
Accounting Aspects of 'New Public Management': Accrual Accounting in the Public Sector

Željko Šević
University of Greenwich

Abstract

This paper analyses the interference between new public sector accounting and new public sector management (NPM), primarily the phenomenon of 'accountingization'. The paper claims that it is necessary to have a certain cultural milieu in place before a country can embark upon the process of public sector reform. It also focuses on and analyses the (possible) impact of the introduction of business and/or business-like accounting practices and standards in the public sector. The paper outlines the main advantages and disadvantages of the implementation of primarily, accrual accounting in the public sector, and how it goes hand-in-hand with the further strengthening of NPM in both developed and developing countries. The paper sets the stage presenting the British experience with NPM practices, but moves on to discussing the merits of the implementation of accrual accounting in the public sector. The paper does not claim the ultimate superiority of accrual over cash accounting in the public sector, but does develop the idea that NPM is better served through the implementation (either full or modified) accrual accounting by the public bodies.

Introduction

The work in the Civil Service has been changing rapidly. While in the last two centuries the position in the Civil Service was greatly appreciated, both socially and financially, this is not the case any more. The most talented graduates choose a career in industry, rather than the option for a career in public service, attracted by not only high financial rewards, but also better prospects for promotion. Also, many capable civil servants have left 'secure' state jobs to try themselves in the marketplace and respond to the challenges that can be put before them by the commercial world. On the other hand, Governments are almost constantly under pressure to search for efficiency gains, which are often achieved in the short-term through regular downsizing exercises. With the growth in population and expectation of people the modern civil service faced the problem that more has to be delivered with less resources. The 'peace' associated with the civil service posts has long gone, never to return. The Government is more and more inclined to mimic the business world and produce measurable results that the people (voters, citizens) will appreciate. Anglo-Saxon countries, especially Australia and New Zealand, have taken the lead in pursuing outcome-driven public sector reforms (Lane, 1997).

Openness of the public policy process assumes that there is room for criticism of the government and its activities. But, how will it be possible to measure results if there is no comparable system to refer to, or the reporting requirements are such that they do not allow a layman to understand and relate to the report? Therefore, it was necessary to develop a general framework that would allow a comparison of the reports made in different countries, and different government entities. In a democracy people like to know how their money has been allocated and what society received in return, and this is where 'value-for-money' or 'best-value' concepts slot in. The classical political cycles of government turnover (every four to five years in the general elections) are becoming obsolete, as the public requires more of a hearing and its opinions to be taken into consideration. Consequently, it is necessary to produce both quantitative and qualitative reports that will be accessible to people who are not professional, but are social advocates. The New Public Management (NPM) paradigm was developed as a synonym for the wide application of business and/or business-like practices in the public sector, introducing outcome measures, improving accountability and ensuring efficiency, effectiveness and economy (Pollitt, 1993). The problem is that today it is difficult, if not almost impossible, to have a generally endorsed definition of NPM. It has become a nationally flavoured paradigm that has (slightly) different meanings in different countries. In Anglo-Saxon countries NPM has been closely linked with 'accountingization' (Power and Laughlin, 1992), i.e. the phenomenon that accounting has been championed as a change driver (Pallot, 1994; 1996). The development of NPM was claimed to be a part of a broader shift towards increased public accountability.

As accounting-driven change formed a plethora for the in-depth analysis of progressive era models of public administration (Halligan and Wettenhall, 1990), the public administration began to become more aware of the resources used and outputs that were initiated. 'Accountingization' meant the

introduction of more explicit cost categorisation in the areas where costs were traditionally aggregated, pooled or, simply, undefined. New public sector financial management principles and practices also call for more transparency and simpler formatting requirements. This not only enables potentially (politically) active factors in society to be involved, but also enables better two-way communication between the public (including the third sector) and the government. The public is behind the drive for a more transparent and socially responsible government. The accountants are there primarily to formalise the motion. The relative importance of accounting in the public sector and the move from cash to accrual accounting (in the public sector) materialised with the enforcement of the New Public Management (NPM) doctrine in the public sector, primarily in the Anglo-Saxon (Anglo-American) provenience (Pallot, 1994;1996; Guthrie, 1998; Brorström, 1998).

In this paper we will analyse first the introduction and uses of NPM, which is followed by a short presentation of the British Financial Management Initiative (FMI) and the British experimenting with accounting-driven public sector reform. Finally, we look at the introduction and the uses of accrual accounting in the public sector. The paper aims at developing a general framework for the understanding of changes in new accounting procedures in different, mainly developed countries and how it can be used for fortifying reform in developing and transitional countries.

Reconsidering New Public Management

The application of the NPM doctrine changed irrevocably the way in which the public and civil servants look at themselves. It is generally agreed that the very essence of NPM has been to replace the traditional hierarchical bureaucratic model of public service with an administration that is performance-oriented and that operates in quasi-market conditions, fostering competition amongst suppliers of government-sponsored goods and services (Hood, 2000). The basic idea was to introduce incentives for innovation and efficiency on the part of public servants, especially those occupying senior positions (Cf. Thompson, 1997). In his seminal paper, Hood (1991), pointed out changes that happened to an 'old public administration' model. The change was not only in the methodology applied, based upon 'borrowing' from the private sector, but also an introduction of strategic concepts and accountability models into public management. Decentralisation meant that each government unit is to be led by a manager who would be accountable and, therefore, his or her performance is to be reported and he or she judged on that. Goals, aims and objectives are to be clearly stated, and made quantifiable, so that the mission-driven government can be imposed and the separation of strategic planning and operational execution can be made. The public sector re-focused from 'the procedure' to 'the results' (management by results). The monolith structure of the government was replaced by a decentralised organisation, based on the structure of holding. The delineation between 'core' and 'other' functions of the state opened the window of possibility to 'source out' some functions or 'source in', taking into consideration the market situation. The highly hierarchical, military-like structure was replaced by a business-like structure (salaries based on merit, replacing Senior Civil Servants with managers, etc.), which promoted a lean-management model. However, NPM has evolved today far beyond these common characteristics. In different countries around the world, the term NPM has fairly diverse meanings and definitions. Probably, the vast mimicking of business practices by and within the public sector remained as the main (if not the only) common denominator.

