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The role of the budget officer in controlling public spending

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Key messages

- The role of a budget officer – an individual responsible for supervising spending by a line ministry – is a familiar one across all finance ministries, yet relatively little has been written about what they do and why they do it.
- This review of the work of budget officers in five countries – the Netherlands, the United Kingdom, Slovenia, Malaysia and Myanmar – finds that the day-to-day tasks of these officials differ considerably.
- Much of this variation relates to differences in the organisational setting and the nature of the overall spending control framework, rather than individual capacity or skill issues.
- The findings of this review have implications for thinking about how to strengthen the performance of a budget officer.

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1 Introduction

1.1 Life at the sharp end – overseeing spending in line ministries

Managing public spending is always a challenge. Politicians typically face stronger incentives to increase spending rather than reduce it. Voters tend to prefer more public services to less. Public sector bureaucracies typically want to maximise their budget allocation whenever they can. Without a countervailing effort that links to voters' desire for lower taxes, institutions with an interest in maximising public spending would tend to overlook the broader implications of increasing expenditure, potentially resulting in an unsustainable level of taxation and/or borrowing. Subsequently, the managers of public spending within finance ministries face the perennial 'common pool' problem of budgeting (von Hagen, 2005) – how to manage the collective pool of resources when most individual actors involved in the process have little incentive to restrict their own individual use.

Against this broad and highly political backdrop emerged the modern finance ministry and budget office (Allen and Krause, 2013). None of the responsibilities of a finance ministry are as central to its mandate as control over public expenditure. Anyone who has spent time in a finance ministry will instantly recall the role of the budget office. Probe them further and they will probably recognise the familiar role and work of the budget officer – the individual in the finance ministry with responsibility for overseeing, supervising, managing and/or controlling the in-year spending of a line ministry.[1] Few positions summarise the core work of the finance ministry quite as neatly at that of the budget officer, but who are these officers, what do they actually do and why does it matter?

This paper takes a closer look at the role of the 'budget officer'[2] in supervising in-year expenditure. It compares the role in five countries – the Netherlands, the United Kingdom (UK), Slovenia, Malaysia and Myanmar – and draws out some of the similarities and differences in the ways that budget officers work within their own public expenditure institutions. The paper then provides some reflections on what this might mean both for budget directors and for the international institutions that seek to support them, and suggests avenues for further research.

1.2 Defining the scope of the budget officer role

1.2.1 Supervising in-year spending

Budget officers are part of the budget office – a key part of any finance ministry. The budget

1 The term 'line ministries' is used to describe institutions that receive a budget allocation directly from the finance ministry and which must regularly account to the finance ministry for its use. In most countries, line ministries will be the main type of institution receiving this form of budget allocation. However, there will be a very wide range of organisations, agencies, departments and state-owned enterprises (or other types of public institution) that might also have this kind of direct relationship with the finance ministry. In addition, different types of institution are likely to have different kinds of control regimes – for example, state-owned enterprises are likely to have a different accountability relationship and degree of autonomy in relation to the finance ministry than a 'regular' line ministry. The same may also be true for local government. For the sake of ease of expression, the term 'line ministry' is used as shorthand to cover all the different kinds of institutions that have a direct financing and accountability relationship with the finance ministry.

2 Other terms used to describe this role include 'desk officer', 'budget coordinator' and 'spending principal'.

office is defined as the institution(s) or function(s) that advise ministers on expenditure policy.[3] This is a wide mandate, but for the purposes of this research two key tasks can be identified:

- *Budget preparation*: proposing budget allocations that reflect government priorities for parliamentary approval
- *Budget oversight during execution*: using various levers to manage, supervise, oversee and/or control spending 'in-year' to ensure that spending outturn is in line with approved budgets.

Literature on public financial management has tended to focus on the first of these tasks, and on the role of the budget office in preparing the budget. This research looks specifically at the second of these tasks: the role of the budget office in trying *to manage, supervise, oversee and/or control spending by line ministries in-year so as to match the requirements of the budget*. However, the distinction is not always clear cut. There are two reasons for this:

- During an annual budget cycle, the next budget is being prepared while the current budget is being executed. This blurs the line between supervision and budget preparation in terms of the day-to-day activities of the budget officer. (This feature of the institutional context is elaborated on further below.)
- No matter how well designed an approved budget might be, it cannot be 'perfectly executed' during the course of the budget year. The need to change course could come from a number of factors – absorption constraints, changes to policy or unforeseen events. Indeed, in certain contexts where budget credibility is a challenge, budgets are approved with the widespread (and perhaps implicit) understanding among stakeholders that they are not expected to hold for the duration of the year (e.g. Simson and Welham, 2014). In such circumstances, budget supervision looks very different to that in contexts where ministries can assume that the approved budget is unlikely to change.

In any case, there remain a number of tasks or roles for the finance ministry in supervising or monitoring budget execution *after* budget approval that cannot be done solely by the line ministry. How this work is taken forward by a budget officer is the focus of this research.

1.2.2 Supervising individual line ministry spending in an eyes-and-ears role

In order to deliver its mandate of advising ministers on in-year spending, the budget office and its staff must deal with two related challenges:

- **Supervising spending in the aggregate.** The budget office must ensure that overall total spending for the current year is proceeding in line with the approved aggregate expenditure envelope.
- **Supervising the spending of individual line ministries.** The budget office must ensure that the budgets allocated to individual line ministries are being respected.

These two functions are, of course, heavily interlinked. It is not possible for the budget office to provide effective advice to ministers on *aggregate* spending progress in-year unless the budget office also understands the expenditure situation of each *individual* line ministry. Nevertheless, this research work focuses on the second of these tasks: the role of the budget officer in supervising the in-year spending of individual line ministries. In this role, the budget officer plays something akin to an 'eyes-and-ears' function: acting as the liaison point between the finance ministry and the line ministry on matters of expenditure policy and spending execution; and focusing their oversight on the

3 The term 'central budget authority' (CBA) is sometimes used in the literature to describe the unit(s) within the finance ministry that has responsibility for overall management of public spending (e.g. OECD, 2006). The Organisation for Economic Co-operation and Development (OECD) definition of the CBA is relatively expansive and covers a large range of institutions and processes that manage public expenditure processes, including those responsible for setting accounting and reporting policy and managing cash flow. The definition of the 'budget office' presented here is therefore narrower and represents *part* of the CBA's function.

Box 1 Supervising expenditure in the aggregate – the other side of the budget office role

In each finance ministry there exists a budget office function with responsibility for monitoring aggregate expenditure over the course of the year. This unit naturally has a strong influence on the day-to-day work of budget officers. The country case studies conducted for this research suggest that these units typically have responsibility for:

- setting the 'rules of the game' for the overall government spending system
- setting the rules for managing new spending requests and changes to the budget
- standardising assumptions for key parameters in public spending decisions (e.g. inflation, wage increases)
- providing guidance on using information technology (IT) systems for expenditure control
- monitoring overall expenditure performance (often mirroring the work of budget officers), typically through central IT systems, but also through commissioning of other kinds of budget officer reports
- providing guidance on spending policy to budget officers
- exchanging information and insights on, and standardising finance ministry responses to, spending issues emerging in different ministries and sectors
- acting as a gatekeeper and quality-assurer for advice on in-year public spending that goes to ministers for political decision
- regulating 'extra' or unexpected claims on public expenditure not factored into agreed budgets.

Spending policy coordination units play a strong role in the overall budget process in the UK and the Netherlands, where these units also have a leading role in the budget preparation phase. In Malaysia, a budget policy unit plays a similar role, although it is not as well-resourced as its counterparts in the UK and the Netherlands. In Slovenia, the General Analysis Unit has responsibility for this function, although it operates without the strong sense of leadership of the process that the teams within the UK and the Netherlands have, and responsibilities for managing the budget process are shared with other departments within the Budget Directorate. In contrast, coordination of the overall spending trajectory in Myanmar is more likely to be handled directly by senior managers and politicians. Here, the strength of the traditional administrative hierarchy prevails over horizontal coordination at lower levels of the bureaucracy.

Source: interviews.

progress, pitfalls and problems of public spending within one line ministry in particular.

1.3 Why does research into the budget officer's eyes-and-ears role matter?

Although the role of the budget officer is widely known and recognised, how that role is conducted in practice is not well understood and is rarely compared across countries. This comparative lack of discussion is particularly evident relative to other aspects of budgeting. There is, for example, a long-standing literature providing various theories on the *nature and purpose* of public budgeting (e.g. Musgrave and Musgrave, 1989) and fiscal policy (e.g. Blinder and Solow, 1973). There is a literature on formal *budgetary systems*, setting out a range of tools, processes and systems for delivering the national budget (e.g. Shah, 2007). There is a literature that aims to relate various aspects of a country's *political system and institutions* to the outcomes of budget processes, in particular fiscal control (e.g. Wehner, 2006; Hallerberg et al., 2009). Finally, there is also a large practice-focused literature – notably from the OECD, the World Bank and the International Monetary Fund (IMF) – on the purpose of *specific tools, techniques and/or approaches* to budget management, such as performance budgeting or medium-term expenditure frameworks (e.g. Moynihan and Beazley, 2016; Allen et al., 2017; the *OECD Journal on Budgeting*).

More recently, a new approach has emerged from the study of public administration that investigates the specific nature, function and capability of *finance ministries as organisations* (Allen et al., 2015; Krause et al., 2016). This approach considers in particular the unique role that finance ministries play in public administration across the world and seeks to understand how organisations can deliver it. This literature also considers the budget function of finance ministries within a broader analysis of their numerous other roles and assesses their effectiveness and capability in delivering their mandates. It is from this literature that this piece of research has emerged.

Furthermore, over recent decades there has been significant effort internationally to reform and improve country budgeting systems (e.g. Allen, 2009). Many countries – particularly developing countries – have received advice and funding to change parts of their budgeting process. Given the importance of the budget officer role to the function of in-year expenditure oversight, this research is useful in putting forward some tentative conclusions and recommendations for those who wish to support budget reform in developing-country contexts.

Box 2 The other agencies involved in budget execution

The budget office is not the only institution that has a role in overseeing line ministry expenditure. Numerous other bodies have responsibility for supervising spending at different stages of the expenditure cycle. Furthermore, the natures of these bodies can vary from one country to another, depending on the type of country, with differences in approach being due to institutional inheritance (e.g. Anglophone, Francophone etc.).

Expenditure control that lies outside the budget office often rests with the following agencies:

- **The Treasury Department** (sometimes called the 'Accountant General' or similar). This is the part of government responsible for maintaining central appropriation and fund accounts, forecasting aggregate government cash requirements and raising the necessary finance, supervising government/treasury bank accounts and monitoring cash balances in these accounts. In high-income countries this function is almost entirely automated and often devolved to spending ministries. It therefore takes place 'behind the scenes', ensuring that government never runs out of cash. In low-income countries, in contrast, the treasury department may play a very important role in determining how cash is actually allocated across competing demands in order to fund government activity.
- **The accounting function of the finance ministry**. This institution issues regulations and guidelines on recording financial transactions, prepares financial accounts, develops government-wide financial reports and, sometimes, conducts bank reconciliations. Where centralised payment and/or payroll systems exist, it may also be responsible for authorising individual payment orders and/or making payments itself. In some countries, it may also conduct its own pre-payment audits prior to executing payment.
- **The finance functions of line ministries**. These institutions have responsibility for executing their budget once allocated. In most countries they will also manage their funds during execution, although in some cases all funds are managed by a central agency on behalf of all line ministries. They allot funds among their subordinate units, make commitments, purchase and procure goods and services, verify the goods and services acquired, prepare requests for payment, make payments (if the payment system is not centralised) and prepare progress reports and financial reports. They maintain systems of internal control and regularly report to the ministry of finance and other central agencies on their financial operations. In some large line ministries, the finance section may effectively replicate many of the roles of the budget office for its own subsidiary units.

