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EDITORIAL

Welcome to this fifth issue of Government in Action: Research and Practice which, in keeping with tradition, takes a thematic look at research into the changing face of government. Having previously covered human resources, transparency, e-government, co-production and trust, we now turn our attentions to two new topics: budgeting and simplification. At first glance, they appear to have little in common. Yet both are central to improving public management and return time and again to the heart of the transformation agenda. In this issue, we will show how the boundaries between these two areas are becoming increasingly blurred.

Virginie Madelin
Managing Director, IGPDE

Simplifying administrative burdens to reduce costs

Many simplification initiatives are driven by a resolve to reduce the cost of administrative burdens to businesses and other public service users. Pamela Herd and Donald Moynihan look beyond standard cost models and other cost accounting methods and show that, in fact, users – especially vulnerable groups – encounter learning costs, compliance costs and psychological costs when faced with burdensome procedures. They argue that these costs can only be managed – and, therefore, reduced – if they are evaluated as a matter of course.

Celebrating 100 years of the Budget Directorate

The Budget Directorate was created in 1919, exactly a century ago. To mark this special occasion, and to pay tribute to this custodian of sound public management, this issue features a joint interview with Amélie Verdier, Budget Director, and Nicolas Berland, professor at Université Paris-Dauphine. The fascinating discussion between two experts, one a practitioner, the other a researcher, explores the latest developments in budgeting in the public and private sectors. This issue also includes an article by Prof. Berland, in which he discusses how the "beyond budgeting" principle is prompting companies to simplifying budgeting practices and link them to strategy. He also draws parallels between this private-sector movement and the Constitutional Bylaw on Budget Acts (LOLF). As well as reflecting on the past, we felt this 100-year anniversary was a good opportunity to analyse current trends and look ahead to the future.

I hope you enjoy reading this issue

ARTICLE

Constitutional Bylaw on Budget Acts and Beyond Budgeting Comparing two budget reforms

by Nicolas Berland

In 2004, France embarked on a sweeping reform of its public finances with the Constitutional Bylaw on Budget Acts (LOLF), which aimed to recast the principles of government expenditure. As well as bringing in a new budget process, a results-oriented culture and a greater focus on performance indicators, the LOLF introduced a cost calculation system and new human resource management practices, including a performance-related bonus scheme. This article examines the LOLF and draws comparisons with "beyond budgeting", a budget reform process applied in the private sector.

Nicolas Berland, a professor at Université Paris-Dauphine, specialises in organisational management and management control. His research interests include the history of management control, the financialisation of control practices, experiments with the beyond budgeting approach, and the advent of management control in public institutions.

The idea behind the LOLF was to take budgeting practices applied in private organisations and repurpose them in a way that was suited to the culture of the public sector. The reform completely changed the way budgets were structured, doing away with the previous system of budget "chapters" and introducing Operational Budget Programmes (OBPs), in which expenditures are organised by broad public policy aims.

The reform was unquestionably inspired by private-sector management practices. Yet, somewhat paradoxically, it came at a time when many companies were themselves reforming their budget processes. In the 1990s and 2000s, fierce criticism of the conventional corporate budgeting model prompted some organisations to rethink their approach. This movement, which became known as "beyond budgeting", saw businesses adopt solutions that, in some cases, bore many similarities with the measures introduced by the LOLF.

For the purpose of comparison, this article examines the beyond budgeting model adopted by Rhodia, a French multinational that was founded in 1999 when Rhône-Poulenc spun off its chemicals division into a separate company, and was later acquired by Belgian company Solvay in 2011. For OBPs, the author draws on both his own experience and a substantial body of publications and case studies on the Budget Directorate's website (https://www.performance-publique.budget.gouv.fr/).

Beyond budgeting at Rhodia
Budget reform at a time of restructuring

On 1 January 1999, Rhône-Poulenc spun off Rhodia, its chemicals division, into a standalone publicly listed company. At the time, Rhodia employed 27,000 people at 19 sites worldwide and generated $7 billion in global turnover.

In autumn 1999, Rhodia decided to break with convention and dispense with the central planning and budgeting process, launching a new project baptised "Spring".

Beyond budgeting: the example of Rhodia

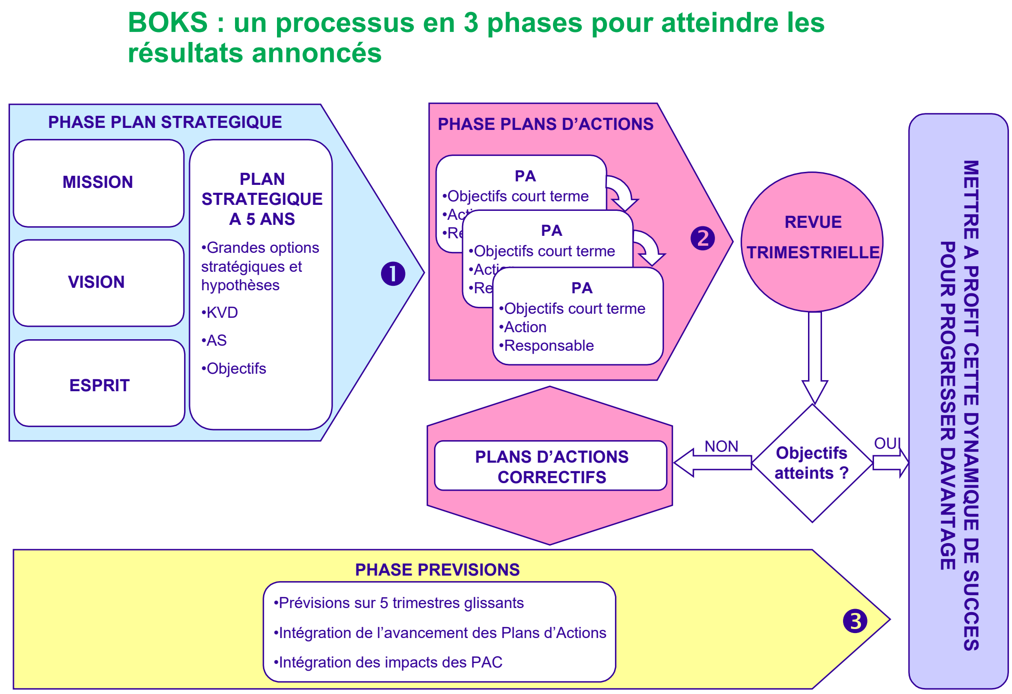
Before examining the example of Rhodia in detail, it should be stressed that beyond budgeting is by no means a one-size-fits-all model. Rather than abandon budgeting altogether, organisations have overhauled their processes – each in their own, distinctive way, but all guided by a set of clear principles.

How the system worked

Spring, Rhodia's version of the beyond budgeting approach introduced in autumn 1999, was a three-phase process:

1. Strategic planning
2. Devising action plans aligned with strategy
3. Producing 12-month rolling forecasts.

Spring: a three-phase process



As part of the Spring project, Rhodia overhauled its traditional annual objective-setting process. First, line personnel up and down the chain – from senior managers to front-line employees – were given a much bigger say in the process. This move turned out to be one of the system's greatest strengths, because personnel were able to see how their own objectives dovetailed with corporate-level objectives. Second, the number of objectives was reduced in order to limit costing work to strategically important objectives only. This approach, which marked a clean break with the conventional – and exhaustive – budget process, was to a large extent what made Rhodia's system so distinctive.

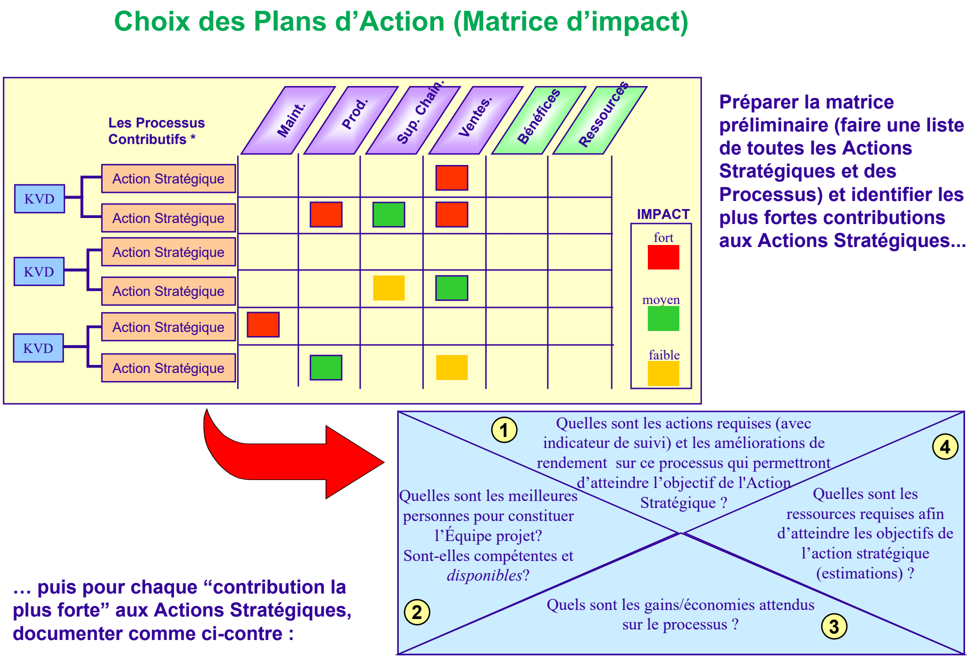
> *“One of the greatest strength of beyond budgeting is how the personnel were able to see how their own objectives dovetailed with corporate-level objectives”*

Strategic planning – phase one of the process – happened within individual group businesses. First, each company's management committee set strategic objectives, known as key value drivers (KVDs). Managers were then expected to draw up a list of strategic actions (SAs) – practical steps that could be taken over the coming five years in order to achieve both the KVDs and objectives set by group executives. Each SA was financially assessed to gauge its impact on value creation, and only those SAs with the most significant impact were retained.

