

Are state structure and form of political executive indicators for content and functions of budget reform?

Conclusions from the Belgian, Dutch and Swedish cases

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Abstract

The topic of this paper is to describe and analyze how countries differ in their use of budget reforms depending on their state structure and nature of executive government. Three countries – Sweden, the Netherlands and Belgium – are chosen in function of their differences in relation to these features. We consider the features – **state structure and type of executive government – as indicators for content and functions of recent reforms in the budget cycle**. Given the institutional organization, what are the purposes and results of performance budgeting initiatives?

This report applies a qualitative research method; the case studies combine semi-structured face-to-face interviews with documentary materials.

Key words

Performance budgeting, functions of budgeting, state structure, nature of executive government, Belgium, the Netherlands, Sweden

Introduction

A basic assumption in the budget literature underlines the **multifunctionality** of budgets (Schick, 1966; Wildavsky, 1978). Innovation or budget reform leads to a shift in functions. One may speak of a successful reform if one succeeds in reconciling the function of financial control with the political and managerial functions. In this paper we analyse the pattern of recent budget reforms by focussing on the **differences in the functions of budget reform** in three different countries. We describe the way in which mechanisms of expenditure control and mechanisms of restraint are accommodated with the political and managerial functions of the budget.

Several political systems are experimenting simultaneously with result-oriented financial reforms. This makes it possible for us to increase our knowledge concerning the reform processes themselves. Literature emphasizes trends across time rather than variations between state structures or the nature of executive government.

We consider the features – **state structure and type of executive government – as indicators for content and functions of recent reforms in the budget cycle**. Given the institutional organization, what are the purposes and results of performance budgeting initiatives? Being aware of the fact that excluding other explanatory factors (*ceteris paribus*) ignores the complexity of reform initiatives, the analysis of these two features can provide some direction in offering an explanatory framework for budget reform.

If budgets can be described as configurations of functions, budget reform then can be described by observing the shifts in budget functions (Van Reeth, 2002b). The central question is if and how differences in institutions - state structure and type of executive government - have led to differences in the functions of budget reform.

The paper is divided into two main sections. The first section describes three case studies; hereby an identification has been made about the differences in the functions of the budget reform. The second main part focuses on the consequences of differences in institutional organization and type of executive government to the content and the functions of budget reform.

Methodology

This report applies a qualitative research method, in which budget reforms in three countries are analyzed; the countries are chosen in function of differences in state structure and type of executive government. The case studies combine interviews with documentary materials.

The data analysis is based on primary data collection (legislation, state budget documents, annual reports, strategic plans and databases of public authorities) as well as on secondary data collection (scientific analysis of budget reforms and research reports).

The description and analysis of the performance oriented budget reforms in the investigated countries is also based on observations during encounters with civil servants from the Dutch, Swedish and Belgian governments - ministries of finance, prime ministers offices, line departments and agencies, Supreme Audit Institutions, public account committees - and encounters with academics linked to universities in the investigated countries. These semi-structured face-to-face interviews were organized between October 2004 and October 2005.

Analytical framework

The idea of the selection of countries is to present countries who all have followed the New Public Management pattern, one more closely than the other, but who differ in state structure and nature of executive government. This article explores the link between the functions given to the budget reform and the contextual differences 'state structure and type of executive government'. We use the variations in the contexts in which the intervention takes place to analyse the content and functions of budget reform.

Schick outlined three ideal-type budget functions: control, management and planning (1966). Afterwards, budget reforms have gradually accumulated functions, others than those outlined by Schick. Caiden suggested that new functions have been accumulated on top of old ones (Caiden, 1988). Other functions have been added; Rubin mentions for instance achieving savings or increasing accountability (1996). Actual budget systems may be analytically described as configurations of functions in an administrative, political and societal context. Contemporary budget systems can be understood as multi-functional phenomena. Budget reform or innovation can be understood as shifts in functions. Functions imply a preference for specific type of information, which defines the budget format (e.g. structured by line-items, programs, outputs, outcomes; time span). Functions imply also a choice in terms of budget procedures (e.g. top-down or bottom-up, executive or legislative dominated, etc.) (Van Reeth, 2002c). For the case of simplicity we analyse in this paper budget systems as sets of

configurations of functions; we do not study in depth the formats and procedures. It is worth mentioning that budget reform can be understood not only as shifts in functions, but also as shifts in formats and procedures (Van Reeth, 2002a).

Let us now look further at the selection of the cases. The selection criteria are based on the analytical framework of Pollitt and Bouckaert and are shown in Figure 1 (2004).

