

Implementation issues of outcomes-based budgeting in an Egyptian government agency

Ahmed O. R. Kholeif

Senior Lecturer in Financial Reporting
Accounting and Finance
Faculty of Business and Law
University of Northampton
Waterside Campus
Northampton, NN1 5PH

Tel: +447826793056

Corresponding author: Dr. Ahmed O. R. Kholeif

Corresponding author's E-mail: ahmed.kholeif@northampton.ac.uk

Author

Ahmed Kholeif is senior lecturer in financial reporting. He worked at Alexandria University, the University of Essex, King Faisal University and Edge Hill University. His research interests include ERP systems, accounting change and stability, social and political theories, IFRS and corporate governance. A guest editor in a special issue in AAAJ with Lisa Jack and Alan Coad. The special issue is on "strong structuration theory in accounting research".

Implementation issues of outcomes-based budgeting in an Egyptian government agency

Abstract

The aim of this chapter is to analyse the difficulties faced by an Egyptian government agency in implementing outcomes-based budgeting (OBB). Longitudinal qualitative case study data are collected from interviews, observations, discussions and documentary analysis, and from publicly available reports. Halliday and Carruthers' (2007) recursivity of law is used to analyse the implementation issues of OBB in the case study. The findings reveal that these issues are the difficulties to operationalise OBB, the use of OBB as a complementary tool, two competing reforms to overcome the financial crisis in Egypt and the degree of involvement of World Bank experts.

Keywords - Accountability, Outcomes-based budgeting, Recursivity, Egypt, World Bank.

Implementation issues of outcomes-based budgeting in an Egyptian government agency

Introduction

Neoliberalism has provided the rationale for sweeping reforms in the governance and operation of public sector organisations, particularly focusing on making these organisations more effective and economically efficient (Zhang et al., 2012; Chiapello, 2017). A manifestation of neoliberalism is the idea of ‘the audit society’ (Power, 1994; 2003; Jeacle, 2017) that in recent years has seen the growth of monitoring and evaluation (M&E) activity in a wide range of areas including the measurement of public service performance, environmental audit, value for money audit, management audit, forensic audit, quality audit, and Outcomes-Based Budgeting (OBB) (Berry and Gray, 2000; Bowerman et al., 2000; Manson et al., 2001; Hughes, 2005; Khalifa et al., 2007; Gao, 2015; Mardijuwono and Subianto, 2018). Power (2000) argues that these M&E activities have arisen from a commitment to organisational and financial reform in public sector organisations, the political demands for greater accountability and transparency of service providing organisations and the rise of quality assurance practices and related transformation in the regulatory style. However, he also states that ‘the ideas of the “audit society” and of the “audit explosion” require a great deal more conceptual and empirical work...it remains to be seen how well this argument travels to other countries and systems’ (Power, 2000: 112 & 114).

The concept of the audit society at the global level is seen most readily through the work of supranational organisations such as the World Bank. The World Bank has required the

development of M&E systems¹ in beneficiary governments since the 1980s. This became a more concrete requirement for governments to put in place accounting technologies such as OBB as a condition of lending² (Kamarck, 2003; Kusak and Rist, 2004; Breul and Moravitz, 2007; de Vries et al., 2019). As a result, the World Bank launched its general programme aimed at strengthening results-based M&E for itself and its borrowers (Kusak and Rist, 2004), and the Egyptian Ministry of Finance expressed a desire to participate in the programme in order to introduce a more results oriented budget process in selective agencies. In 2002, the proposal became an agreement to implement OBB throughout the ministry, using the Egyptian Tax Authority (ETA) as one of the selective agencies. The implementation of OBB in the ETA continued up to 2013 but it eventually failed, though some elements of M&E were established. Throughout the implementation of OBB, the World Bank published documents that blame difficulties and obstacles raised by middle managers for the failure of the OBB project (e.g. Schiavo-Campo, 2005; Mackay, 2007). The aim of this chapter is to analyse the difficulties and obstacles faced by the ETA as an Egyptian government agency in implementing OBB, focusing on the role of middle managers in the implementation issues of OBB in the ETA.