The KVDs, deliberately limited in number, captured the company's priorities for maintaining its competitive edge and achieving its long-term strategy. As the name (“key”) suggests, the idea was not to cover all bases, but rather – in line with the Pareto principle – to focus on the 20% of variables that would generate 80% of the effects on the company's value.

Once the strategic planning process was complete, phase two involved translating long-term strategic objectives into short-term action plans for the coming year. Recognising the inherent difficulty in aligning long-term objectives, KVDs and SAs with shorter-term action plans, Rhodia developed an impact matrix in order to “document and validate” the selected SAs and help line personnel develop appropriate annual action plans. The matrix served as an optional decision-making support tool, cross-referencing the KVDs and SAs against the corresponding processes. Officially speaking, the impact matrix was the first step in phase two of the process (the action plan phase). Yet its role as a bridge between long-term objectives and short-term implementation meant that, for line personnel, it was often framed as the final step in phase one (the strategic planning phase) – a shift that typified Rhodia's determination to align long-term vision and short-term action.

Impact matrix



The management committee began by using the impact matrix to assess how various processes contributed to the achievement of each SA, looking specifically at the tasks and activities that would need to be performed. Rhodia developed the matrix after observing that, in many cases, action was being taken before its impacts had been quantified, and with no estimate of the resources (people, money and equipment) that would be needed. This planning deficit led to resource shortages and meant that many SAs were only partially achieved, or in some cases not achieved at all – a situation that skewed business forecasts. More important still, one unintended by-product of this lack of preparedness was that it hindered effective cooperation and coordination between departments. With the impact matrix, Rhodia was better able to prioritise projects, focus the effects of its action, and avoid – or at least limit – irrational resource allocation.

> *“Under the conventional budgeting model, too much time was devoted to the costing side, and the action plan phase was sometimes skipped altogether”*

A pioneering model

Rhodia's beyond budgeting model marked a significant break with conventional practice. Costed objectives, negotiated by each business, were quickly translated into action plans, meaning they could be rolled out more efficiently across the group. Managers were no longer seen as heads of responsibility centres. Instead, their role in strategy implementation was determined by the action plans that fell within their remit. This meant that, at Rhodia, group executives, division managers and company management committees were all involved in the strategy-setting side of the budget process. Moreover, strategy cascaded down the chain of responsibility in a regimented manner, where it was discussed and debated before the costing exercise began. Under the conventional budgeting model, too much time was devoted to the costing side, and the action plan phase was sometimes skipped altogether. But this new approach signalled Rhodia's determination to rebalance the equation, spending less time on costing and more on action plans.

A new budgeting model: from accounting to strategy

Under the conventional model, a budget is an accounting tool that captures all of an organisation's revenues and expenditures. But not all expenditures hold the same strategic importance, meaning considerable time is spent on unnecessary costing work. According to one school of thought, this model may be seen as beneficial because it fits neatly with accounting processes. Yet this all-encompassing approach misses the main point of what a budget is supposed to do: capture what really matters. This observation raises an important question: is it really necessary for a company's management control and strategy-setting system to cover all revenues and expenditures? On the face of it, there is no justifiable reason why it should – perhaps other than to allow the organisation to check that its figures match reality.

Yet managing priorities was one of the central planks of Rhodia's new management control model, which dispensed with the idea of controlling everything and focused instead on the 20% of variables that affected 80% of the group's value (the Pareto principle). This approach could be considered a version of “management by exception” (or MBE), an established practice in conventional budgeting whereby only significant deviations from a budget or strategy are brought to the attention of management. In an effort to focus the attention of front-line staff, however, Rhodia moved MBE earlier in the process, shifting from retrospectively analysing deviations to screening strategic priorities in advance – hence the limited number of KVDs and SAs in its system. In other words, line personnel were expected to conduct a strategic review then agree on a restricted list of priorities. Rhodia abandoned exhaustive budgeting and embraced partial budgeting. The new management model did not cover certain expenditure items such as erasers and pencils, for instance, giving the impression that the company was only partially in control of its costs. Yet the advantage of this incomplete system was that it highlighted those things that really mattered. Likewise, relinquishing some control was by no means an indication of a more relaxed management style.

Rethinking responsibility centres and budget cycles

The traditional budgeting model has its own drawbacks. First and foremost, it assumes that organisations can be carved up into standalone responsibility centres. This approach overlooks the fact that organisations function as systems, in which the actions of one department have knock-on effects elsewhere. In conventional practice, this issue is addressed through a series of back-and-forth budget adjustments designed to take account of departmental constraints. Yet the need to constantly adjust and review action plans, then redo the associated costing work, demands a great deal of coordination and makes the budget process particularly burdensome. It is easy to see why budgets tend to vary so little from one year to the next. And once the equilibrium of the past is gone, the sheer complexity of the process – devising, costing, then reviewing action plans – means that establishing a new equilibrium takes time. For this reason, Rhodia's decision to dispense with responsibility centres and to budget instead on the basis of cross-cutting KVDs, SAs and action plans seems to have been a wise move.

> *“This all-encompassing approach misses the main point of what a budget is supposed to do: capture what really matters”*

The LOLF: budget reform in France

In autumn each year, the French government submits the following year's draft budget to Parliament. The budget takes the form of a single document covering all government expenditures and revenue forecasts. In 2001, Parliament adopted the Constitutional By-law on Budget Acts (LOLF), a major overhaul of fiscal and accounting rules that dated back to 1959. The LOLF was enacted on 1 August 2001 and applied for the first time in 2006. Under the new budget preparation and monitoring framework, France has shifted away from expenditure-oriented budgets and towards a results-oriented model. Budgets are now based on a three-tier structure:

• **Missions**, which correspond to major policy objectives and span one or more government departments.

• **Programmes**, which encompass appropriations for a particular action or a coherent set of actions under the responsibility of a single department.

• **Sub-programmes** (actions), which encompass appropriations for a particular purpose within a given programme.

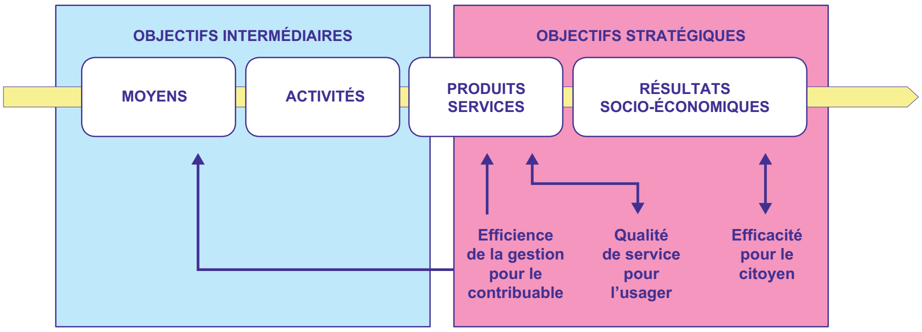
The LOLF has three main aims: to make budget documents easy to understand for MPs, senators and anyone else who chooses to read them, to improve the adequacy of public expenditure, and to instil budgetary discipline guided by the principles of performance, transparency and sincerity.

Under the new system, Parliament allocates departments a global budget along with a set of objectives and indicators to measure performance. This approach is designed to improve both the budget-setting process itself (i.e. in government and Parliament) and the way expenditure is managed within individual departments and other government bodies. The objectives and indicators introduced by the LOLF necessarily demand a performance-based management system, the idea being that such a system makes government more effective and efficient. Programme managers are required to produce two documents:

• **Annual performance plans (PAPs):** these documents, appended to initial budget bills (PLFIs), give a multi-year overview of the programme manager's commitments based on the constituent elements of the programme. They describe the actions included in the programme, the associated costs, and the objectives and expected results for the coming years, as measured by a set of precise indicators and objectives (i.e. expected levels of performance).

• **Annual performance reports (RAPs):** these documents, appended to budget review bills (PLRs), give an account of programme performance. They are expected to show both deviations from PAP forecasts and measures taken since the previous RAP. The reports give an overview of performance, summarising the objectives, results and indicators for each programme and detailing implementation costs. Because PAPs and RAPs are identical in structure, comparing forecasts and achievements is straightforward. The approach is similar to a conventional management control system, under which achievements are compared against forecasts and managers are expected to explain any gaps.

Performance management under the LOLF



Source : *http://www.minefi.gouv.fr*

The process of translating strategic objectives gives rise to three types of operational objective:

- **Translated strategic objectives:** the strategic objectives set out in the PAP are translated into objectives that are specific to a given area of activity or policy, or to a particular territory. For instance, the objective of reducing the length of court proceedings can be translated into objectives for different types of court. This same principle is easy to apply to service quality or management efficiency objectives, although socio-economic effectivness objectives can be more difficult to translate.

- **Intermediate objectives:** these objectives represent milestones on the way to achieving the desired results in the PAP and can be helpful in guiding departments and agencies as they seek to achieve strategic objectives. Intermediate objectives concern the means and tools available to department or agency managers and can relate to inputs (consumption volume or rate, or distribution of certain resources), activities (volume, distribution or implementation of certain actions or processes) or outputs (volume or distribution of certain outputs).

Performance management in the United States More granular control

In the United States, the current performance management system was defined by the Government Performance and Results Act of 1993 (GPRA). The system has undergone a series of changes since its inception. The latest came with the GPRA Modernization Act of 2010 (GPRAMA), under which all federal government entities and agencies must publish a performance plan detailing their priority impact and management-improvement goals.