The NPM is heavily concerned with the constant decreasing in costs of a 'product' and getting 'the best value for money'. The underlying feature of a NPM model is room for the implementation of a performance measurement/management system. All seven mentioned principles of public management (Hood, 1991) are *performance-centred*, and without the performance management it would have been very difficult to justify the major change in the public sector. The difficulties of NPM can be focused on from two conflicting perspectives. Namely, the performance measurement systems can be a logical consequence of NPM being implemented or, in fact, NPM can be a result of 'obsession' with performance measurement. In our view, it is possible that both

explanations work. In a highly hierarchical organisation there is resistance to change. A formal introduction of a new model is necessary to ignite the change. In our view this is the case with the continental European models of civil service, where the extent of the public sector is wide and the hierarchy is pre-dominant. But, anyway, introducing performance measurement/management initiates further changes.

One of the perceptions of NPM is given by the OECD, which states that 'a greater focus on results and increased value for money, devolution of authority and enhanced flexibility, strengthened accountability and control, a client- and service orientation, strengthened capacity for developing strategy and policy, introduction of competition and other market elements, and changed relationships with other levels of government' (OECD, 1995, p. 37) are the main features of the NPM model. Within this framework, citizens and politicians both serve the function as 'customers' of the government in the public policy process, and are the major players in evaluating the performance of public bodies (primarily agencies) on the basis of objective information concerning 'value received'. Based on that assessment, resources will be deployed or withheld accordingly (Cf. Myers and Lacey, 1996).

It was expected that under the new framework, bureaucratic cultures are to be replaced by more entrepreneurial cultures, and consequently the public will appreciate the government more. The public as a stakeholder will be firmer in its support of the government, and public policy processes will be not only cheaper but also more effective. The presence of business-like behaviour called for the establishment of 'quasi-markets' as an important, if not key, instrument in implementing NPM-based reforms. A 'quasi-market' can be established for the entire country, or can be done on a segment-by-segment basis. It seems that allocation of resources based on a segmentation approach can give (and has given) generally better results. This had to be reflected in reporting practices as well. The private sector has applied accrual accounting, whilst the public sector resorted to cash accounting, mainly justifying that the government budget is largely cash dependent, being revenue driven (or simple words – what comes in as cash can only be disbursed).

However, NPM originated in developed countries, with traditionally strong and socially respected governments. Can NPM's 'performance obsession' work in transitional countries that have to reform their respective Civil Services and make them more efficient and quasi-market-oriented at the same time? Economic reform is focused on the creation of a market-oriented economy (Šević, 1999), whilst Civil Service reform emphasises the creation of some kind of quasi-markets. The focus on too many targets and multiple goals, aims and objectives can endanger the success of both economic and public sector reforms, but the initial situations in both sectors required serious action on behalf of the national governments. It was not only necessary to build new institutions and give them economic 'content', but also prepare them to be competitive both amongst themselves and with organisations from outside the public sector which can be outsource-contractors.

The government, especially local government, has 'to reinvent' (Osborne and Gaebler, 1992) itself in a very volatile environment. For instance, the Soviet-type public administration was established to serve the purposes of the party state and it was of the utmost importance that the party requests were served without any question. In fact, the party apparatus usually had more resources and abilities to perform the duties of public administration than the public administration itself. This dichotomy ensured that the party supremacy was not challenged. However, with the dismantling of the party state the existing public administration system lost orientation. This may be the reason why the state became very ineffective in handling growing social problems, and corrupt practices found a very fertile ground on which to develop. In contrast to other former socialist countries, Yugoslavia kept a lot of pre-World War II traditions and preserved a noticeable level of professionalism in the Civil Service (Šević, 2001). Organisations of the Communist Party (in fact the Union of the Communists) were present in all central and local government units, but were not of

paramount importance. Only in a few cases did the senior party officials hold ministerial posts (defence, internal affairs, foreign affairs, *et sim.*). The role of the party was to guide rather than to manage, after the changes introduced in the mid-1950s, with the implementation of the *social self-management*. The decentralised administrative model theoretically should have enabled the Yugoslav civil service to develop itself along the lines suited to performance management, but unfortunately all the processes remained within the classical framework of bureaucratic hierarchical periodic reporting, where budgeting control was the major (if not only) method of control (Šević and Rabrenović, 1999).

In order to move ahead from classical budgeting control, it is necessary to define the strategy of the government at all different levels of power. In order to design a performance management system it is necessary to establish the organisation's purpose, and its (long-term) goals, aims and objectives (Cf. Mintzberg, 1994). These should enable the organisation to identify the key areas in which it must succeed, and will define a set of realistic and complementary objectives that will ensure ultimate success. Generally, it is expected that the organisation will establish a mission statement, that should define the purpose of the organisation and describe what sets it apart from other governments (or government units). The statement should express the organisation's general beliefs and values, and assist in identifying competencies, quasi-markets and products that the government unit will offer. A vision statement should tell the public where the organisation is going and should state clearly where the organisation will be in the future.

Strategy *per se* requires a clear definition of the aims, objectives and action plans that will be implemented in order to have an organisation fulfilling its mission (Kaplan and Norton, 1996). Public sector organisations face a serious problem in defining their organisation's strategy as it is fairly difficult to quantify their results in financial terms (Joyce, 2000). This is the reason why the concept of 'value for money' has been developed, although it is not clear whether it is possible to objectively define what 'real value for money' is. In regular businesses, a business organisation may decide to have as its business goals: profit, market share, shareholders returns, etc. However, even a business organisation may focus on customer service, technology, innovation, flexibility, and staff development. In terms of non-financial goals, there is more similarity between public and private organisations than one would assume. However, it is a normal consequence of a NPM concept to want to bring public and private management concepts closer, cross-fertilising each other (Šević and Rabrenović, 2000). But, in the case of Yugoslavia, it has emerged that strategic planning is not as yet a generally accepted practice. For example, municipalities claim that they meet the needs and expectations of the local population (voters), but it is almost impossible to monitor their satisfaction.