As a theoretical lens, the author has chosen to use elements of the recursivity of law (Halliday and Carruthers, 2009). Recursive cycles is used to provide a means of articulating the flow of M&E practices between macro, meso and micro levels. Below the surface it is possible to see how the reflexive attitudes of middle managers in the ETA towards M&E might reinforce or disrupt M&E technologies introduced by the World Bank. The case presented here contributes to the literature on the implementation issues of OBB in the public sector as an accountability tool (Ferry and Eckersley, 2015; Mauro et al., 2017) by drawing on recent developments in social and political theories (Halliday and Carruthers, 2009). Unlike existing case studies of accounting

change (e.g. Kaja and Werker, 2010; Shaoul et al., 2012; Bakalikwira et al., 2017; Tumwebaze et al., 2018), it is a case of resistance to change in accountability practices that is associated with a supranational organisation, the World Bank. In addition, the case raises issues about the aims and policies of the World Bank's M&E programme, which shape and are shaped recursively by national governments and local management in beneficiary countries. This is also an exploration of how the concept of audit society travels to other countries and systems, especially in emerging economies like Egypt.

The remainder of this chapter is organised into six sections. The next section reviews the literature on OBB in the public sector as an accountability tool and its implementation issues. This is followed by the methodology section which includes the theoretical framework, methods of data collection and methods of data analysis. After briefly delineating the research methodology employed, the failed attempt to introduce OBB as a new accountability tool into the ETA is analyzed. In the discussion section, the paper compares and contrasts the researcher's findings with the World Bank claims and reflects on why the two sets of research diverge and policy implications. The final two sections concludes the paper and discuss the implications for further research.

Literature Review: OBB in the public sector as an accountability tool and its implementation issues

OBB is associated with different concepts of accountability at macro, meso and micro levels (Mauro et al., 2017). At the macro supranational level (i.e. World Bank), OBB embraces

transparency and well-behaved Nation Statehood (Drori et al., 2006; Scott, 1998). According to Roberts (2009: 957-8):

‘What must be observed first is that [supranational] regulators have invested heavily in the potentials of transparency; the rules have been ‘gold plated’ as if an ideal of complete transparency is being pursued. We seem to believe in transparency, and with every failure of governance, we have been prone to invest in yet further transparency as the assumed remedy for all failures... the ideal of a complete transparency is an impossible fantasy, but one that is nevertheless widely shared’.

Discussing globalisation, Drori, et al (2006: 32) observe that ‘when nation-states are involved [in world-wide shared social matters such as the development of M&E systems] they take on the role of carriers of world models and norms and are under pressure to conform to standards of good global citizenship’. They identify a central modern idea that the nation-state should be heavily influenced by the wider global system, with ‘openness as a core world virtue’. Furthermore, the ‘cultural material’ (Ibid: 42) based in schemes of accounting, for example, is at hand to be diffused. As Scott (1998: 309) observes, there are ‘the natural and social failures of thin, formulaic simplifications imposed through the agency of state power’. Stocks of knowledge concerning audit and accounting practice are simplified, codified into OBB which is performance made auditable from operational level through governments to their supra-national partners and through to the donors such as the US who in the common phrase ‘want to see where their money is going’. However, the danger of simplification can be seen the other way, as taking the idea of

‘managerial freedom’ and ‘transparency’ and using technologies such as OBB to turn them into formulaic processes (Berger and Luckmann, 1967).

At the national meso level (i.e. local senior management), OBB is associated with accountability for control and assurance (Aucoin and Heintzman, 2000; Power, 2007). Aucoin and Heintzman (2000) propose that accountability for outcomes is a compromise between the type of control systems that aim to reduce discretion and eliminate errors, and those that promote devolved, entrepreneurial management saying that ‘systems of devolved authority only work well when accompanied by other kinds or restraints’ (Ibid: 48). The dialectic of accountability of control is between managing risk and micro-management of staff. Accountability for assurance purposes requires systems that allow for individual accountability rather than compliance to a system or process and enables quality of service to be demonstrated.