		Nature of executive government		
		Majoritarian	Intermediate	Consensual
State structure	Centralized (Unitary)	New Zealand UK	France	Italy Netherlands
	Intermediate	Sweden		Finland
	Decentralized (Federal)	Australia Canada USA	Belgium Germany	

Figure 1 State structure and the nature of executive government (Pollitt and Bouckaert, 2004: p.47). Adapted from Lijphart, 1984, p. 219 and 1999, pp. 110-111, 248.

Within **state structure** two **dimensions can be distinguished**. The first dimension discusses the degree of **vertical dispersion of authority**; it answers on the degree in which authority is shared between several government levels. States can be strongly centralized when all important decision power is joined at the top level. Other states are more decentralized. In a unitary state the vertical dispersion of authority will be least, in a federal state it tends to be greatest. The category of unitary states can be divided into states that are highly centralized (e.g. France, the UK) and states that are extensively decentralized (e.g. the Nordic states) where many powers have been delegated from ministries to agencies and to the local level. Indicators of decentralization are for instance total public spending, or the percentage of public servants who work for central government. The second dimension concerns the degree of **horizontal coordination** at central government level. It concerns the degree in which the noses of the ministries look out in the same direction. It reaches from highly fragmented to highly coordinated. This second dimension is about the question if there is a leader

among one or two central ministries and if these leaders are able to ensure that all the others take the same approach in management – and more specific: financial management – reform. To answer this question we have to rely on impressions of privileged observers, more than on written documents.

Pollitt and Bouckaert also mention the **type of executive government** as a significant background influence for political feasibility of management reform. Inspired by Lijphart's typology we mention single-party majorities, minimal-winning coalitions, minority cabinets and oversized executives (Pollitt and Bouckaert, 2004: p.46). Single-party majorities show a tendency towards majoritarian styles of governance. Minority cabinets and grand coalitions tend to go along with consensual styles of governance.

Pollitt and Bouckaert analyse the hypothesis that accuracy, severity and fastness of management reform declines as one moves from a majoritarian over an intermediate to a consensual nature of executive government on the one hand, and the hypothesis that the scope of the reform and the uniformity diminishes when moving from a centralized over an intermediate to a decentralized state structure on the other hand. However, there is also a grey zone where these rule of thumbs do not work out so clearly (Pollitt and Bouckaert, 2004: p.47).

Budget reforms are analyzed in three countries: the VBTB-project (the Netherlands), the VESTA-project (Sweden) and the Copernican reform (Belgium). The countries are chosen in function of the differences in state structure and the type of executive government. Within the typology used by Pollitt and Bouckaert, the Netherlands is classified as a centralized state structure with a consensual regime, Sweden is characterized by its intermediate state structure with a majoritarian style of governance, and Belgium is part of the category of decentralized or federal state structures with an intermediate type of executive government (2004: p.74). When we look deeper into the state structure, we classify Sweden as a unitary, decentralized state, the Netherlands as a unitary, fairly fragmented state, and Belgium as a federal state.

For the purpose of this paper we translate the model in the following research questions:

- Has the budget innovation lead to a shift in the functions of budgeting?
- Has the level of administrative, political reform lead to the adoption of budget innovations?
- What functions given budgets work best without losing financial control?
- Are there functions that work best in budgeting at different levels between governments?

After the description of the case studies we proceed to the application of the model of Pollitt and Bouckaert on this case studies. We examine to what extent the variables from the model have an

influence on the functions and the contents of budget reforms. For the concept of performance budget we use the approach which is defined by Sterck and Scheers. This approach states that the setting-up of performance budgets can differ between countries according to the focus on activities, outputs or impact on the one hand and according to the way in which activities, outputs or impact are authorized. Sweden and the Netherlands are countries with an impact budget. Belgium has completed a traditional budget with information on performances. In its reform proposals, however, the Belgian government speaks about an evolution towards a performance budget (2005).

The content of the budget or the budget format is defined by the type of information included (e.g. structured by line-items, programs or outputs). Budget systems can be described as configurations of functions, so budget reform can be described by observing the shifts in budget functions (Van Reeth, 2002b).

The case studies

i. Management by results: the case of Sweden

During late **1960s** Sweden made an attempt to introduce a **programme budget** in the central government (Regeringskansliet: 2000 pp.4). The step from a traditional line-item budget towards a programme budget was too large however, and only experimenting was left. Yet, the idea of **Management by Objectives** became an achievement, in the sense that specific result-reporting requirements were placed upon agencies. The object of allocations gradually moved from line-item to well-defined objectives or complete agencies as a consequence of this move.