However, a general strategy has to be implemented and in order to do that it is necessary to define specific objectives. Objectives specify how the strategy is to be achieved, as they translate mission and vision statements into quantifiable targets. Objectives are the core from which the government organisation can define the behaviour that will enable it to achieve its aims. In defining objectives the organisation must ensure that they cover the medium to long term, and contribute to the organisation's performance (Cf. Mintzberg, *et al.*, 1998). Objectives must also be realistic and should not be financially oriented, as a public organisation cannot base their performance solely on financial indicators; and must take into account the current and impending future state of the organisation. They must take into account the human resource base, the organisation's technical capabilities, etc. NPM changed, to a large extent, perceptions of the Civil Service and its roles. Suddenly, it is possible to look at public sector activities as another business that generally can be delegated and discharged by another body outside of the state. To a large extent NPM was underpinned by a serious accounting change and often it is said that NPM changes are in fact accounting driven changes. The British experience is certainly one that should be closely looked at, as Britain excelled in promoting NPM, although now there are many problems in public services that haunt the current government (failing rail network, increasing costs of certain services, inability to

create effective competitive markets, etc.). Despite these shortcomings and current problems, Britain has been the forerunner in decreasing costs of public services and making them more related to outcomes rather than supporting conflict over allocation of resources based on a priori expectations (Chancellor of the Exchequer, 1998).

The British Financial Management Initiative and the Accounting-Driven Change

A Financial Management Initiative (FMI), launched in 1982, was one of the early attempts to introduce a wide range of changes in the British Civil Service. Before FMI the British tried to improve the quality of Civil Service through the Fulton Report in 1968 and 'Efficiency Scrutinies' in 1982. The Financial Management Initiative was further followed by the 'Next Steps Initiative' in 1988, Citizen's Charter in 1991, Competing for Quality in 1991, Services First in 1997, Best Value in 1998, etc. Since the launch of FMI in 1982 the British Civil Service has been subjected to a continuous process of change and improvement, to a large extent mirroring the changes experienced outside the Public Sector not only in the UK, but also overseas. Although the goals were outreaching, and mainly non-financial (cost consciousness, better value for money, 'downsizing', 'delaying', decentralisation and devolution, etc.), the financial logic has played a very important role in the process of the implementation of changes. The British Civil Service has been reduced by one third since 1976, and has significantly improved its resource management, as more power was given to line managers (see Clarke and Newman, 1997).

The aim of FMI was to improve management of the Civil Service by ensuring that all managers knew what their objectives were and how their achievements would be assessed; had well-defined responsibilities for making the best use of their resources; and the necessary information, training and advice to exercise their responsibilities effectively. This was primarily done through the delegation of budget expenditure decision-making to managers, but also accompanied by careful measurement of outputs whenever it was possible, and the observance of the principle of cost-effectiveness. All the reforms resulted in making Civil Servants more responsible and accountable for their work. Each department would work within a limit for its total running costs. This was followed by the Next Steps initiative that emphasised the need to look critically at functions of Government, and the ways in which government functions are discharged. Decentralisation meant that a central government department would be more responsible for strategic planning, while the day-to-day control was to be done by lower level units. This also assumed that all non-pure (non-core) government functions should be discharged by executive agencies, headed by a chief executive, usually coming from outside of the civil service. The managers were encouraged to use their full managerial freedom, and there were incentives in place to ignite such behaviour. The introduction of strategic planning (although this term was not used explicitly in the related documents) assumed that the agencies and departments were expected to set goals, aims and objectives of their expected output and outcomes, with more or less explicit performance indicators.

In financial terms FMI had three main elements: (1) delegated budgets, giving individuals at lower levels of management control of resources to match their responsibilities, (2) better information systems that assumed that people on lower levels would know what they do and how they are doing (demonstrated through the costs incurred), and (3) setting clear objectives and performance indicators for individual civil servants. FMI led to the accelerated implementation of advanced, computer-based accounting systems and related efficiencies. The objectives-based management initiatives, together with the delegated budgets, raised some fundamental questions about the management culture of the Civil Service, *per se*.

Overall, the UK experience has proven that managers in the Civil Service performed better when they had a clear view of their objectives, measurable outputs or performance in relation to those objectives, and a well-defined responsibility for making the best use of the resources, including delivery of outputs and 'value for money'. 'Inputs' are perceived as resources (salaries,

accommodation, equipment, etc.), while 'outputs' are the goods and services 'produced' by a particular government unit (department), such as the provision of policy advice, the administration (enforcement) or regulation, etc. Finally, outcomes are the effects on the community of an output or a set of outputs. FMI has usually been associated with the first phase of public sector reform implemented under the Conservative government led by Baroness Thatcher, that stemmed from the 1979-1983 drive to linearly reduce the number of public sector employees. In these four years the total numbers of civil servants were cut by first 14 per cent and then by a further six per cent (Metcalf and Richards, 1990). *Rayner scrutinies* sought to find more efficient ways to deliver the tasks and one of the main conclusions was that further reductions in staffing were feasible (National Audit Office, 1986). However, FMI was a child of the second phase that marked the mid and late 1980s, where the emphasis shifted onto improving financial and general management and increasing efficiency rather than looking for short-term gains achieved through the down-sizing exercise within the government departments. The National Health Service (NHS) came into focus and the government required the introduction of general managers in every health authority (Harrison, Marnoch and Pollitt, 1992). This sustained the drive for performance measurement in the public sector. The 1980s were also marked by wide-spread privatisation of large publicly-owned systems (telecom, gas, airport authority, water supply, etc.).

The third and the last phase of Conservative-led public sector reform began following the election victory in 1987. Market-like mechanisms were launched in a number of traditionally publicly dominated spheres of social life: health care, community care, education. A Purchaser-Provider split was imposed by the central government, and consequently led to a model that local governments had to implement. Performance management was furiously promoted, which led to the devising of various league tables for education and health. The Next Steps initiative (launched in 1988) led to the creation of more than 140 executive agencies that employed over 70 per cent of 'non-industrial civil service' (O'Toole and Jordan, 1995; Chancellor of the Duchy of Lancaster, 1997). Downsizing exercises continued throughout the 1990s as well, following the implementation of management reviews (HM Treasury, 1994a). The downsizing exercise was accompanied by the increasing interest in the public expectations and an emphasis on the citizen as a customer (rather than a user). The 1990s in the British public sector were primarily marked by a remarkable emphasis on 'customer service' (Clarke and Newman, 1997). The central government has also continued with the focus on marketisation and contracting out in the manner in which public services can be delivered.

The Labour government in power since 1997 intensified league tables and emphasised further the focus on performance measurement (or rather management). They also relabelled the 'Citizen Charter' and promulgated 'Services First', which further emphasised the role of the citizen as a customer and the search for value-for-money in the public sector. In fact the development and use of Benchmarked Procurement Excellence Model (better known as 'Best Value initiative'), especially in local government demonstrated Labour government commitment for a more professional public management, something that their Conservative predecessors failed to address successfully, as their reforms triggered much serious resistance from different societal groups (Chancellor of the Exchequer, 1998). The Labour government also opened an issue of government in modern e-times, continuing its interest in greater responsiveness and quality of public services (see Prime Minister's White Paper released in 1999). They also continued the emphasis on the accounting-driven measures, promoting further the use of Resource Accounting, which we will analyse in more detail in the next section.