At the local micro level (i.e. local middle management), OBB is associated with accountability for continuous improvement and management freedom to perform (Aucoin and Heintzman, 2000; Messner, 2009). The concept of accountability as continuous improvement at the local micro level is interesting because it posits an opposite view of accountability to that associated with control and assurance at the national meso level. For Aucoin and Heintzman (2000: 52), ‘accountability as continuous improvement constitutes the process whereby assessments of performance become demands or stimuli that promote improvements in policy, organisation or management’, although these improvements and learning processes may be ignored, challenged or accepted but not pushed through. OBB though is inherently a learning process, in

environments where blame is not apportioned or mistakes punished but where rather unexpected results become the basis of shared learning, improvement and innovation (Hope and Fraser, 2003).

It is widely recognised that accountability practices are globally driven (e.g. Granlund and Lukka, 1998; Cooper et al., 2003; Graham and Neu, 2003; Sikka, 2003; Unerman, 2003; Nolke, 2005; Chand & White, 2007; Lombardi, 2008; Kaja and Werker, 2010, Ferry & Eckersley, 2015). Graham and Neu (2003: 451) also observe that the propagation of changes in accountability practices ‘has become more and more associated with supranational organisations, rather than with agencies of individual states.’ The World Bank as a supranational organisation encourages and facilitates the diffusion and reproduction of specific OBB practices as an accountability tool across time and space thereby contributing to the globalisation of M&E practices. Since 2000, the World Bank has worked actively through its mechanisms to diffuse and institutionalise results-based M&E practices around the world (Mackay, 2007). This supranational organisation not only governs the activities in distant sites but encourages the diffusion of standardized practices across sites. By adopting and diffusing results-based M&E practices, the World Bank extends the idea of the ‘audit society’ to the global level. Power (2000: 114) argues that ‘[t]he hunch behind *The Audit Society* is that the design of accounting reports, and of the performance measures by which organisations can be judged, is greatly influenced by the imperative of “making them auditable”, and that this has much to do with agendas for control of these organisations’.

The whole point of output based measurements in the public sector is to increase the auditability and accountability of individuals and governments. Mackay (2006: 15) states that ‘there are a growing number of countries with strong M&E systems, with a more committed set of stakeholders including government ministers, senior officials, donors and academia, and with well-functioning evaluation associations’. However, there are difficulties and issues, not least with emerging economies which lack the resources and infrastructure to implement M&E systems. Many countries are ‘simply too poor to be able to conduct evaluations and reviews, relying instead on donors for such work’ (Mackay, 2006: 13). The supply side for M&E systems, as he puts it, is much stronger than the demand side (Mackay, 2006: 15). The World Bank can supply expertise but Mackay also points out that a great extent they are themselves gaining experience from the countries they have worked with so far, implying that there is a significant level of experimentation by the supranational bodies in implementing M&E systems. Common mistakes involve over-engineering, lack of a ‘champion’, poor IT and lack of an audit strategy.

Methodology

Theoretical Framework

In order to analyse the difficulties and obstacles in implementing OBB and the role of middle managers in these issues in the ETA, elements of the recursivity of law (Halliday and Carruthers, 2007) are used. In this research, Halliday and Carruthers’ (2007) framework provides a means of articulating the flow of M&E practices between macro, meso and micro levels in order to examine how the reflexive attitudes of middle managers in the ETA towards OBB might reinforce or disrupt its implementation. Halliday and Carruthers (2007) proposed their framework

to track change in legal practices at the local level in response to global pressures, which they term ‘the recursivity of law’. At the global level, global institutions influence national regulations using mechanisms such as economic coercion, persuasion and modelling. National lawmaking also influences global norm making through mechanisms such as the participation of national lawmakers on the committees and panels of global organisations and the role of professionals who move regularly between local and global venues.