During the **1980s** and the early 1990s the reform aimed at a shift from ex ante controls to ex post controls. The reform **Performance Management** was an attempt to restore the political decision making process. The government gave a better description of its expectations with respect to agencies. The agencies are considered responsible for the management of their resources. In turn, they give accounts concerning achieved results (Molander et al., 2002; pp. 7). Since 1988 **result-oriented management** was adopted officially for all state ventures. The reforms have been aimed not specifically at shrinking costs, but rather on exhorting the agencies by means of **efficient work** to gain the objectives with the resources granted. The planning horizons of the budget system were expanded, by installing a **triennial planning cycle**. The changes were meant to change the dialogue between the ministries and agencies. Although the three-year budget framework and the management freedom covered only the administrative expenses, the government hoped the budget discussions to concentrate on objectives and performances of the programmes and the activities (Molander et al, 2002 pp. 24). A critical point of the Results Based Budgeting reform which started in 1988, lies in

finding an answer on the question how relevant and measurable objectives and expected results can be formulated for all sub-programmes. There is a danger in a shift from traditional input control towards output-oriented control when the objectives, the expected results and the indicators are not well well-considered. This could lead to a loss of control instead of a change in the form of control. The overall impact of this reform had been limited; the implementation fell in a time of economic crisis. This concentrated the focus rather on limiting expenditure than on improving the performances and looking at results.

As a result of the economic crisis the three-year budget cycle was left. Again there was less attention for the budget as an instrument that makes the link between inputs and results. However, a corresponding increase of the confidence in annual accounts has taken place. One can say that the management function of the budget has decreased. This is partly compensated in the **annual report**, in which each agency reports on the **achieved year-end results**.

The annual report of the agency is handed over to the government, but not for approval presented to the parliament. Nevertheless we must remark that the performance information about which is reported in the annual report is not explicitly used in the budgetary decision-making process. The results achieved do not influence the allocation of resources for the next year. The degree in which this information influences the allocation decisions however on an ad hoc basis and in an implicit manner, from the performance dialogues (spring and autumn) between the administration and the agency, is not easy to measure. Nevertheless studies of the ESV indicate that this performance information is really taken into consideration in an informal manner in the budget preparation discussions. Moreover it can be considered as an initial ambition to couple output information in a more effective way to the budget process and to give the parliament further information on the results of the government activities. But each actor concerned recognizes that the system can be subject for improvement.

In 1996 the Swedish government introduced the **New Budget Process Initiative**. A **savings regime** was established. The government imposed a strict three-year revenue-expenditure proportion. The government finances must create an annual surplus of 2% of the GDP and the expenditure cannot exceed the fixed expenditure ceilings. A general expenditure ceiling foresees the parliament and the government as an improved **instrument to check the expenditure**. The fact that the budget consists of a three-year cycle, it makes it possible to have more attention for long term decisions.

As the government finances were finally balanced, the possibility arose once again to give more attention to an efficient use of the resources. The focus of the reform shifted to performance management. In 1997 the **VESTA Performance Budgeting Project** was established. A coordination group had to create the conditions for a more **effective management** and to **improve the follow-up of the activities** of the central government (Regeringskansliet, 2000a pp. 2). Within VESTA a

proposal was developed in 2000 to evolve towards an **accrual-based budget** within a broader performance management framework. The assignments in the government budget have been grouped into 27 expenditure areas. As a result of VESTA there is a further division into approximately 50 political areas to simplify management by objectives and management by results. Current assignments relate to a period of one year, but it is possible to foresee the agencies in a basic planning of 3 years so that the requirements for long term management and control are fulfilled.

The fact that the annual budget cycle fits in the three-year expenditure ceilings makes it possible to place more attention on long-term decisions. The control on the expenditure is preserved at the same time by means of the expenditure ceilings. Besides the function of financial control, the policy and managerial decision making functions of the budget become more important. These last functions find their translation in the new activity structure of the budget.

In 2003, there was a proposal for concrete development of the system of accrual budgeting which builds upon the policy lines of the proposal of 2000. VESTA is considered as a logical next step in result-oriented financial management. Nevertheless, at present, the continuing of the reform is put on the backburner.

The reforms refer to the role of the **budget document as a management instrument** as well as to the role of the **budget document as an information source** (Regeringskansliet, 2000a pp. 5). The eventual aim is to raise the effectiveness and the efficiency of the central government. This must happen by improving the relevance and transparency of budget information, and by reinforcing the management and control mechanisms of the parliament and the government (Regeringskansliet, 2000b pp. 7).

We may conclude that Swedish history in financial management reform shows that the Swedish central government in the reform movement to management by results initially has chosen for the focus on budget and planning (to see programme budget 1970s, then this reform movement fell under the name management by objectives) as a start shot for change in the financial management. By the saving strategies these focus was no longer successful as an engine of change. Afterwards the central government opted for revitalizing the performance management reform by means of an accounting focus (introduction of accrual accounting 1992-1993). These then would have an upward impact to the budget (accrual budget), and a downward impact on the control and audit function. This angle seems to be successful.