Source: adapted from Pattanayak (2016).

1.4 The research approach and case study selection

This research takes a comparative case study approach to help explore the work of budget officers. A case study approach was chosen to allow for a deeper and more contextualised understanding of how budget officers in very different circumstances approach the common challenge of budget oversight. The research comprised desk reviews of relevant literature and country-specific documentation – often not publicly available – followed up with key informant interviews following common lines of enquiry (see the annex for more information). The majority of those interviewed were ministry of finance officials with responsibility for directly supervising the budgets of line ministries or for managing those staff who did. The research focused on current practice and experience, rather than tracking change over time. The research work was mostly conducted in 2016 and 2017. The comparisons presented in this paper, therefore, reflect practices at that time or shortly before.

The five case study countries selected for this research cover a range of income levels, institutional capacity, administrative traditions and fiscal challenges. They are generally regarded as having relatively effective spending controls compared with other countries with equivalent levels of gross domestic product (GDP) per head. However, the countries were not selected systematically. Rather, the selection of countries was based on whether the authors had prior experience of the country and a good relationship with its budget office. This was necessary to ensure the authors had the level and depth of access that this kind of case study research requires. As a result, the conclusions drawn from the five cases should be considered as a prelude to more systematic comparative work in the future.

Regarding the country case studies themselves, the following features are of particular note:

- Two of the countries – the UK and the Netherlands – are high-income economies that have adopted many of the so-called 'good practices' of budget management. Budget office oversight functions have been restructured over recent decades as part of a wider change to the public spending framework, often incorporating principles of New Public Management. This has occurred within the context of long-term fiscal pressure on public services. More recently and acutely, these countries have faced the need to deliver medium-term fiscal consolidation after the financial crisis of 2008. Budgets are generally credible in aggregate, although with some notable biases, depending on the period reviewed (Beetsma et al., 2010; Crawford et al., 2018).
- The second pair of countries – Slovenia and Malaysia – are high-income and upper-middle-income economies, respectively. They are both frequently seen by their regional peers to be 'high performers' with regard to macroeconomic and fiscal management and have enjoyed robust economic growth and expanding resource envelopes over the past decades. However, they are now grappling with more difficult choices regarding how to manage public spending in an environment where entitlement spending has expanded and growth in the resource envelope has slowed. In particular, the 2008 financial crisis had a strong negative impact on Slovenia's fiscal position, with public debt more than trebling from 2007 to 2015. Budget credibility was not analysed in full for Slovenia, but a fiscal rule introduced in 2015 seems to be enforced. The IMF (2015) has criticised the Malaysian government for passing large supplementary budgets, although the extent of these was not presented systematically.
- Finally, Myanmar is a lower-middle-income country that has not historically been exposed to many of the international trends in public financial management. Its own 'home-grown' traditions have resulted in a budgetary system that delivers a good degree of internal control over resource use. There have been periods when aggregate spending exceeded the budget by over 10%, but these were often driven in large part by higher than expected revenues (World Bank, 2013). The country is now looking to expand and develop its capacity to engage on spending issues at a more sophisticated level. After a period of rapid economic growth from 2011 to 2015, the country has been experiencing a more difficult economic and fiscal climate.

1.5 The structure of this report

This report approaches the issue of the practice of budget supervision and in-year management over the following chapters:

- Chapter 2 considers the context in which budget officers operate, including: the nature of the expenditure control system; the formal and informal means by which spending is managed; and the organisational structure of the budget office. This sets the scene for the detailed discussion of the work of budget officers that is the main focus of the research.
- Chapter 3 considers the day-to-day work of a budget officer in the five case study countries, including: a discussion of their educational and professional background; their recruitment and deployment within the budget office; and their routine and ad hoc responsibilities.
- Chapter 4 provides conclusions from the comparative analysis of the five countries, sets out some implications for reformers trying to support budget officers in their work and suggests directions for future research.

2 The context in which budget officers operate

2.1 Different kinds of spending control system and their impact on the work of budget officers

Each country has a set of rules and regulations that determines how public spending should operate. These rules specify procedures for managing budgets both at an aggregate level (e.g. how high-level changes to budgets can be made; what needs to be reported and at what intervals) and at a lower level of detail (e.g. what approvals must be sought for what transactions; whether funds can be moved across certain budget lines but not others). The spending rules in a country will significantly *determine* the working practices of budget officers, given their job is to see that those rules are adhered to. Equally, the spending rules themselves will *reflect* the nature of the underlying informal relationships between public sector agencies (e.g. if they are built on mutual trust and devolved authority, or on suspicion and tight oversight).

A full explanation of how the rules and processes of spending control vary across countries is beyond the scope of this paper. Indeed, the spending rules of the five case study countries will comprise a mix of constitutional provisions, legislation, administrative regulation and long-standing practice. However, within this it is possible to identify some key features of spending control systems that shape the day-to-day work of a budget officer. One broad characterisation that is used extensively to frame the comparisons below is the reliance of the finance ministry on macro- or micro-spending controls.

2.1.1 The macro/micro divide in spending control

The macro/micro approach to spending control provides a useful way of understanding the broad approach and nature of the regime in which budget officers are working in each country (Allen et al., 2015). Table 1 sets out some high-level differences between stylised examples of macro and micro approaches to spending rules.

To characterise this distinction very simply, finance ministries operating micro-level spending controls are highly involved in the detail of spending and offer less discretion to line ministries to allocate and reallocate the budget in-year. In contrast, macro-level spending controls allow line ministries considerable discretion to adjust their budgets during the year, while the finance ministry aims to control the performance of important aggregates.[4] Critically, macro- and micro-level controls are not directly linked to capacity or income levels. While the UK and the Netherlands offer archetypal examples of a macro-control approach, other advanced economies, such as Germany, have chosen to maintain strong micro-level controls. Nonetheless, there are few low-income countries that have adopted a strong macro-control approach.

4 This focus on financial controls inevitably sees micro- and macro-level controls as a continuum or set of trade-offs (similar to Allen et al., 2015). Stronger macro controls necessarily require the finance ministry to relinquish micro controls. It should be noted, however, that Krause (2009) provides a different interpretation. For him, macro-level controls are also associated with a greater involvement of the finance ministry in the content of policy. In this way, countries such as Chile have been depicted as having strong macro controls focused on the content and performance of budget policy while also maintaining micro controls over the details of the budget.

Table 1 Summary of the high-level differences between macro and micro controls in public spending

Expenditure management process	Macro-control approach	Micro-control approach
Budget appropriation structure – the level of detail in which parliament authorises spending	A small number of high-level entities (e.g. ministries or programmes) with relatively little detail for each budget entity	A large number of detailed spending categories for each budget entity
Virements – shifting appropriations/ allocations from one budget purpose to another	Significant autonomy granted to budget entities to move money between activities; approval only rarely required	Little autonomy to move money between line items; approval must be sought from the finance ministry
Spending decisions that require pre-authorisation during the year	Only a few particular types of spending decision need approval by the finance ministry; the overwhelming number of decisions are made by line ministries	A large number of spending decisions require pre-approval from the finance ministry before they can be actioned

Source: adapted from Allen et al. (2015).

The macro/micro distinction provides a useful interpretative lens, but it is important to recognise that there will be variations within different countries' approaches and also over time. Some finance ministries, for example, operate *both* kinds of control in different ways in relation to their line ministries. For example, the UK operates stricter controls on changes to certain types of expenditure (e.g. demand-led entitlement spending) while allowing more freedom on other types of expenditure. The UK has also changed its approach over time. The switch from micro to macro control was a major reform that followed the 1993 Fundamental Expenditure Review. However, in the period of fiscal consolidation that has followed the global financial crisis, a number of very specific micro controls have been reintroduced over items such as marketing and consultancy spend.[5] It is, therefore, important to read the comparisons presented here as a snapshot of how budget officers operated in the context of the spending control regime that was in place at the time.

2.1.2 Description of spending control regimes in the five case study countries

The sections below provide brief overviews of the main features of the spending control regimes in the case study sample, with particular reference to the macro/micro divide discussed above.

United Kingdom

The UK provides an example of an integrated finance and economics ministry – Her Majesty's Treasury (HMT). Formal ex ante control by the legislature is weak and the tradition of one-party government means the executive has strong powers to determine expenditure priorities and practices.

The UK operates a strong macro approach to spending control (Krause, 2009; Welham, 2016). Ministries typically have up to five parliamentary-approved 'control totals', which represent their formal legal limits on spending for the year. These are: demand-led recurrent; discretionary recurrent; demand-led capital; discretionary capital; and administration (for the ministry's own costs).[6] In some cases, HMT will also add special ring-fenced budget lines

5 The UK is not the only case study country that has changed its spending control framework. Malaysia, for example, allows line ministries considerable discretion to reallocate spending between certain budget lines, but a recent push for savings has seen the imposition of very tight controls over certain items, such as external travel. For Slovenia, the transition from a state within the Yugoslav Republic to an independent member of the European Union (EU) has radically changed its approach to public administration, with commensurate changes in how public finance is handled.

6 Examples of demand-led spending include welfare payments, such as pensions, and automatic stabilisers, like unemployment benefits. These tend to be driven by legislative entitlements. Discretionary spending, on the other hand, may include spending on schools or health services.

within these main control totals. During a year, ministries are free to make substantial changes *within* their control totals with limited oversight from HMT; but they cannot make amendments *between* their totals or between ring-fenced and non-ring-fenced expenditure.

The government also uses a medium-term approach to public spending, although this differs for discretionary and demand-led expenditures. Allocations for discretionary spending are managed through the multi-year expenditure framework (the 'Spending Review') and agreed for two to four years ahead. The Spending Review allocation represents the budget that the relevant budget officer is expected to supervise, with the expectation that it must be adhered to unless there are very good reasons why not. In contrast, demand-led spending is managed annually in the budget with more frequent forecasting, alongside a relatively small reserve.

Netherlands

The Netherlands' Ministry of Finance is another example of a traditionally strong and integrated finance and economics ministry in which macro controls predominate. This system operates within a tradition of coalition governments rather than single-party governments. That said, the formation of governing coalitions traditionally involves setting a strong and binding multi-year budget for each ministry. The budgets together form part of the coalition governing agreement, which is typically reviewed by an independent body. Spending controls are set for social security, public health and 11 ministries; and ministry budgets are split into 10–20 line items (mainly linked to programmes or policy instruments), including one for administrative costs. Reprioritisations within budget line items are generally allowed without explicit Ministry of Finance approval, but shifts between them need to be approved by the Ministry and must follow certain rules used to manage windfalls, setbacks and new policy initiatives.

Slovenia

Slovenia typically operates with a coalition government. The Minister of Finance holds considerable power, although this does directly affect the level of spending control held by the finance ministry as much as it does in the UK or the Netherlands. Multi-year fiscal rules set limits for spending by central government, local government and social funds for health and pensions. The state budget itself is mainly concerned with central government spending, which is in turn divided into around 500 programmes and projects and approved by parliament. Additional rules govern the use of substantial EU funding, the requirements for which in effect create separate spending control procedures.

A unique feature of budgeting in Slovenia is that the government prepares a two-year budget each year. In this way, detailed allocations are set every year for both the coming year and the year after that; although the de facto focus is on revising the budget for the immediate year ahead. In contrast to the UK and the Netherlands, quarterly cash-based spending limits form a significant part of spending control procedures, being a legacy of tight in-year cash-flow constraints from earlier periods. In addition, there is a more legalistic approach to policy formulation, with new public spending typically requiring new legislation. This gives the finance ministry a degree of control as it is required to sign off on the financial implications of any new legislative proposals.

