Introducing accountable budgeting: lessons from a decade of performance-based budgeting in the Netherlands

by

Maarten de Jong, Iris van Beek and Rense Posthumus*
Summary

The implementation of performance-based and programme budgeting reforms in the Netherlands more than a decade ago has, not unlike the experience in other countries, only partly lived up to its expectations. On the one hand, there has not been much evidence that supports major reallocation of spending as a result of these reforms. In addition, the information value of the budgets and the administrative burden for line ministries have been continuous sources of debate. On the other hand, the concept of linking funding to results has proven its usefulness in agency management and helps the Ministry of Finance in its role to differentiate between a powerful claim and a powerful claimant. There is also no tendency to give up the benefits of increased transparency and enhanced managerial flexibility that resulted from introducing a programme budget. Following a decade of mixed results, some lessons were learned and gave way to a major overhaul of the budget presentation and programme structure called “Accountable Budgeting” (Verantwoord Begroten). The first of these lessons was that a political process like budget allocation by parliament will not be rationalised by changing the budget structure. Second, it had to be acknowledged that a programme budget can never live up to the expectation of being a super comprehensive policy document that contains all the information considered useful by every stakeholder. Third, there is a need for more detailed financial information in the budget documentation, although none of the stakeholders involved would support a return to a classical line-item budget.

This “Accountable Budgeting” reform was introduced in the 2013 budget documents and targeted some of the more persistent problems encountered with regard to performance-based programme budgeting in the Netherlands. These problems included the limited usefulness of budgets and annual reports for financial analysis and unclear results accountability, especially with regard to policy outcomes. The changes introduced were intended to enable more detailed parliamentary oversight of spending as well as to enhance internal control by the Ministry of Finance and line ministries. To achieve this, more detailed financial information was presented following a uniform classification of financial policy instruments and categories of organisational expenses. In addition, the use of policy information (performance indicators and policy texts explaining policy objectives) was curtailed and had to meet stricter conditions concerning the precise role and responsibility of government. As a result, about 50% of all performance indicators disappeared from the budget documents. The reason for this shift was that performance information in the old budgets had become more aimed at legitimising funding and compliance than in providing useful insights for oversight or to learn and improve. The use of performance information for the latter purposes does not necessarily happen in a cyclical, annual way and is more likely to occur following multi-year ex post evaluation. For this reason, the lessons from evaluation gained a more prominent place in budget documents.
Another consideration was the fact that an increasing amount of information on policy effectiveness is becoming available from a diversity of sources within and outside government. The concept of a budget document as a portal that electronically discloses the various sources of financial and policy information may better serve the information needs of today's citizen and parliamentarian than reliance on a limited set of indicators that is susceptible to selective presentation and framing. “Accountable Budgeting” can be seen as a first building block towards a more modern budget presentation that meets the demands of the information age. In any case, with this reform, the Netherlands has taken an important step to meeting more realistic expectations concerning programme budgeting.

Introduction

Winston Churchill allegedly said that success is the ability to go from failure to failure without losing enthusiasm. Measured by this standard, performance budgeting reform should be credited with quite a successful history. The promise of more efficient allocation of public spending and cutting wasteful ineffective spending led governments worldwide to structurally integrate their budgets with performance planning and reporting. However, not unlike the experience in other OECD countries, there has not been much evidence in the Netherlands that supports major reallocation of spending as a result of performance-based budgeting reforms (PBB). It can be easily argued that a political process like budget allocation by parliament will not be rationalised by changing the budget structure. For a finance ministry, however, performance data can be vital for differentiating between a powerful claim and a powerful claimant. In this article, we will assess the experience of the Netherlands with performance budgeting since full programme and performance budgeting was introduced in 1999-2002. The lessons learned so far resulted in 2012 in a reform called “Accountable Budgeting” (Verantwoord Begroten). This reform comprehends a major overhaul of the performance budgeting structure in order to enable more detailed parliamentary oversight as well as to enhance internal control by the Ministry of Finance and line ministries. Before going into these reforms in more detail, the international experience with PBB reform and its use in the context of the Netherlands national government will be addressed in Sections 1 and 2. In Section 3, we will focus on what lessons were learned concerning the use of performance information in the budgetary process. In Section 4, the “Accountable Budgeting” reform itself will be explained. We will end in Section 5 with an epilogue in which we assess which PBB assumptions were challenged, abandoned or retained in these reforms, followed by an outlook on possible future developments in budget presentation.

1. Performance-based budgeting and its rationale

1.1. Defining PBB and “New Public Management” reforms

Although the roots of performance-based budgeting (PBB) can be traced back as far as the early 20th century, PBB gained international popularity in the 1970s and 1980s. Inspired by the United States "Planning, Programming and Budgeting System" (PPBS) in this period, the Netherlands started introducing some policy information in its budgets and pioneered with systematic policy analysis. Although this helped familiarisation with result-oriented budgeting systems, these efforts did not lead to institutionalisation of PBB in the Dutch budgeting process. PBB gained worldwide popularity in the 1990s and early 2000s as part of the “New Public Management” agenda. NPM introduced a set of recipes that were meant to transform the public sector towards more result orientation and efficiency. New Public
Management generally refers to a set of reforms that intend to improve efficiency and effectiveness of the public sector by introducing different sorts of market-style incentives. These include (Kraan, 2011a):

- separation of policy execution from policy development;
- stimulating competition among service providers, by allowing private suppliers to provide collectively funded services and through demand financing (consumer subsidies and vouchers);
- loosening of standards of operational management both in policy development and policy execution ("let managers manage");
- steering and control of executive agencies on the basis of output targets;
- budgeting on the basis of output targets (performance budgeting);
- outsourcing of intermediate production for both core ministries and executive agencies to the market.

It is not yet clear what the post NPM era will look like exactly, but it seems that the heyday of New Public Management is well behind us. In the meantime, many traces of these reforms still dominate today's public sector landscape. In the Netherlands, PBB was one of the important reforms inspired by NPM.

There are several ways of categorising performance budgeting systems. A common way is to do so according to the degree to which performance information is linked to funding. Allen Schick distinguishes between two polar versions of performance budgeting, a broad and a strict definition:

Broadly defined, a performance budget is any budget that presents information on what agencies have done or expect to do with the money provided to them. Strictly defined, a performance budget is only a budget that explicitly links each increment in resources to an increment in outputs or other results. The broad concept views budgeting in presentational terms, the strict version views it in terms of allocations. Many governments satisfy the broad definition, few satisfy the strict definition. (Schick, 2003:101)

Teresa Curristine used a three-fold typology to describe performance budgets in OECD countries (OECD, 2007). In some cases, a direct link between performance, resource allocation and accountability is in place (direct/formula performance budgeting). More often, the link is indirect, and planned performance targets and results are used for planning and accountability purposes only (performance-informed budgeting, or PIB). Finally, there are performance budgeting systems that have no link between performance and funding and that use performance information for accountability only (presentational performance budgeting). Although it can be argued that, in the Netherlands, all three of these forms are present in the budget document, the emphasis seems to lie mainly on the PIB form.