Nowadays **efforts to budget for results and performance management** are underway in Sweden. The current emphasis is on **productivity improvement and performance targets**. These innovations are related to a change of the culture of public management from compliance to incentives for **managerial flexibility** and ex post controls.

ii. Integrated management and the budget as an instrument for policy accountability: the case of the Netherlands

In 1970s the Commission 'Beleidsanalyse (Policy Analysis)' formulated the objective of **integrated management**; this implies the connection of policy and financial management. In the 1980s government reforms aimed at improving the coherence and **integration of government planning and decision-making**. By the 1990s the focus changed however; the need for **healthy government finances** did turn the debate to an analysis of the core functions of the government.

The **VBTB project 'Van Beleidsbegroting Tot Beleidsverantwoording'** (from policy budget to policy accountability) has been developed out of the need for the parliament to improve its task to check government work. In 1999 the VBTB project was launched, in which **budgets were linked to outputs and outcomes**. The parliament had been strongly involved in this reform. The general objective is raising the **information** value of the budget and the **accountability** towards users. From the budget and the financial report the relationship between policy, performances and resources must become clear. The financial report is also used at the appraisal of the implementation for the current budget and at the next budget layout.

The project '**Eigentijds begroten**' set up an accrual-based budget that started in 2001 aims at improving the **efficiency** and **effectiveness** of the central government. Secondly, it aims at improving the **allocation at macro level**. Thirdly, it wants **budget standardization** for the departments and the agencies.

For a number of years detailed financial and policy agreements have been made in the coalition agreement. With the reform of the input budget on a fund basis to a policy budget on cost basis one wants to reinforce the **authorization function of the parliament**.

The **allocation function** of the budget exists on the assignment of resources to government tasks and on the application of those resources. It is no longer the goal that new policy initiatives are presented in policy notes, but rather in the policy agenda of the budget. By moving the emphasis in the debate from input allocation to allocation that emphasizes the relationship between objectives, resources, performances and costs, that the social impact of reallocation of budgets becomes clear.

The **management function** concerns the planning of activities by means of the budget, it concerns the management of the realization of the budget and it concerns testing if the realization corresponds to the estimates (Stolk et al., 2001 pp.20). A financial system that is based on costs offers an important support for result-oriented management.

In 1985-1991 the 'Operatie Comptabel Bestel' is aimed specifically at the legitimacy and **control of the government expenditure**. Now that these objectives are achieved, the focus lies on the efficiency and effectiveness of the government policy. Of course, the results, which are achieved in the field of legitimacy and control, must also remain.

The budgets for the year 2002 and 2003 have been established according to the new VBTB method. The general Court of Auditors – de Algemene Rekenkamer - notes that the budgets have become more accessible and that they contain more result-oriented information. However, improvement is still possible. There is a need to sharper objectives, make more complete performance data and develop a clearer link between objectives, performance data and resources. Expenditures and revenues could be presented by operational part and type of policy tool. Also, the range of the responsibility of the minister for the realization of the objectives could be more accurately reflected.

The reform VBTB covers all the ministries and is therefore an all-embracing reform. The reform towards a more policy-oriented budget goes incremental. The process is directed and adaptations are carried out by means of pilot projects. In spite of the incremental treatment, a global view is not lacking. Since 1976 one has been committed with integrated management. The general ideas of coupling policy and financial management can be found in different projects. The concrete instruments were adapted to new social, political and administrative developments.

In 2006 the initial intention was that all departments could proceed to accrual budgeting and that in 2007 accrual budget could be presented at the Staten-Generaal. At present one wants to proceed to accrual budgeting as a self-imposed task for the departments, to reach in 2011 a complete accrual budget. The reform is built on a global view and does not evolve towards ad hoc initiatives. 'Eigentijds Begroten' will fit itself in the VBTB-project and will also respect the realizations of the 'Operatie Comptabel Bestel'.

iii. Relating strategic plans to the budget cycle: the case of Belgium

At the end of the 1960s the Belgian federal government tested at first in Belgian history the **Planning Programming and Budgeting System**, the PPBS-system in a number of **pilot projects**. The intention was to reach an integrated management system where the decision preparation, implementation and control were incorporated in a closed process. The budget would bridge the strategic options and the implementation of annual periods. These experiments with the program budget were already frozen rapidly however (Matthijs, 2005).

In **1989** the Belgian federal government introduced a **program budget**. The number of line-item based accounts in the budget was reduced to a smaller amount of program accounts. The fact that

these accounts did not refer to specific program objectives can be seen as a weakness. There was also the installation of a system of 'Resource programs' for certain operation costs large amounts of money were reserved. The only apparent program objective of the 'Resource programs' was 'to spend resources'. One may say that the program budget remained an **input oriented line-item budget** (Van Reeth, 2002b).