Global actors (i.e. the World Bank) and their processes (i.e. economic coercion, persuasion and modelling) exert influences over local actors (i.e. Egyptian law makers and Egyptian law implementers) and their processes (i.e. formal law and law in practice). In their framework, Halliday and Carruthers (2007) discuss asymmetries of power between national actors and global institutions in diagnostic struggles or conflicts over treatment. These power struggles affect the ability of global actors to impose their diagnoses and treatments. In crisis situations, lawmakers may pit diagnosticians from global institutions against diagnosticians in the nation-state. Halliday and Carruthers (2007) also discuss avoidance (creative compliance) and resistance (non-compliance) in actor mismatch. If the lawmaking process is considered procedurally unjust or illegitimate, some agents in practice may react by avoidance or resistance. The idea of power struggles is a useful tool in the interpretation of the role of middle managers in the implementation issues of OBB in the Egyptian case.

At the national level, legal change will proceed through recursive cycles between two poles, law on the books and law in practice. Recursive cycles have beginnings such as contradictions and

tensions within the law supported by a tragedy or scandal or crisis. Recursive cycles are driven by four mechanisms – the indeterminacy of law (ambiguities and gaps), contradictions (clashes of underlying ideologies), diagnostic struggles (contestation among actors over diagnoses and treatments), and actor mismatch (mismatch between parties in practice and actors in lawmaking) (Halliday and Carruthers, 2007). In the Egyptian context, the four mechanisms that drive cycles of national lawmaking are useful tools, mainly the indeterminacy of law (the difficulty to operationalise OBB), contradictions internalised within the law (the use of OBB as a complementary tool), diagnostic struggles (the OBB reform vs. the IT reform) and actor mismatch (World Bank experts vs. local senior governmental officials and middle managers).

Figure 1 summarises the theoretical framework used in the analysis. In this figure, there are three levels of analysis; the micro level, the meso level and the macro level. In this research, the micro level is defined as the middle management in the ETA, the meso level is regarded as the local senior management (local law makers such as the former Minister of Finance and the former head of the ETA), and the macro level is the World Bank and its consultants. The main focus of this research is on the middle managers involved in the implementation of OBB in the ETA in the larger global and local accountability contexts.

[INSERT FIGURE 1 HERE]

Research Methods

In April 2006, the ETA, an Egyptian public sector enterprise, was introduced in Egypt to integrate the Income Tax Department and the Sales Tax Department into a single, unified tax authority (United States Agency for International Development, 2006). The ETA was chosen because it was one of the government agencies that achieved a good progress in OBB implementation. A longitudinal case study in OBB implementation was carried out inside the ETA. The data collection included unstructured and semi-structured interviews³, site visits and the collection of documentary evidence. 35 interviews were conducted with 22 interviewees⁴, with interviews generally lasting between 1 and 2 hours (See Table 1 below). The total length of the interviews is about 60 hours. The researcher made a number of visits, following an initial period of being involved in the project as a trainer. Data on the World Bank's studies were obtained through publicly available secondary sources and through a literature review.

[INSERT TABLE 1 HERE]

Interviews were conducted with most members of the OBB project team, including accountants, IT developers, managers and consultants. Other data collection methods used include background questionnaires, financial accounts, budgets, and direct and participative observations, including group meetings with the OBB project team. According to Yin (2014: 199), 'any case study finding or conclusion is likely to be more convincing and accurate if it is based on several different sources of information'. Using materials collected from various sources, this study proceeds to triangulate the field data used, enabled what Scapens (1990) calls 'contextual validity', the triangulation of evidence by collecting different evidence on the same research

issue, collecting other evidence from the same source and working in teams in order to reach an agreed interpretation of a particular case.

The qualitative content analysis was used in order to enable the interpretation of interview transcripts, documents and observations to gain a holistic view of the OBB implementation process in the ETA. It is defined as ‘any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings’ (Patton, 2002: 453). It compresses many words of text into fewer content categories based on obvious rules of coding (Weber, 1990; Krippenforff, 2004).