Notwithstanding the multitude of conflicting and overlapping definitions of PBB, using a PBB system is commonly associated with the following activities:

- setting measurable objectives and performance indicators for government programmes;
- presenting expected results alongside spending levels in budget documents;
- measuring and reporting results during or after programme execution;
- evaluating results and using this information for strategic planning and budgeting.
The introduction of a PBB system is often accompanied by initiatives to change the budget structure from a line-item budget into a programme budget. A traditional line-item budget is structured along the lines of organisational units and spending categories. As a result, parliament approves a long list of proposed spending separately as input items (e.g. labour costs, retirement expenses, grants to an agent, etc.). The programme budget is shaped by government programmes that each have (a set of) associated policy goals and activities and that may span several organisational units. The Netherlands did switch to a programme and performance budget in 2002. The appealing logic in simultaneously introducing a programme and a performance-based budget lies in the notion that for a principal (e.g. parliament, the finance ministry, a line ministry), the loss of control as a result of reduced input controls will be compensated by increased accountability over actions and results. Clearly inspired by NPM, the Dutch PBB reforms saw a radical reduction of the number of line items in the budget (see Section 2.1). Arguably, many OECD countries chose to implement programme budgeting in an ideologically less extreme form than the Netherlands did. For example, the United States Congress repeatedly chose not to give up line-item controls. As a result, budgeting, performance planning and cost accounting largely remain separate silos, although often presented jointly in a variety of cyclical documents. Still other countries (e.g. Poland) see the co-existence of the classical line-item structure and a programme structure as a temporary step toward programme budgeting.

1.2. Objectives of PBB reform

A multitude of promises and expectations were communicated by performance-based budgeting reformers at the start of reforms. These can be generally classified into two broad aims:

- The increase of transparency of government spending and associated results in order to give voters and the legislative branch better opportunities for accountability and oversight. This involves integrating performance data into budget documents and requires measuring and reporting of performance information.

- The increase of effective allocation and management of resources. This not only requires measuring and reporting of performance information but also actually using this information to inform decisions made in the budgetary process.

The aims of transparency and (re)allocation are both expected to contribute, in their own way, to solving the puzzle of allocating public funds. A transparent budget proposal is seen as a necessary precondition for making better-informed choices. The use of performance data in the debate about different allocation options is expected to result in decisions to fund programmes and policy instruments that have shown adequate results while improving or saving on less-effective ones. The savings generated by PBB implementation may be of two types:

- Allocative: Savings generated by reducing the funding level of particular programmes while retaining or increasing spending on performing programmes are referred to as improvements in allocative efficiency. This happens during budget preparation and approval of the budget by parliament.

- Operational: Savings generated by changes in funding levels within a programme are referred to as improvements in operational efficiency. Operational efficiency improvement as a result of PBB happens at the agency level in the budget preparation.
and execution phases and is therefore less visible than changes within authorised programmes.

Although not explicitly envisioned by many PBB reformers, another recurring claim to its success is an increase in result orientation within government organisations. Such a result orientation involves providing a greater emphasis on tangible results by government (including setting objectives, monitoring performance, and planning), and improved transparency of planning and reporting documents for users (GAO, 2004; IOFEZ, 2004; OECD, 2007). This type of success is hard to identify and substantiate for non-organisation members or distant stakeholders. Although often more of a “by-catch” than a stated intention of PBB reforms, the increased result orientation of public sector organisations and their members can be counted as a separate type of result. The potential contributions resulting from PBB reforms are shown in Figure 1 (note that they are interrelated to some degree).

The reasons given for turning to a PBB style of budget in the Netherlands mainly referred to the first of the two broad aims (transparency), whereas the efficiency arguments were communicated less clearly and seemed to be added later. This can largely be explained by the fact that the reform was initiated by parliament using transparency and accountability arguments, while the efficiency arguments were mainly part of the finance ministry’s internal agenda and were not expressed that clearly in the official documents. Nonetheless, the new budget structure was also meant to support a more efficient and effective government by making a more distinct relationship between policy, performance and resources, and to increase the coherence both between budget and accounting documents and within budget and accounting documents (Minister van Financiën, 1999).

2. A decade of mixed results in the Netherlands

2.1. The Dutch approach to PBB

The Netherlands turned to performance-based programme budgeting at the turn of the 21st century. Under the acronym VBTB, translated as “Policy Budgets and Policy Accountability”, the traditional structure of the budget was extensively revised into a performance-based budget. This reform included moving from a traditional line-item budget to a programme budget where funds were authorised according to general policy objectives. As a result of the performance budgeting operation, the number of line items to be authorised in the budget went down from about 800 to 160. In the new budget document, the content of each policy article was designed to answer three basic questions that were mirrored in the annual report (see Table 1).
In 1999, the Minister of Finance sent a plan to parliament launching VBTB. This initiative was preceded by a number of initiatives by parliament to investigate the possibilities for performance-based policy accountability. As part of the preparation, a “dummy budget” was produced, and selected ministries presented their 2001 budget in both the new and the old format. The Ministry of Finance oversaw the implementation process, investing heavily in training civil servants, issuing new regulations, and monitoring progress. All ministries had complied with the new budget structure in September 2001 when they presented their 2002 budgets.

2.1.1. Budgetary process

Designing and implementing the budget in the Netherlands, like in most countries, involves different actors in different phases of the budget process. Choices in the programme structure, policy objectives and indicators are made by the line ministries in their part of the budget preparation phase but are subject to approval by the Ministry of Finance during its part of the budget preparation phase. Final approval takes place when the draft budgets are approved by the Council of Ministers and finally parliament. In terms of allocation, a coalition government works with a detailed government agreement in which multi-year expenditure ceilings for every year of the Cabinet period are laid down, as well as the fiscal rules. The annual budget law is subdivided into chapters, and each chapter is subdivided into policy articles which constitute the line-item level of authorisation. The yearly allocation takes place to a large extent in the second quarter, by means of budget letters from the Minister of Finance to all ministers.

Under the Dutch system of ministerial responsibility, each minister is responsible for his or her own budget authorisation, execution and evaluation. This includes defending a budget proposal to parliament and informing parliament about the degree of success of the ministry’s own policy design and programme execution. So, due to the decentralised nature of budget preparation and performance planning, the Ministry of Finance in practice does not interfere actively in the performance planning of line ministries unless it feels there is a financial need to do so. With regard to the performance budgeting structure, the ministry’s formal role is usually limited to organising the budgetary and accountability process and overseeing compliance with budgetary guidelines. Although the role of the Minister of Finance may appear modest in a formal sense, the organisation of the budget process ensures that the Minister of Finance plays a powerful role with regard to all public spending, including allocation proposals. The Government Accounts Act grants the minister significant authority and influence, as the draft budgets in all their aspects have to be approved by the minister at the end of the budget preparation process. The performance information used in budget documents and policy evaluation has proven to be useful at times as leverage in the budgetary dialogue with line ministries, especially to amplify other budgetary arguments. On average, however, the majority of the performance information in the budget documents was not considered very useful with regard to

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<th>Table 1. Central VBTB questions to be answered for each programme</th>
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<td><strong>Budget</strong></td>
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<td>What do we want to achieve?</td>
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assessing policy effectiveness. For this purpose, multi-year policy evaluation proved to be a better tool.

The VBTB reform also saw the introduction of a new milestone in the Netherlands budget calendar: the yearly “Accountability Day” in May. On this day, the Minister of Finance presents the central government annual financial report and the ministries’ annual reports to parliament. This event mirrors the presentation of the central government budget and the Budget Memorandum on the third Tuesday in September (Budget Day), and intends to stimulate a dialogue between the government and parliament about the effectiveness and efficiency of public spending.

2.1.2. Budget structure and content

The budget’s policy programmes are referred to as budget articles in the Dutch budget system and are the dominant unit for budget planning and reporting. The budget articles integrate planned expenditure, performance planning and cost accounting. They are the unit for budget authorisation by parliament, as well the unit of analysis for financial compliance audits by the Netherlands central Court of Audit and for policy evaluation by line departments, notably policy reviews (see Schoch and Broeder, 2013).