In **2000** the federal government agreed upon a **government-broad modernization movement**, the **Copernican reform**, which gives meaning to the New Public Management characterizations. The **financial management reform**, as a component of the Copernican reform (2000), assumes the responsibility of a larger **flexibility for the government manager** in the management of budgetary resources.

The Copernican note contains three key objectives in the field of financial management. Firstly, there is a need to **connect the resources to the results**. Secondly, the **supervision and control systems must be simplified**. Policy makers believe that the management in the federal public authorities can only successfully bear the management responsibility if wider management autonomy is given for budget management and management control ('budgetbeheer en beheercontrole'). Thirdly, there is need to use **double-entry bookkeeping**. This will allow the policy makers and public sector managers to know the costs of a policy line (Naar een modernisering van de Openbare Besturen: 2000).

The departure points of the reform are the focus on results and the coupling of policy and the management cycle to the financial cycle. New lawmaking relates the **strategic and operational plans** of the public authorities to the **budget cycle**. The reform assumes increased management autonomy and the coherent modifications in the control pyramid and accountability relations.

In the beginning of the Copernican reform the supervision happened mainly by the minister of civil servant matters. 1999 and the next two years are known as years in which the budgetary forks make new initiatives possible. That temporary comfortable budgetary position gives the opportunity to **develop the policy and management function** of the financial instrument. This largely explains why management autonomy effectively increased in the reform plans of the financial cycle. The development of a new control instrument, as a showpiece of an outstanding internal control system in the federal public authorities, makes the reform into a coherent whole.

Since the government took office in **2003**, a graver macroeconomic situation affected the new federal regime, to keep the government finances stronger under control. A shift of accent takes place in the functions of the financial instrument. **Financial control** gets the upper hand of the development of the management function. It explains why the government, at the concrete implementation of policy lines (concerning the reform of the budget cycle), never stopped questioning the political views agreed upon in 2000. It continues to be a difficult search for an optimum balance between management autonomy

of the public manager and the financial control by the federal government. It is not always clear if the requirements to the financial instrument could be the same when the accent lies on the management function then when the emphasis lies on the financial control function of the government budget. One could assume that the federal public authorities will only be stimulated to achieve the agreed-upon results if the allocation of resources at budget discussions is made dependent of performance data (Conings & Sterck, 2005).

One can conclude that in the Belgian case the distinction between the rhetorical and real reform needs to be clarified. The link between the **strategic and operational plans** of the public authorities and the **budget cycle** needs to be strengthened. In practice the federal authorizing budget situates itself between a traditional line-item budget and a program budget, since authorization is related to expenditure accounts and activities. The merit of the latest reform lies in the intrinsic motivation to develop the budget document into a real program budget. There where the Copernican reforms which tried to bring together logical policy areas (by reorganizing the administrative organization), also the program budget will seek harmonization with the administrative organization. The **challenge** exists in letting the **budget documents connect at the policy lines of the minister and the programs**, which are deepened in the **strategic management plans**.

The federal government evolves with the international tendency to incorporate information on performances and effects in the planning documents. The first valuable **experiments with performance budgets** have run since 2004 in the public service Social Security. However, performance budgeting is especially seen as an **internal management instrument**, it forms provisionally no basis for external accountability. The public service Social Security has the aspiration to link their performance budget to the budget discussions of 2009. Nevertheless, a generalization of the system of performance evaluation that allows conducting the budget discussions in the future on the basis of performance information is politically not conceivable. An instrument is lacking that performances weighs between public authorities (Boon, 2005).

We outlined the evolution in the functions of financial management for the Belgian federal government. Hereafter we provide a short overview of initiatives taken by the **Flemish government** in the field of result-oriented financial management. It emphasizes the different dynamics in budget reforms that can be seen at the federal level and within the regions or communities.

In the field of financial control **Flanders** (region and community of Belgium) has been a 'trendsetter' (at least, within the Belgian case). In the period **1993-1997** Flanders experimented in **pilot projects with paper exercises of performance budgets**. The project was called 'Doelmatigheidsanalyse' (DMA). The resources, activities, performances and impact of a government organization were mapped and compared with postulated organizational objectives. During that period, the **financial control** function of the budget prevailed. The Minister of Finance was the dominate actor in the budget

process; central concern was to gain the Maastricht criteria. Most of the pilot projects had little managerial autonomy. The underlying motive for the development of performance budgets as an internal management system was lacking. After some years these projects petered out (Van Reeth, 2002b). Nevertheless it is confirmed that the philosophy of DMA settled itself into the administrative culture. The fact that the Inspection of Finances again implemented this method in its controls, has certainly contributed to that purpose.