Malaysia

The institutional environment in Malaysia shares certain common features with that in the UK. There is a tradition of one-party government, where the executive plays a dominant role in setting expenditure priorities, while the legislature has historically had limited influence over the budget. However, a key difference is that authority for overseeing the budget has historically been split between a finance ministry (responsible for recurrent spending) and a planning ministry (responsible for investment/ capital spending). The finance ministry also has limited influence over the setting of public sector wages. The institutional structure for spending oversight is also reflected in the expenditure ceilings that are imposed for salaries and for non-wage recurrent and development spending.

Under the Malaysian budget system, line ministries have considerable discretion to reallocate expenditure between four major budget ceilings or categories. However, the finance ministry retains an ability to monitor and control certain sensitive spending lines through 'special programmes' and 'one-off programmes', where authorisation from the finance ministry is required for virements. The finance ministry has also retained quite stringent controls over certain spending lines. This means that, overall, Malaysia's approach is more consistent with a micro approach to spending control. In recent times, this has been used to limit spending on certain spending items, such as international travel.

Myanmar

Myanmar's systems of expenditure control have been shaped by two key institutional legacies. First, the British colonial government provided a hierarchical system of line item budgeting that in many ways has remained largely unchanged. Indeed, a 2013 Public Expenditure and Accountability Framework (PEFA) assessment (World Bank, 2013) found that many of the rules and regulations for controlling spending had remained the same since the 1940s. To ensure control throughout Myanmar, the budget department has historically operated like the classic 'central command and control post' described by Schick (2002:9), being responsible for 'specifying the items of expenditure, monitoring compliance with regulations, ensuring that the inputs are those agreed in the budget, and intervening as deemed appropriate'.

Second, institutional structures put in place for centralised planning of the economy continue to have a major influence on the organisation of spending control. The budget office provides expenditure limits for numerous state-owned enterprises as well as line ministries. The tradition of central planning is evident in the use of foreign exchange, where the budget office continues to oversee a separate budget for the use of foreign currency. As in Malaysia, there are separate supervisory and oversight structures for the recurrent/operational budget and the capital/investment budget.

2.2 The organisational structure of the budget office

The nature of the spending supervision and management regime has a strong influence on the organisation and bureaucratic structure of the office in which budget officers work. Indeed, general organisational theory suggests that a budget office's organisational shape and composition will naturally evolve to fit its function and strategy (Lunenburg, 2012). As a result, having an understanding of the general organisational structure of the budget office within each of the five case countries will help in examining the tasks of individual budget officers working within it.

2.2.1 Unified vs dispersed responsibilities for spending control

Among the sample, the Netherlands perhaps comes closest to having a 'unified' budget office. The staff responsible for overseeing in-year spending are concentrated in one team, which sits alongside a range of other key budget management functions. The Directorate General of the Budget is divided in two directorates. The Department of Budget Affairs is responsible for the organisation and regulation of the budget process and advises the minister on overall budgetary and expenditure policy. The Inspectorate of Finance advises the minister on the budgetary proposals of line ministries, maintains contact with the line ministries and serves as the finance ministry's interlocutors with line ministries. Preparing advice for ministers on spending is therefore a joint task, requiring specific knowledge of ministry activity (the Inspectorate) to be brought within the broader picture of overall spending (Budget Affairs). All budget officers are located in the Inspectorate, which is itself part of the broader Directorate General of the Budget.

In contrast, in the UK, HMT most notably does not have a recognisable single 'budget office' (although the broader functions of the budget office are almost all located in the same institution). Instead, responsibility for expenditure supervision is held by Spending Principals, who are split across a number of different teams and whose spending control work is led by a Director Public Spending, supported by the General Expenditure Policy Team, which has responsibility for overall public spending performance. Most of these Spending Principals are located within the 'Public Services' directorate, but many are not. They are often located in teams that have policy responsibilities for the work of the line ministries beyond simply supervising their spending. Spending Principals have a formal line management relationship with the Deputy Director of their relevant policy team, and not a direct management relationship with other parts of the budget office.

As described above, in Malaysia and Myanmar there is a clear division between organisational units responsible for spending supervision of capital budgets (planning) and recurrent budgets (finance). In Malaysia, these are housed in separate ministries. This was also the case in Myanmar until the government merged its finance and planning ministries in 2015. However, the merger was not accompanied by changes in responsibilities for expenditure oversight. In reality, this means that line ministries are responsible to two 'budget offices' – one for recurrent spending in the finance ministry, and another for capital spending in another institution. Given the size of capital expenditure in many developing countries, and the inherent difficulties in managing capital spending (e.g. Miller and Mustapha, 2016; IMF, 2018a), this can lead to real challenges for government as a whole in delivering coherent budget execution and oversight. The research at hand did not investigate the nature of *capital* budget oversight and supervision in these two countries, and the findings presented here for these two countries relate to the recurrent budget oversight undertaken by the finance ministry.

In Slovenia, the budget office is unified under the Budget Directorate of the Ministry of Finance, but the spending supervision function is split (to a degree) by the type of funds being managed. Within the Directorate, the Budget Department plays the lead role in budget preparation and oversight, with other departments playing supporting or more specialist roles in both budget preparation and execution. For example, the Department for the Management of EU Funds oversees projects and programmes funded by the EU Cohesion Policy, which represent a much larger share of spending in Slovenia than in the Netherlands. Similarly, the Department for Budget Systems and Development oversees investment projects funded from the state budget. In this sense, Slovenia also has something of the split observed in Myanmar between recurrent and development spending, although the units fall under a single Director General.

Table 2 Summary of key budget supervision structural features

	UK	Netherlands	Slovenia	Malaysia	Myanmar
Name of the central budget office	No single unit	Directorate General of the Budget	Budget Directorate	National Budget Office	Budget Department
Main units overseeing aggregate spending	General Expenditure Policy Team	Budget Policy Division of the Department of Budget Affairs	Department for General Government Analysis	Budget Policy Sector	A 'Compilation Section' compiles information on the aggregate spending position
Main units overseeing individual line ministry spending	Spending Teams	Inspectorate of Finance	Budget Department	Sectors in the National Budget Office	Responsibilities divided across different sections responsible for different transaction types
Title for 'budget officer' (translated from interviews)	Spending Principal	Inspector of Finance	Budget Coordinator (and alternate)	Budget Review Officer	Various (related to staff seniority)

Source: interviews and authors' judgements.

2.2.2 Staffing numbers

One of the more generalisable differences between the five case countries is the number of budget entities that each budget officer will be expected to supervise (summarised in Table 3). The UK and the Netherlands allocate the largest numbers of supervisory budget officers or budget officer staff to individual line ministries (or identifiable spending institutions or programmes) in the budget. Allocation of staff to supervising ministries naturally varies by ministry size and complexity or risk, but typically ranges between 3 and 10 officials per ministry. Slovenia has the lowest allocation, with one budget officer typically overseeing multiple ministries and acting as an alternate for another set of ministries. Malaysia operates a more regularised structure, where each unit overseeing a line ministry is staffed more or less equally, regardless of ministry size or risk.

2.3 Summary

This discussion has put the day-to-day work of the budget officer – the focus of the next chapter – in the context of broader institutional and organisational structures.

The discussion has noted that the nature of the spending regime will affect the tasks and objectives a budget officer is expected to deliver. In this case, whether a finance ministry uses mainly macro or micro controls helps to explain its overall approach to budget supervision and, therefore, what a budget officer is expected to deliver. Within the sample, the UK and the Netherlands sit more firmly in the macro approach to spending control. Myanmar focuses on the control of line items. Slovenia and Malaysia lie somewhere in between, with Malaysia arguably having gone further in 'letting go' of micro controls, if judged solely on the smaller number of budget lines the Malaysian finance ministry has under direct supervision.

The research also noted important features about respective organisational structures. In all five case study countries, budget office functions are, to a greater or lesser degree, dispersed among different units and teams, meaning that 'the budget office' may not always be a 'central' single identified unit. The dispersed nature of this function – if that is a fair description – is often closely associated with the broader structure of spending controls. For example, some of the dispersion in the UK is tied to the different ways in which discretionary and demand-led spending are managed; while in Malaysia, different ministries handle the details of recurrent and capital spending controls.

Table 3 Approximate number of officials overseeing line ministries

	UK	Netherlands	Slovenia	Malaysia	Myanmar
Approximate number of staff in team(s) responsible for 'direct supervision' of line ministries and agencies	130	70	27	70	50 (for ministries and departments)
Approximate number of top-level line ministries, programmes and/or agencies that receive their budgets direct from the finance ministry	40 (of which a significant number are quite small institutions)	11	40	26	26
Ratio of staff to entities	3:1	7:1	2:3	3:1	2:1

Source: interviews and authors' calculations.

Box 3 Finance ministry functions and their approach to spending control over time

The research into the five countries considered here has focused predominantly on their current experience and practice in supervising line ministry budgets. However, institutions change over time and this is certainly true for finance ministries. Indeed, research has identified certain patterns in the 'evolution' of finance ministries.

As countries become wealthier, public spending tends to grow and finance ministries often take on more responsibilities. The long-term trend seen in developed countries is for public spending as a percentage of GDP to rise over many decades. This reflects the growth of the welfare state and entitlement spending in the period after the Second World War. In addition, finance ministries have become involved in policy areas (e.g. industrial policy, state enterprises) that would not have been a large part of their role a century ago. Within the sample, the UK and the Netherlands are already dealing with the challenge of supervising budgets that are driven in large part by entitlements; and Malaysia and Slovenia are increasing their focus on management and forecasting of this kind of demand-led spending. However, this is not yet something Myanmar has experienced.

It has been hypothesised that these external pressures, and changes in politics, have influenced the distribution of finance ministry functions. Research looking at a snapshot of countries today certainly suggests that distribution often follows a pattern of centralisation versus decentralisation related to income levels. At low-income levels, finance ministry functions tend to be fragmented, with a larger number of institutions having responsibility for administering key finance ministry functions. At middle-income levels, there is a tendency towards concentration of functions within a single institution; while at high-income levels, there is a reverse tendency to decentralise, delegate and 'out-source' certain policy functions to other institutions.

What exactly drives this pattern is not completely clear, but it is evident in the case study countries selected for this report. Certainly, the UK and the Netherlands are examples of high-income countries where the finance ministry has devolved, delegated or 'contracted-out' large parts of its functions to other institutions. This also extends to spending controls, which are largely delegated to the line ministry with a stronger finance function. Slovenia may have delegated some functions, such as parts of the macro-fiscal analysis, but most functions – including spending controls and treasury functions – are concentrated in the finance ministry. Malaysia presents a similar situation but shares some core functions between the finance and planning ministries. The situation in Myanmar is harder to judge, although spending controls remain highly centralised in the finance ministry.

Source: drawn from Allen et al. (2015) and Krause et al. (2016)

3 The work of a budget officer

3.1 Introduction

This chapter, which forms the core part of this research, aims to describe the operational work of budget officers. It first reviews the characteristics of budget officer staff across the five case study countries and how they are managed internally within the budget office. It then discusses the scope of responsibilities that each country assigns to its budget officers, and how these officers manage relationships with line ministries, with a particular focus on the process by which budget officers oversee the progress of expenditure relative to budget.