The budget in the Netherlands has contained around 100 to 160 budget articles depending on the specific year, each subdivided into three to four sub-articles on average (Figure 2). Each budget article had one general objective. Under the VBTB system (up until 2012), each general objective was supported by several operational goals at the sub-programme level called “sub-articles”. Usually, though not always, the article’s general objective supported outcome indicators, while the underlying operational goals were monitored by output indicators. Objectives, instruments and measurable data on performance were required to be presented for each operational objective; this applied to all budget articles except some that were labeled non-policy articles. The latter were in place for more technical reasons, such as dividing residual overhead costs or to cover unforeseen costs.

![Figure 2. Development of number of programmes (articles) in the budget of the Netherlands](image-url)
It is important to note that parliament in 2000 agreed to significantly reduce its line-item input control of the budget in exchange for more information on outputs and outcomes. The loss of control on a line-item level was reinforced by the fact that less-detailed financial information was provided within programmes. Under VBTB, the budget article did not specify expenditures at the level of detail of an appropriation account. Most of the time, it only distinguished between direct costs and overhead costs spent for each sub-article. In terms of budget authorisation, this meant that parliament no longer controlled the allocation of funds between types of expenditures (personnel, goods and services, capital) or organisations. To illustrate what the content of a VBTB budget article looks like, a sub-article of the Ministry of Transport is presented in Figures 3 and 4.

**Figure 3. Example of VBTB structure, Ministry of Transport (2011)**
Looking back to the launch of VBTB, one can conclude that the initial aim was to enhance budget transparency and accessibility. Soon the scope was broadened to include all the intended results commonly attributed to the PBB reform (see Figure 1). The three simple questions had an appealing logic and were internalised in the dialogue about finance and policy on all levels of central government. That does not mean, however, that the apparent simplicity of the VBTB format was easy to comply with nor that the reform brought all of its intended benefits.

2.2. Results, challenges and reforms (2002-12)

When the Netherlands performance budgeting system VBTB was evaluated three years after its introduction, the main conclusion was that using the budget as an instrument to achieve both greater transparency and greater efficiency was considered to be no longer feasible. The reason was that the performance information included in the budget in order to assess efficiency was often too elaborate, detailed and technically specific, and stood in the way of the aim of improving accessibility and transparency of budget documents (IOFEZ, 2004). The most important improvements in the field of transparency were the new structure and the inclusion of objectives in budgets and annual reports. However, the information about the contribution of government programmes to policy objectives was often “fuzzy”. Objectives were formulated in such abstract terms that it is impossible to determine (in retrospect) whether they have been achieved. There was a natural tendency of officials and administrators to hedge their bets and give veiled answers (Debets, 2007). In addition, it was noted that making effects measurable may imply quantifying policy that can better be assessed in qualitative terms. This leads to the risk that performance measurement is counterproductive and in reality exists only on paper. There is also the risk that policy is poured into a mould without giving any thought to its actual content. As a result, the efficiency of policy suffers because pouring policy into a mould does entail costs, mostly administrative. At the same time, it was concluded that the introduction of PBB did have a positive effect on result orientation within government.
and therefore potentially on operational allocation (IOFEZ, 2004). To illustrate the findings of this evaluation in this respect, a number of relevant conclusions from the evaluation report are given in Box 1.

**Box 1. Selected conclusions from the VBTB evaluation (2004) regarding result orientation and operational efficiency**

In the field of efficiency, respondents indicated that VBTB had stimulated people to give more thought to the intended results of policy. This is an incentive to greater efficiency.

The role of policy objectives in internal management has increased. The budgetary cycle is more closely attuned to the cycle of planning and control, and the policy objectives have become broader than merely funding and operations.

The interviews held in the context of the evaluation show that VBTB has helped ministries and implementing organisations adopt a more result-oriented manner of working.

The process of drawing up annual plans and discussing them with the ministry to obtain approval has led to debates on the objectives presented and on their effective implementation.


The 2004 evaluation of VBTB concluded that the objectives of improving transparency as well as allocative efficiency could not both be reached by using the single instrument of the budget structure. Instead, VBTB would be aimed foremost at budget transparency in order to strengthen parliamentary authorisation and oversight. The improvement of effectiveness and efficiency would have to come from improving policy plans and policy evaluation (Minister van Financiën, 2004).

To ease concerns about reliability and auditability of performance data, an obligation was introduced to state the source of performance data in the budget documents. In addition, a more flexible set of PBB guidelines for budget documents was issued in 2006. An important adaptation included the provision that performance indicators should only be added “when useful and relevant”. In addition, output and outcome reporting were to be continued on a “comply or explain” basis. The percentage of programmes making use of the “explain” clause for not having an indicator is given in Figure 5 for the 2007-11 budget documents.

Throughout the years, there was also growing discontent with a lack of parliamentary attention for policy results in the budget and annual report as well as with the perceived administrative burden of performance measurement and reporting. The Accountability Day did not live up to its expectations, as the number and seniority of MPs participating in the debate was usually low and the impact in terms of votes was small. This discontent by both parliament and the government was described well by the finance minister at the time, Wouter Bos, during his first Accountability Day in 2007 (see Box 2).
In response to this critique, a three-year experimental reform was started in 2007 to:
- increase the political relevance of annual reports and budget documents;
- lower the administrative burden for line departments in producing the budget documents.

The first goal was pursued by reporting elaborately on the coalition government’s policy priorities, including lessons learned concerning policy execution or policy design. At the same time, lengthy and detailed policy texts and performance indicators on non-priority subjects were omitted altogether from a selection of annual reports (though these remained in the budget). A new instrument introduced in 2008 was the accountability letter in which the Prime Minister reported to parliament on progress on the Cabinet’s main priorities. This letter is presented simultaneously to parliament with the

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Figure 5. Availability of performance indicators in the budget documents

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B. Availability of output information

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annual reports of the ministries. To attain maximum focus in the accountability letter and the debate, parliament selects about five policy themes six months before Accountability Day. This new priority-driven approach was partly inspired by the United Kingdom experience with the Prime Minister’s Delivery Unit during the second term of Prime Minister Tony Blair (see Box 3).

Box 2. **Address by the Minister of Finance Wouter Bos on Accountability Day, 22 May 2007**

“I was and still remain a strong supporter of the VBTB philosophy and I do feel it is necessary to give account afterwards over policy results, however:

- The documents are too comprehensive and clarity can be greatly improved.
- Many seem to subscribe to the notion that if policy goals and results are measurable, they must also be good. That, of course, is not the case. VBTB should not turn into a form of numerical fetishism.
- Managing those aspects that happen to be easily measurable should never become a goal in itself.
- Account should be given on policy goals whether they are achieved or not. What can be attributed to successful policy and what can be improved?”

Initially attempted as a form of internal performance management in the United Kingdom, the Dutch version of the British delivery approach was also intended as a tool of external accountability. Budget documents featured extensive information on funding and results of these priorities, while the coverage of “going concern” tasks was diminished. In the Dutch case, the number of selected priority goals amounted to all 84 objectives in the
government’s coalition agreement, somewhat hampering the idea of selectivity. In addition, some of the priority goals were vague and politically formulated, and lacked a clear implementation strategy and chain of accountability. Some of the practical lessons learned from the adoption of a Dutch version of the “delivery approach” were:

- During the first year of government, it is usually too early for reporting exciting policy results. Instead, aim for realistic mid-term (two years) and end results (four years).
- For some high-profile political goals, the central government’s role may turn out to be a rather passive one because of a strong dependency on other stakeholders and external factors.
- It may not always be feasible to use the intentionally stable structure of the budget for political priorities that are unstable by nature.
- Since every line ministry wants to be included in the government’s top priorities, some priority goals may just reflect “going concerns”. Ambitious cross-cutting goals may help commit several ministries at once.
- When working with cross-cutting goals, agree on a clear accountability structure between line ministries to prevent stovepiping and unclear ownership.
- In order to limit the risk of overpromising policy results, be aware of the dependency on other parties and external effects that cannot be influenced.
- Involve line ministries early in the process when formulating SMART quantitative goals (specific, measurable, agreed, realistic, time-bound) in order to establish realistic and measurable goals. This process should not be left to political leaders alone.