The UK's experience and that in similar countries (Australia, New Zealand, Sweden, etc.) has proven that organisational restructuring is just a first step, while it is expected that the Civil Service would try to implement related 'best practices' developed outside of the Public Sector. Focus on customer satisfaction, business processes, quality and external comparisons and indicators can certainly help to improve the work of the government, and deliver simultaneously 'value for money'. The

performance measurement of an effective government is an inseparable process embedded in strategic planning. The Citizen's Charter strengthened the importance of citizens' perceptions of the Civil Service and its effectiveness. An effective Civil Service will be able to satisfy the expectations of citizens, and certainly this may reflect on the chances of the government remaining in power for another term in office. The development of a 'best practices' guide/manual also enables the Civil Service as an organisation to learn quicker and certainly disseminate good practices across the large number of government units in a more effective manner. However, development of the best practices requires not only profound knowledge of performance measurement practices, but also familiarity with the specifics of the particular national Civil Service system. Failure to recognise specific national characteristics can be very expensive, especially when it comes to the process and costs of implementation of reform in the Public Sector.

The introduction of administrative reform usually requires a strong political sponsorship. At least, the British experience has shown the importance of a project that is well regarded by the key political players in the country. The agreement of all political factors would certainly support the speed of the reform, but is usually not a prerequisite. In the former socialist countries the public sector reform has generally been connected with institutional capacity building, and as yet very little has been done on the introduction of new policy initiatives. Often terms 'institutional capacity', 'institution building', 'institutional strengthening', 'organisation capacity' and 'organisational development' are used interchangeably, but refer to the same thing – the ability of an entire organisation to provide quality and effective services, while being viable as an institution.

The organisation as such must be *programmatically, organisationally sustainable* and have *sufficient resources* to achieve its main goals, aims and objectives. It is also assumed that the organisation will have support from its immediate and wider environment (political, economic and social) for the discharge of its functions. An organisation can be perceived as a system of related components that work together to achieve an *a priori* defined mission. In order to discharge its functions the organisation must have well-set administrative procedures and management systems, financial management practices, human resource management and management of other resources. All these together provide a sustainable and successful organisation capable of realising itself through achieving an agreed-upon mission. When the organisation is organised in a way to meet its function, then it assumes the duty of continuous improvement, and this is the way reform in well-performing organisations is embedded in the process of permanent improvement, and is not a 'one-off' action. This is why only when the process of continuous improvement is in operation, the organisation is really performing well and can be regarded as effective and with an appropriate level of capacity.

The Introduction of Accrual Accounting in the Public Sector: A Financial Accounting Change

In their search for efficiency governments have focused on the development and implementation of performance measurement/management systems. Performance, along with performance measurement and later performance management has been known in the private sector for years. Responsibility in the public sector was mainly political, as failed policies led to losing general elections for the government party (or parties in the case of coalition governments). Bringing public accountability into the picture requires new approaches not only to reporting but also assessing performance. Financial indicators alone would not suffice. It has been necessary to develop an appropriate communication link with the legislature, to devise innovative business planning practices, to modernise financial information and the accounting system (at both ends, both producers and users of that information), to adopt alternative approaches to delivering services and, finally to commit the government, in the long term, to invest in the existing public services and reiterate the competence of the Civil Service (Dye, 2001).

Focus on management accounting instruments and reform pays off very well in the short-run, as for the purpose of communication with the public, as the focus on improved performance, goes very well

down with the public. To a large extent changes in the British public sector have been management accounting focused, whilst the changes in Australia and New Zealand were equally, if not more, focused on the reform of the financial reporting in the public sector (Clark-Lewis, 1996; Funnell and Cooper, 1998; Pallot, 1996; Potter, 1999; 2002; Robinson, 1998; Ryan, 1998, etc.). The existing literature will generally state that NPM instruments have been used in the process of NPM implementation (Guthrie *et al.*, 1999; Hood, 1995; Lapsley, 1999). The question also remained whether the accounting-promoted reforms surfaced to cover for some other changes which were in fact implemented (Guthrie, 1998; Lapsley, 1999). Some authors would also claim that accrual accounting in the public sector did not deliver (Jones and Puglisi, 1997; Potter, 1999; Robinson, 1998).

Historically, accrual accounting was adopted in the private sector as a result of the changing needs of external users and also the need to have a better overall picture of the company in order to ensure that the company is managed efficiently and effectively. Although the needs of stakeholders in both the private and public sector may look similar, there are many differences between a private (commercial) entity and the government. The activities of the government are more far-reaching, creating the (macroeconomic) environment for business entities; government can create money and *de jure*, due to its sovereign rights, cannot go bankrupt; governments' goals, aims and objectives are not only financially driven, as often government has to address social problems such as poverty, public safety, public education, health, etc., which again may be fairly different to private entities; government is often at the same time owner, supplier and purchaser of services, and in pursuing its activities the government is supposed to be accountable to a wider group of stakeholders.

The introduction of accrual accounting has support from international bodies, particularly the IFAC, which has been releasing IPSAS (International Public Sector Accounting Standards) since May 2000 and recently in February 2003 published cash-based IPSAS (Financial Reporting under the Cash Basis of Accounting). They are to be applied for a period beginning on or after 1st January 2004, if and when the Government decides to apply IPSAS. However, accrual accounting in the public sector has not been as widespread as one may have expected, although a large number of countries are in the process of introduction. The countries usually opt to apply accrual accounting for individual agencies and government departments, then ensure that there is consolidated accrual reporting, and finally they promote accrual budgeting, ensuring that the accrual accounting is applied as integrated system. In the case of some Anglo-Saxon countries (primarily Canada and the US, but not the UK) the adoption of accrual accounting was simultaneous for individual agencies/departments and the government. The UK did not adopt the consolidated accrual reporting (until 2006), but accrual budgeting has been in force since financial year 2002.