3.2 Who are the budget officers?

To answer this question, the research considered the educational background of the budget officers working in each country and how they learned their trade. Many factors that shape their skills are largely outside of the influence of the finance ministry itself – for example, the quality of the national education system and the effectiveness of the management of resources. The ability to attract, motivate and promote the best staff may also be constrained by the rules and regulations of the ministry of public service, or a similar body.

Overall, there are both similarities and differences between the budget officers within the countries reviewed. One clear commonality between all five countries is that almost all budget officers hold qualifications at graduate or post-graduate level. Beyond this similarity, there are a number of differences as to how these (post) graduate level staff have been recruited, deployed and rotated. It should be noted that these distinctions focus on the mid-level budget officer role; the profiles of more senior staff (i.e. the managers of entire functions of the budget office or the directors above this level) are more similar across the countries reviewed.

3.2.1 Are budget officers generalists or specialists?

One underlying difference between these countries is a varying preference for developing budget officers who are *generalists* (with a broad knowledge of the budget process and no particular academic training in a relevant subject) or *specialists* (with a deep knowledge of their sector and relevant background education). In part this reflects the broader traditions of specialist/generalist knowledge across the wider civil services in the countries concerned. Budget officer recruitment, deployment and training in Slovenia and Myanmar, for example, aims (whether intentionally or not) to develop specialist knowledge in a specific area of spending and policy. At the other end of the spectrum, the UK's approach focuses on developing and deploying a pool of capable, but generalised, budget officers, who are expected to move from one policy area to another over the course of their careers.

3.2.2 Recruitment

Budget officers in all five countries are almost always hired with a graduate or post-graduate degree, but there appear to be different preferences for specific academic programmes. In Slovenia, most officers in the budget department are economists, whereas in the Netherlands they might also have studied public administration, law or, sometimes, something very different. In Myanmar, staff are typically a combination of economists and accountants. The UK has no such prerequisites and staff are recruited with a range of academic backgrounds. This is the case in

Table 4 Characteristics of the budget supervisory workforce

	UK	Netherlands	Slovenia	Malaysia	Myanmar
Hiring responsibility	Partly decentralised	Partly decentralised	Partly decentralised	Centralised	Decentralised
Typical educational background	Mixed	Economics, public administration	Economics	Mixed	Economics, accounting
Typical length of time in post (approx.)	3–4 years	4–5 years	5–10 years	3–10 years	3–20 years
Training	In-house training	External induction, in-house training	Ad hoc, mostly external	Ad hoc, mostly external	External, provided by donors

Note: 'decentralised' refers to a system where the finance ministry mostly recruits staff directly through its own procedures; 'centralised' means that typically the finance ministry is allocated staff from a civil service-wide recruitment programme run by another institution; 'partially decentralised' means a mixture of both approaches.

Malaysia as well, where only a minority of budget officers are economists or accountants. Staff in the budget office are drawn from a generalist pool of civil servants.

In the UK and the Netherlands, the finance ministries also have some responsibility for building a cadre of economics and financial management professionals for deployment across government, of which some will work in the finance ministry. In addition, HMT in the UK benefits from being able to run its own graduate recruitment schemes, targeting future policy analysis professionals. In the Netherlands, the Budget Directorate takes new recruits each year from the programme of financial trainees that is run by the Ministry of the Interior and from a specific training programme that focuses on developing policy economists for the central government.

3.2.3 Retention and rotation

In Slovenia, rotation within the ministry and between the finance ministry and other ministries is not a common practice and the average tenure of existing staff in the Budget Directorate is over 10 years. This was explained as being necessary to build the specialist knowledge required to be able to supervise ministries effectively. However, there were also suggestions that staff may seek to guard their positions – something that was described by one respondent as 'cultivating their own gardens'.

In Myanmar, there is a tradition of public administration where directorates within the same ministry operate quite separately. These traditions have historically promoted cooperation *within* government directorates rather than *across* ministries. Each directorate has a very strong identity: they have their own uniform, they travel to and from work on the same buses. This is reflected in policies of recruitment and retention: staff are hired by the specific directorate rather than the wider ministry. At senior level, there is some rotation of staff within the budget department, but rotating to another department within the finance ministry would be almost unheard of.

This approach is a stark contrast to that in the UK, Malaysia and the Netherlands, where regular staff rotation is actively encouraged, or even required. A mid-to-senior-level budget officer is required to change post every three to five years in these ministries. In the Netherlands and Malaysia, the preference is for officers to rotate within their respective budget offices, but in the UK officers often move across HMT, and possibly even into policy positions in line ministries. This arguably helps these finance ministries to develop a pool of generalists who have a broad understanding of both the budget process and government policy. It might also foster a culture of informal coordination at lower levels of the bureaucracy and reduce the risk of staff being 'captured' by the interests of the line ministries they supervise. However, it was noted by respondents themselves that this approach can have high transaction costs, not just within the finance ministry, but also in line ministries, where relationships must be rebuilt with new budget officers, while also carrying the risk of losing institutional memory.

3.2.4 Training and on-the-job learning

In all of the ministries reviewed, budget analysts receive little externally recognised and/or formal accredited training. Capacity development and orientation in the budget officer role appears to be predominantly internally developed and delivered, often through a mixture of formal and informal methods.

Training schemes are perhaps most developed in the Netherlands, where all new officials in the Inspectorate of Finance are expected to follow an internal public finance course. This course is run by the Academy of Finance, Economics and Operational Management, which sits within the Department of Budget Affairs itself. In subsequent years, budget officers are offered a variety of other courses, including advanced courses focusing on various aspects of the budget process, but also courses in soft skills, such as negotiating, coaching and management. Every official of the Inspectorate is supposed to follow one course per year.

Training in the UK is similar, but not as extensive. Public spending staff (including the Spending Principals) receive a general induction into the government spending system, followed by further in-house training if needed. Beyond this, there is a general reliance on 'on-the-job learning', mentoring and coaching from more senior staff. In contrast, staff in the ministries of Slovenia, Myanmar and Malaysia have limited in-house training and tend to rely on more ad hoc and externally provided courses. As an illustration, one budget officer in Slovenia explained that she would attend seminars organised by the line ministries that she supervised as a means of further understanding their policies. Training in Myanmar tends to be provided by external donor agencies.

3.3 Scope of responsibilities for overseeing spending in line ministries

The interviews conducted for this research suggested that some of the tasks that budget officers are required to perform are common across all of the countries reviewed. A key part of their role is to act as a *liaison* between various units within the finance ministry and the line ministry itself. Budget officers across the five countries studied had responsibilities for most or all of the following tasks (which may not be an exhaustive list):

- **Providing guidance.** Budget officers are responsible for transmitting guidance on budgetary processes and any new policy direction coming from the finance ministry.
- **Supporting line ministries to adhere to this guidance.** Budget officers are responsible for responding to technical queries that line ministries might have and clarifying what is expected of them.
- **Gathering information and advising ministers on developments in line ministries.** Budget officers gather information, both formally and informally, from the line ministries and are generally expected to have a detailed understanding of their portfolio.
- **Reviewing, challenging and, sometimes, approving spending decisions made by line ministries.** Spending teams will review, critique and challenge certain spending decisions within line ministries, and in some countries these officers or teams have a significant role in approving broader (non-spending) ministry policy decisions.
- **Adjusting and amending the agreed budget where necessary.** Budgets are, by their nature, a forecast regarding the balance between available resources and spending priorities over a certain period. As time passes and events unfold, budget officers may have a role in renegotiating and reordering certain elements of the agreed budget to accommodate unavoidable and/or necessary changes.

In addition, and while not a 'formal' task, budget officers often play a role in *advocating* for their line ministry within the finance ministry. In some circumstances, a budget officer will communicate their line ministry's points of view and policy positions to other parts of the finance ministry; and in certain cases actively lobby for their ministry's position. This naturally involves a careful balancing of incentives, as budget officers attempt to play a role that involves both supporting their line ministry in some situations while acting as an enforcer of budget and expenditure rules in others.

Ultimately, the respondents outlined that it is the responsibility of the budget officer to know what is going on in the line ministry regarding expenditure. As an example, one respondent in the Netherlands explained that they have to be able to answer any question regarding their ministry that was put to them by the Director of the Inspectorate, the Director General or the Minister, and they considered that this was, in essence, the most important task for which their superiors held them accountable. It should be noted that this represents, to a degree, an impossible task, given the information asymmetry inherent in the spending oversight relationship. The role of the budget officer is therefore one of managing this impossible task as best as possible within the resources they have available. This broad responsibility appears to be very similar across the countries reviewed, but the ways in which it is approached can be very different.

3.4 Managing the relationship with line ministries

It is worth bearing in mind that it is an individual officer who will answer the phone, reply to an email or attend the meeting through which their line ministry counterparts will be seeking *something* from the finance ministry. This is an inherently difficult relationship since, as noted, line ministries have a significant and continuous information advantage over budget officers, and ministries typically seek to protect – and increase – their spending where they can. Overall, it is the budget officer's job to 'make the relationship work' within these constraints. Indeed, the capability of budget officers to deliver results and work productively within this relationship is an important feature of any government's approach to spending control (Kraan, 2017; Hadley et al., 2018).

Across all countries surveyed, there are a number of similarities in the way in which budget officers manage the relationship with line ministries:

- **Regular contact and communication from both sides.** In every country, budget officers and line ministry finance staff are in touch with their counterparts at the very least weekly, but more usually on a daily basis. Across countries, the frequent flows of questions, engagement and information are prompted from both sides of the relationship.
- **Budget officers engage primarily with the finance directorates of line ministries.** Across all the countries, the first point of contact for budget officers would be staff within finance directorates. Budget officers might meet with line ministry counterparts who are working on policy delivery at meetings, but these would not be regular contacts. It was noted that, in some countries and in some circumstances, line ministry finance staff have better relationships with their counterparts in the finance ministry budget office than they do with policy teams within their own ministry.
- **The primacy of a collegiate and cooperative approach to the relationship.** Despite the clear short-term incentives that could point to tension, there is a general view across the countries that line ministries and budget offices 'need each other' and that relationships between them generally function better than a simple 'zero-sum' interpretation of their incentives would suggest. This is nuanced in some contexts in that the specific personalities involved – and *their* perception of the particular character of the line ministry in question – might well affect the quality of the relationship. The long-term and 'repeated game' nature of the relationship points longer-term incentives towards mutual cooperation and collaborative joint working.

Alongside these similarities, there are also differences between the sample countries in terms of how budget officers approach their relationship with the line ministry's finance functions. These relate mainly to the substance of the cooperation and the level at which disputes are resolved between the finance ministry and the line ministry.

3.4.1 The substance of cooperation – strategic or operational?

The strong sense of delegation of responsibilities to line ministries in the UK and the Netherlands means that there is far less need for interactions between budget officers and line ministries on the mechanics of day-to-day spending or to issue specific approvals and permissions. Detailed spending decisions are left to the line ministries and generally pass unnoticed and unchallenged by budget officers, provided they follow central rules and guidance. Indeed, the work of budget officers in the Netherlands and the UK is more about jointly *solving problems* that could otherwise lead to line ministries being unable to abide by their agreed budgets (and potentially adjusting the budget where this cannot be done).

This supports a more strategic – and less operational – approach to spending control. It also establishes the basis of a mutual cooperation system between finance and line ministries. In return for substantial autonomy of action, line ministries must play by the rules and abide by their spending totals. Failure to abide by the rules or respect spending limits opens the door to the budget office taking a series of actions to reduce autonomy, increase oversight and generally make expenditure management more difficult for the line ministry concerned.