The evaluation of this experiment in the Netherlands in 2010 revealed that the political debate on performance accountability did indeed shift more towards political priorities. Parliament’s attention to policy results did increase, albeit relatively modestly. Surprisingly to some, parliamentarians referred to the performance indicators omitted from the annual reports in only 4-10% of all their questions and remarks, when debating budget accountability.

After the experimental approach ended in 2010, the accountability letter of the Prime Minister was retained (at least for now). Also, line ministries were encouraged by the Ministry of Finance to develop critical self-reflection in performance reporting by formulating policy lessons in their documents.

2.3. The Dutch experience in the international context

The experience with PBB in the Netherlands seems to be largely representative of international PBB experience. The attempts to link government spending to public sector performance seem to have increased the transparency of budget documents to a certain extent (Curristine, 2008; GAO, 2004; Nispen and Posseth, 2006). Less visible and harder to substantiate are claims that PBB increased the result orientation within government organisations and was beneficial for operational efficiency. The evidence here is mostly anecdotal and inconclusive but is reported elsewhere as well (GAO, 2004; IOFEZ, 2004; OECD, 2007).

On the downside, experience in the Netherlands and other OECD countries demonstrates that the effects of PBB on budgetary deliberations by parliaments have been nearly absent (Frisco and Stalebrink, 2008; OECD, 2007; Wanna et al., 2010). The question of PBB impact on budgetary allocation is obviously a broader one, as the finance ministry can have a significant impact on a draft budget before it is sent to parliament. But also in this
respect, some findings suggest a fairly limited impact. One of the interesting findings from the 2011 OECD Performance Budgeting Survey which was carried out among finance ministries is that the most frequent answer to the question “What happens when performance targets are not met?” was that there were no consequences at all, followed by the answer that the results were made public. Incidentally, the same went for the question “What happens when performance targets are met?” – in the case of not meeting targets, budget decreases occurred occasionally to never, just slightly more often than budget increases.

As part of the OECD “Value for Money” study, Dirk-Jan Kraan comes to some rather harsh conclusions regarding PBB implementation (Kraan, 2011a). First, the shift from input to output controls has led to cost increases in cases where input controls and standards of operational management were almost completely abandoned. Although no reliable comprehensive data are known for the Netherlands, this may refer to the system in the Netherlands which is characterised by a high level of decentralisation and managerial flexibility. In addition, the abolishment of input controls for parliament was relatively radical in the Netherlands compared to other OECD countries.

Second, it is claimed that output financing of government agencies has led to a loss of service quality and an increase of bureaucracy. This refers to the (necessarily) sub-optimal output and outcome formulations as a result of changing preferences and political compromises. An obsession with indicators by managers and inspectors can result in bureaucracy at the expense of service delivery. The bureaucratic burden of PBB has also been noted in the Dutch public sector, especially in cases where the utilisation of the data themselves remained unclear.

Finally, Kraan concludes that budget authorisation on the basis of output targets (instead of financial inputs) has led to loss of control by parliament and unreadable budget documentation. Indeed, the Dutch parliament increasingly perceived the almost complete lack of input information as an accountability gap. Incidentally, similar findings emerged from several recent studies on the Dutch local government which introduced a similar system of performance-based programme budgets from 2003 (Bordewijk and Klaassen, 2011 and 2012; Elzinga, 2012; Bogt et al., 2012).

Anecdotal evidence from practitioners as well as authors on public administration offers plenty of explanations why the predicted benefits of PBB doctrine did not materialise or did so only partially. To agency managers, who are usually busy battling unexpected crises that can only be cured by resources rather than by strategic thinking, performance management is little more than a distraction (Moynihan, 2008). Neither should it be surprising that the political environment in which budget allocation takes place far from guarantees a predictable use of the performance information that is generated. One can even argue that it would take a totalitarian regime to fully embrace a normative theory of budgeting, for this would imply the end of politics (Wildavsky, 1992). The view that performance measurement is too simple an approach for the diversity and complexity in the public sector was expressed by Beryl Radin as she confronted reality with six assumptions that constituted what she called the “unreal and naïve approach” of the performance movement (Radin, 2006):

1. Information is already available.
2. Information is neutral.
3. We know what we are measuring.
4. We can define cause-effect relationships in programmes.
5. Baseline information is available.
6. Almost all activities can be measured and quantified.

Although one can have serious doubts about the attempts to “rationalise” budgetary decision making using PBB, some claim that performance management reforms can change managerial behaviour and that performance information does get used, be it at a different place and time. According to several authors, benefits of PBB reforms in terms of efficiency mostly occur at the agency level and in the budget preparation and budget execution phase, and not in the budget approval and evaluation phases (Joyce, 2003; Moynihan, 2008; Posner, 2009; Verhoest et al., 2011). So the budgetary impact of PBB may lie mainly in its ability to improve technical efficiency within government programmes, illustrated by Table 2.

The 2011 OECD Performance Budgeting Survey confirms that performance information gets used more commonly for management and accountability than for programme allocation.

Although performance information has proven especially useful in ex post evaluation in the Netherlands (see Schoch and Broeder, 2013), the column under “budget evaluation” for the Council of Ministers – parliament in Table 2 does not have a “yes”. The reason is that the evaluations do not take place as part of the annual budgetary cycle. Instead, budget evaluations tend to follow diverse multi-annual policy cycles that may be triggered by unpredictable events including changing political preferences. Moreover, attempts in 2008-10 to align the policy evaluation reports with the annual reports have been unsuccessful.

### 3. The value of performance information to the budgetary process

#### 3.1. Using performance information to learn and improve

The actual use of performance information by a public sector bureau and its principal(s) to inform management decisions is a vital link to PBB. Although the use of performance information by government agencies has been reported for a myriad of purposes, not all of these purposes may be seen as a successful adoption of the underlying PBB goal of more effective allocation of resources. Use of performance information can be classified in five broad categories (Lancer Julnes, 2008):

- **Reassurance**: Government shows it is doing what it is supposed to do with the taxpayers’ money.
- **Compliance**: Agencies demonstrate that they comply with performance measurement regulations.

<table>
<thead>
<tr>
<th>Level of dialogue</th>
<th>Budget phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council of Ministers – parliament</td>
<td></td>
</tr>
<tr>
<td>Ministry of Finance – line ministries</td>
<td>Yes</td>
</tr>
<tr>
<td>Line ministries – agencies</td>
<td>Yes</td>
</tr>
<tr>
<td>Within agencies</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The 2011 OECD Performance Budgeting Survey confirms that performance information gets used more commonly for management and accountability than for programme allocation.
Programme learning: Learning from results may lead to programme changes or maybe just to a better informed dialogue.

Enlightenment: Externally, enlightenment can lead to mobilisation and put an issue on the political agenda. Internally, enlightenment can lead to more informed decisions and better-educated stakeholders; this can generate new insights and challenge previously held perceptions.

Legitimisation: Performance information can be used to rationalise, justify or validate current, past and future courses of actions and decisions (including funding levels).

Among these different uses of performance information, using it for reassurance seems to match the PBB purpose of increasing transparency and accountability. The use of performance information for the purposes of programme learning and enlightenment seems to be particularly relevant for both operational efficiency and internal result orientation, thus indirectly contributing to the aim of more effective allocation of resources in the public sector.