Whilst the change in reporting formats and the accounting profession in the private sector has largely been initiated by the changing needs of stakeholders (Miranti, 1990), the financial reporting requirements in the public sector were underpinned by the needs of the government and its departments to have precise information on their financial position. The user of private financial reports is usually outside the company and the accounting rules try to protect his particular position as a potential investor. While the use of published financial reports in the private sector is extensive, it seems that public sector reports are not widely used by the stakeholders, although empirical results to support the latter claim are lacking. Accrual accounting is deemed to be better and more comprehensive as it records all resource flows, inclusive of internal transactions, in-kind transaction and all other economic flows (IMF, 2001a). Consequently the changes can be recorded in the balance sheet. Accrual accounts include cash flow statements, but cash flow public accounting will not grasp the difference between expenses and acquisition of non-financial assets. Although accrual accounting requires preparation of multiple statements, in practice the single income and expenditure statement is idiosyncratic and usually difficult to interpret and understand (especially by the users outside the public sector, see Ball *et al.*, 1999).

It is also believed that borrowing costs for public entities will be lower, if they endorse private sector style reporting practices (such as accrual accounting), as rating agencies are more familiar with accrual accounting and can provide better information than when only cash accounting statements are available (Schiavo-Campo and Tommasi, 1999). Accrual accounting information is harder to manipulate, although the definition of the accounting policies can influence the value of financial information. However, the same applies for cash accounting where, for instance, classifying current items as capital, and vice versa, can significantly change the reporting output (Diamond, 2002). The IMF also believes that accrual accounting statements are more comparable and consistent than those prepared on a cash-basis (IMF, 2001b). Government financial statements prepared following accrual accounting principles include liability disclosures and consequently provide a fairer and better picture of the government financial health. As they comprise information on incurred, but still not due, obligations, accrual accounting provides better inter-generational fairness (IMF, 2001a). If accrual accounting statements are prepared the government will have more information for identifying payment arrears and ensuring better management of its liquidity position. The existence of arrears information ensures that the government will be able to assess more correctly its liquidity position and undertake necessary measures

The introduction of accrual basis accounting requires that the financial statements include a statement of the financial position, a statement of financial performance, a cash flow statement and a statement of changes in new assets/equity. Under cash basis accounting the fiscal strategy focuses on short-term revenues and expenditures, whilst under the accrual basis the longer view is possible as assets and liabilities are given the same attention as debt in terms of targets and risk analysis. The latter also spills over to the focus on the contribution to economic policy objectives (Kraft and Stucka, 2002). Accrual accounting has a positive impact on the better management at the departmental level as well. Accrual accounting in general provides better information to both owners and lenders, or if looked at more widely – all possible stakeholders. Accrual accounting information provides more information for accountability and decision-making purposes, ensuring that resources are used in a more efficient manner, as the information on asset and liabilities is included. In contrast, the cash accounting basis excludes the information on assets and liabilities and focuses only on cash flows. Under the accrual accounting regime both policy makers and public sector managers are far better aware of the impact of using fixed assets to deliver public services, and what the possible cost savings are that can be achieved in pursuance of efficiency and effectiveness. In cash accounting countries the introduction of new legislation is usually perceived as 'cost-free' as the infrastructure is already there, civil service in place, etc., so the enforcement of new regulation has a zero marginal cost (Šević, 2003). Consequently, the focus on cash receipts and payments may result in the reduction in asset base that remains unnoticed for some time.

Awareness of a financial position, which draws from the application of accrual accounting reporting, enables the identification of payment arrears and provides a better overview of the inter-generational financial position. Namely, the accumulated debt of one generation will show in the 'book' far before it is due for repayment, and the necessary provisions can be made over time, to ensure better debt management. The focus that is not only limited to cash receipts and payments enables more efficient and modern service pricing. Managers are aware of both fixed and variable costs of service delivery, and not only those that are 'immediate' costs which are to be covered in the same period in which the service was delivered. In the cash accounting concept, a number of elements of resource usage are not fully recognised (depreciation being the most obvious example). If incomplete costing information is available, this will require cross-subsidisation, and probably in the long-run, the accumulation of losses that will eventually have to be picked up by the tax payers.

Implicit subsidies may have more far-reaching macroeconomic implications (especially in the case of so-called 'non-core' public services), as due to high subsidies many alternative private service suppliers may be (and probably will be) driven out of the market, as the public providers will enjoy

the advantageous position due to a 'soft budget constraint'. Thus, at the end the damage to the public can be twofold. Not only will they pick up the final inefficiency bill as general tax payers, but also the quality of service due to the lack of competition will deteriorate over time, and the price in relation to the quality provided will be constantly rising (although it may at the first sight look attractively low). More information on the current financial position of the government enables the government department to exercise better its own liquidity management, which should also lead to the better use of financial resources. Under accrual accounting all costs incurred in the delivery of public service can be allocated to outputs, and therefore 'pricing' decisions can be more accurate and clearly disclose areas of improvement.

Accrual accounting provides a better overview of the government's financial activities and the financial position. Government operating statements prepared under the accrual basis provide information on total costs of resources used in discharging government services (Mellor, 1996). The full or modified adoption of accrual accounting forces public sector managers to pay attention to assets and take a longer-view than otherwise. This is especially true if long-term assets have been received as a result of international assistance or from a particular government development fund, and therefore were received in a way as a gift. The experience of the two most advanced countries in the implementation of accrual accounting, Australia and New Zealand, has shown that the use of accrual accounting in budgeting has led to a better recognition of future unfunded liabilities, better infrastructure management and a more efficient reallocation process (Matheson, 2002). But the OECD review of government practices has shown that different (Western) governments are at different stages of implementation of modified or full accrual accounting, but few have implemented it for budgeting purposes, as this requires a significant investment in education and preparatory work with different stakeholders, especially public sector managers (Matheson, 2002).