In Slovenia, the nature of budget officer engagement in individual spending decisions is more intensive and takes a different route. The country's legalistic approach to spending control puts a great emphasis on finance ministry involvement in changes to laws, over which the finance ministry has some degree of control given its need to review any legislation with a financial implication. Beyond this, budget officers are also engaged with more routine questions related to the budget systems and procedures.

In Myanmar, a substantial part of the cooperation relates to issues of managing, processing and approving separate items of expenditure. This can take the form of approvals, pre-authorisations and permissions to enter into contracts. For example, budget officers would call line ministries to follow up on invitations for meetings or make requests for information; while line ministries would contact the budget office to find out about progress on virements or the authorisation of certain transactions.

In Malaysia, the nature of cooperation is variable both across individuals and in day-to-day work. Much like in the Netherlands and the UK, there are examples of budget officers actively engaging with their counterparts in finding joint solutions to prospective spending challenges. Budget officers are also invited to contribute to the development of new spending policies and identifying efficiencies. At the same time, budget officers still spend a lot of time dictating and policing certain spending control measures. This type of work is much more transactional. It was also noted that cooperation differs considerably across sectors.

3.4.2 Seniority of the finance function in line ministries and escalation of unresolved issues

There is also variation in the degree to which lower-level officials are able and/or encouraged to solve disputes, rather than refer them upwards. Within the UK and Dutch finance ministries it is considered normal for working-level officials to resolve as much as they can between themselves, with a strong desire to avoid taking small and/or unimportant disputes upwards through to senior officials and ministers. In both countries, a line ministry Director of Finance would be a senior and highly respected position, often at the heart of the strategic decision-making of the ministry. They would be capable of deciding many issues themselves.

In the other countries surveyed, however, the equivalent position within the line ministry finance function would not have the same seniority and influence and would typically be required to refer decisions upwards. Myanmar in particular stands out for the formality of engagement. Cooperation between the budget office and line ministries would be *initiated* through high-level formal processes (typically letters exchanged to the Minister's Office). These issues would then be passed down the chain to the appropriate personnel for follow-up directly with the ministry.

3.4.3 Cooperation and the formal and informal rules of spending control

The nature of cooperation seems to be shaped by the formal and informal rules of spending control. In the UK, the 'hands off' approach to controlling spending adopted by HMT and line ministries arguably results from the fact that – at a higher political level – both HMT staff and spending department staff understand that they are 'on the same team'. This is because their ministers are also on the same team. Agreement of the spending review budget allocations is considered an example of 'collective responsibility' by all Cabinet ministers, and not something that can be easily brushed aside in the hope of securing additional funding from HMT. Spending Principals and their finance department opposite numbers are aware that for all but the most controversial and pressing spending issues, their ministers will go to great lengths to avoid being seen to argue with each other in front of the Cabinet or Prime Minister, where they would have to go for ultimate adjudication. As a result, there is strong pressure on both sides to find some form of resolution to spending control issues, rather than simply to withdraw cooperation and endlessly refer upwards.

In a similar way to the UK, the higher-level politics of public expenditure in the Netherlands means that a narrow zero-sum conflict over resources is avoided. The Netherlands typically returns 'strong' coalition governments, where the founding coalition agreement between parties sets out the medium-term expenditure plan of the government, including ceilings for each ministry. This means the agreement to spending totals is directly linked to the agreement to form a government, thereby generating significant buy-in from the parties involved.

In contrast, while government priorities in Slovenia may be relatively stable, they are not as strongly underpinned by an explicit multi-annual budgetary coalition agreement as in the Netherlands, or by a multi-annual budget framework under collective Cabinet responsibility as in the UK. It is clear from interviews conducted for this research that spending relationships in Slovenia could be more difficult to manage as a result. Comparisons can only be made qualitatively, but the interviews suggest that the process for resolving disputes requires the minister of finance to intervene with their counterpart to resolve the disagreement more often than in the UK or the Netherlands. Certainly, senior officials find the need for large meetings with counterparts frustrating (and unproductive, at least according to one informant). Similarly, in Malaysia, it was suggested that certain entities are widely known to be 'difficult' to manage. For these institutions, it was felt a tougher approach to cooperation would be more suitable.

3.5 The review and scrutiny of in-year spending in ministries

A particular focus of this research is the actual mechanics, activities and tasks involved in the practice of in-year spending oversight in the countries considered. Budget officers were asked the specific question: What do you actually do each week/month/quarter/year to supervise in-year spending in your line ministry?

3.5.1 Reviewing 'the numbers'

In all countries in the sample, budget officers play a similar role in making monthly (or bimonthly) high-level checks of expenditure outturn against the expenditure plan. This commonality of function is perhaps unsurprising – a basic 'sense check' or 'variance analysis' of expenditure outturn against the plan would naturally form part of the budget office's work. However, the manner in which this is done varies across the countries considered.

In the UK, on a monthly basis (by the 8th of each month), line ministries update their spending outturns for the previous month and their monthly forecasts to the end of the current spending period. This is done using the OSCAR system (the UK's aggregate public sector expenditure tracking system). Notably, this information is at a high level of aggregation: for small ministries it might be as few as four expenditure lines, with little detailed institution-by-institution- or function-by-function-level spending. Once this is done, the General Expenditure Policy (GEP) team (the aggregate spending control function) and the relevant Spending Principal will review the Online System for Central Accounting and Reporting outturn figures to check a number of headline issues: (i) that outturns for the previous month(s) are broadly consistent with forecasts; (ii) that forecasts to the end of the year are on target to meet control totals; and (iii) if the structure of OSCAR sub-aggregate-level financial reporting allows, that certain ring-fences within the spending are being respected.

In the Netherlands, spending is reviewed against the multi-year expenditure framework as part of periodic updates of expenditure forecasts and outturns using its budget information and communication technology (ICT) system. Every two months, ministries submit their outturns to date and their forecasts for the current financial year and the next five years. The Inspectorate of Finance is required to approve any changes to the forecasts relative to the previous update. These forecasts are at a fairly high level of aggregation, in line with the agreed budget: forecasts are entered for each of the 10–20 line items in each ministerial budget, including at least one for administrative costs.

Malaysian budget officers review reports from the government's aggregate financial management information system on a monthly basis, doing a quick scan to check there are no large variances in outturn (either over- or underspending) relative to forecasts. The forecasts are linked to government cash-flow projections and are prepared and updated by the line ministries on a quarterly basis. These quarterly cash-flow projections are not 'hard limits' for spending, as funds are approved for expenditure up to the limit set for the whole year (except in the case of transfers to state-owned enterprises).

In Myanmar and Slovenia, the routine task of monitoring expenditure is more closely tied to systems of cash limits that, in contrast to the other countries, can serve as a 'hard stop' on ministry spending. In Myanmar, ministries make requests to Myanmar Economic Bank on a quarterly basis, based on expected funding requirements. These requests serve as spending ceilings for the quarter. If funds are not fully used during the period, they are not carried over to the next quarter. Budget officers have limited involvement in the setting of these quarterly ceilings, but are required on a quarterly basis to report on the progress of ministry spending against the quarterly projection, and against the annual budget.

In Slovenia, budget officers are actively involved in forecasting and updating the annual spending profile of line ministries. At the start of the year, legally binding quarterly cash limits are set at the level of the direct budget user – starting at 25% of the annual budget allocation of the line ministry. This is refined into monthly allocations on the advice of the budget coordinator, line ministry and central government cash management agency, to take into account the likely pattern of spending, based on previous experience and discussions with the line ministry. Once set, it is these ceilings that become the focus of monitoring by the finance ministry. Budget officers concentrate almost entirely on the execution rate of the ministry budget against this aggregate, with the budget coordinator looking across up to 20 budget institutions in one review. It is only when this overall spending is not on track that budget officers would look deeper, using more detailed expenditure reports to identify the underlying anomalies that require further investigation.

3.5.2 Other oversight processes to keep spending on track

Across all the countries surveyed, budget offices are responsible for managing processes aimed at keeping expenditure within agreed limits. However, the tasks performed by budget officers to fulfil this role vary considerably.

In the UK and the Netherlands, the use of macro-control systems leads to a 'hands off' approach to reviewing expenditure, where most day-to-day decisions are left to the line ministries. Budget officers are primarily responsible for *solving budget problems* – i.e. working with line ministries to identify and agree how the line ministry can respond to emerging pressures and risks, so as to abide by agreed budgets (and, if necessary, adjusting and reordering budgets in response).

In the Netherlands, the periodic updates of IBOS (discussed above) serve as the routine structure by which the Inspectorate of Finance and line ministries can engage on how to manage potential risks of overspending. Where IBOS data shows spending pressures to be building in a particular programme, the rules require that the relevant line ministries offer up potential solutions to compensate, within the following parameters:

- Any increase in spending on a line item must be compensated by reductions elsewhere, regardless of the causes of the increase. For instance, if a rise in commodity prices has contributed to an unforeseen cost increase in a large contract, savings would have to be identified elsewhere, perhaps by using windfalls or by changing other planned expenditure.

- Savings that are not based on policy changes ('endogenous savings', e.g. windfall savings emerging from lower-then-forecast inflation) cannot be used to finance increases in spending arising from 'autonomous' decisions (e.g. new spending policies). In other words, new long-term expenditure measures need to be financed by new long-term savings measures in any year where they occur.

This means there is a focus on proactively identifying solutions to emerging spending risks through dialogue, rather than waiting until the line ministry simply requests more money. Budget officers are expected by their senior managers to know, and be able to explain, their line ministry's 'thunderclouds' – i.e. the key risks that could knock the ministry's spending off course, threatening the agreed budget. To some degree, this replicates part of the budget preparation process, in terms of identifying and analysing spending priorities and pressures and then agreeing how to trade these off in the context of a fixed budget. Monitoring, understanding and anticipating these budget problems represents a key role of budget officers.

Similarly, HMT budget officers do very little in terms of 'control' of individual expenditure decisions. Spending Principals are expected to work with line ministries to identify and anticipate spending pressures (i.e. 'solve budget problems') that could put aggregate budget totals at risk and to agree solutions to managing them.

In Myanmar, in contrast, a budget officer is expected to play a role in enforcing spending limits, primarily by ensuring that line ministries are following the correct processes. A budget officer's tasks in this respect would include:

- managing permissions to recruit additional staff
- approving allowances for foreign trips
- processing permits to make foreign exchange payments
- responding to requests for re-appropriation between budget lines (virements)
- ensuring the necessary approvals are in place for purchase of particular equipment.

Across each of these cases, the budget officer would perform a series of checks. Notably, most of these checks would be about *compliance with rules* rather than *alignment with strategic objectives*. The budget officer would also be checking that the calculations supporting the requests are accurate. Where there is a gap in the information, the budget officer would follow up with the relevant line ministry to seek clarification. The budget officer would then be required to summarise this information in a letter for a decision to be taken by a senior manager. Even a fairly routine query would require approval from the Minister or Deputy Minister.

The role of Malaysian budget officers combines elements of the different approaches described above. As in Myanmar, budget officers are tasked with ensuring that centralised control measures are adhered to. Tasks include managing requests to travel overseas, preparing approvals that allow expenditure to be incurred for newly recruited staff and considering requests for exemptions to central efficiency measures (e.g. permissions for use of consultants or to undertake foreign travel). The role of the budget officer would be to try and better understand the justification for the exemption in order to prepare the documentation required for a decision to be taken. At the same time, budget officers play a similar problem-solving role as that found in the UK and the Netherlands. They are responsible for working with line ministries to try and find ways to accommodate emerging spending pressures. This may be through generating internal savings, negotiating delays in payments or, if absolutely necessary, requesting a supplementary budget. Budget officers also play a role in the control of new spending policy proposals. There is a requirement that the finance ministry reviews every single policy proposal with a financial implication before it goes to Cabinet for approval. A critical part of the budget officer's role is, therefore, to review the financial assumptions being made in the Cabinet papers.