Recently the following reforms have been approved. In 2001, a decision was taken by the Flemish government to simplify and accelerate the budgetary control procedures. The individual ministers get more responsibility concerning the management of their budget. In 2004, the decree on public budgeting and accountancy, 'het Comptabiliteitsdecreet' was approved by the Flemish parliament. The principle of increased management autonomy and accountability of the policy executants would be realized. It is the intention to couple the financial cycle to the structure of the administrative organization (classification according to political areas and organization structures). A new system of control has been established with shift of ex ante to ex post control, an internal control system is introduced and the strategic plans are coupled to budget layout. These are the intentions. It is to soon to evaluate the effectiveness of this reform.

We can summarize that the reforms in the Belgian context challenge a stronger attention for outputs and bring about a stronger flexibility in financial management.

Analysis

We start with an overview of the objectives and functions of the budget reforms, and the use of the policy and managerial information.

Table 1 gives schematically this overview for the three countries under consideration.

	Aim of the budget reform	Budgeting functions	Use of policy and managerial information
Sweden	<p>Program budgeting pilot projects (end 1960s – beginning 1970s)</p> <ul style="list-style-type: none"> • Introduction of the notion of management by objectives • Basis for future allocation system from line-item through enveloppes <p>Performance Management (1988)</p> <ul style="list-style-type: none"> • Financial accountability • Control agencies <p>New Budget Process (1996)</p> <ul style="list-style-type: none"> • Financial control: triennial 	<p>Managerial function (beginning 1970s and again end 1980s);</p> <p>Financial control (beginning 1990s);</p> <p>Managerial function (end 1990s – beginning 2000s).</p>	<p>Steering and control of agencies; budget document as a management instrument and as an information source.</p> <p>There is a disequilibrium in principal-agent relationship (lack of steering and control capacity of the</p>

Content and functions of budget reform in relation to state structure and form of political executive

	<p>expenditure ceilings, top-down budget process</p> <p>VESTA (1997, 2000, 2003)</p> <ul style="list-style-type: none"> • Result oriented and accrual budgeting • Link between accounting and budgeting • Reinforce the link between results and financial steering <p>Introduction activity structure (2001-2002) in Budget Bill</p> <ul style="list-style-type: none"> • Implementation of more result oriented budget structure (new activity structure) in order to facilitate management by objectives, management by results 		ministries)
The Netherlands	<p>Commission 'Beleidsanalyse' (1970s)</p> <ul style="list-style-type: none"> • Formulation of an objective to couple policy and financial management <p>'Operatie Comptabel Bestel'</p> <ul style="list-style-type: none"> • Legitimacy and control of government expenditure <p>'VBTB' (1999)</p> <ul style="list-style-type: none"> • External accountability • Policy Budget <p>'Eigentijds Begroten' (2001)</p> <ul style="list-style-type: none"> • Internal management • Improvement in allocation decisions • Efficiency and effectiveness of government policy 	<p>Financial control (Operatie Comptabel Bestel);</p> <p>Policy function (VBTB);</p> <p>Accountability function (VBTB);</p> <p>Managerial function (Eigentijds begroten);</p> <p>Allocation function (Eigentijds begroten).</p>	<p>External accountability to parliament;</p> <p>Political decision making in budget process;</p> <p>Focus on efficiency in management of government sector.</p>
Belgium	<p>Planning Programming and Budgeting System, pilot projects (End 1960s)</p> <ul style="list-style-type: none"> • Formulation of objective to reach integrated management system • Decision preparation, implementation and control in closed process <p>Program budget (1989)</p> <ul style="list-style-type: none"> • Reduction of the amount of line-item based accounts <p>Copernican reform (2000)</p> <ul style="list-style-type: none"> • Government broad modernization movement, in 	<p>The Copernican reform plans go out from:</p> <p>Development of the policy and management function of the financial instrument;</p> <p>Management autonomy of the public manager;</p> <p>Accountability function;</p> <p>Reality focuses on financial control function (2003)</p>	<p>Connect the budget documents at the policy lines of the minister and at the strategic management plans;</p> <p>Experiments with performance budgets are seen as internal management instruments, no basis for external accountability</p>

	<p>which financial management reform</p> <ul style="list-style-type: none"> • Larger flexibility in the management of resources for the government manager • Greater transparency • Connect resources to results • Simplification of supervision and control systems (wider management autonomy for budget management and management control) • Double-entry bookkeeping 		
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Table 1 Functions of budgeting. Source: Adapted from Bouckaert et al., 2002, p.312

Let us go back to the model of Pollitt and Bouckaert as explained under the paragraph ‘Analytical framework’. This allows us to connect the model with Table 1.

i. Sweden

When we look at the **state structure** in general, and the **vertical dispersion of authority** more specific, in Sweden many powers have been delegated from ministries to agencies. Local governments have statutorily well-protected independence from central government. The degree of decentralization in the unified state, as Sweden is, even exceeds the decentralization of a federal state like Belgium. At the 1980s and the 1990s Sweden as an already decentralized state was further decentralized; the local state and agencies were expanded at the expense of already ‘undressed’ central ministries (Molander et al.: 2002). Moreover, most of the public servants have not been employed by the federal level (17.3% of public employment at the central government) (OECD, 2001).