The GPRAMA introduced a more granular system of control. Agencies are now required to monitor and report on their priority objectives (which are reviewed every two years) and publish quarterly reports online. Likewise, federal government agencies prepare four-year strategic plans that cover a full presidential term and are closely aligned with performance plans.

One notable consequence of the GPRAMA is that managers now have greater responsibility. Each agency must have a chief operating officer (COO), as well as a performance improvement officer (PIO) whose task is to oversee the agency's performance improvement efforts. The act also introduced new routines, including quarterly data-driven reviews of progress towards an agency's priority goals. In addition, the executive branch must identify specific individuals with primary responsibility for achieving priority goals.

1 - Ministry of the Economy, Finance and Industry, The performance-based approach: strategy, objectives, indicators. A methodological guide for applying the Constitutional bylaw of August 1st, 2001 on budget acts, June 2004.

- **Complementary objectives:** these objectives, which relate to activities not covered by the PAP, are specific to a given operational level and may be pursued in addition to those based on national objectives. These complementary objectives must, of course, not contradict the strategic objectives set out in the PAP.

This three-tier structure, a manifestation of the so-called **"performance cascade",** is designed to ensure that department-specific objectives are presented in a standardised way that shows linkages with the strategic objectives of the PAP. Implementing this cascade is not straightforward, and departments can sometimes devote significant time and resources to devising and monitoring indicators that are of little practical relevance.

Beyond budgeting and the LOLF: two initiatives, mixed results

Both Rhodia's Spring project and the LOLF share many features in common. We will cover these briefly below before turning to the differences between them, which are a source of more valuable insights.

Beyond budgeting and the LOLF: what they share in common

In both cases, the reforms involved a shift away from expenditure-based budgeting and towards a greater focus on aims. This has organisational implications, with the responsibility centre model giving way to a more holistic view of the organisation.
Likewise, both Rhodia and the French government adopted a similar structure that more closely aligns budgeting with strategy:

**KEY VALUE DRIVERS –
STRATEGIC ACTIONS –
ACTION PLANS**

**STRATEGIC OBJECTIVES –
INTERMEDIATE OBJECTIVES –
COMPLEMENTARY OBJECTIVES**

This triptych, which is normally applied to balanced scorecards and quality management programmes, exists in various forms in many organisations. And although the terminology may differ, the three-part structure remains the same. So in that sense, it is nothing new. But what sets Rhodia's Spring project and the LOLF apart is that this model was applied to budgeting.
Both initiatives have another feature in common: the organisations in question have found it difficult to implement the reforms at the operational level. The evidence suggests that new budget models cannot easily trickle down the chain of responsibility and that, in many cases, budget allocations continue to be managed using conventional principles.

Two systems, two different rationales

The many differences between the two systems speak volumes about their fundamental characteristics.

First of all, Rhodia opted to apply its new method only to those expenditures with the greatest impact, managing all other expenditures on an as-needed basis. The LOLF, however, applies to all government expenditures without exception. Both of these approaches carry risks. For Rhodia, this risk came at the priority-setting stage – some of the prioritised expenditures might not have been the most impactful, while more significant expenditures could have slipped through the net. Under the LOLF, meanwhile, the potential for having "catch-all" programmes that include routine operating expenditures risks watering down the method. In some government bodies and agencies, routine costs can amount to as much as 50% of total expenditures.

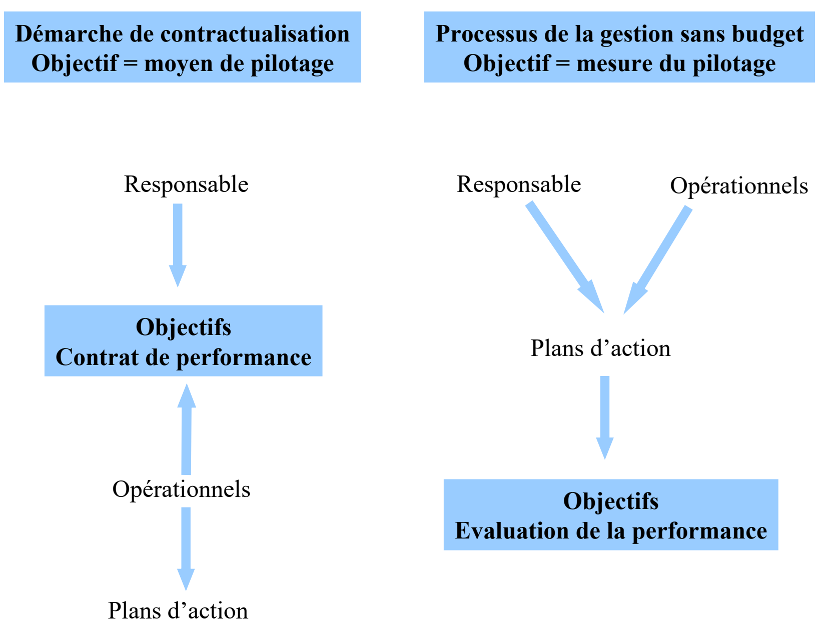
In addition, private organisations find it much easier to set priorities than the public sector, not least because decisions that exclude particular actions – and therefore certain users, citizens or taxpayers – are hard to justify. It could be argued that this difference speaks to two competing rationales: one economic, the other political. Although these rationales exist in both the private and public spheres, economic motives dominate in the first, while political considerations take precedence in the second. For politicians, the priority is to build the broadest possible support base and, in doing so, to secure a path to victory. In many cases, they cannot countenance making decisions that exclude certain groups – because inclusion matters more than efficiency.

Differences in management: rethinking aims and treating objectives as a means to an end

Budgeting is based, implicitly at least, on the existence of performance contracts setting out the objec-

tives to be achieved at different levels of an organisation.
Yet an objective, in isolation, gives line managers no indication of what action they should actually take. There are many different ways to achieve an objective, and uncoordinated action can undermine effective management of the entire organisation. Without proper coordination, the whole fails to add up to the sum of its parts. Merely setting objectives is no guarantee of coordination. Objectives can only be only effective if they are set with input from line personnel, if their meaning is clear, and if their full implications have been duly considered. This view seems to be shared by Kaplan and Norton (2001), who posit that, under a management-by-objectives system, performance indicators serve little purpose without genuine strategic focus. They further argue that personnel responsible for strategy implementation need to understand and accept not just the strategy itself, but the way in which its success will be measured. In other words, objectives and performance contracts are meaningless unless they are supported by a robust mechanism for collective strategy-setting.
In a management-by-objectives system, organisations focus all their attentions on so-called "service-level contracts" and give scant regard to concrete action plans. This approach makes the firm little more than a "nexus of contracts" (as defined by agency theory). Yet shaping and executing action plans requires robust coordination. Consequently, this excessive focus on negotiating and implementing service-level contracts could indicate a deliberate shying-away from the difficult, emotionally charged conversations that form a part of the strategy-setting exercise – perhaps even suggesting that organisations that adopt this approach are struggling to come to terms with some of the interpersonal aspects of management. Setting objective-based targets without an in-depth discussion of how they will be achieved avoids organisations having to drill down into the detail of what their employees actually do. Employees' performance is appraised solely on whether or not they meet a given target. Yet while indicators give an "objective" demonstration of employees' suitability for their role, they leave no room for critical thinking and, in doing so, shield the manager from the person on whom they are passing judgement. In recent times, there has been a move away from this management-by-objectives model and towards a different approach known as "management of objectives". This shift explains why introducing budget reforms has proved so challenging, because it bursts the protective bubble that, by implicit agreement, has become a common feature of large organisations.

Reconsidering objectives



Budget reform in Australia
Connecting performance data with management practices

In 1983, an Australian parliamentary committee called on public entities to pay closer attention to efficiency and cost-effectiveness. Ever since then, improving data-gathering on budget performance has been an ongoing concern for Parliament. Although the quality and usefulness of the performance data has come under frequent criticism, the information system has enjoyed unbroken bipartisan support for the past three decades. The Public Governance, Performance and Accountability Act 2013 (PGPA Act), Australia's most recent budget reform, therefore built on over 30 years of iterative changes to budget performance mechanisms.

The idea behind the PGPA Act was to connect performance data with management practices. Under the new rules, all entities (agencies and government departments) are required to publish a rolling four-year plan, updated annually, outlining the organisation's purpose, activities and performance metrics. The PGPA Act signalled a break with the old system of budgets and outcome indicators and a greater emphasis on how results are attained. The system's centre of gravity is no longer the budget, but the agency or department's corporate plan – the document from which indicators are formulated and against which they are tracked. Resource and performance measurement matters only come up for discussion once the strategy is in place. There is no automatic link between corporate plans and the budget.

The act also introduced another performance management measure: all public entities are now required to prepare annual performance statements that report on progress towards their objectives.

This new approach does not advocate abolishing objectives altogether. Far from it. The idea is to use action plans as a way to redress the balance in management by transitioning from management by objectives, to management of objectives. Objectives are not an end in themselves, but rather a means to check that an organisation has achieved its aims. This approach marks a shift away from service-level negotiations and towards a participatory objective-setting process, in which a wide range of competing views enrich strategy formulation debate.

> *“An objective, in isolation, gives line managers no indication of what action they should actually take”*

Under the conventional budgeting mode, significant resources were allocated to devising and discussing action plans. Yet organisations did not always devote enough time to this process, and many gave the impression that setting performance targets was a bigger priority. Hofstede (1967) documented numerous instances of political game-playing between stakeholders, while Cyert and March (1963) observed that these processes often resulted in only slight changes to pre-existing balances. Rhodia sought to neutralise this game-playing in budget negotiations by setting strategy-based objectives and giving line personnel a greater say in the process.