In Slovenia, a legal tradition of policy-making means that supervision of new legislation is a critical tool for spending control. Budget officers will therefore review the financial implications of new laws (approved by parliament), decrees (approved by government) or guidelines and regulations (approved by the ministers of line ministries). As noted above, this is a major part of the day-to-day work for budget officers – one manager explained that she may read as many as 15–20 memoranda each day on such issues. This legalistic or legislative approach to managing spending is something that has been noted as a mechanism of expenditure control by Schick (2001), but it is not well recognised in the general literature on public financial management.

3.5.3 The information and analysis that budget officers use

These differences in the focus and nature of spending controls and supervision are echoed in the nature of the information available to budget officers across the five countries. Although budget officials in all five countries use some form of high-level check or 'variance analysis' of aggregate expenditure to oversee spending, there are differences in the information and its level of detail. Specific differences include the following:

- **The aggregation of information.** In the UK and the Netherlands, spending is reviewed at a highly aggregated level. In the UK, the OSCAR system can have as few as four or five spending lines for certain ministries. In the Netherlands, reports from IBOS are at the programme level, of which there at 10–11 per ministry. In the other countries, however, more detailed reports are available, with spending broken down by a longer list of inputs. Indeed, information systems in Slovenia can provide significantly more detail, although in practice this level of detail is only consulted if there is a problem with the headline figures.
- **The use of internal management information and analysis.** In the UK, Spending Principals emphasised the regular review of management information *used internally* by line ministries in managing their own finances. Through using this kind of information, longer-term spending challenges can be identified and discussed in much more detail. This is a different mechanism than is used in, for example, the Netherlands, where updates of forward estimates in the IBOS system are a key information source for budget officers; or Myanmar, where budget officers often do their own calculations over expenditure numbers.

Importantly, none of the budget officers interviewed for this research appear to use sophisticated analytical techniques in their review of spending performance on a routine basis. Instead, across all the countries, there is a recognition of the importance of undertaking a regular basic aggregate variance check, while also having 'a feel for the numbers' in terms of understanding the major risks to the line ministry remaining in accordance with its budget. At a basic level, this would include knowing about how spending profiles vary during the course of the financial year and what 'big-ticket' spending programmes or items constitute the largest proportion of the line ministry's budget. This might involve high-level cost estimations of expenditure implications for certain decisions or simple benchmarking across ministries in areas such as administrative expenditure or wage compression. Where detailed financial modelling or cost impact analysis is required, the budget officer is likely to obtain this from the line ministry itself.

Box 4 The role of IT in supporting budget oversight

Technology has advanced considerably since the 1980s, when reforms such as medium-term expenditure frameworks and performance-based budgets were first introduced in OECD countries. IT systems for budgeting and accounting are now commonplace and are central to regulating spending in line ministries. Nevertheless, the way that IT systems are used to support budget supervision varies considerably.

Despite the UK's and the Netherlands' finance ministries operating supposedly the most advanced systems of budget management, their IT systems for aggregate spending control are relatively simple. In the UK, for example, the aggregate HMT-level budget monitoring system (OSCAR) is not a 'live' system and data is only entered at fixed points in the year. The Netherlands also operates a similar approach with the IBOS system. Financial systems that run the detailed day-to-day management of budgets, forecasts, transactions, approvals, payments, accounts and financial reports have been almost entirely delegated to line ministries.

More comprehensive central IT systems can, however, provide more detailed information and in doing so reinforce centralised controls. In Slovenia, separate systems are used for preparing the budget (APPrA) and for executing the budget (MFERAC). These interface with each other, as well as with systems for cash and debt management, to provide a system that can control commitments of line ministries within spending totals during the year. Equally important is that the central MFERAC provides detailed information on ministry spending in a way that the UK and Dutch systems do not. This allows budget officers to obtain information themselves that can form the basis of the challenge function on a more detailed basis.

Expensive IT accounting systems are not necessarily the determining factor in delivering effective financial control. It is notable that in Myanmar many processes are largely paper-based, with considerable time invested by budget officers in transforming the layout of manual data received into new digital formats. Yet, even in the absence of modern financial IT systems, the 2013 PEFA assessment in the wake of the country's opening up showed financial records to be accurate.

Source: interviews.

3.5.4 Controlling entitlements and demand-driven spending

Relative to Myanmar and Malaysia, the governments of Slovenia, the UK and the Netherlands commit considerable budget resources to demand-driven 'entitlement' spending, such as welfare payments, state pensions and social security schemes. In these countries, these payments represent large parts of total expenditure that are very difficult to change in the short term, making them a kind of fixed – but potentially unpredictable – cost in ministry budgets. In these countries, controlling entitlement spending constitutes a critical element of spending oversight that requires special attention.

In Slovenia, the monitoring of entitlement spending was a complex and key ongoing focus of the Director General at the time that this research was conducted. Social benefits, which are driven by rights established in legislation, make up a large share of the budget (around €1.2 billion of the total €9.5 billion). The major entitlement expenditure lines effectively operate within the hard budget limit of the Ministry of Labour. This creates an incentive for the Ministry of Labour to manage each entitlement individually and to implement a buffer between a forecast for that entitlement and the overall budget estimate. Efforts in the Ministry of Finance to reduce this buffer have been a key factor behind an increase in tension with the Ministry of Labour, leading to increased scrutiny of in-year performance in the management of entitlement expenditure. In this context, the budget officer responsible focuses on the largest expenditures and those that exhibit the highest volatility – such as unemployment benefits accruing to groups that have been in work for a year or less. In contrast, less attention goes to budget lines for maternity benefits, which are more predictable. The budget officer undertakes some basic analytical work using high-level aggregate data from different sources in order to cross-check and verify information coming from the line ministry. Her work would feed into meetings held each month between the fMinistry of Finance and the Ministry of Labour.

Fluctuations in demand-driven spending are managed differently in the UK and the Netherlands. The system of controls in the Netherlands keeps entitlement spending within the four-year ceiling allocated to the line ministry. If entitlement spending rises from year to year, then the ministry concerned will generally need to find a way to compensate for this so as to remain within the budget ceiling. This restriction was removed to allow automatic stabilisers to operate more freely during the years immediately after the financial crisis – by increasing expenditures and the budget deficit – but was subsequently reinstated. In the UK, on the other hand, multi-year budget ceilings apply only to non-demand-driven entitlement (i.e. discretionary) expenditure. Spending on more volatile demand-driven items is monitored and managed through the annual budget process instead. Overspending in these entitlement programmes may lead to changes in the underlying policies, to reduce expenditure in future years to compensate; overspending in some annually managed budget lines may be cancelled out by underspending in others; or government may choose to absorb the costs through reductions in ministry multi-year discretionary spending (either from the ministry managing the overspending annual programme, or from another ministry that is on course to underspend in any case). In the UK, therefore, there is a less clear rule that ministries must automatically compensate for increases in demand-led expenditure themselves.

In each case, the rules around different types of expenditure – demand-driven entitlement spending versus discretionary spending – stem from a desire to manage incentives. On the one hand, the budget office wants ministries to actively manage entitlement spending to ensure that the cost is contained. On the other hand, it does not want ministries to experience a 'windfall gain' from good fortune (e.g. favourable external circumstances mean a drop in entitlement spending, which is immediately 'banked' by the ministry concerned); or ultimately to be left dealing with an unreasonable and unmanageable increase in entitlement-based expenditure pressure.

Box 5 Solving spending problems: examples of how HMT Spending Principals engage on spending policy issues

Industrial action and its impact on sector finances. A series of strikes on a public service had caused widespread disruption, making national headlines. HMT had asked the department concerned to share its internal analysis of the impact of these strikes on the financing of the sector. Striking workers are not paid (saving some money), but equally revenue is not generated for the public service on strike days, and long-term licensing of the service had been granted to private sector providers on the basis of assumed revenue. HMT was interested in ensuring that the costs did not ultimately fall on the public purse, and that they did not undermine planned investment in the sector. The HMT Spending Principal was asking for regular updates on the department's own internal modelling of the impact, and was being kept aware of strategic financing decisions being made as a result.

Box 5 Solving spending problems: examples of how HMT Spending Principals engage on spending policy issues continued

Commitment to a cross-government spending target. The government has committed to spending a certain percentage of gross national income (GNI) on a particular set of activities. This raises three administrative challenges: (i) GNI is updated twice a year, whereas spending allocations are fixed for two to three years, meaning there must be regular adjustments of budgets for these activities to ensure that the percentage target is met, rather than narrowly missed or significantly exceeded; (ii) the eligible activities for this spending are spread between a large number of departments, for some of these departments the eligible activities are a very small part of their work and the eligible activities themselves are very different types of expenditure; and (iii) the spending target is on an calendar-year basis whereas the UK government fiscal year runs from April to March. As a result, the Spending Principal is responsible for collating large amounts of information on GNI revisions and the spending profile of eligible activities and – in some cases – facilitating rapid redeployment of budgets between departments to ensure that the annual target is actually met.

Pay and retention. As a result of a cross-government review of civil service pay, HMT has become aware that one department with very low staff turnover is now one of the highest paying departments in Whitehall. This department has also consistently asked for a larger 'administration budget' to spend on civil servants. HMT has begun asking for more data and more explanations about how the administration budget is being used to pay staff wages, what the medium-term pay strategy of the department is, and how the department can make the most of its low turnover rate with its current budget.

Public service worker recruitment. HMT is keen to ensure that there is sustainability in the medium-term recruitment of a key category of public service workers, who comprise a large percentage of the public sector wage bill. International evidence also clearly suggests that the quality of performance of this group of public service workers is a strong contributor to overall results in the sector. HMT is therefore in regular dialogue with the department to ensure that its medium-term policies on recruitment, retention and overall pay strategy are sustainable (i.e. will avoid a mass exodus of staff from the service; will ensure government is 'overpaying' for suitably qualified candidates; and will not lead to unsustainable demands on the public sector pensions bill over the long term). This was described as keeping a 'watching brief' on this aspect of the department's work.

Policy development. A department is planning to publish a Green Paper on a particular policy area, in the expectation it will lead to a White Paper and a new direction for policy in the sector. HMT Spending Principals – and HMT spending team staff leading on the particular policy area – are keen to ensure that the new policy direction is affordable, does not build in long-term cost pressures and is consistent with wider government economic policy. The HMT policy lead is attending the regular series of cross-government meetings designed to develop the Green Paper led by the department, but the Spending Principal will also review the materials and analysis being presented by the department and support the HMT policy lead in asking the right questions on financial impact. The Spending Principal has their own channels to the department's finance function and can also ask questions about their view of the policy development process (noting that the department finance function may have different views to the policy function and can sometimes – informally – encourage HMT to ask challenging finance-related questions that they themselves might find difficult to ask).

Source: interviews.

3.6 Summary

This chapter has given a generic picture of who desk officers are and has described their work in supervising the spending of line ministries during budget execution. In the sample covered, almost all the budget officers were graduates of some kind or another, but beyond this similarity there is a range of differences between the countries as to their budget officers' specific qualifications, how they are recruited and the expectations for their retention and rotation in post. Some systems, such as those in the UK and the Netherlands, seem to foster generalists, who will work across portfolios over their career, while others, such as in Myanmar and Slovenia, are based on longer-term postings, which could support a greater depth of knowledge and institutional memory.