We summarize the **horizontal coordination** as dimension of **state structure** as follows: Since VESTA there has been no clear political leadership. There is even talk of a power vacuum: neither the Government Offices, nor the ministry of finance, nor ESV (agency, Swedish national financial management authority), nor the Parliament wants to be the leader in the continuing of the reform movement in the field of financial management and performance management.

Let us also take the other variable into consideration. The **majoritarian style of executive government** facilitates the possibilities for carrying through reforms. But how does this have to be weighed out against the structural factor 'state structure'?

In general we can conclude that by the long tradition of **agency autonomy**, Sweden has a **result-oriented culture**. Agencies have a far-reaching input autonomy; in exchange for this they are accountable for reaching the results. The annual letters of instruction (Regleringsbrev) (nov-dec) are negotiated by the administration and the agency, and are approved by the government. The importance of the performance dialogues, to prepare the instruction letters, differs from agency to agency. Nevertheless the agency plays an important role in the writing of the instruction letters. What was meant to be a steering model seems to become a self-evaluation model. It is also worth mentioning that the letters of instruction remain in the first place a financial steering instrument, and become only in the second place an instrument for steering the results. Moreover, the weakness of the ministries (junior profiles) have to be considered as a structural problem in dividing the roles of agencies on one side, and ministries on the other side. Therefore there must be invested in capacity building in the ministries and there must also be invested in building out the function of internal control/follow up/evaluation in the ministries.

It is remarkable that the government quotes explicitly the same aims at the beginning of the years 1970 and the late years 1980 for a shift of a traditional line-item budget to a result-oriented budget: both allocative effectiveness as efficient production are the aims of the reforms.

Summarized we can state that the speed or severity of implementing the budget reforms is large in Sweden, but that the actual application of the managerial function has not yet reach the optimal position; until yet the budget is in practice not an instrument for steering the results. These conclusions correspond with the model of Pollitt and Bouckaert.

ii. The Netherlands

As indicator for **state structure** and the **vertical dispersion of authority** we mentioned the percentage of public servants who work for central government. When we compare the percentage shares of public employment by levels of government, we see that the Dutch central government employed 70.1% of the civil servants in 1990, and 74.2% in 1999 (For the comparison we give the figures of Belgium and Sweden. In Belgium in 1989 53.7% of the public servants were working at central government, in 2000 this percentage was 34.3%. In Sweden the percentage share of public employment at the central government diminished from 27.2% in 1985 to 17.3% in 1994.) (OECD, 2001).

In the Netherlands the **horizontal coordination** at central government level is limited. No ministry has the actual power to ensure that all the others take the same approach in financial management reform.

The Netherlands is a unitary, fairly fragmented state, where horizontal coordination is sometimes lacking. It is obvious that the Netherlands were successful in installing the policy and managerial

function of the budget. We may speak of a broad scope of the budget reforms; the lack of horizontal coordination is fully compensated by the minimal degree of vertical dispersion of authority.

Let us look at the **type of executive government**. In the Netherlands were during the period 1945-1996 one-party cabinets in power for 0.0 per cent of the time (Lijphart, 1999: pp. 110-111). The Netherlands has therefore a **consensual** oriented type of executive government. According to our hypothesis, this would have a negative impact on the speed in which financial management reform is implemented. In reality it is not that obvious to conclude that there is a problem with the speed and severity of implementation of the budget reforms; it is not so clear whether we may use 'type of executive government' as the only relevant indicator to make conclusions about the speed and severity of financial management reform.

iii. Belgium

In the Belgian case the **structure of the state** is **federal**, the structure is based on the subsidiary principle. The constitution describes some division of sovereignty between the federal government and the Regions and Communities. The law of 16 May 2003 determines the general policy lines for the budgets and the bookkeeping of the communities and regions. This law makes it possible that the communities and regions can develop their own policy lines, within the general framework of the law of 16 May 2003, for the organization of the budget and bookkeeping (Belgisch Staatsblad, 25-06-2003). This legislation is nevertheless too young to evaluate differences in scope and functions of the budget reform between the federal state and the communities and regions. The future will show if the different entities will be able to go in different directions, or at least not all in the same direction at the same time.