This participatory, collective approach to objective-setting is not quite so easy to transpose to the public sphere, for two reasons. First, as we have already seen, setting priorities is much harder in the public sector and, as a result, managers' attention is divided. Second, the culture of public-sector organisations tends to be rules-based rather than contract-based.

Conclusion

The similarities between Rhodia's Spring project and the LOLF provide useful insights into the nature of these two budget reform initiatives. Yet the differences between them are equally instructive, showing how the reforms were carried out in markedly different institutional contexts, each with its own priority-setting processes and capabilities, and each with its own management culture. These factors matter just as much as the technical architecture of the systems themselves. They point to a need – in both the public and private sectors – for a collective rethink of organisational aims and strategy, and of the way in which managers use objectives as strategy implementation tool.

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Crossed views
between practice and research

Budget reform in the public and private sectors

Interview between Amélie Verdier and Nicolas Berland

In this joint interview, Nicolas Berland, the author of the previous article, talks to Amélie Verdier, Budget Director, about the development of the beyond budgeting model in the private sector and its parallels with the LOLF. The two experts, one a researcher, the other a practitioner, discuss the common challenges facing their respective sectors as well as the differences that set them apart.

Highlights

00: 20: What criticisms have prompted budget reforms in the public and private sectors?

04: 51: In both the public and private sectors, budgets are intended to capture strategic goals. In what ways does this aspect pose a challenge for budget managers?

15: 20: In your view, what soft skills do budget managers need to be able to call on to achieve performance objectives?

20: 10: Do financial controllers in the public and private sectors face a different set of pressures and constraints?

26: 30: How can budgets adapt in today's increasingly uncertain environment?

Youcan watch the full interview here:

https://www.economie.gouv.fr/igpde-editions-publications/action-publique-recherche-pratiques

How Administrative Burdens Make Government Less Effective and What to Do About It

by Pamela Herd et Donald Moynihan

Bureaucracy, confusing paperwork and complex regulations – or what Pamela Herd and Donald Moynihan call administrative burdens – often introduce delay and frustration into our experiences with government agencies. Administrative burdens diminish the effectiveness of public programmes and can even block individuals from fundamental rights like voting. Because burdens affect people's perceptions of government and often perpetuate long-standing inequalities, understanding why administrative burdens exist and how they can be reduced is essential for maintaining a healthy public sector.

In this article for *Government in Action: Research and Practice,* Pamela Herd and Donald Moynihan summarise, for the benefit of practitioners, the issues they explore in their recently published book *Administrative Burden: Policymaking by Other Means.*

Pamela Herd and Donald Moynihan are professors at the McCourt School of Public Policy at Georgetown University in the United States. They co-authored Administrative Burden: Policymaking by Other Means, which won the National Academy of Public Administration's Louis Brownlow Book Award in 2019.

In the book, Herd and Moynihan document that the administrative burdens citizens regularly encounter in their interactions with the state are not simply unintended by-products of governance, but the result of deliberate policy choices. Through in-depth case studies of federal programmes and controversial legislation in the United States, they show that administrative burdens are often the nuts-and-bolts of policy design, disproportionately affecting the disadvantaged who lack the resources to deal with the financial and psychological costs of navigating these obstacles.

Pamela Herd, Donald Moynihan, Administrative Burden: Policymaking by Other Means, Russell Sage Foundation, 360 pages, 2018.

The frictions that people encounter in their interactions with government – searching for information about a program, the filling out of forms, and the accompanying frustrations – are easy to dismiss as a nuisance necessary to the functioning of the administrative state. But such administrative burdens play a more fundamental role in the quality of governance than traditionally acknowledged. They are more than a mere irritant: they affect whether people will be able to exercise fundamental rights of citizenship, like voting, or can access public services that can improve their quality of life. Burdens alter the effectiveness of public programs. Government programs aimed at reducing inequality often reach only a fraction of their target population, automatically weakening their effectiveness by shutting out those who fail to negotiate the required procedure. Burdens may sometimes be unavoidable – costs can serve important political values or reflect administrative realities – but in many instances the value of burdens seems, at best, debatable, and at worse, entirely unjustified by the costs they impose.

Administrative burdens therefore are central to big questions about the administrative state: Are people able to enjoy in practice the rights and benefits provided to them in theory? Are public policies working? How does the state facilitate or minimize inequality? To answer these questions we need to be able to ask yet another set of queries: How do we recognize burdens? How do we determine when they are unjustified? How do we design and manage public programs in ways that shift administrative burdens away from citizens? Whose role is it to shine a spotlight on these burdens, and how do they make determinations? To frame such practical questions, however, first requires the type of conceptual language we present in this paper. In doing so, we offer a toolbox to make government simple, accessible, and respectful to the citizens it serves.

What are administrative burdens? They are the experience of policy implementation as onerous (Burden et al. 2012). We focus on the costs that people encounter when they search for information about public services (learning costs), comply with rules and requirements (compliance costs), and experience the stresses, loss of autonomy, frustrations or stigma that come from such encounters (psychological costs) (Herd and Moynihan 2018). Table 1 provides more detail.

We limit our focus to the experience of burdens by individuals. An existing literature already addresses regulatory burdens on businesses. International organizations such as the World Bank and OECD encourage governments to adopt a less burdensome regulatory regime. The burdens on individual citizens are, by comparison, an after-thought. Such an imbalance reflects the success of private organizations in making their case for lower regulation. By contrast, there is no well-organized opposition to administrative burdens. Nonetheless, complaints about the hassles of dealing with government are constant in almost every public setting, with much of the dissatisfaction that people have with government coming from negative experiences with complex and frustrating processes.

Table 1: The Components of Administrative Burden

Learning costs	Time and effort expended to learn about the program or service, ascertaining eligibility status, the nature of benefits, conditions that must be satisfied, and how to gain access.
Compliance costs	Provision of information and documentation to demonstrate standing; financial costs to access services (such as fees, legal representation, travel costs); avoiding or responding to discretionary demands made by administrators.
Psychological costs	Stigma arising from applying for and participating in an unpopular program; loss of autonomy that comes from intrusive administrative supervision; frustration at dealing with learning and compliance costs, unjust or unnecessary procedures; stresses that arise from uncertainty about whether citizen can negotiate processes and compliance costs.

Adapted from Herd and Moynihan 2018

Why Care about Administrative Burdens?

Governments should pay attention to burdens because they have real effects on the lives of the public. Administrative burdens can impose significant costs on citizens, especially if they result in programs failing to reach their intended recipients.

Burdens are Consequential

One reason we don't fully understand the impact of administrative burdens is there is a paucity of studies modelling their effects. One important exception is a study based in South Africa. Here, Carolyn Heinrich (2016) examined an ambitious cash-transfer program, the Child Support Grant, which aimed to improve economic security for 11 million children. By giving these families access to cash, the program was intended to increase home stability, and educational outcomes. However, participants faced significant compliance costs such as extensive documentation requirements, delay at welfare offices, and learning costs that were exacerbated by changes in the policy rules. As a result, most beneficiaries experienced disruptions in cash transfers, with four out of five of those disruptions made in error. The lost resources had a negative effect on adolescent outcomes resulting in greater rates of sexual activity, alcohol consumption, and criminal behavior. In other words, a program designed with the best of intentions was undercut by administrative burdens.

Burdens also matter to whether people practice basic democratic rights, such as voting. When we think of voting, we think of the citizen casting their ballot at a polling place. But voting is just the final stage in the election process. Registration is the more consequential part of the election process when it comes to burdens. Countries with a requirement that voters register separate from the voting process add a layer of learning and compliance costs onto political participation, which reduces turnout. Studies from the US find that states that allowed people to register on election day had turnout that was three to seven percentage points higher, controlling for other factors (Burden et al 2014).

A field experiment from France illustrated how an intervention that reduced administrative burdens in registration could increase turnout (Braconnier, Dormagen, and Pons 2017). Conducted as part of the 2012 French Presidential and parliamentary elections, the researchers conducted a randomized control trial with 20,500 homes. Compared to a control group, citizens who had campaigners come to their homes, offer information, and help them register were more likely to register and vote. Visits increased registration by 29 percent, and 93 percent of those who registered because of the visit voted in at least one election since 2012. Citizens who received such help also increased their civic knowledge, becoming more interested and knowledgeable about the election according to post-election surveys. The study offers strong causal evidence that both learning and compliance costs are barriers that lower registration, and that reducing those costs helps foster more engaged and active citizens.

Burdens Matter to Inequality

Studies of political participation also point to a second reason why governments should care about administrative burdens: the effects are distributive. Burdens hurt some groups more than others, and therefore can worsen existing inequality in society. In the case of voting, higher income groups participate more because they are more likely to be registered: low income groups vote at similar rates to higher income groups if they are registered (Herd and Moynihan 2018). Therefore, policies that make registration easier facilitate the participation of low-income, younger and minority groups. The greatest beneficiaries of the French experiment to help people to register from their home tended to be immigrants, those who did not speak French at home, and younger and less educated citizens (Braconnier, Dormagen, and Pons 2017). Similarly, a study of changes to US election policies between 1978 and 2008 found that easing the registration process increased the share of low-income voters (Rigby and Springer 2011). In other words, reducing burdens makes the electorate more representative of the citizenry.

> *“The effects of administrative burdens are distributive, they hurt some groups more than others, and therefore can worsen existing inequality in society”*

Burdens can make it more difficultf or vulnerable groups to claim standing and fully participate in society. In Pakistan, Nisar (2018) documents the burdens that gender non-conforming individuals face in accessing identity documents, which have become increasingly necessary to get a job, claim property rights, access welfare services, or negotiate encounters at security checkpoints. More vulnerable groups who are classified as less deserving are subject both to being targeted by higher burdens, as well as informal discrimination by bureaucrats.