Budget officers work between the finance ministry and line ministries, acting as a 'bridge' between the two, but they also act as the 'eyes and ears' of the finance ministry. They have a role in transmitting information between the two institutions, and in being the link between the line ministry and other parts of the finance ministry – notably the central aggregate spending control function of the budget office. Budget officers face a challenge in building effective working relationships with line ministries when incentives and information asymmetries do not appear – at first glance – to encourage cooperation.

Across the case study countries, a number of similarities have been found in the nature of the relationship between budget officers and their line ministries. Perhaps the most consistent finding is that, despite the inherent tension in the spending relationship, most budget officers reported that their relationships with line ministries are usually positive (with some exceptions) and operate in a collegiate atmosphere. In some countries, the relationship is seen to function well because there are clear rules and expectations on both sides; in others, there is obvious variation, based on the personalities involved. The closeness of the relationship was expressed most clearly in the near constant, day-to-day back-and-forth communication between budget officers and line ministries, through numerous channels and on a range of topics, in each of the countries.

The detailed tasks involved in monitoring line ministry spending – the key role of a budget officer – displays some commonalities across the sample. The principle source of information on spending is the respective cross-government IT system. However, the way that this information is used is not particularly complex. Budget officer spending supervision tasks in the five countries do not usually require forensic analysis of complex multi-layered spending and performance information; nor does it require development of original analytical information. In most cases, high-level basic variance analysis supplemented by a 'feel for the numbers', combined with more detailed information provided by the line ministry, forms the basis on which budget officers deliver their role.

Looking away from the high-level aggregate spending, clear differences are found in budget officers' focus, based on the macro versus micro divide in spending control. Whereas a key part of a budget officer's regular work in Myanmar or Malaysia involves approvals and authorisations of relatively small movements of money, in the UK and the Netherlands this is rarely something that budget officers are involved with. It is also notable that the nature of engagement between the line ministry and the finance ministry in the UK and the Netherlands is centred on policy issues that are typically forward-looking and strategic; in the other countries, engagement is usually more reactive to current problems.

4 Conclusions

The role of a budget officer is an integral part of a modern system of spending control. In almost every finance ministry in the world there is a need for individuals who have some responsibility for reviewing, supervising or somehow overseeing how individual spending entities are progressing relative to their budget. Indeed, the descriptions and discussion of the roles, functions and responsibilities of budget officers from the five case study countries suggest that these officials cannot simply be replaced by automated or entirely impersonal systems or rules.

Although the budget officer role may be an ever-present feature of a finance ministry, there is almost no written information on how the work of a budget officer is arranged, executed and managed. The growing numbers of diagnostic tools and burgeoning literature on fiscal institutions shed little light. The research reported in this paper aims to fill this gap, using examples from a diverse set of high- and middle-income countries. The findings suggest that some aspects of the work of the budget officer appear to be the same across different countries – at least in the small sample considered here – but other parts of their work are heavily determined by individual country circumstance and systems.

From this small window into the world of the budget officer, what lessons can be drawn? How can budget officers be supported to deliver this role more effectively? Are there lessons or approaches that might be applicable to all? This chapter sets out some tentative conclusions and propositions for different constituencies with an interest in the work of budget officers.

4.1 Implications for a budget director

If there is one individual in the government who should find this report useful, it is the budget director – the senior manager within the budget office with ultimate responsibility for the work of budget officers in delivering their spending supervision mandate. What are the implications from the experience of the five countries for this person?

First, all of the five countries discussed here are known for having reasonably credible budgets. Even in Myanmar, where the budget is less of a credible guide to the final level of spending, revisions have tended to increase rather than decrease spending (meaning that the level of spending set out in the budget is at least assured, therefore avoiding disruptive unplanned in-year budget cuts). This is quite different from many low-income countries, where cash limits are systematically used to under-execute the budget so as to maintain short-term macro-fiscal stability (Stasavage and Moyo, 1999; Simson and Welham, 2014). Where estimates for the budgets for line ministry expenditure are formulated without an expectation of credibility, then this research on budget supervision will be less useful. In countries without a credible budget, the work of a budget director might best be focused on attempting to improve credibility and predictability (insofar as the political context allows) or at least focusing on those elements of the budget that might be most credible and reliable (e.g. the wage bill, debt payments). A full discussion of how to improve budget credibility is outside the scope of this research, but this is probably a prerequisite to attempts to build budget officer supervisory capability.

With this caveat clearly in mind, the research suggests that the work of budget officers is primarily one of *managing relationships* with a view to delivering a series of core roles. This is done through a range of activities, which might be undertaken at different levels of sophistication:

- facilitating regular communication between the finance ministry and the finance function of the line ministry

- acting as the 'eyes and ears' of the finance ministry, in terms of understanding and reporting on the actions and behaviour of line ministries
- conducting basic variance analysis on aggregate spending data and undertaking a 'sense check' on other spending information coming from line ministries
- scanning the horizon for emerging risks to the agreed budget.

However, this must all take place *within the administrative and institutional context* of the spending regime. This will determine the depth and sophistication of the tasks to be undertaken and therefore the nature of the capabilities and skills required by a budget officer. This is because the day-to-day work of a budget officer, and the organisational structure in which she or he sits, relates to *what* is being controlled by the finance ministry and what levers are available to deliver this function. It suggests, therefore, that spending control can work effectively in different formats depending on what is being controlled within each individual system.

This may sound obvious, but it has important implications for thinking about the structure of budget officer teams, and for the capacities of the individual officers themselves. Spending systems that allow for strict control over inputs and focus effort and time on approving low-level spending decisions by line ministries (e.g. Myanmar) will require a different type and number of officers from those that encourage a focus on high-level long-term strategic issues of policy (e.g. the UK and the Netherlands). Systems that give the finance ministry a key point of expenditure control through legislation (Slovenia), through multi-year coalition agreements (the Netherlands) or through multi-year expenditure frameworks under a single-party government (the UK) will need different areas of expertise. Matching skills development to emerging needs will mean being clear on *what* finance ministries are controlling, and *how* this is done through the spending control system.

Budget directors could use this research to carefully consider the types of skills they are looking for in a budget officer. The role of the budget officer involves being a personal link between the finance ministry and a line ministry. The ability to use this position to develop good working relationships, establish regular communication, build mutual trust and respect, and create a sense that the finance ministry will be 'fair' with the line ministry in applying spending rules appears to matter. Furthermore, the evidence from the five cases also suggests that in usual circumstances budget officers have only a limited role in producing original, complex analytical work on issues of spending. It appears that having the ability to carry out straightforward variance analysis of budget estimates and outturns alongside generic policy analysis skills and a 'feel for the numbers' matters more than being able to deliver complex analysis. Taken together, this might suggest that budget directors might consider selecting and promoting their officers on the basis of 'softer' skills, such as their ability to collaborate and cooperate with partners, as much as on technical excellence – although diligence and attention to detail are clearly critical to building trust and executing effective oversight.

Building on this point on 'soft' skills, the dispersed nature of the 'budget office' is also apparent in the case studies. Only in the Netherlands do staff undertaking a budget officer role all mostly sit in the same team. Across the sample, a mixture of individuals, teams and IT systems work together to provide a comprehensive view of the current and future trajectory of spending at either aggregate or line ministry level. The ability of the budget office, its officers and its director to effectively collaborate, share information and work collectively appears to matter in delivering effective spending oversight. Budget directors might therefore invest time and effort in looking beyond individual skills, considering also how to build effective *systems of collaboration and coordination* within the budget office. Although not discussed at length in this report, the effectiveness of aggregate fiscal controls in the UK and the Netherlands is partly based on having a strong team within the finance ministry that brings together spending aggregates and acts as an internal challenge for the budget officers who supervise the policies of line ministries. This is not just a macro-fiscal unit that reviews aggregate expenditure, as is sometimes implied (e.g. Fainboim and Lienert, 2018), but also involves a role in providing quality control for budget officer work and building an effective link between technical advice on expenditure and the politicians who receive it. Equally, stronger budget office capacity needs to be matched by a more strategic finance function in the line ministry (Kraan, 2017). These features are not easily or quickly developed – even in a high-income country such as Slovenia – but they emphasise the need to look beyond the budget office when looking to reinforce budget supervision.

Spending control regimes can change over time, of course, and the literature suggests there is an 'evolution' of finance ministry structures over different time periods and income levels (Allen et al., 2015). Changes to spending controls in OECD countries have often followed changes in the economy, fiscal position or budget. The UK's transition from micro- to macro-level spending controls in the 1990s was reinforced by the drive from HMT to grapple with rising inflation, recession and the withdrawal from the currency peg between the pound and Deutsche Mark. It is possible to see echoes of these forces in Malaysia and Slovenia, which have faced tighter fiscal conditions and growing pressures from spending on entitlements in recent years. They have also followed the UK and the Netherlands in relaxing input controls. These changes may be accelerating through the diffusion of international norms, as is evidently the case in Myanmar since the formal end of military rule in 2010. Budget directors can therefore look ahead at the changing nature of the government's spending system to ensure that appropriately skilled budget officers are matched to the kind of spending controls being undertaken.

While broad spending patterns and the theory of an evolving finance ministry can be used as a guiding compass by a budget director who is seeking to improve budget supervision, it is also clear that this is not a one-way ticket. The UK has recently reintroduced some micro controls in the context of fiscal consolidation after the financial crisis of 2008 and HMT has regularly tinkered with controls related to welfare payment, capital investments and budget carry-overs (Crawford et al., 2018). These were notable areas of focus for the budget officers in Slovenia, along with the civil service payroll; and while Malaysia has relaxed input controls in general, it maintains direct oversight of areas which it considers to be prone to inefficiency. Clearly, these areas of spending present common trade-offs and challenges. They should therefore be considered carefully by any budget director planning to reinforce spending controls.

Box 6 The skill set, knowledge and experience of a budget officer

The role of a budget officer in 'solving budget problems' in a macro-control-oriented finance ministry such as that in the Netherlands or the UK is relatively unique. Such budget officers must be able to rapidly understand a great deal about a wide range of policy problems that might cross their desk, and yet are not expected to be an expert on any one of them in particular. Combined with the research conclusions about budget officer 'soft skills' and ability to build trust, this suggests that a good budget officer in this context would have skills necessary to answer the following questions:

- **Macroeconomics.** How does the spending behaviour of the relevant line ministry fit into the overall pattern of government spending, and how does this affect the government's broader macro and fiscal positions?
- **Microeconomics.** What are the specific incentives of major actors, institutions and interest groups within the line ministry and broader sector being monitored, and how will this shape behaviour as the budget is executed?
- **Statistics and research methods.** What kind of evidence counts as robust when considering a line ministry's proposals for additional or amended spending, and what kinds of flaws or challenges are likely to be found in commonly used statistics?
- **Public administration.** Which part of government is responsible for which aspect of public policy, to whom is it accountable, and what levers and actions is it permissible for a budget officer to use in delivering their objectives?
- **Accounting.** How are government finances classified, what are the biggest risks to financial errors within government accounts, and what needs to be done by when to deliver robust financial statements?
- **Law.** What are the laws, regulations, administrative conventions and key parliamentary processes that govern the process of public expenditure?
- **Communication and negotiation.** How can a budget officer communicate effectively, assertively and with sufficient authority without alienating or otherwise isolating their line ministry, which often faces directly opposite incentives?

No single academic subject will cover all these areas, although multidisciplinary professional training in 'public policy' or 'applied public administration' would cover many of them.

Source: M. Cangiano, personal communication, and budget officer interviews.