Concerning compliance, Allan Schick once noted that “compliance is usually the enemy of performance” (Schick, 2003:86). When looking at the experience in the Netherlands, it seems fair to say that performance information has been used by line ministries extensively for compliance and legitimisation whereas the added value for reassurance, enlightenment and programme learning has often been debated and was the source of various reforms. As mentioned earlier, the Dutch Court of Audit oversaw compliance with the PBB regulations, and in doing so focused mainly on the availability of performance indicators in the documents. Due to the powerful role of the Court of Audit in the budget evaluation phase, line departments had a strong incentive to fill their entire budget with performance indicators, arguably ignoring the aspects of quality and relevance.

Regarding legitimisation, by looking at the budget documents in the Netherlands, it becomes apparent that policy units used the PBB structure extensively to highlight the importance of their programmes and political priorities. It can be argued that the focus on political priorities in the period 2008-10 reinforced the politicising of the budgets. The 2011 OECD Performance Budgeting Survey shows that line ministries most commonly use performance information to increase spending in their negotiations with central budget authorities; this points to the ability of line ministries to effectively use PBB for legitimisation purposes.

3.2. In search of realistic expectations

Given the way policies are reshaped, conducted and adjusted in a political environment, it may appear unrealistic to expect an abundant use of performance information for programme learning or enlightenment. Or, as Allen Schick noted: “Successful organisations learn and adapt, changing what they do and how they work in response to both internal and external signals. But performance is only one of the drivers of change, and not always the most important one” (Schick, 2003:88). This may indicate that traditional PBB theory is flawed to a degree, or at least does not take into account knowledge about learning behaviour in public sector organisations, a point made earlier by Donald Moynihan (Moynihan, 2005).

The problems encountered with the use of performance information by public sector organisations are summed up well by Donald Moynihan in his “interactive dialogue model
of performance information use” (Moynihan, 2008). This model, or rather set of assumptions, challenges some often unarticulated notions behind PBB theory. The model’s central assumptions are:

- Performance information is not comprehensive.
- Performance information is ambiguous.
- Performance information is subjective.
- Production of performance information does not guarantee use.
- Institutional affiliation and individual beliefs will affect selection, perception, and presentation of performance information.
- The context of dialogue will affect the ability to use performance information to develop solutions.

The first three assumptions reflect the idea that performance information usually consists of one or more indicators of actual performance and, as such, never represents a whole universal truth about performance. These assumptions partly mirror the “misassumptions” of PBB as noted by Beryl Radin (Radin, 2006). The importance of these notions lies in the fact that once you accept that performance information is incomprehensive, ambiguous and subjective, a number of underlying key assumptions of PBB theory ought to be reconsidered as well – most notably the reliance on a comprehensive, yet SMART policy goal and a limited set of key indicators as the basis for a performance-informed dialogue between actors in the budget process.

The fourth assumption deals with problems regarding the use of performance data. Moynihan also notes that when performance information is used, it is not always used in the way PBB reforms envisioned it to be used (Moynihan, 2008). So, not only does the production of performance information not guarantee use, the use itself may or may not contribute to efficiency depending on the purpose of use.

The consequences of institutional affiliation and individual beliefs for selection, perception and presentation of performance information touch upon the transparency and accountability goals of PBB reforms. Although a bias may not occur deliberately, it can nonetheless erode trust in a relationship between the Council of Ministers and parliament, between the central budget authority and line ministries, or in any other accountability relationship. In addition, there is a fine line here with the issue of deliberately spinning and framing results. This is likely to occur when the incentive to report good results proves stronger than the incentive to actually achieve these results. This risk is especially apparent in direct/formula performance budgeting, and examples of this have been reported in the Netherlands as in other OECD countries.

Finally, the way the dialogue is conducted between those who measure and interpret performance and those who account for performance can prove to be an obstacle to applying the lessons to be learned. It can be argued that some characteristics of the budget process – like loyalty and confidentiality – may even undermine a learning culture (Posner and Mahler, 2012). A dialogue that involves only a few parties that maintain a close relationship offers the best guarantee for efficient exchange of information because much information can remain implicit (Moynihan, 2008; Wierdsma, 1999). A drawback of such a dialogue is that only acceptable and predictable positions are taken and no truly new insights emerge. PBB can be viewed as an attempt to break open the policy dialogue to be able to involve other parties (e.g. the financial department, parliament). This is attempted
by making many implicit assumptions explicit (e.g. policy objectives, goals, expected outcomes, criteria for success). However, if a perceived outsider is forcing his/her insights into a policy dialogue, defensive routines are likely to occur on the part of the public sector bureau. This can result in a ritual dialogue in which referral is made primarily to formal positions and documents rather than to actual policy content (Argyris and Schön, 1996; Knaap, 1997). Many of the problems encountered in policy evaluation refer to this dilemma (see Schoch and Broeder, 2013).

4. A new approach based on lessons learned

4.1. Introducing “Accountable Budgeting”

After the initial euphoria over the VBTB reform in the Netherlands, discontent grew among different stakeholders for different reasons. Parliament was not content with the kind of information in the budget, especially the absence of a clear relation between annual performance planning and accountability afterwards, the total lack of input information, and the failure to link the budget to the use of evaluations. The Court of Audit was critical of the increased use of the “comply or explain” clause that allowed ministries to refrain from reporting performance indicators if they could explain why no relevant one was available. Line ministries perceived the budgeting process as a heavy administrative burden. This was not only caused by the number of indicators (some programmes had over 50) and the apparent lack of political interest for this information, but also because of the time-consuming internal debates about the elaborate policy texts in the budget. These proved to be a continuous threat to transparent and accessible budget documents. The Ministry of Finance felt that the old VBTB structure was an impediment to effectively deal with this problem. Moreover, it had become more and more apparent that the budget documents had lost most of their relevance in helping the Ministry of Finance to monitor and control the spending of line ministries. This was illustrated by the fact that during the 2009/10 round of comprehensive spending reviews (see Schoch and Broeder, 2013), the budget documents were seldom used because they contained too little relevant financial information. As a result of all these continuous problems, an agreement was reached in 2011 to make some significant changes in the framework of the budget.

Before going into the details of these changes, it should be emphasised that none of the stakeholders mentioned above supported abandoning programme budgeting or a return to input budgeting. Nor was it the opinion of the Ministry of Finance that ministries or agencies should stop using explicit policy goals and performance information in their policy processes. The changes made only refer to information to be included in budget documents. The idea was not that the fundamentals of performance-based budgeting were not working anymore. Instead, it was concluded that the framework of performance-based budgeting had created an overload of policy information in a non-focused direction. More and more indicators were used to legitimate the policy of the minister and were not about the role and direct responsibility of the minister. Often, indicators were used to illustrate social problems in a broader perspective. Indicators often did not explain the effectiveness of policy measures as initiated by the minister. Instead they served to help make the case for government intervention through a particular measure or programme, or they clearly resulted from pressure (often from the Court of Audit or a single member of parliament) to include more indicators. The Ministry of Finance realised that, in most cases, it is impossible to give an overview of the effectiveness of an entire policy field by only presenting indicators and a policy description in the budget document. To really
investigate policy effectiveness requires organising a thorough and useful evaluation survey that takes into account all the interrelated complexities of a policy field. That is the only way to help provide real answers to the questions that matter, like: does the policy work out in the right and expected direction, and what other factors are playing an important role?

As a consequence of this conviction, the framework of VBTB had to be adapted to become more factual and less political. In terms of performance and policy information, this meant, on the one hand, a more focused way of presenting indicators and policy information (or more modest, if you will). On the other hand, a more dominant role for policy evaluation was envisaged. Without going into the aspects of policy evaluation (see Schoch and Broeder, 2013), the results of these evaluations in terms of lessons, policy changes and associated budgetary consequences should have an explicit place in the budget documentation. This enables parliament to critically assess and debate the government’s own assessment of a policy’s effectiveness and efficiency at the moment when it has to authorise spending. A more detailed presentation of financial instruments was found to not only increase the relevance of the documents for parliament, it also supported the aim of more factual presentation of de facto policy theory. This also included a clearer separation between programme expenses and organisational expenses.