Policies targeted towards the poor are more likely to be burdensome relative to universal policies that all people use. In the United States, compared to the near 100 percent take-up for more universal programs like Social Security and Medicare, take-up rates by eligible beneficiaries of means-tested programs typically aimed at poor people in the United States are much lower (Herd and Moynihan 2018): 40 to 60 percent for Supplemental Social Insurance, two-thirds for the Supplemental Nutrition Assistance Program; 30 to 60 percent of unemployment insurance benefits; about 50 to 70 percent for Medicaid. For the Earned Income Tax Credit, a reimbursable tax credit tied to work for low-income earners, the take-up rate is about 80 percent. Aid to Families with Dependent Children had an estimated take-up rate of between 77 to 86 percent, participation rates declined dramatically after 1990s welfare reform. Its successor, Temporary Assistance for Needy Families (TANF), has a much lower take-up rate of between 42 to 52 percent. A central difference between these programs and universal programs such as Social Security is that means-tested programs must do more to distinguish between the eligible and ineligible, and in creating administrative processes to do so, they add more burdens.

Human capital – the stock of innate abilities and characteristics that people possess, and knowledge and skills they acquire over time – can further exacerbate the ways in which burdens contribute to inequality. Those with more human capital will be generally better able to overcome administrative burdens. For example, the voter in better physical health is more likely to walk to the local polling station (Burden et al. 2017). People with more social connections or education have a greater ability
to learn about a program and understand the requirements they need to satisfy in order to participate. Those with higher technological literacy or greater perseverance will be better able to negotiate online administrative processes. The result is that people who might need services the most – such as the sick, those in poverty, or older adults facing cognitive decline – also struggle the most to overcome burdens to access those services. For example, a wide variety of studies point out that people put in a position of resource scarcity have lower cognitive performance (Mullainathan and Shafir 2013). They can be expected to struggle with administrative processes that reward diligence and perseverance.

An example of how human capital matters to the effects of burdens comes from the US state of Arkansas, which in 2018 adopted work requirements for beneficiaries of Medicaid, public insurance for the poor. Unsurprisingly, thousands of Medicaid beneficiaries soon lost coverage because they could not manage the compliance costs involved. Coverage of low-income adults declined from 70.5 percent to 63.7 percent, even though 95 percent of those who lost benefits were actually completing the required work (Sommers et al. 2019). The problem was that they could not overcome the onerous reporting processes. Learning costs played a significant role. One third of those affected had not heard about the new requirements, and 44 percent were unsure if they applied to them. Compliance costs also played a role: the state required that reporting processes be online only, but one-third of adult Medicaid recipients in Arkansas lacked access to the internet. In short, a policy aimed at encouraging work failed in that goal, but instead caused large numbers of low-income beneficiaries to lose health insurance because of administrative burdens.

Reforms that promise to simplify administration may actually make things worse if they do not think through how they impose burdens on citizens. In the United Kingdom, reforms to the disability payment system, specifically the switch from the disability living allowance to the personal independence payment substantially increased compliance costs. The goal of the reforms was to reduce spending while making the system "fairer, more straightforward to administer, and for it to be easier and clearer to understand" (Office for Budgetary Responsibility 2019, p. 62). The promise of lower burdens gave way to a reality of participants undergoing more frequent reassessments for eligibility and benefit levels. Neither spending on the program nor the number of beneficiaries has been reduced by the more stringent evaluations, but it has led to increases in delays in receiving benefits and substantial compliance costs for beneficiaries (Office for Budgetary Responsibility 2019). For example, an independent review of the program in 2017 found that 65 percent of benefit denials that were appealed were overturned. This high error rate is compounded by delays, with the average appeal process taking 31 weeks (BBC 2017). Moreover, complaints regarding the assessments have risen rapidly, from142 in 2015-16 to 9,320 between 2018-19 (Bulman 2019). A representative of the Multiple Sclerosis Society, noted: "This surge in complaints is not at all surprising, given the assessment process is so completely inadequate for disabled people. We frequently hear about how the process causes great anxiety, stress and harm to people's health. Even those who've had increased support say the process takes a toll on their emotional and physical wellbeing." (Bulman 2019).

How to Reduce Burdens

Governments are fond of reforms to reduce red tape on businesses, but are less attentive to reducing administrative burdens on individuals. In this section, we briefly consider what a reform agenda might look like.

Provide Information, Simplify Processes and Offer Help

For governments willing to reduce burdens, a variety of options are at hand. Some of these center on reducing learning costs and some on compliance costs (there has been little research on efforts to directly minimize psychological costs).

Reminders and outreach can reduce learning costs. One field experiment found that reminders that told potential beneficiaries in simple language and with specific dollar numbers what they might gain from participating increased participation in a US program that provided a tax reward for the working poor (Bhargava and Manoli 2015).

> *"Reminders and outreach can reduce learning costs"*

However, for some administrative burdens, telling people they are eligible, or reminding them of deadlines is not enough. For example, in the case of the French voter registration experiment, those who were given help registering to vote, thereby minimizing compliance costs, were more likely to vote than those who just received information. The key point is that for demanding administrative processes, people need more than to be pointed in the right direction.

One strategy to reduce compliance costs is to simplify processes. For example, reducing the frequency of renewal processes, allowing people to do interviews on the phone rather than in person, or having a single form for multiple overlapping programs are all proven techniques to increase participation in social programs (Herd and Moynihan 2018).

If processes can't be simplified, another strategy is for government or other actors to directly help people to deal with compliance costs. An example of the value of help comes from a cash transfer program designed to help poor women in India. The program struggled with low participation, with only one-third of eligible participants being enrolled. A field experiment with over 1,200 people examined the effects of different interventions designed to increase enrollment. Providing information increased participation, but only for those literate enough to read the information. Providing help in filling out forms, or working directly with bureaucracies to claim benefits, had large positive effects, increasing applications by 41 percent and 70 percent respectively. The findings also reinforce the distributive effects of burdens. Directly helping claimants had the greatest benefit on the most vulnerable groups even among a relatively poor eligible population, most benefiting those who were illiterate, lacked political connections, or had limited autonomy to partake in activities outside the household without permission (Gupta 2017).

Two field experiments in US higher education further illustrate the potential of offering help. One found that telling families that they were eligible did little to increase participation in a program that provided financial aid for higher education, but that simply helping families complete the complex forms led to dramatic increases in applications and a 29 percent increase in actual college enrollment (Bettinger et al. 2012). Another study examined a program that was designed to make it easier and cheaper to repay student debt. Simply sending people a electronic pre-populated form that they only had to sign and return increased participation from 24 percent to 60 percent (Mueller and Yannelis 2019). Providing such help is made vastly easier with information technology that can pre-populate forms, or provide calculators for people to estimate benefits.

Shift Burdens onto the State Using Information Technology and Administrative Data

Information technology can be used to reduce administrative burden. For example, simply having an online option can reduce the time it takes to travel to a physical location to collect and submit a form. By investing in IT systems that can integrate data across programs, the state can reduce the need for applicants to provide the same information multiple times, while improving accuracy. For example, information based on tax returns is more likely to be accurate than self-reported income data in verifying eligibility.

The goal of reducing compliance costs is at the heart of Estonia's once-only principle: the idea that citizens should be asked to share information with the state just once, rather than again and again (Heller 2017). This reduces the compliance costs of citizen-state interactions as governments move more and more of those interactions – such as paying taxes, enrolling in school, or renewing prescriptions – online. Service providers, such as doctors, can pull up client's records (but not other aspects of their digital profile) rather than have them fill out forms. The technology depends on a mandatory chip ID card, pin numbers and blockchain, but it is the relentless commitment toward a vision of a digital state that sets Estonia apart.

> *“Another option is to use administrative data to automatically register individuals deemed eligible for programs or rights”*

India's national identification system, Aadhaar, is a huge bet on the potential for information technology to reduce burdens on an extraordinary scale. It has enrolled over a billion people, tying 12-digit number to photos, iris scans and fingerprints. The stated purpose of the program was to replace the compliance costs and corruption that came from providing food entitlements via paper cards. Aadhaar been controversial, raising privacy concerns. Even as the Indian Supreme Court allowed the program to continue for government services, it prevented private companies from demanding the new ID, and urged the Indian government to pass a data protection law to restore faith in the program. On the other hand, a forerunner to the Aadhaar system using biometric cards in the Indian state of Andhra Pradesh demonstrated that such technology reduced compliance costs by saving participants time engaging with the state, and minimized “leakage” of payments between the government and beneficiaries. Nine out of ten users preferred the smartcard approach to the old system (Muralidharan, Niehaus, and Sukhtankar 2016).

Another option is to use administrative data to automatically register individuals deemed eligible for programs or rights (Herd and Moynihan 2018). For example, seventeen US states have adopted auto-enrollment for voter registration. A technique like auto-enrollment dramatically reduces the psychological costs of opting-in, as well as learning and compliance costs. Some of these costs might arise if the individual chooses to stay in the program, but the barriers to entering the program are significantly reduced.

Technology offers both great promise but also great risk; it can be used to reduce burdens but can also enhance them. Automated systems might be used to intrusively target people with hassles and rob administrators of flexibility to ameliorate burdens when the circumstances require it. More generally, without proper data protection and data privacy rights, it could leave people more vulnerable to intrusive or autocratic policies. Technology, or any other innovation, will only reduce burdens if that's the goal of those controlling it.