Since the law of 16 May 2003, the federal government cannot order the subnational governments any longer to choose a particular financial management reform with particular, well-defined budget functions. The external pressures (e.g. EU directives, distribution of best practices by OECD) to reform are similar for the federal as well as for the regional governments. However the regional governments within the federation adopt widely varying trajectories for management reform (Vancoppenolle and Legrain, 2003). Since 2003 this conclusion can be generalized to the development of policy lines in the field of financial management. The federal and regional governments develop own legislation and experimentings. Nevertheless it is, as mentioned above, too soon to draw conclusions about the actual implementation of new legislation. A federal state structure has the advantage that the different governments have the possibility to experiment with several facets of financial management reform. They can thus learn from each other's experimentings.

The shortcoming in the **degree of horizontal coordination at central government level** reinforces the difficulties at the implementation phase of approved policy lines. In practice we observe that the

development of the management function of the financial instruments appears to be difficult. The reality remains targeted on the financial control function, rather than on reinforcing – through the budget instrument – the management autonomy and the accountability function, such as it was approved for in the initial plan of the Copernican reform. The expectation that countries with a weaker reform tradition avoid budget reforms or adopt them selectively in ways that reduce their potential value is confirmed.

Let us discuss further the dimension of horizontal coordination. The Copernican reform, as approved for by the federal government in 2000, has been seen as the doctrinaire instrument of a single party or even a single minister who was trend-setter in public sector reform. When new legislature has been installed in 2003, one could easily see that public servants resisted taking the ownership of the reform. More specifically, the financial management reform was put on the backburner. For this specific reform the form of the political executive affected not only the implementation process and content of the reform packages, but also the extent of the reform finally achieved. Moreover there was an additional difficulty in the implementation process. At the time of the implementation of the Copernican reform (2003 and further) for the first time in history the federal government and the governments of the regions and communities have varying coalitions.

Concerning **the nature of executive government** Belgium is in an intermediate position. Belgium has a multiparty system. The form of executive government has usually been that of a minimal-winning coalition, sometimes of an oversized executive. Nevertheless at the time of the **Copernican reform** (1999-2003) the Belgian federal government was **consensual** oriented because of the fact that a grand coalition (7 parties: 4 on Flemish side and 3 on French side) had to be formed to reach a great majority. So one can say that, at the time of the Copernican reform, Belgium had a consensual nature or executive government. The proposition that consensual regimes are less capable, in terms of political feasibility, of radical reforms than are strongly majoritarian executives, is also valid for the Belgian case.

Conclusion

In this paper we described the functions and contents of budget reforms in three countries. We analyzed to what extent the nature of executive government and the state structure have an influence on the contents and functions of budget reforms.

In the rhetoric, the level of political and structural reform may make little difference to the adoption of budget innovations. The three countries developed the managerial function and the accountability function in their reform plans. In reality we may conclude that the functions given budgets are related in some way to the political and administrative reform history of a country.

In the case of the three countries the analyzed variables do determine more or less the motivation behind the adoption of new budgeting approaches.

At the time period under consideration, **Belgium** as a federal state has a consensual type of executive government. In practice we observe that Belgium embraces those innovations that would enhance financial control over departmental operations. Or in other words, in Belgium with comparatively complex constitutional arrangements for public sector architecture, implementing public administration reform in general and financial management reform more specifically appears to be problematic.

Sweden as a majoritarian type of executive government succeeds in carrying out the budget reforms rapidly and with severity. On the other hand, we observe that Sweden as a unitary state with a high degree of decentralization to agencies and local government, has worked out the managerial function more as a self-evaluation model than as an instrument for steering the results.

The state structure of **the Netherlands** seems to have a positive impact on the installation of the policy and managerial function of the budget. From the perspective of the model of Pollitt and Bouckaert the Netherlands as a unitary state structure – were able to launch a comprehensive reform program with a broad scope. On the other hand it is not so clear whether the type of executive government has an impact on the speed and severity of budget reform in the Netherlands.

Although state structure and the form of executive government are determinant factors of management and more specific financial management reform, they act in combination with other factors. For the case of Swedish budget reforms Molander mentioned the following surrounding factors that had a positive influence on the reform process of the middle of the years 1990 (state budget act 1996): the financial crisis at the beginning of the 1990s, the general reform climate, scientific arguments and analysis in support of the reform propositions, the packaging of the reform and the political cartel (2005).

We would like to conclude with a reflection on further research. Analysis of the impact of structural characteristics (state structure) and type of executive government on the functions given to budget reforms is based on data analysis and on observations during encounters with civil servants from Belgium, the Netherlands and Sweden. A more systematic comparative research on these variables however would be required to find out whether the administrative and political reform within these countries lead to the adoption of budget innovations, and what functions given budgets work best without losing financial control. The set of definitions and approximations need to be examined more carefully by extending the number of countries examined.

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