The implementation of full accrual accounting (including finally accrual appropriations) is usually done over a longer period of time. The fundamental problem is that public entities cannot with a high degree of certainty forecast the revenues that they will receive at a given time. Another claim that is put forward by those against accrual accounting in government is that accrual accounting requires wider use of professional accountants (who are more expensive); although it seems that empirical work does not corroborate this claim (Matheson, 2002). The usual problem that is raised when it comes to criticising accrual accounting in the government is that the accrual accounts are more complicated and more difficult for the public to understand. This may be true, but the question is whether the public has a good understanding of cash accounting. Accrual accounts are easy to understand by professional outside users and if interpreted properly by the media, can be 'simplified' for the public use. So, the question of understanding may not be really a valid one if there is well-defined communication with the public. It is however true that the introduction of accrual accounting can prematurely create a lot of friction. Namely, it has been reported that in developing countries many reform attempts aimed at improving basic record-keeping and cash accounting failed in the recent years, as basic issues have not been addressed effectively (World Bank, 1998). In general cash accounting is at the first sight simpler, but not necessary known to many outside public sector users. In contrast, accrual accounting is more complex and far reaching, but better known to the users outside the public sector. Both systems are not protected from manipulation and 'creative' interpretation. However, the implementation of, and adherence to, accounting standards certainly resolves many of the problems. For cash accounting, cash basis IPSAS is a big step forward, whilst in the accrual accounting countries the quality of standards and even more the quality of auditing will dictate the outcome of the process. Accrual accounting is, however, more comprehensive and provides more information required for better management of liquidity and entrusted assets.

It has been widely recognised (Hepworth, 2003) that the introduction of accrual accounting in the public sector requires a serious change in culture. Although accrual accounting is perceived as a financial reporting model, there is a claim that it should be seen as an entirely 'new process of

financial management' (Hepworth, 2003, p. 38). It requires a completely new view of costs and 'interest charge' on the assigned assets. The former requires affected parties to be fully aware of all costs associated with the provision of the public service, whilst the latter introduces incentives for the better utilisation of assets. It also may have a positive influence on budgetary behaviour. The usual budget maximising behaviour of senior civil servants and their political masters can be modified, as they would be charged for all allocated assets regardless whether the assets are actually used. This would prevent a significant wastage and other inefficient behaviour. However, all these possible changes assume that there is an undivided support from those who set standards, those who implement them and those who provide an external control function. Although both major international (IMF and the World Bank) and many regional financial institutions are at the forefront of support for the adoption of accrual accounting in the public sector, they are aware of the limitations faced. Hence, the parallel work on improved international cash based accounting systems for the public sector. Undoubtedly the trend will be to implement accrual based accounting in the not so distant future, as the arguments in support of accrual accounting in the public sector list many of the advantages that are management focused, rather than accounting focused. The focus on efficiency and effectiveness of reporting and the use of information for decision-making and control purposes are certainly arguments not so often met in financial accounting justifications. We perceive this as a particular drive initiated and supported by the endorsement of NPM practices.

Conclusion

The doctrine and ideology of NPM reform have narrowed the distinction between the private and public sector. Associated concepts like value-for-money, benchmarking, public accountability and best practices were literally imported from the private sector with few, if any, adjustments. The application of private sector accounting norms have blurred the distinction even more, making it now even more difficult to make a necessary distinction between private and public sector delivery of a 'product'. Even the term 'product' came as a result of cross-fertilisation and positive spill-over from the private to public sector. Typically the accounting development that has occurred, coincidentally or not, at the same time with the launch of NPM has been (un)rightfully termed 'new accounting' which differs from past accounting practices in its promotion of program budgeting, enhanced annual reporting, performance indicators, asset registers, the introduction of accrual accounting and performance auditing.

Accounting moved from passive observing and reporting on changes in cash allocations into analysis and planning of future changes. The requirements of a necessary accounting system led to the initiation of vast changes in the public sector and associated organisations, which initiated scholars to associate new accounting with accounting-driven accounting change in the public sector. We have seen that FMI relied heavily on accounting to promote the overall change in the public sector. Making civil servants accountable and linking their work with performance makes them more pro-active. A positive attitude to the introduced changes is necessary in every process of organisational change. It is difficult to say to what extent the current civil service can obstruct the planned reforms, but it is certain that the reform can be more easily implemented if existing civil servants buy into it. The far reaching results of 'accountingization' in the public sector were not confined only on reporting practices but also to the introduction of new accounting methods and financial management practices. This led many academics to assume that public sector accounting reform has been largely management accounting change driven and/or supported.

To a large extent, it can be claimed for the UK experience, until the end of the 1990s, that there was relatively little done to introduce changes in public sector financial accounting. With the promotion of 'resource accounting' (HM Treasury, 1994b) the focus has been shifted to reporting aspects but with a view to the efficiency of use of reported information by the public bodies. Accrual accounting applied to Government financial reporting and budgeting provides comprehensive information on asset use, improves credibility and provides information on accountability for

resources (especially fixed assets that are somewhat lost if cash accounting is used). Accrual accounting provides more information for pricing decisions and the users of information are more aware of total costs involved, rather than the cash outflows and inflows associated with the provision of a particular service.

Research has documented that there are significant differences between the rhetoric of intended changes and what has been delivered in public sector accounting reforms (Hopwood, 1984; Wildawsky, 1987). Accounting has been used to strengthen decision-making that provided more effective and efficient use of resources, but the focus was not predominantly on reporting aspects. The 1990s were marked by an increasing interest in public sector reporting issues and the introduction of more 'business like' financial accounting procedures. In conclusion, the NPM reforms have reiterated the importance of accounting as an instrument for introduction and the support of change. Many of the accounting tools implemented resembled those in the private sector, but the initial focus was on supporting and improving decision-making. However, the policy makers became aware that management accounting driven change cannot be entirely supported without appropriate amendments to reporting practices. The introduction of a (business-like) accrual accounting model in the public sector, was again driven by the needs of costing (pricing) and 'proper' decision-making, rather than the needs of the external users. The introduction of accrual accounting was internally driven, and this is fairly unusual for financial reporting rules, as they are as a rule externally defined and imposed. However, in the public sector the managerial usability of financial information derived from the reporting format initiated a reconsideration of reporting practices and formats. Hence, the introduction of business-style accounting principles found little resistance.

Links between NPM and accounting have been well documented in the literature on 'accountingization'. Public sector reforms in developed countries, especially those of Anglo-Saxon provenience, were underpinned by changes in financial management and accounting procedures, which were introduced in the search for improved effectiveness, efficiency and productivity. To some extent these changes may have had an ideological prefix, but they delivered in terms of sought goals. Streamlining, outsourcing and focus on core activities delivered a more efficient public sector where the accounting provided successfully information needed for decision-making and control. The initial changes were predominantly management accounting initiated, but recently the focus has been shifting to improving financial reporting practices, but not with a view to meeting the needs of external users, but to provide better and more timely information to managers and policy makers. One may claim, intuitively, that British public sector accounting reform has predominantly been management accounting focused, whilst the Australian-New Zealand experience was more focused on the changes in financial reporting and budgeting practices and procedures. Future research will demonstrate what difference, if any, this has made.