Case Analysis

The line item budgeting system before OBB implementation

In the ETA, the middle managers (i.e. heads of regions and managers of districts) are responsible for the implementation of its strategy and, therefore, influencing the information flow up, down and within the ETA. As part of their role, they monitor the achievement of budget targets and estimates, both revenues and expenditures. Traditionally, the Sector of General State Budgeting (the central budget office) in the Egyptian Ministry of Finance centrally manages the process of preparing the government budget. The ETA has a budgeting committee that is represented by two departments in its organisational structure: the General Administration for Revenues and the General Administration for Budget and Encumbrances. The first department is responsible for preparing revenue estimates and monitoring revenue collection. The second department is in charge of preparing expenditure estimates and following up actual expenditures. However, the

Ministry of Finance normally does not take into account such estimates. It always expects that there are an overestimation of expenditures and an underestimation of revenues submitted by government units.

Interestingly, almost all middle managers of regions and districts in the ETA are qualified accountants and can effectively manage their own budgets. During interviews, some middle managers express a sense that their freedom to manage is lacking in current line item budgeting practices. One regional head stated that:

Estimated revenues are imposed on us from the top. We have no say in that. The Ministry of Finance does not ask for our opinions. At the beginning of each year, we submit our needs, whether current expenditures or capital expenditures. However, appropriations sometime do not meet all our needs. Unsatisfied needs are delayed to the next year(s). For example, there was a building that was intended to be built to absorb the increase in the number of employees. The employees were 800 and became 1800. However, the facilities have not been changed. To reduce expenditures, we are currently using a four-employee table. I mean that every four persons share one table.

The foregoing quote evinced that middle managers have a strong sense of injustice at not being devolved responsibility for their budgets or performance. To cover this sense of lacking in current budgeting practices, some middle managers invent their own solutions to resolve problems encountered. Other managers believe that another set of budgeting practices could be supplied to

cover the existing lack *if only* they were understood, accepted or applied properly. The freedom to prepare budget targets and estimates and the accountability for continuous improvement carry a greater sense of enjoyment for middle managers.

Recursivity Cycles of the Budgeting Reform in the ETA

Diagnostic Struggles

Towards the middle of the 2000s there was a financial crisis in Egypt that required the implementation of a budgeting reform. Tourism and oil revenues were declining, negatively affected the trade balance. The budget deficit grew to 4.7 per cent. Two solutions for the Egyptian financial crisis were introduced. The first solution was an IT reform recommended by the Ministry of Finance. The second solution was a budgeting reform proposed by the World Bank. The Ministry of Finance has initiated an IT project, known as the 'Integrated Automation Project' (IAP). The aim of this project is to support the Ministry of Finance in computerising the government expenditure system. Later, the World Bank introduced a budget reform programme to the Egyptian government, recommending that they replace the current traditional line item (input-based) budgeting with OBB. The response was the plan to implement OBB in the ETA and then roll out the reforms to the rest of the Ministry of Finance and the Egyptian government. Formal approval was given by the Egyptian parliament. A World Bank delegation met with the ETA's officials and the project began shortly afterwards (although informally information systems were already being designed).

According to Halliday and Carruthers (2009), in crisis circumstances (e.g. the increase in the budget deficit) lawmakers (the Egyptian Government, the former Minister of Finance and the ETA's former head) may pit diagnosticians from international institutions (the OBB reform) against diagnosticians in the nation-state (the IT reform). As there are scarce financial resources to implement the IAP, the IT reform became part of the OBB project. In this regard, the former Minister of Finance acknowledged this fact by saying '[i]n the absence of a management information system, reporting and monitoring systems, results-oriented budgeting will be a dilapidated. So, a necessary requisite for results-oriented budgeting to survive, flourish and succeed is to automate all government expenditures and revenues' (Hassanein, 2005: 4).