In essence, after years of attempts to reduce the complexity of public policy in budget documents, the Ministry of Finance was faced with the challenge of finding new ways to deal with this complexity in its programme budget. This led the Ministry of Finance to explore the lessons learned from VBTB and resulted in a new framework called Verantwoord Begroten (VB, or “Accountable Budgeting”).

4.2. Characteristics of the new budget structure

The accountable budget focuses on a programme’s general objective, to be achieved by a minister according to his/her responsibility within a policy field, and the instruments applied. To determine which information is to be presented in the budget, budget officers use the revised questions shown in Table 3.

Table 3. Questions for a programme to be answered in the new budget structure compared to the old one

<table>
<thead>
<tr>
<th>VBTB (old budget structure)</th>
<th>Accountable Budgeting (new budget structure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What do we want to achieve?</td>
<td>What does the minister intend to achieve?</td>
</tr>
<tr>
<td>What will we do to achieve it?</td>
<td>Which financial instruments is the minister going to use?</td>
</tr>
<tr>
<td>What will be the costs of our actions?</td>
<td>What are the costs of these instruments?</td>
</tr>
</tbody>
</table>

Although virtually identical at first view, these questions do mark an elaboration of the earlier rules of performance-based budgeting in the Netherlands to make them more specific to the actual role and responsibility of the minister. This renewed focus stems from the idea and belief that the budget has to be about budgetary matters first and can never offer a complete and comprehensive policy description. Other policy documents sent to parliament have to fulfil that role. Although it can certainly be useful to refer to other policy documentation in the budget, the budget itself cannot fulfil the role of a super-comprehensive policy document and at the same time be helpful for parliament’s budgetary decision making. So, in essence the budget is a financial document and not a
When comparing the “Accountable Budgeting” structure with the old VBTB structure, there are important transformations regarding financial and policy information, set out below.

4.2.1. Policy expenditures are presented in more detail following centrally defined financial instruments

Because parliament has to approve the budget document with all the financial resources, members of parliament obviously need to know exactly what will be spent on different budget goals. They also have to be provided with additional information that reveals what kind of organisations receive the funds and what each particular organisation is expected to contribute to each goal. As explained earlier, the introduction of programme budgeting in the Netherlands at the turn of the 21st century saw a radical decrease in the number of line items combined with financial information being presented only at quite a highly aggregated level. Therefore it is not surprising that parliament, especially in fiscally tough times, experiences a lack of control. The information regarding financial instruments (subsidies, purchasing from the private sector, contributions to agencies or decentral government, etc.) may appear as a return to the old-style input budgeting, but in fact provides a vital link for displaying the de facto relationship between policy goals and accountability for results. For example, a very ambitious policy goal that in reality only requires a small amount of programme expenditure consisting of unearmarked or lump-sum transfers is now presented at face value, limiting the opportunities for framing and using performance information for legitimisation purposes.

With Accountable Budgeting, the budgetary table has been redesigned. In this table, all the budgetary instruments like subsidies, charges and contributions to agencies, etc., are presented, including the larger individual expenses (from EUR 1 million) within each category of financial instruments. There is thus complete visibility of the major sums paid to specific organisations, agencies and institutions to fulfil specified policy goals and, in a broader context, the role and responsibility of the minister for that policy field. The enumeration of financial instruments is restrictive. Instruments have been clearly defined so that line ministries can present the table in the same way, leading to consistency in the budget documents and therefore to a better insight for parliament. In explanations that accompany the table, parliament can find more information about the individual instruments and the most important changes in the policy fields related to changes in the budgetary level of the instrument, or an explanation of price \( \times \) quantity \((p \times q)\).

4.2.2. Organisational expenses (expenditures for personnel and material) are presented in a single non-policy programme, separated from the policy expenditures

According to some, this shift is totally against the logic of a programme budget because any programme is supposed to include all the costs associated with the delivery of the programme’s output or outcome. In reality, however, the consequences of this shift in terms of management and organisation are quite limited. The reason is because the large majority of the Dutch central government’s organisational expenses are incurred by government agencies and remain presented as programme expenses in the policy programmes. Only the apparatus of each central line ministry in The Hague – only a small part of total organisational expenses – is no longer divided between policy programmes. These expenses are authorised through a single non-policy article per ministry. In addition, this non-policy article also contains a table with all the organisational expenses of external agencies (that are authorised as programme expenses elsewhere in the budget). In this way, all
organisational expenses for policy making as well as policy execution of a single ministry are displayed. An additional reason for no longer attributing the costs of central line ministries to policy programmes was to prevent the budget from being used as a tool to preserve stovepipes, as stovepiping would obstruct flexibility between policy directorates. Figure 6 displays the changes in the presentation of programme and organisational expenses.

Figure 6. Changes in the presentation of financial information in the budget

4.2.3. Policy information is limited to the information directly related to a minister’s sphere of influence and the financial instruments used. Performance targets can only be included in the budget when certain conditions are met

The policy information omitted from the VBTB budget will not disappear but will be presented in a more focused way to purify the process of budgetary decision making. If there is no direct relation to the ministerial responsibility and the expenditure proposals, the information should not be presented in a budget document as an indicator for performance, but should be used in other policy documents as an illustration of a situation rather than as a result of public intervention. Very often this type of information has been sent to parliament at earlier moments. If there is a direct and significant relation between results, outputs or outcome and the way a ministry fulfils its responsibility, performance indicators and target values still have a place in the budget documents (as shown in the examples in Figures 7 and 8). If not, contextual policy information can have a place in the budget if it refers directly to the broader problems targeted by the programme or if it provides insight into the level of funding. Many of the indicators from the previous VBTB budgets did not meet these criteria. Some examples are presented in Table 4.

For reasons of clarity and comparability, four types of role by a ministry are distinguished: to stimulate, finance, facilitate or actually execute policy. Performance indicators can be combined to match these types of roles. If the presented outcome is more due to other influences or developments and not directly related to the effort of the
minister, it is better to place the indicator or information in the policy notes instead of in the budget. In the Accountable Budgeting framework, quantitative performance targets can only be included in the budget when a minister can credibly be held accountable for the results afterwards. This is the case when:

- a clear outcome for society can be identified regarding the policy field (e.g. this can be difficult in the case of defence or diplomacy);

Figure 7. **Example of Accountable Budgeting structure of the Ministry of Health (2013)**
● the central government plays a dominant role in achieving this outcome (e.g. if a large role is played by international parties or the private sector, this may not be the case);
● the central government has an active role within this policy field (e.g. if it only provides unmarked funding or funds entitlements, this may not be the case).

Clearly applying these criteria is far from an absolute science. However, the criteria have proved to be helpful in the discussion with line ministries on results accountability and on the usefulness of performance indicators. In cases where these criteria are not met, policy information in the budget (or preferably referral to it) can still be useful. It has to be clear, however, that in those cases the causality between money and results is too weak to promise specific results to society in exchange for allocating funding. It is important to note that this is not necessarily a shortcoming on the part of a ministry. For many policy areas, the choice is made deliberately, and with good reasons, to leave allocation decisions to, for example, decentralised government or school boards.
4.2.4. Focus on learning and referral to evaluation

Two changes reflect the greater emphasis on policy evaluation. First, a mandatory multi-annual table in each ministry's budget shows when each programme was or will be reviewed. This clearly reveals when a programme evaluation is postponed repeatedly. It also makes clear if recent evaluation results were obtained in the previous budget year or can be expected in the next one. Having this information presented more prominently in the budget is expected to help encourage parliament's involvement in the evaluation planning. Second, in the programme format of the budget, a separate section is reserved for a brief reflection on policy adaptations and changes due to evaluation, either by the ministry itself or by an external party. In the annual report, this section is mirrored by lessons learned from evaluation. In this way, ministries are challenged to critically self-assess the results of their evaluation efforts within the budgetary perspective.