Recognize the Role of Third Parties

While we have discussed citizen-state interactions, many public services are provided by third-parties, who have the opportunity to buffer or amplify burdens just as public employees can, but with greater flexibility. A good example comes from a field experiment in Belgium. Jilke, Van Dooren and Rys (2018) use an ingenious design to demonstrate how people encounter learning costs differently in public-private settings. The researchers sent emails from fictional retirees seeking information about how to apply to Belgian nursing-homes. Half of the emails came from a typically Flemish name, and the other half came from an Arab-sounding name, a standard research technique to detect discrimination among recipients. Private providers were about 20 percentage points less likely to provide information to the Arab applicants. The findings confirm that the selective provision of information to minimize learning costs is one tool that organizations can use to exclude participants, and in this setting at least, private actors were more willing to use it to limit access to public services. The influence of third party providers on administrative burdens can be particularly pernicious when they stand to profit from such burdens. Private providers, contracted by the state of the Florida to provide services and supports for welfare beneficiaries, generated unnecessary burdens for recipients, which reduced their use of services and increased profits for the provider (Soss et al. 2011).

The role of third parties in creating burdens raises a regulatory challenge for governments. Governments regulate private actors that provide public services, monitoring adherence to standards, quality of services provided, and financial performance. Governments could also regulate for administrative burden, ensuring that providers do not profit by making public services more onerous than they need to be. Such regulation could include examining how transparent and responsive private service providers are, how onerous are their application processes, and surveying users to assess how well they are treated.

Invest in Administrative Capacity

While we offer suggestions to shift administrative burden onto the state, such a shift is not a free lunch. These techniques demand smart and capable government, with investments in information technology and administrative data. Estonia's model had been successful because it was supported by public opinion in favor of digital democracy, as well as a massive investment in secure digital portals that can share information when a citizen tries to pay taxes, open a business, or go to a doctor.

> *"The role of third parties in creating burdens raises a regulatory challenge for governments"*

Financial resources, administrative expertise, and organizational capacity all influence the degree to which the state can reduce administrative burdens on citizens. Financial resources affect the ability of the state to minimize or shift burdens away from citizens. This trade-off is easy to miss if we only examine government costs in the provision of services, and neglect citizen costs. The use of biometric cards in Andhra Pradesh cost $4.1 million for the government. However, it saved an estimated $4.3 million of citizen time, and increased the flow of benefits by $32.8 million. (Muralidharan, Niehaus, and Sukhtankar 2016). Capacity also includes administrative expertise. Ultimately, administrative actors design the systems that individuals interact with to obtain benefits. Those with more expertise can use those skills to design more easily accessible systems, or to put more barriers in place.

Heinrich's (2016) study of South African cash transfer programs underlines the importance of a functioning administrative state. Quotes from program participants illustrated that the problems they encountered were magnified by a slow and unresponsive bureaucracy:

> You can lose your ID and go to Home Affairs to get another one, and you find that you do not get it for a long time and so you cannot register. When you get there they tell you to go and get an affidavit, and when you come back they tell you it is wrong.

Heinrich argues that the "bite" of administrative burden may be larger in poorer countries, given that the state has less ability to identify and resolve burdens, and individuals with lower human capital, such as literacy and familiarity in dealing with bureaucratic procedures, are less able to overcome burdens.

Conclusion: Embedding Attention to Administrative Burdens

Policymakers and public managers should regularly evaluate the benefits of burdens with a bias toward reduction. The concepts outlined in this paper provide a framework to recognize and evaluate burdens, complemented by some simple principles.

Consideration of administrative burdens should be evidence-based. A rational approach to policymaking would consider both the costs and benefits of burdens. Policymakers and public managers need to weigh the relative benefit, for example, of fraud reduction in welfare programs, with the relative costs of limiting access to benefits for which individuals are eligible. Such considerations must be informed by empirical evidence to the greatest degree possible.

Public organizations should cultivate a professional norm of assessing burdens. In aggregate, however, the language or concepts of administrative burdens are not impressed upon public managers or frontline employees in the way, for example, that the language and concepts of strategic planning or performance measurement have become ubiquitous. Public managers do not face administrative burden equivalents to routine strategic planning, performance reporting, or audit requirements. And while standard cost models and cost-benefit analyses direct attention to administrative burdens, typically these tools focus only on how businesses experience state-created burdens, not on the experience of individuals (although Germany provides a partial exception (Nationaler Normenkontrollat, 2013).

Training for the public service could easily incorporate the type of concepts discussed here.
There is no single best way to apply the insights of the administrative burden framework to practice, but there are more and more tools that can help. A human-centered design perspective is inherently attuned to mapping and avoiding the burdens that people encounter in public services (Milkowska 2018). Sunstein (2019) urges governments to apply the tools of cost-benefit analysis to what he labels as “sludge” in public services, via mandates that costs of paperwork burdens should not exceed the benefits. Further, he argues that governments could prioritize sludge-reduction by identifying vulnerable groups they want to help, or policy areas where burdens are having an outsize impact on key political goals. For managers of public organizations, Herd and Moynihan (2018) offer simple diagnostic tools (e.g. Table 2) that public organizations can use to help them identify where learning, compliance and psychological costs arise, and setting the stage for discussions of solutions. As such tools become more available and better understood, they promise to help the public sector to improve the experience of public services.

Table 2: Diagnostic questions about administrative burdens

Take-up: What is take-up rate for eligible beneficiaries?

Inequality: Does take-up rate vary across populations?

Learning Costs
Is it easy for potential participants to:
- find out about the program?
- establish if they are eligible?
- understand what benefits are provided?
- learn about application processes?

Compliance Costs
How many questions and forms are there to complete?
How much documentation is needed?
Does the participant have to input the same information multiple times?
Is the information sought already captured via administrative data?
Is it possible to serve the person in a less intrusive way, e.g. phone rather than in-person interviews?
Do applicants have easily accessible help?
How frequent is re-enrollment?
How much time must people commit to the process? What are the bottlenecks?
How much financial costs must people commit?

Psychological Costs
Are interactions stressful?
Do people receive respectful treatment?
Do people enjoy some autonomy in the interaction?

Source: *Herd et Moynihan (2018)*

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THE RESEARCHER’S VIEW

n this section, we review the latest peer-reviewed articles and theses in the field of government and public policy making and look ahead to forthcoming events.

Article reviews

GOVERNMENT-CITIZEN RELATIONSHIP

The platform state and digital identification of users
The FranceConnect design process

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The article was published in Réseaux, 2019/1 (No. 213), pp. 211-239, and is available online at: https://www.cairn-int.info/article-E_RES_213_0211--the-platform-state-and-digital.htm

Subject

FranceConnect is an application embedded across hundreds of French government websites since 2015. The button, which is designed to reduce the administrative burden by allowing users to log in to an existing account quickly and easily, is the first achievement of a wider modernisation project known as the “Platform State”. In this article, the author examines this new user identification system in detail, seeking to draw insights into what this modernisation drive, and the design of the FranceConnect system, can tell us about the changing face of government.

Data

The research is based on an in-depth ethnographic study conducted between 2014 and 2017 by the Secretariat General for Government Modernisation (SGMAP), the government entity responsible for implementing the system. Aside from observations and informal interviews from the study itself, the author also draws on internal documentation (memos, emails, technical documents, etc.), the personal archives of a project team member, and a corpus of publicly available information (legislation, strategy reports, press releases, and more).

Findings

The author examines the design process itself, finding that government modernisation strategy documents had no bearing whatsoever on the ultimate shape of the system. Instead, she reports that FranceConnect was conceived solely as a response to technical imperatives – in this case, identifying users and exchanging administrative data – and that its design reveals two principles of the platform state: digital sovereignty and the ergonomics of public services. The author identifies two dimensions of digital sovereignty: a physical dimension (data stored on French territory and retained for a specified number of years, with exchanges controlled by the state), and a software dimension (government agencies and departments have to develop proprietary systems based on open-source software). On the question of ergonomics, she highlights the importance of user-friendliness, accessibility, traceability and trust in simplifying the work of government.

PUBLIC SECTOR EMPLOYMENT

High performance work systems and innovation: Testing the mediation role of knowledge sharing

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The article was published in Revue française de gestion, 2019/1 (No. 278), pp. 37-53, and is available online at: https://www.cairn.info/revue-francaise-de-gestion-2019-1-page-37.htm

Subject

This research aims to understand the intermediate mechanisms that explain the relationship between high performance work systems (HPWS) and innovation. There is a substantial body of research showing that HPWS have a positive impact on innovation in business. HPWS may be conceived as a set of practices designed to equip employees with the knowledge, skills and capabilities they need to improve organisational performance. This article focuses on the mediating effect of knowledge-sharing, which is defined as a process whereby knowledge is transferred between individuals or groups of employees within an organisation. The authors therefore sought to isolate this intermediate variable and measure its impact on innovation.

Data

The authors fed empirical data from RESPONSE, a study covering a panel of 962 French companies between 1998 and 2005, into a series of regression models, using a control variable to account for the influence of company size, age and sector on innovation.

Findings

The authors conclude that Human Resources Management (HRM) practices can positively impact innovation in French companies, but that this effect is mediated when the index of knowledge-sharing is introduced in regression models. This mediating effect suggests that innovation performance is influenced by intermediate mechanisms rather than by HRM practices directly. According to the authors' findings, HR strategy only has a positive impact on innovation when employees share knowledge. The authors recommend a number of ways to encourage knowledge-sharing, including promoting interaction between employees within and across departments, and having staff work together in project or multidisciplinary teams. Such practices should support knowledge transfer and foster new forms of innovation.

GOVERNMENT-CITIZEN RELATIONSHIP

The adaptation of tax specialists to the new conditions of fiscal optimisation An approach through dynamic capacities

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Subject

Tax optimisation is at the heart of the news. The practices of some companies have been brought to light. The institutional environment of this practice has evolved, but the practice of tax optimisation has not disappeared: it has changed. Actors, in particular the tax consulting firms that advise companies, have adapted to continue to be key elements of this tax practice. This study aims to shed light on the relationship between the evolution of the legal and institutional framework and the behaviour of actors related to these practices from the perspective of dynamic capacity theory.