References

- Ball, I., T. Dale, W.D. Eggers and J. Sacco (1999), *Reforming Financial Management in the Public Sector: Lessons US Officials Can Learn From New Zealand*, Policy Study No. 258, Los Angeles: Reason Public Policy Institute
- Brorström, B. (1998), Accrual Accounting, *Politics and Politicians, Financial Accountability & Management*, 14(4), pp.319-333
- Schiavo-Campo, S. and D. Tommasi, eds (1999) *Managing Government Expenditures*, Manila: The Asian Development Bank
- Bryson, P. J. and G. L. Cornia (2002), *Fiscal Decentralization in the Czech Republic*, paper prepared for the 11th NISPACEE Conference (Working Group on Public Sector Accounting and Finance), Krakow, April 24-28
- Chancellor of the Exchequer (1998), *Modern Public Services for Britain: Investing in Reform*, Cm 4011, London: HMSO

-
- Chancellor of the Duchy of Lancaster (1997), *Next Steps: Agencies in Government: Review, 1996*, Cm 3579, London: HMSO
- Clark-Lewis, M. (1996), Government Accrual Reports: Are They Better than Cash?, *Australian Journal of Public Administration*, 55(1), pp. 86-87
- Clarke, J. and J. Newman (1997), *The Managerial State*, London: SAGE
- Diamond, J. (2002), *Performance Budgeting: Is Accrual Accounting Required?*, Working Paper WP/02/240, Washington, D.C.: IMF
- Dixon, J. (1996), Reinventing Government: The Gore Vision and the Australian Reality, *Public Productivity and Management Review*, 19:3, pp. 338-362
- Dye, R. W. (2001), *The Role of the Accounting Profession in the Public Sector from a Strategic and a Comptrollership Perspective*, paper for the discussion form on the current issues in Public Sector Accounting held at the Sprott School of Business at Carlton University, December 12
- Funnell, W. and K. Cooper (1998), *Public Sector Accounting and Accountability in Australia*, Sydney: UNSW Press
- Graham, W. and A. Tonko (1999), *Modernizing Financial Management for Hungarian Local Government Program: Final Report*, Washington, D.C.: The Urban Institute
- Giddens A. (1971). *Capitalism and Social Theory*, Cambridge: Cambridge University Press
- Guthrie, J.(1998), Application of Accrual Accounting in the Australian Public Sector – Rhetoric or Reality?, *Financial Accountability & Management*, 14(1), pp. 1- 19
- Guthrie, J. O. Olson and C. Humphreys (1999), Debating Developments in New Public Financial management: The Limits of Global Theorising and Some New Ways Forward, *Financial Accountability and Management*, 15(3-4), pp. 209-228
- Halligan, J. and R. Wettenhall (1990), Major Changes in the Structure of Government Institutions, in J. Power, ed. *Public Administration in Australia: A Watershed*, Sydney: RAIPA, Hale and Iremonger, pp. 17-40
- Harrison, S., G. Marnoch and C. Pollitt (1992), *Just Managing: Power and Culture in the National Health Service*, Basingstoke: Macmillan
- Heady, F. (1996), Configuration of Civil Service Systems in: Bekke H. A. G. M., J. L. Perry and T. A. J. Toonen (eds.), *Civil Service Systems in a Comparative Perspective*. Bloomington: University of Indiana Press. pp. 207-226
- Hecl, H. and A. Wildavsky (1979), *The Private Government of Public Money*. 2nd edition. London: Macmillan
- Hepworth, N. (2003), Preconditions for Successful Implementation of Accrual Accounting in Central Government, *Public Money & Management*, January, pp. 37-43
- Hood, C. (2000), *The Art of the State*, Oxford: Clarendon Press
- Hopwood, A. (1984), Accounting and the Pursuit of Efficiency in A. Hopwood and C. Tomkins, eds. *Issues in Public Sector Accounting*, London: Philip Allan
- HM Treasury (1994a), *Fundamental Review of HM Treasury's Running Costs* (so-called 'Southgate Report'), London: HMSO
- HM Treasury (1994a), *Better Accounting for Taxpayers Money: Resource Accounting and Budgeting in Government*, Cm 2626, London: HMSO
- IFAC Public Sector Committee (2000), *Perspectives on Cost Accounting for Government: International Public Sector Study*, New York: IFAC
- International Federation of Accountants (1996), *Introduction to the Public Sector Committee of the International Federation of Accountants*, New York: IFAC
- International Federation of Accountants (1998), *Preface to Statements of International Public Sector Accounting Standards*, New York: IFAC
- International Federation of Accountants (2000), *Preface to International Public Sector Accounting Standards*, New York: IFAC
- International Monetary Fund (2001a), *Government Finance Statistics Manual*, Washington, D.C.: IMF
- International Monetary Fund (2001b), *Manual on Fiscal Transparency*, Washington, D.C.: IMF

