a requirement-level, the organization made itself able to stand up to new requirements. According to these new requirements, in the sector of law enforcement there must be an overall workout and realization of **future oriented methods supplied with an appropriate information background** (for example controlling).

As a conclusion of my research I summarized the economic issues that help rationalize financial management.

1. Tasks and available resources are not harmonized. The reason is the **lack of task-financing**.
2. Due to the above mentioned **restrictive and strict measures are necessary** on every field.
3. There is a great need of the continual evaluation and analysis of the financial management, and the use of **intertemporal allocations**.
4. Leaders are expected to **know and implement** the prior points, since decisions can be reasoned and brought based on these points.

The most divergent characteristic of the activities of law enforcement organs from profit-oriented activities is that the expenditures and their results differ in time and space. Being

economical is also a basic requirement of the basic tasks, in other words, the policing tasks are considered basic tasks, and they must be carried out most effectively by using financial (budgetary grants and reserves) and material (spare stock, sales of free temporary capacities) assets. Therefore, in the financial management of the Border Guards, the main attention is directed towards expenditures and costs in the future. The main goal of analyzing expenditures is to explore possibilities to lower the costs and simultaneously carry out professional tasks.

As a consequence, the all-time leadership of the Border Guards is required to **measure, monitor and control the realization of goals, and to evaluate results**. To achieve this, the most important prerequisite is the flow of financial information towards the leadership in order to realize rationality right from the planning of tasks and all through their implementation.

An important task for the leaders responsible to financial management of budgetary organs is to provide correct and reliable information in the process of preparing decisions. **Function oriented planning, evaluating, and communication practice is necessary** to measure, estimate, and evaluate performances and costs. The realization of goals, the involvement of structure elements in the completion of basic tasks, and the moral and financial acknowledgement of the work of staff can be undertaken only in possession of such information. One must also take into consideration the issue of attainable utility in line with all other management decisions. **Information about costs** not only serves the evaluation of past data, but also provides information for future decisions.

These goals and tasks became more popular in relation of central budgetary organs as well, thanks to the scientific arguments named as 'New Public Management'. Nevertheless, their accomplishment was only a wish for a long period due to the insufficient information, technical equipment, and number of staff. Only taking the above-mentioned into consideration helps making comparisons between the costs and performances at micro and macro levels of the budget.

Optimized realization is made possible by **harmonizing planning, control, and operative management**, and controlling is crucial in its successful outcome. The essence of strategic planning at the Border Guards is that the leadership regularly reconsiders and works out its

future aims, and determines the programs, tools, methods, and measures necessary to reach these aims. Planning is therefore defined as one of the bases of management.

Financial management related to human management has a greatest effect on the financial positions of budgetary organs. On the other side, the **situation of human resources** is also very important. The composition, education level, and experience of the staff, etc. is determinant. It is the task of the financial and human management to find the balance that creates fiscally economical situation without deconstructing basic tasks in the view of human resources.

When examining incomes, the following conclusion can be drawn: **raising incomes is at least as important as lowering expenditures**. The two objectives are handled parallel with each other, because with the underachievement of incomes it is practical to lower expenditures, but with overachievements can turn extra incomes into greater purchases. This opens the way to task-financing, or higher-level realization of already existent tasks.

The creation of restriction plans has a positive effect on financial management of budgetary organs. Leaders have a very significant role in establishing an economic view, since the staff can acquire restrictive mentality only by their personal examples and educative behavior.

Examining the period following the origination of legislation, the time has now come to implement necessary changes, for example **enterprising must be carried out using free capacities**. Implementing enterprising activities may be problematic due to accounting difficulties, but if accounting information system is working effectively, difficulties can be quickly negated.

The enterprising activities presented in my thesis can be undertaken without risk, but predictable incomes are always rather tiny compared to deficiencies in the work of organizations. We still cannot ignore the fact, that the introduced enterprising possibilities may have a positive effect on the budget of the Border Guards, moreover, their expansion may aid the organization to modernize itself and stand up to new challenges.

The creation and working of enterprising teams may facilitate market research, marketing, and the expected productivity of the activity. Team-like characteristics may strengthen

creativity and insure specializations inside these teams. In enterprising activities, a great importance must also be given to the working out of proper rewarding system.

As a conclusion of my research I came to the statement, that the Border Guards fulfill the requirements for carrying out enterprising activities, and creating an environment for enterprises.

Based on my scientific research work, and keeping track of the published researches, in the course of the examined period **I regard the following as new results of scientific research:**

1. The presentation of the close connection between the Border Guards, the state, and the state budget; **effects of the state's role** to the management system of the budgetary organs.
2. Revealing the causes of disadvantageous budgetary positions at the budgetary organs (and consequently the Border Guards), **analyzing the problems of financing**, settling the possibilities given by the law, and presentation of new scientific methods. Analyzing estimates in the structure of the budget. Presentation of the lowering of expenditures and the raising of incomes without modification in basic tasks.
3. **Familiarization with cost-effective management possibilities, presentation of the necessity for enterprising activities**, the legislative base of the budgetary organs' enterprises, and the presentation of possible forms border guard enterprises.

A significant part of these scientific results have been implemented in the present border guard regulations and practice in force – by my different former published issues and professional work.

In my thesis, as a result of the research undertaken, I attempted to fulfill a task of systematization. On one part, I drafted that from the time of 1989 the changes in the economy system did not follow political processes in time. The most serious problem I see in the fallback of task financing, which works at a high level in western democracies. Another burden for budgetary organs is that their only income source is institution financing, and this can be influenced anytime by fiscal policies of the state. The “lawnmower principle”, as the presently used estimate-decreasing method, is also not advantageous for budgetary organs.

On the second part, I made an analysis about the past trends of the budgetary estimates of the Border Guards. I systemized expenditures horizontally, seeking for reasons of decrease of the individual cost expenditures. It can be seen that these modifications mean the implementation of tasks at a lower level, or even the cancellation of tasks. On the contrary, the presented rationalization process does not have a negative effect on the basic task.

I made an attempt to emphasize the importance of the need of making economical planning. The economical use of work resources, energy resources, and other resource materials concerns every worker. At the end of the year, there must be a comparison done between the plan data and its realization; and of course we must draw main consequences.

On the third part, I drafted the possibility of continuing enterprises. As a result of examining the economic activities of middle- and high-level control authorities I presented enterprising alternatives that need to be enlarged in the future.

My thesis could be a basic source for further research of the topic, could be used in education, but it suggested to take into consideration the presented conclusions, deductions, and proposals, in the course of developing the border guarding system of the nation or the Union.

A topic further to be researched is the development and management of the Hungarian Border Guards integrated into the Schengen system.

I deem it practical to carry out further research in relation of creating the 'EU integrated border management system', and examine the effects of European Union grants to the financial management of the Border Guards.

BIBLIOGRAPHY OF PUBLISHED WORKS AND OTHER SCIENTIFIC ACTIVITY

Diploma thesis

Essays

Border Guards regulations prepared with the collaboration of the Author

Presentations