Data

This article focuses on three types of actor: multinational companies, governments and tax consulting firms that support businesses, and governments themselves. Although tax affairs are confidential, recent revelations – from whistleblowers, investigative journalists and court cases – have proved a source of valuable information. The authors also draw on public data from tax consulting firms and parliamentary reports, as well as insights from informal interviews with international tax practitioners.

Findings

The authors observe changing attitudes towards aggressive tax planning among authorities, mirroring a shift in public opinion. Meanwhile, although there has been a change of rhetoric from tax consulting firms and companies themselves (not least through concerted communication campaigns), the authors find no evidence that they have turned away from tax optimisation. What is clear, however, is that the services that tax consulting firms provide have changed. For instance, these firms employ multidisciplinary, international teams of tax specialists who constantly track and monitor changes in national tax laws and maintain proprietary databases. The authors also note that tax authorities routinely bring in specialist firms to contribute to forward-looking reviews and to take part in critical assessments of proposed tax reforms. Further evidence of this close relationship can be seen in the revolving door between tax authorities and consulting firms. The article demonstrates, from the perspective of dynamic capacity theory, how tax consulting firms have adapted their behaviour and how, as a result, the practice of tax optimisation has not declined, but has merely changed.

Philanthropy and market: A competition? Swiss tax authorities and the recognition of public utility

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Subject

In this article, the authors focus on philanthropy, exploring the competitive relationship between the tax-exempt third sector and the market. More specifically, they look at how public officials set the boundaries between the state, the market and the third sector in Switzerland. The third sector can replace the state in the provision of public services. But it can equally replace the market in the provision of private goods. It is therefore interesting to examine how, and on what basis, the employees of tax administrations grant non-profit – and, therefore, tax-exempt – status to particular philanthropic organisations.

Data

The study draws on data from an interview-based survey of tax administrations in three Swiss cantons. The survey asked officials what criteria they used to grant tax-exempt, non-profit status to certain organisations, and how they went about guaranteeing fair and equal conditions for all market participants. The authors also examined legislation and guidance issued by the Swiss authorities on granting non-profit status.

Findings

From their review of the literature, the authors conclude that, at least in Switzerland, possible competition between the third sector and the market is of primary importance for tax administration employees, i.e. the individuals responsible for granting tax-exempt status. The survey, meanwhile, reveals that tax administration employees never consider possible competition between a third-sector organisation and the state when assessing an application for tax exemption. For these officials, the principle of "competitive neutrality" takes precedence, whereas potential overlap between tax-exempt private participants and the state is never an issue. The tax administration employees interviewed by the authors seem determined to protect the for-profit private sector at all costs. In doing so, they subscribe to a neoclassical approach, based on the naturalisation of a hierarchical structure in which the market and the state are viewed as pillars of society and the third sector as an auxiliary force. Because of this prism, officials only consider granting non-profit, tax-exempt status to third-sector organisations as a secondary option – one that should only be supported when the market fails.

GOVERNANCE

Evaluators and builders
General inspectors and the making of public action

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Subject

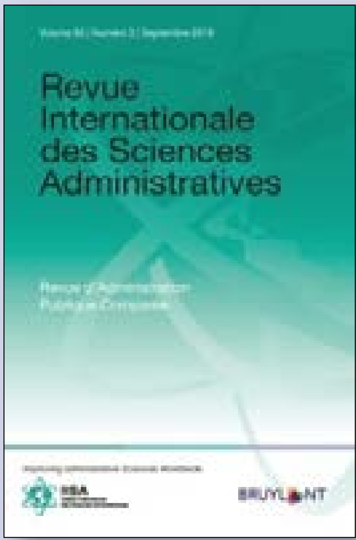
This article analyses the inspection of an experimental public policy mechanism by inspectors belonging to the General Inspectorate of Social Affairs (IGAS) and the General Council of Economic and Finance (CGEFI). The authors explore tensions around the inspectors' role and their ability to adjust their prerogatives during the course of the inspection. They also look at the changing objectives of the inspection, examining the stakeholders involved in this process: the inspectors themselves, members of the ministerial cabinets, the committee managing the public policy, and the internal regulation of each inspection body.

Data

The authors followed the conduct of the joint IGAS and CGEFI inspection from the initial engagement through to delivery of the final report. They drew their data from numerous documents produced by the inspectors, ranging from official documents (engagement letter, framework memorandum, etc.) to reports and questionnaires. The authors also sat in on meetings and held regular interviews with the inspectors.

Findings

The authors report that, far from being given once and for all, the objectives of the inspection continuously oscillated between evaluation of the system and support for implementation. They also observe that the inspectors were at times evaluators and at other times builders, and that this role changed at different points throughout the inspection process (defining the objectives, selecting the evaluation methods, drafting the report). Moreover, the authors argue that tensions around the inspectors' role and the shifting objectives of the inspection shed light on the shaping of boundaries between the executive branch (represented in this case by the ministerial cabinet) and the administrative branch (the inspectors).



Cooperative competition? The ambivalence of coopetition in territorial authorities

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Subject

This article explores the phenomenon of cooperative competition – or coopetition – in the sphere of territorial public management. Coopetition may be defined as "a counter-intuitive strategy whereby competitors cooperate with each other to secure mutual benefits". The authors explore how some local authorities manage to cooperate with one another despite political rivalry between local elected representatives or competition for investment. In doing so, they seek to identify the drivers and balances that enable coopetition to emerge at local government level.

Data

The authors draw on data from three sources: a questionnaire conducted among 252 territorial authority managers, an exploratory case study on intermunicipal cooperation in France's Rhône-Alpes region, and an in-depth follow-up survey among 10 leaders. The research focused on public managers because they have the benefit of operating at the intersection between the administrative and political spheres and, therefore, play a central role in establishing collaborative relationships while considering political sensitivities.

Findings

The Rhône-Alpes case study and survey results confirm some of the conditions described in the literature. Successful coopetition relies on the principle of subsidiarity – in other words, not infringing on the prerogatives of each partner or of other public bodies. Cooperating in areas outside elected officials' core powers and priorities is another way to avoid excessive rivalry between partners. Governance is one of the key challenges of coopetition. It implies the need to adhere to democratic principles, to distribute power equally among partners, and to take decisions collectively by a majority. This article forms part of wider research into possible connections between different levels of local government and disparities stemming from regional inequalities. By examining the mechanism of coopetition, the authors contribute to thinking around the role of local authorities and their distinctive dynamics.

Formulating public action in terms of tests: European stress tests as a response to financial and nuclear crises

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The article was published in Critique internationale, 2019/4 (No. 85), pp. 63-83, and is available online at: https://www.cairn-int.info/article-E_CRII_085_0063--formulating-public-action-in-terms-of.htm

Subject

This article examines the emergence of stress tests as part of a broader movement to embed forward planning as a practice of government. Stress tests, as defined by the authors, "assess the ability of an entity to withstand adverse conditions devised by the test's designers". The article looks at the introduction of stress tests in Europe in two sectors in the aftermath of major events: the banking sector in the wake of the 2008 sovereign debt crisis, and the nuclear sector following the Fukushima accident in 2011. For the authors, these tests are an interesting research subject because they were introduced at a time of crisis and provide insights into the European response to these situations.

Data

The data comes from two surveys: one on bank stress tests in 2014-2017, and another on nuclear stress tests in 2016-2017. The authors also interviewed representatives of national governments, European authorities, regulators and NGOs. In addition, they reviewed the working documents on which the stress tests were based. These documents shed light on how the stress tests were defined, organised and subsequently reviewed following criticism from academics, politicians and NGO leaders.

Findings

The authors examine how mechanisms that explicitly aim to offer an "objective and transparent" evaluation have a framing effect on risks and crises, and how this effect transforms wide-ranging issues such as banking system stability or energy policy decisions into technical objects evaluated according to well-delimited terms. By treating them as technical objects, the European response eliminates ways of conceptualising crises as systemic or explicitly political problems. Moreover, these technical stress tests have resulted in an expansion of the powers and remit of institutions such as the European Commission, whose scope of intervention in the banking and nuclear sectors was previously much narrower.

Thesis reviews

Local and regional authorities and structured finance products

Thesis by **Laure Romazzotti,** Doctoral School of Social Sciences and Humanities, University of Pau and Pays de l'Adour. Supervised by Philippe Terneyre, Professor of Public Law, University of Pau and Pays de l'Adour, France. Thesis defence date: 12 October 2018.

The thesis is available online at:
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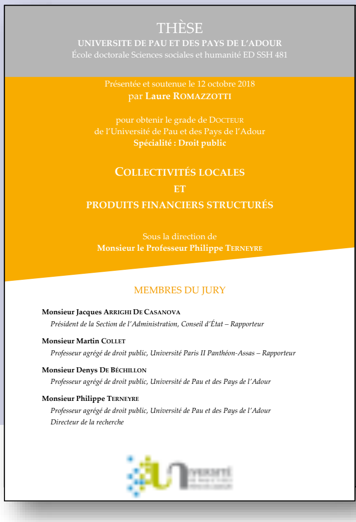
THÈSE
UNIVERSITE DE PAU ET DES PAYS DE L'ADOUR
École doctorale Sciences sociales et humanité ED SSH 481

Présentée et soutenue le 12 octobre 2018
par **Laure ROMAZZOTTI**

pour obtenir le grade de DOCTEUR
de l'Université de Pau et des Pays de l'Adour
Spécialité : Droit public

COLLECTIVITÉS LOCALES
ET
PRODUITS FINANCIERS STRUCTURÉS

Sous la direction de
Monsieur le Professeur Philippe TERNEYRE

MEMBRES DU JURY

Monsieur Jacques ARRIGHI DE CASANOVA
Président de la Section de l'Administration, Conseil d'État – Rapporteur

Monsieur Martin COLLET
Professeur agrégé de droit public, Université Paris II Panthéon-Assas – Rapporteur

Monsieur Denys DE BÉCHILLON
Professeur agrégé de droit public, Université de Pau et des Pays de l'Adour

Monsieur Philippe TERNEYRE
Professeur agrégé de droit public, Université de Pau et des Pays de l'Adour
Directeur de la recherche

This thesis presents legal considerations around local and regional authority borrowing and the impact of the 2008 economic and financial crisis on the relationship between these authorities and structured finance products. The author looks at the problems that structured finance products have caused for local and regional authorities, explores how central governments have dealt with the consequences, and examines the framework behind existing relationships between local and regional authorities and credit institutions.