4.2 Implications for international agencies

Many institutions, such as the IMF, World Bank and multilateral and bilateral donors, seek to improve the functioning of the public sector in developing countries so as to support delivery of a number of development objectives. This naturally leads to a concern regarding the ability of those countries' governments to monitor, direct and control public spending. This has led to considerable investments in public financial management systems, including efforts to strengthen the process for preparing and executing the national budget. Andrews (2010) suggests that this assistance tends to support a relatively common set of reforms. These include the introduction of medium-term budget frameworks, programme budgets, integrated capital and recurrent budgets, and limits on virements supported by integrated financial management systems – all of which aim in some way or another to strengthen the role of the budget officer. What lessons can be drawn from this research that are relevant to this constituency? Unsurprisingly, many of the points above aimed at budget directors will also be valid for institutions offering external support.

First, capacity development needs to be aligned with the activities that budget officers are actually expected to deliver; this, in turn, is heavily shaped by the nature of the spending system they are working in. Investing in developing advanced policy analysis skills is unlikely to yield much impact from budget officers who are mostly responsible for authorising foreign currency requests. Similarly, investing in large volumes of non-financial performance information will not help if the budget officer's main control tool is a basic monthly variance analysis of total spend against the forecast. Indeed, the scrutiny of performance information liked to specific budget lines was rarely raised in any of the interviews conducted for this research, except in relation to the management of 'volume-based' spending, such as welfare entitlements. Budget officers who are responsible for discretionary spending may need one type of capacity support; but those supervising capital expenditure (noting that within the sample the capital budget is supervised from another institution) would need a slightly different set of skills and knowledge. As with budget directors, agencies seeking to support budget officer capacity should invest effort in understanding clearly *what a budget officer is asked to do* within their spending control system.

Second, it is also important for supporters of improvements to the budget officer role to be aware of the particular character of the national expenditure control system. There can be a tendency among development agencies to assume that all countries are looking to develop advanced and predominantly Anglo-Saxon/New Public Management approaches to public administration and finance control. They are often then ranked accordingly in various metrics of effectiveness (such as the influential PEFA framework). However, this tends to ignore the available literature on the enduring systemic differences between public expenditure control systems across different families of national systems (e.g. Lienert, 2003; Pattanayak, 2016). Within these systems, budget officers have different roles in managing expenditure – as do officials in the line ministries they supervise (Kraan, 2017). This research has not attempted to identify and/or describe what these differences are within the small sample considered; nevertheless, they represent a key feature for external supports to consider as they develop programmes of capacity-building.

Third, a recent evaluation of capacity development by the IMF – a key source of information and advice in this field – provides conclusions that resonate closely with the findings from this research (IMF, 2018b). The evaluation notes that IMF technical advice is often effective at building *individual* capacity to undertake specific tasks; however, it is often less effective at building *organisational* capacity to deliver higher-level institutional objectives. This relates to the point above about how a budget director should focus on building skills related to cross-office collaboration as much as on technical excellence. The budget office may be a good example where focusing support solely on the skills of individuals is less important than supporting the ability of the institution to operate as a whole.

Related to this, the research has highlighted the importance in the spending supervisory role of variance analysis of summary information on aggregate spending. Within most of the countries, this analysis of aggregate outturn versus forecast is the first method through which budget officers could jointly identify with line ministries where spending is – or could potentially go – off-track. For low-income and low-capability countries where effective spending management systems are still developing, this finding therefore puts a premium on investing in systems to provide *basic but timely and reliable aggregate information on spending by line ministries*, rather than systems that provide detailed information on spending at multiple levels of analysis. For aggregate spending control, more detailed information may not necessarily be more useful information. In this sense, integrated financial management information systems may prove useful if accompanied by effective support for accounting in line ministries and their subsidiary entities. However, the emphasis on detailed information and controls may be less useful.

This research has focused on the role of budget officers in supervising and managing in-year expenditure. However, many of the choices that determine how public money is spent at levels beneath high-level aggregates will happen in line ministry finance functions. Even in a strict micro-control regime, where significant amounts of line ministry financial decision-making are subject to budget officer approval, there will always be a limit to the degree to which a budget officer can monitor and oversee line ministry decisions. As a result, improving the effectiveness of expenditure management and supervision in line ministry finance functions is important to improving the effectiveness of public spending management overall. Indeed, when the findings of this research are matched to related work by Kraan (2017) on the role of the finance function in the UK and the Netherlands, it suggests that international support for budgeting has been too focused on the role of the finance ministry alone, and does not recognise the significant changes that have been made to the financial management capabilities in line ministries.

4.3 Implications for future research

Future research could complement the work presented here in a number of ways. The sample could be expanded within the comparative case study approach beyond the relatively small number here. More comparison – perhaps with a greater quantitative element where useful questions could be designed – would expand the evidence base available. This would help inform the tentative conclusions presented here and provide a more robust evidence base for recommendations. Countries at different points of capability might usefully learn from what other countries within their public expenditure management tradition and/or income group are doing. Overall, this could help, as Andrews (2008) puts it, to move from a 'model' of reforms to a broader 'menu' of options based on comparative country expenditure.

Future research could be used to develop a more systematic typology of financial management systems and their relationship to budget oversight. The existing research recognises the difference between 'macro' and 'micro' approaches to spending control (Allen et al., 2015) and the differences between families of public expenditure systems (e.g. Lienert, 2003; Pattanayak, 2016). However, the categorisation of approaches to budget supervision within those broad groups is less well articulated. Furthermore, important regional or country systems in this area are surprisingly poorly documented in the literature, for example those in China or East Asia. (e.g. Chevauchez, 2014). This categorisation might help indicate broad ranges of reforms that countries within each group could consider implementing.

There is of course a risk that this approach would focus too much on the 'form' of the system (what it looks like) and not enough on the function of budget supervision (how it actually works and why) and how it interacts with other parts of the broader systems of spending control. In this context, the case studies presented here provide some areas to explore. It is notable, for example, that the function for coordinating aggregate spending is especially well developed in the UK and the Netherlands, which could be explored from a comparative historical context to determine how the role emerged and evolved over time, as compared with modern macro-fiscal units established in countries such as Uganda. More generally, the research presented here could be improved by taking a broader view of spending controls (beyond the budget office and budget execution).

It is also notable that literature on spending controls in developing countries tends to generalise about problems with micro controls. The comparisons presented here suggest that these practices are, in fact, used widely in countries that have high levels of GDP – indeed, even the UK retains some micro-level controls and differentiates in approach between discretionary and demand-led spending. Yet, the benefits and costs of micro controls are rarely analysed systematically, particularly in the context of low- and middle-income countries. Indeed, such discussions sometimes assume that the UK/Dutch macro approach is the 'natural' destination that should be aimed for. Research of this kind could look, in particular, at the use of cash rationing in middle-income countries. This is a common practice in low-income countries, but is also evident in the financial controls used by Myanmar and even Slovenia. A more in-depth understanding of these micro-control approaches to spending management could be used to nuance international advice on cash management, for example.

A final practical piece of research work could be to facilitate the exchange of information between peers. Despite considerable interest from budget officials and their managers in this kind of analysis, there is inevitably a limit to how much written material they can access. Indeed, there may be a limit to how much information on the 'softer' side of the work can be realistically documented. This places a greater emphasis on effective peer exchanges, direct experience-sharing and forums for discussing actual operational practice. Yet, most forums for peer learning on public financial management tend to focus on new tools and systems being introduced. More effort is needed to rebalance the debate away from simply disseminating information on global good practices and instead towards facilitating more confidential discussions among peers on how systems actually function in different countries.

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Annex 1 Lines of enquiry for the country field work

Key tasks

1. Can you describe how the tasks of your work evolve around the routine of the budget cycle? What kind of work is expected from you in each phase of the annual budget cycle?
2. What regular tasks do you need to perform every week, month, year or every cabinet period?
3. To what extent do you follow a schedule of actions that is determined by your managers and to what extent are you able to determine your own work programme?
4. Which tasks are most important to your managers, and thus most essential for you to perform well; and which are less important and/or can be postponed if circumstances require priority-setting?
5. Who do you talk to most often (within your own ministry and the line ministry you oversee)?
6. Do you think that you and the colleagues in your section broadly do the same kind of work as colleagues who supervise other line ministries in other sections of the Inspectorate; or do you think that budget analysts have to carry out different tasks depending on the line ministry that they supervise? What would determine the difference in tasks (e.g. spending size, complexity and nature of the policies, political priority of the policies)?
7. Are there any recent events (e.g. economic, political) that have significantly reshaped the tasks that you are required to undertake?

Briefing, letters and memoranda

8. How many memoranda does your section produce on average per month? To whom are these memoranda addressed? What is the purpose of these memoranda? Who signs them?
9. How many draft letters does your section produce on average per month? What is the purpose of these letters? By whom are these draft letters signed and to whom are they addressed?
10. What other kinds of outputs (other than memoranda and letters) is your section producing and how often on average per month?

Analytical requirements

11. What kind of data is important for your work? Is it mostly financial data (development of expenditures and non-tax revenues in the line ministry that you supervise); or do you also need performance data on the policies of the line ministries?
12. From what sources do you get this data (both financial and performance) and to what extent do you rely on the figures that the line ministry provides to you? How often does it occur that you collect data independently from the line ministry? In which cases?
13. What kind of data manipulation and analysis do you normally do independently from the line ministry)? Or do you usually challenge and critique what the line ministry has sent to you? Were you hired with the skills to do independent analysis, or have you received training for that purpose?
14. How do you package and present the analysis? What makes a good submission?

15. What support is provided to undertake independent analysis?

Coordination in the ministry

16. How do you link the budget to the planning document? What is the role of the ministry in doing this? What is the role of the budget officers?

Managing relationship with line ministry

17. How would you broadly characterise the relationship you have with the line ministry that you supervise – e.g. do you actively monitor their actions; or do you wait for them to come to you with a problem; or somewhere in between?
18. How is communication managed? Which information streams are formalised for budget preparation and other standard procedures and which are informal (based on ad hoc agreements between you or the colleagues in your section and officials of the line ministry)?
19. How would you manage disagreements with the line ministry that you supervise? How do you know when you have to 'escalate' a problem, by warning your superiors orally or by writing a memorandum?
20. To what extent has the line ministry that you supervise been able to comply with the budget office's guidelines (e.g. meeting deadlines of the budget circular)? What challenges have you experienced, and why?
21. Are your contacts with the line ministry mostly limited to the finance directorate of the line ministry or do you also talk regularly, or from time to time, with the substantive directorates or directorates general of the line ministry? If you meet with the substantive directorates or directorates general, does the finance directorate then always attend these meetings or do you also have bilateral contacts without the finance directorate being involved? In which cases?
22. Do you participate in working groups or task forces of the line ministry that you supervise?

Qualifications and human resources support

23. What kind of educational background do you and the other budget analysts have?
24. What training is provided for the role of budget analyst and is it sufficient to perform the role effectively? What kind of courses on management and 'soft skills' (people management, negotiation, writing memoranda, time management) are on offer? What kind of courses have you followed while working in the Inspectorate?
25. How is your performance assessed?
26. Is there any variable component in your salary that is dependent on performance?
27. How long have you been in your current role of section head? How long do you expect to stay in this position? What are the current policies of the Inspectorate towards retention and rotation?

Case study examples

28. Can you describe what you do if you are presented with a new spending proposal as part of the annual budget process? What information would you ask for from the line ministry? Would you consult external information/research? What analysis would you undertake of the submission? What outputs would you be asked to provide by your managers?
29. Can you describe what you do to prepare a memorandum or briefing to the Budget Director on opportunities for savings in your line ministry? What information do you use to undertake this type of analysis? What analysis would you undertake? What interaction would you have with the line ministry to prepare your memorandum or briefing? Would you involve them at all and, if so, in what manner?

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