4.2.5. Improved presentation of the flexible part of a programme's budget

Always an important topic for parliament during authorisation is the question of how much of the budget is still flexible to (re)allocate in the next fiscal year. Although there were rules for presenting this information in the previous structure, ministries now provide better and more uniform information, increasing the insight into what is referred to as the budget flexibility within a programme. A uniform definition of committed expenses is now used by the ministries, resulting in a percentage of financial commitments in the fiscal year. The budgetary table of a programme shows this percentage. For the percentage of the programme's budget that is still flexible, line ministries can explain which steps need to be taken to make the budget available for alternative allocation.

All these changes were worked out in a revised budgetary template for policy programmes as shown in Figure 9. The new template meant a simplification of the VBTB template, and achieved a shift from explaining policy goals to explaining financial instruments.

One of the goals behind this reform is to limit the extensive possibilities that the previous PBB structure offered of using PBB for the purpose of policy legitimisation by line departments. As a by-catch, the administrative burden to line departments can be reduced significantly using the new template, especially in preparing the annual report. If done right, the only things that have to be explained in the annual report – other than explaining major differences between planned and realised spending – are the Sections C and D1 and tables with performance information if these occur in Sections B or E.

4.3. Process and evolution of the model

After partial implementation of the new format in the 2012 budget documents and evaluation of the results, all budget documents for the 2013 budget year were converted to the new concept of Accountable Budgeting. Based on the knowledge that introducing a new concept will involve a lot of effort from the line ministries, the Ministry of Finance chose a phased introduction of Accountable Budgeting. First, all the ministries had to divide the programme expenses and the organisational expenses (i.e. personnel/material expenditures) and present a single non-policy article for organisational expenses. This also meant the end of a few small programmes that contained nothing but organisational expenses by the line ministry. The Ministry of Defence, the Tax Service and parts of the
Ministry of Justice were granted an exception from centralising all their organisational expenses in a single non-policy article. The reason is that these three government bodies form the only part of the Dutch central government where policy execution does not take place by decentralised agencies but by the line ministry itself. The centralisation of organisational expenses within a line ministry’s budget was done in the budget documents for 2012. The next step was achieved in 2013 by splitting these expenses into the categories agreed with parliament, such as the expenditures for personnel, external hiring, ICT, and payments to shared service centres within the governmental organisation.

In 2012, two pilot ministries already transformed all of their policy articles into the new presentation format. Some other ministries chose a more cautious approach by selecting one or two pilot programmes to convert. The forerunners were able to define issues which had not yet worked out. The Ministry of Finance used these lessons to improve the framework and rules. By the 2013 budget, all the ministries transformed their entire budget document to Accountable Budgeting.

As expected, the use of performance indicators in the 2013 budget – when compared to the last budget that had used the VBTB structure (2011) – was significantly reduced, as illustrated in Figure 10. The overall decline represents a reduction of almost 50% and can be expected to diminish even further to over 60% in 2014. Again, the non-included information is generally not expected to have disappeared altogether but is still available for internal management, separate monitoring reports and letters sent to parliament, and occasionally in answers to questions by parliamentarians. If a performance indicator was only used for external reporting and is not missed by parliament, the loss is accepted, as it was probably in the budget for compliance or legitimisation purposes only.

**Figure 9. Programme template in the old and new budget**

<table>
<thead>
<tr>
<th>VBTB programme template</th>
<th>Accountable Budgeting programme template</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. General objective</td>
<td>A. General objective</td>
</tr>
<tr>
<td>B. Policy description</td>
<td>B. Role and responsibility</td>
</tr>
<tr>
<td>C. Responsibility</td>
<td>C. Policy changes/lessons learned</td>
</tr>
<tr>
<td>D. External factors</td>
<td>D1. Budgetary table</td>
</tr>
<tr>
<td>E. Measureable data general objective</td>
<td>D2. Budget flexibility</td>
</tr>
<tr>
<td>F. Budgetary table</td>
<td>E. Explanation financial instruments</td>
</tr>
<tr>
<td>G. Budget flexibility</td>
<td></td>
</tr>
<tr>
<td><strong>For each sub-article:</strong></td>
<td></td>
</tr>
<tr>
<td>H. Operational goal</td>
<td></td>
</tr>
<tr>
<td>I. Policy motivation</td>
<td></td>
</tr>
<tr>
<td>J. Instruments used</td>
<td></td>
</tr>
<tr>
<td>K. Measureable data operational goal</td>
<td></td>
</tr>
<tr>
<td>L. Evaluation planning</td>
<td></td>
</tr>
</tbody>
</table>

1. Rows H-K were repeated for each sub-article.
Another result of the more factual style of budget presentation was a significant reduction in the length of budget documents of up to 50% in some cases. This was largely the result of abandoning lengthy policy texts associated with each general objective and operational goal.

Not unlike other major reforms, a number of risks and critical remarks from stakeholders also apply to this one. From the start, the Dutch Court of Audit and parliament have been cautiously supportive of Accountable Budgeting but also voice some concerns. One concern is the possible loss of information in the budget documents about the effectiveness of policy. Although the Ministry of Finance is aware of the impact of introducing Accountable Budgeting, a burden nevertheless falls on ministries to present fact-based information about the real policy commitment of their minister. The extent to which information should be included in the budget and the extent to which the budget documents refer to other sources (e.g. through an Internet link) can obviously be debated. It will remain necessary to invest in explaining the new concept to parliament and to accept that such a transformation may not be adopted immediately. So far, parliament has been supportive of these changes and rapidly started to use some of the extra financial information provided to fulfil its role of oversight and authorisation. After an entire cycle from the 2013 budget to accountability in 2014 has been completed, there will be additional understanding of what works and what needs to be perfected. Taking into account the opinion of parliament – the main “customer” of the budget documents – the model will be further developed and perfected.

Nonetheless, some lessons were already learned early in this reform process.

First of all, clarity about rules and definitions is paramount. Establishing these rules and definitions needed to be done in co-operation with the line ministries involving financial directors and policy directorates all the way down to the administrative staff. For example, applying the definition of organisational expenses proved to be one of the issues.
where sometimes arbitrary choices had to be debated and the final agreement had to be clearly documented in case of future disagreement.

Second, during the transformation process, the Ministry of Finance had to organise enough guidance and help. Apart from providing opportunities to explain the new ideas, this help increased the finance ministry’s understanding of why things are sometimes not working in specific situations (for example, policy fields) and demanded flexibility to adapt the concept to critical issues.

Third, a large investment in communication about the transformation had to be made – not only with the line ministries themselves, who have to make the transformation work, but also with key actors in parliament to help them understand what is new and also show them what they can do with the extra budget information. The Court of Audit needed to be included because it is in close contact with the line ministries and parliament and needs to adopt and incorporate the framework in its standards.

Finally, there can be fierce opposition from some quarters against changing the status quo. For some persons who work in line ministries, it is understandably difficult to accept that after years of vigorous attempts by them to perfect the old framework, the Ministry of Finance has come up with something new. Especially policy directorates sometimes mourn the loss of their “space” in the budget documents and apply pressure on financial departments to bend the new rules.