The author notes that, at the height of the financial crisis, many local and regional authorities turned to the courts as a rapid solution to a situation that had become too complex to handle. This wave of court cases, in which authorities sued credit institutions for mis-selling, soon established a significant body of case law on toxic loans. The author recognises the effort of the courts but makes the point that judges alone cannot solve the problems faced by local and regional authorities, arguing that a sustainable solution can only come through the intervention of the state and the legislator.

The author notes that, as structured finance products have become toxic since the 2008 economic and financial crisis, the legislator "has readily adapted the law to the circumstances" by creating various instruments for credit institutions and local and regional authorities. She also observes that the legislator has sought to address the situation through a range of initiatives: enacting laws to govern local and regional authority borrowing; introducing a systemic risk tax, levied on credit institutions, with receipts going to a support fund for local and regional authorities affected by now-toxic financial products; and creating Agence France Locale, a specialist credit institution dedicated to the funding of French local and regional authorities.

The financialised form of the French local authorities' credit relationship. From the crisis to institutionalisation.

Thesis by **Edoardo Ferlazzo**, Doctoral School of Social Sciences, EHESS. Supervised by Eve Chiapello, Research Professor, EHESS, France. Thesis defence date: 30 November 2018.

To obtain a copy of the thesis, please write to the author at: edoardo.ferlazzo@finances.gouv.fr


THÈSE DE DOCTORAT

de l'Université de recherche Paris Sciences et Lettres
PSL Research University

Préparée à l'EHESS

La forme financiarisée de la relation de crédit des collectivités locales françaises. *De la crise à l'institutionnalisation.*

Ecole doctorale n°286

Ecole doctorale de l'EHESS

Spécialité Economie des Institutions

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Soutenue par
Edoardo FERLAZZO
le 30/11/2018

Dirigée par Madame Eve Chiapello

This thesis focuses on the changing nature of local authorities' credit relationship and studies the various forms it has taken over time. The author demonstrates that the 2008 financial crisis was a turning point for the institutionalisation of a "financialised" form of the credit relationship, characterised by the growing presence of market-based financing interests, representations and methods in local authorities' debt management practices. This form, which emerged in the mid-1990s, differs from the stable form that held from the post-war period until to the early 1980s, and from the form that followed the decentralisation reforms of 1982-1983. Two types of debt practice that this paper identifies as "financialised" are at the core of this work: structured debt and bond debt. The author follows the development of each of these practices, focusing on two key events: the "toxic loan crisis" and the creation of Agence France Locale (AFL).

The thesis draws on a range of sources. The interview-based survey (n=61) and the collection of an abundant grey literature were organised mainly around the decoding of management tools, crisis management devices and regulations which structure local authorities' credit relationship. With regard to structured loans, the research is supplemented with a statistical and econometric analysis which focused on the municipalities that have fallen into the trap of toxic loans, which enables a discussion of the determinants in the development of this type of loan.

The author shows that the period of uncertainty following the 2008 financial crisis has paradoxically seen the continuation and institutionalization of the use, by local authorities, of financial products that were appealing to markets and financial investors. This result was not given insofar as the toxic loans crisis led to a strong critique of the "financialised form" (which has spread "from the bottom", within a context of financial liberalisation of local authorities' loans and of decentralisation). The post-crisis institutional thinking led the actors to attempt to dissociate "bad" finance from "good" finance in order to have better access to financialised forms of debt. The author posits that the post-crisis period of 2008-2015 did not merely prompt a profound rethink of existing practices. In fact, it was during this time that the premises of the financialised form of the credit relationship – the very premises that make this form look legitimate – were shaped and fixed. This institutionalisation has two implications. First, it raises questions about growing inequality among local authorities as regards access to credit. And second, it sustains a local debt market regulation model that proved incapable of curbing pre-crisis excesses and perpetuates asymmetries of power and expertise in the credit relationship between local authorities and lending institutions.

Territorial public management of foreign direct investment projects. A contribution to territorial intelligence.

Thesis by **Olivier Coussi**, Doctoral School of Society and Organizations and Centre for Research in Management (CEREGE), University of Poitiers. Supervised by Evelyne Lande, Professor, University of Poitiers, France, and Alsones Balestrin, University of the Rio dos Sinos Valley (UNISINOS), Brazil. Thesis defence date: 23 January 2019.

The thesis is available online at:
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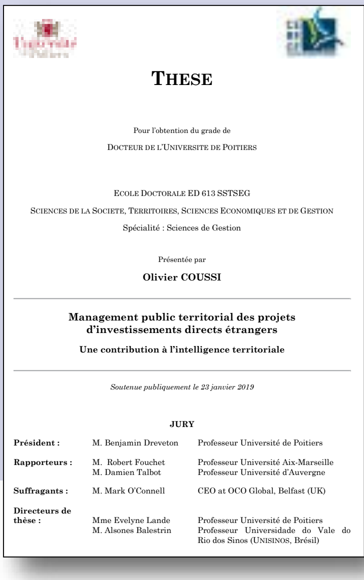
THESE

Pour l'obtention du grade de
DOCTEUR DE L'UNIVERSITE DE POITIERS

ECOLE DOCTORALE ED 613 SSTSEG
SCIENCES DE LA SOCIETE, TERRITOIRES, SCIENCES ECONOMIQUES ET DE GESTION
Spécialité : Sciences de Gestion

Présentée par
Olivier COUSSI

Management public territorial des projets d'investissements directs étrangers
Une contribution à l'intelligence territoriale

Soutenue publiquement le 23 janvier 2019

JURY

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Directeurs de thèse :	Mme Evelyne Lande M. Alsones Balestrin	Professeur Université de Poitiers Professeur Universidade do Vale do Rio dos Sinos (UNISINOS, Brésil)

This thesis looks at the management of foreign direct investment (FDI) projects and explores questions around the type of territorial economic intelligence to be implemented in order to facilitate the anchoring of these projects. The author examines the characteristics of territorial public management and explores its effects on FDI projects. He posits that the life cycle of an FDI project is a complex, non-linear process that involves a network of stakeholders whose relationships combine "power games", confrontation and partnership.

The author studies two classic FDI projects at opposite ends of the world: HT Micron, a joint-venture with South Korean firm Hana Micron at the Tecnosinos technology park in Porto Alegre, Brazil, and a project by Chinese company ZTE at the Futuroscope multimedia theme park in Poitiers, France. This qualitative analysis draws on publicly available documents, stakeholder interviews and internal memos.

In the Brazilian example, the author shows that the FDI project was a success because the stakeholders demonstrated strategic agility. The ability to effectively manage a network is vital to the success of a project of this nature, which involves stakeholders of different types and with multiple objectives. As the example in France shows, failing to consider this aspect of the process can cause an FDI project to fail. Building on these two examples, the author coins the concept of "triple helix as practice" as a way to explain why some FDI projects succeed and others fail. This concept encompasses the non-linear, vortex-like nature of an FDI project life's cycle, and neatly captures the effects of a "territorial system" arising from territorial governance practices. The author also demonstrates why it is increasingly important for stakeholders (universities and research laboratories, financial institutions and government) to align their efforts with public policy, and how doing so helps to foster synergies between actors. In many cases, therefore, success or failure rests on the suitability and performance of public support and management arrangements for FDI projects.

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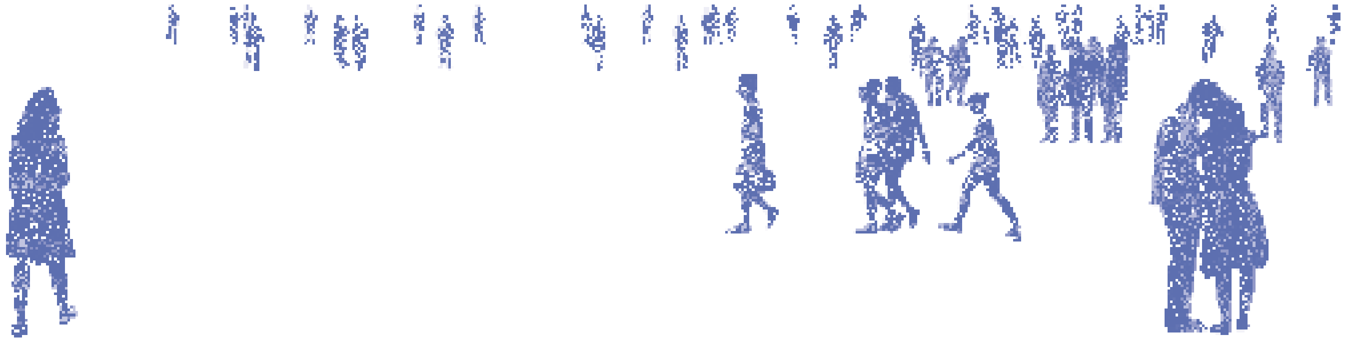

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Décembre 2019