-
- Jones, R. (2000), *A Critique of International Public Sector Standards*, paper presented at the 5th CIGAR Workshop Speyer, 4th October
- Jones, R. and M. Pendlebury (2000), *Towards a Theory of the Published Accounts of Local Authorities*, paper presented at the British Accounting Association's National Conference, Exeter, 11-13 April
- Jones, S. and N. Puglisi (1997), The Relevance of AAS29 to the Australian Public Sector: A Case of Doubt?, *Abacus*, 33(1), pp. 115-132
- Joyce, P. (2000), *Strategy in the Public Sector A Guide to Effective Change Management*, Chichester: John Wiley & Sons
- Kaplan, R. S. and D. P. Norton (1996), *The Balanced Scorecard, Translating Strategy into Action*, Boston: The Harvard Business School Press
- Kaplan, R. S. and D. P. Norton (2000), *Strategy Focused Organization How Balanced Scorecard Companies Thrive in the New Business Environment*, Boston: Harvard Business School Press
- Kettl, D. F. (1997), The Global Revolution in Public Management: Driving Themes, Missing Links, *Journal of Policy Analysis and Management*, 16:3, pp. 446-462
- Kraft, E. and T. Stucka (2002), Fiscal Consolidation, External Competitiveness and Monetary Policy: A Reply to the WIW, Zagreb: Croatian National Bank
- Lane, J.-E., ed. (1997), *Public Sector Reform: Rationale, Trends and Problems*, London: SAGE
- Lapsley, I. (1999), Accounting and the New Public Management: Instruments of Substantive Efficiency or a Rationalising Modernity?, *Financial Accountability and Management*, 15(3-4), pp. 201-207
- Lynn, L. E. (1998), *Requiring Bureaucracies to Perform: What Have We Learned From the U.S. Government Performance and Results Act (GPRA)?*, Chicago: University of Chicago, Chicago, mimeo
- Matheson, A. (2002), Better Public Sector Governance: The Rationale for Budgeting and Accounting Reform in Western Nations, *OECD Journal of Budgeting*, 2(Suppl. 1), pp. 44-45
- Mellor, T. (1996), Why Governments Should Produce Balance Sheets, *Australian Journal of Public Administration*, 55(1), pp. 78-81
- Metcalfe, L. and S. Richards (1990), *Improving Public Management*, London: SAGE and European Institute of Public Administration
- Mintzberg, H. (1994), *The Rise and Fall of Strategic Planning*, New York: Prentice Hall
- Mintzberg, H., B. Ahlstrand and J. Lampel (1998), *Strategy Safari A Guided Tour Through the Wilds of Strategic Management*, London: Prentice Hall
- Miranti, P. Jr. (1990), *Accountancy Comes of Age: The Development of an American Profession, 1886-1940*, Chapel Hill: The University of North Carolina Press
- Myers, R. and Lacey R. (1996), Consumer Satisfaction, Performance and Accountability in the Public Sector, *International Review of Administrative Sciences*, 62, pp. 331-350
- National Audit Office (1986), *Report by the Comptroller and Auditor General: The Rayner Scrutiny Programmes, 1979-1983*, HC 322, London: HMSO
- O'Toole, B. and G. Jordan (1995), *Next Steps: Improving Management in Government*, Dartmouth: Aldershot
- OECD (1995), *Governance in Transition: Public Management Reforms in OECD Countries*, Paris: OECD
- Osborne, A. and T. Gaebler (1992), *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Reading: Addison-Wesley
- Pallot, J. (1994), The Development of Accrual-Based Accounts for the Government of New Zealand, *Advances in International Accounting*, 7, pp. 289-310
- Pallot, J. (1996), Innovations in National Government Accounting and Budgeting in New Zealand, *Research in Governmental and Nonprofit Accounting*, 9, pp.323-348
- Peters, B. G. (1987), Politicians and Bureaucrats in the Politics of Policy- Making in: J.-E. Lane (ed.) 1987. *Bureaucracy and Public Choice*, London: SAGE Publications. pp. 256-282
- Peters, B. G., (1988). *Comparing Public Bureaucracies: Problems of Theory and Methods*, Tuscaloosa: University of Alabama Press

-
- Pollitt, C. (1993), *Managerialism and the Public Services*, 2nd ed., Oxford: Blackwell
- Potter, B. (1999), The Power of Words: Explaining Recent Accounting Reforms in the Australian Public Sector, *Accounting History*, 2(2), pp. 43-72
- Potter, B. (2002), Financial Accounting Reforms in the Australian Public Sector: An Episode in Institutional Thinking, *Accounting, Auditing and Accountability Journal*, 15(1), PP. 69-93
- Power, M. and R. Laughlin (1992), Critical Theory and Accounting, in N. Alveson and H. Willmott, eds. *Critical Management Studies*, London: SAGE, pp. 113-135
- Prime Minister and the Minister for the Cabinet Office (1999), *Modernising Government*, Cm. 413, London: HMSO
- Robinson, M. (1998), Accrual Accounting and the Efficiency of the Core Public Sector, *Financial Accountability and Management*, 14(1), pp. 21-37
- Ryan, C. (1998), The Introduction of Accrual Reporting Policy in the Australian Public Sector: An Agenda Setting Explanation, *Accounting, Auditing and Accountability Journal*, 11(5), pp. 518-539
- Sadler, P. (1995), *Strategic Change Building a High Performance Organization*, Oxford: Pergamon
- Šević, Ž. (1997) Non-Tax Revenue Sources, in J. Nemeč and G. Wright (eds.), *Public Finance*, Bratislava: NISPAcee, pp. 254-294
- Šević, Ž. (1999), *Restructuring Banks in Central and Eastern European Countries as a Part of Macroeconomic Changes towards Market-oriented Economy*, Belgrade: BCPPRS and Čigoja štampa
- Šević, Ž. (2000), Politico-administrative Relationship in a Transitional Country: The Case of Yugoslavia, *Politics Administration and Change*, 33, pp. 25-40
- Šević, Ž. (2001), Politico-administrative Relations in Yugoslavia, in T. Verheijen, ed. "Politico-Administrative Relations: Who Rules?", Bratislava: NISPAcee pp. 295-323
- Šević, Ž. and A. Rabrenović (1999a) Civil Service of Yugoslavia: Tradition vs. Transition, in: T. Verheijen, ed. (1999): *Comparative Civil Service Systems: Central and Eastern Europe*, Cheltenham: Edward Elgar, pp. 47-82
- Šević, Ž. and A. Rabrenović (1999b), Social Responsibility, Depoliticisation and the Current Civil Service in Yugoslavia, *Tansylvanian Review of Administrative Sciences*, 1:2, pp. 116-134
- Šević, Ž. and A. Rabrenović (2000), Politico-administrative Relationship and Performance Measurement in the Public Sector, in A. Neely, ed. *Performance Measurement: Past, Present and Future*, Cranfield: Centre for Business Performance at the Cranfield School of Management, pp. 531-538;
- Thompson, J. (1997), *Quasi-Markets and Strategic Change in Public Organizations*, Chicago: The University of Chicago, mimeo
- Treasury and Civil Service Committee (1994), *Fifth Report - The Role of Civil Service* (in two volumes), London: HMSO
- Verheijen, T. and D. Coombes, eds. (1998), *Innovations in Public Management, Experiences from East and West Europe*, Aldershot: Edward Elgar
- Wildawsky, A. (1987), Understanding Organisational Change, *Accounting, Organizations and Society*, 13(1), pp. 107-109
- Wilson J. Q. (1975). The Rise of Bureaucratic State, *Public Interest*, 41: 77-92
- Wilson, J. Q. (1988), *Bureaucracy: What Government Agencies Do and Why They Do It*, Basic Books, New York
- World Bank (1998), *Public Expenditure Management Handbook*, Washington, D.C.: The World Bank