5. Epilogue

5.1. What Accountable Budgeting changed and did not change

Now that this new approach to performance budgeting in the Netherlands has been introduced, it is time to reflect on how these changes really affect the Dutch VBTB legacy and its underlying assumptions. Some notions that have not changed and remain unchallenged:

- A programme structure for the budget is the best way to inform members of parliament and taxpayers about a government programme’s purpose and perceived contribution to society, as well as ensure managerial flexibility within government.

- It remains the responsibility of the Ministry of Finance to make sure that the effectiveness and efficiency of programme spending is assessed regularly. Regarding allocative efficiency, there is a shift here from the annual budget cycle to policy evaluation.

- Reliance on performance information in the budgetary dialogue was and remains valuable to the budget process at all levels within government (between the Ministry of Finance and each line ministry and within line ministries and their agencies). The largest contribution of such a performance-informed dialogue can be expected in operational rather than allocative efficiency.

However, there are also some assumptions that have clearly been abandoned with this reform:

- The relevance of performance information for (financial) accountability purposes is not served by a detailed one-size-fits-all programme template. Instead, this requires differentiation depending on the role of government and the nature of the instruments used. A dialogue between policy specialists, budget staff and relatively uninformed outsiders is indispensable for deciding on what information is relevant.
• Not all performance information that is considered relevant to all stakeholders can be accommodated in a single budget document. This is not a matter of simply trying harder to find the perfect and objective indicator. Referral to other documents is necessary.

• A top-down, supply-driven effort to produce performance information in the budget does not mean that this information will find its way into political debates about allocation. Use of performance information does not occur on demand in a cyclical, annual way and is more likely to be used to learn and improve following multi-year ex post evaluation.

Finally, some questions remain that cannot be answered yet as they require more experience with the new budget structure. One of the concerns voiced during this reform is that it will enable departments to use the new structure to underrate their responsibility for results (especially outcomes) in an attempt to escape responsibility and accountability. On the other hand, there are those who fear that parliament and ministers will not accept their limited influence as presented in to the new budget documents. A result could be that the central government may be pushed in the direction of centralising policy execution and demanding more bureaucratic accountability documentation from decentral government and agencies. More fundamental is the question of whether line ministries can do without guidance from the budgetary process and the Ministry of Finance and will have enough incentive to be clear about their policy goals, measure their results, and use them to learn and improve. Intertwined with this question is the larger question of whether PBB did indeed make a lasting contribution in this respect in the first place. Some early evaluations suggest that it did, while recent international studies increasingly assert this view (Moynihan and Lavertu, 2012; Posner and Mahler, 2012). Another factor that also touches upon transparency has been the role of external pressure demanding public accountability. This article concludes with a short reflection on some of these developments and their relevance to budget preparation.

5.2. The road ahead

The developments as described above are a first step, but certainly not the final situation. As already mentioned, the system of Accountable Budgeting will be evaluated in the near future. For a proper evaluation, a full budgetary cycle is needed: budget preparation (2012), budget approval (2012), budget execution (2013) and budget evaluation (2014).

In the meantime, the Ministry of Finance will give special attention to further improving the model (each budget year provides a new opportunity to introduce some enhancements) together with parliament, the Court of Audit and the line ministries. A number of foreseen (technical) enhancements can be explored:

• increase the linkages to other relevant policy documents in the budget documents;

• better and more information on external agencies;

• more overview reports for cross-cutting policy areas where two or more ministries or agencies are involved.

It is important to understand that a one-size-fits-all approach will probably not work: different challenges and therefore different approaches to policy fields will prove to be the main elements of a successful implementation of Accountable Budgeting.
Besides these technical aspects, there is also a cultural change involved. It took eight years to internalise the concept of VBTB in the line ministries and in parliament. Maybe an additional 3-4 years are needed before the concepts of Accountable Budgeting are internalised. Accountable Budgeting provides the financial directorate of a ministry with some additional tools in order to get a “grip” on the spending of policy makers. To use these tools with sense and sensibility requires both wisdom and scrutiny. The policy directorates themselves, as well as political leaders, sometimes need time to get used to the new requirements for realistic reporting on their contribution to policy outcomes. If, for instance, the role of a minister in a policy area can be characterised as stimulating (see the four possible roles described in Section 4.2.3) and there is no real steering influence, it takes courage to write this down in the budget.

The budget will stay as the main document for the purpose of budget allocation and accountability. However, there will be an increasing demand to link to additional information that can be relevant in the process of budgetary decision making. The cyclical, annual character of the budget process in providing policy information is expected to lose some of its relevance as more information becomes available at varying time intervals. Strategic choices concerning, e.g., Cabinet priorities and austerity packages will still be taken in the budget process; but decisions regarding a policy revision, for example, can take place outside the budget process. Medium and long-term sectoral planning documents (and their annual updates) provide a better basis to hold line ministers to account for outputs and outcomes than the annual budget.

The links to additional data outside the budget documents can be classified as follows:

- Cabinet priorities and the monitoring of these priorities;
- more and more financial data, including the expenditures of the ministries (in line with open data initiatives);
- operational data and performance reports;
- performance evaluations;
- spending reviews;
- independent performance information;
- historical and statistical information (from government and international organisations).

There are already some promising results for this mechanism of linking to relevant data. The budget of the Ministry of Education, Culture and Science refers to a wealth of input data – such as the number of pupils in the education system – and performance data (e.g. the quality of education) by linking to these datasets that are produced outside the budgetary cycle context. These data are also presented on a regional and international level (Figure 11).

For the medium term (i.e. 2020), we foresee a chain of events driven by an increasing demand for public transparency and tight budget controls. This chain of events involves the following three main factors in the presentation of the budget information:

1. An accelerated shift from New Public Management to what the OECD calls “basic government” (Kraan, 2011b), notably on the following points:
   - strengthening of standards of operational management, including a need for standardisation of information;
2. A shift of focus from allocation to reallocation due to reduced budgets and the need for better insights on how these budgets are built up. Budget estimates and multi-annual estimates should be well explained, preferably in terms of outputs, historic data and statistical data and, if possible, cost per unit: “p × q” explanations in those situations where the minister plays an active role in the policy field. Due to modern ICT systems, the q part (e.g. the number of applicants for a social security benefit or the number of inspections on food safety) can increasingly be provided on a daily basis, thereby shifting the accountability process to a daily basis.

3. An increasing demand from the public, journalists, etc., who want to reconstruct by themselves the “truth” about government performance and spending. As performance data are open to selective presentation and interpretation (see the “interactive dialogue model of performance information use” – Moynihan, 2008), the data provided should support a performance dialogue based more on research and advocacy. This means that

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Figure 11. Example of a clickable source of performance data in the budget document

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1. In this case, one of six datasets linked to the secondary education programme of the Ministry of Education (note the ability to drill down geographically on the upper left).

Source: www.trendsinbeeld.minocw.nl/grafieken/3_1_2_23.php.
the budget should provide access to (rather than include) various sources of information instead of relying on just a few selected indicators. The same goes for the ability to follow spending all the way to the last penny.

The ultimate goal is to gradually present the budget documents in a more digital way and with an open format, making it possible for actors, organisations, etc., who are not traditionally included in the budgetary process to analyse and present these data in different ways, thereby initiating a real dialogue on value for money.

Notes

1. It should be noted that the perception of the administrative burden of performance reporting and the political attention for these results are somewhat correlated: the less attention one's work receives, the more it is seen as redundant by those working on it.

2. Examples of less concrete priority goals were: “bringing closer a solution for the conflicts in the Middle East” and “taking measures to promote respectfulness and decency in society.”

3. This multi-annual, cross-country study compares several OECD countries in terms of new reforms and reform trends in public administration.

4. Committed expenses are defined by a limited number of categories of agreements that are considered legally binding (e.g. international treaty, law, private sector procurement).


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