In the ETA, the IT infrastructure and its applications were completely renewed. The General Sales Tax Administration Computer System (GSTACS) was fully upgraded and an on-line tax return filing service was developed to help registrants submit their tax return electronically. However, it was clear that line budgeting in the ETA had not been replaced by OBB. It emerged that the computerization was planned informally, and was ready to start as soon as the monies were available. The GSTACS system had been effectively programmed before the OBB project had begun.

Oracle database was used to automate the existing government accounting system. Although there was a beneficial move to replace cash-based with accruals based accounting systems, the automation reinforces rather than reforms the traditional line item budget system. An IT developer commented that:

The automation seeks to speed up performance, increase accuracy, avoid human errors, and reduce time, effort and cost. The government accounting system was analysed, designed and programmed. ... Furthermore, employees were trained on using the computerised system. *We automated the old accounting system because all people are used to using it. [author italics]*

Although legislation had been passed to promote OBB, the accounting legislation requiring line budgeting was never repealed and therefore, line budgets were still required from all government departments and ministries. It seems that the local solution (the IT reform) won in the end and the Egyptian government reproduced the traditional system of accountability that relies primarily on centralized command and control systems and focuses exclusively on securing compliance with input control and process and that does not hold individuals accountable for their individual performance.

Actor Mismatch

In the ETA case, two actor mismatches exist. First mismatch is between international lawmakers (World Bank experts) and local lawmakers (the Egyptian Government and senior ETA officials). Another mismatch is between local lawmakers and local implementers (middle managers and other end users). The role of the World Bank experts was in the early stages of OBB implementation. They visited Egypt to assess the climate and capacity for building M&E practices in the Egyptian governmental units and to support the Ministry of Finance in its efforts at improving performance orientation in budgeting by conducting a workshop on OBB. A review conducted by the World Bank in Egypt found that international experts had not paid sufficient attention to 'defining specific performance indicators in the agencies, the incentives facing staff

and the need for change management initiatives' (The World Bank's Operation Evaluation Department, 2004: 18). These matters were left to local consultants who direct the OBB implementation process. Local consultants took a pragmatic approach to the project, drawing on existing local structures and practices. The outcomes of this were no real change to existing budgeting practices and 'the support of a group of key ministers for M&E has been substantially frustrated by sceptical mid-level officials' (Mackay, 2007: 55 & 56).

In the ETA, a Principal Committee and a project team were formed following a meeting with the World Bank delegation. The Principal Committee was composed of the head of the ETA (the Project Leader and Manager), helped by two consultants (the Ministry of Finance Consultant and the World Bank Consultant). In addition, six functional area leaders (Heads of Central Administration or General Managers) led area project teams composed of key users and an IT area developer. After forming the project team, each area project team started implementing its action plan that has been set in its committee's responsibilities. All action plans of different committees have been simultaneously implemented. Actor mismatch between local lawmakers and local implementers caused delays in the implementation of OBB's supporting systems. For example, delays in the implementation of the GSTACS software were blamed on functional central administrators, who had apparently signed off the software as satisfactory. However, 'when we started to install the software in different districts and regions, problems started to emerge as the people who participated in the systems design (the heads of Functional Central Administrations) were not involved in day-to-day activities. They did not have comprehensive views on the end users' needs and expected problems.' (An IT Specialist)

Contradictions Internalised in the Budget Law and their Impact on OBB Implementation

A number of meetings were held by the Principal Committee to review progress on OBB to date. A key meeting was observed by the researcher and it becomes clear that little progress has been made up to this point. The Minister of Finance Consultant (a university professor) asked the following questions:

We need to have a performance-based budget for the ETA before the World Bank meeting. Is that possible? ... The estimated revenues for the next year are L.E. 26 billion and the appropriations (chapters 1 and 2) are L.E. 260 million. What are the programmes planned to achieve the L.E. 26 billion? ... We need a programming and performance budget with L.E. 260 million to collect L.E. 26 billion. If you continue using the old system, you would achieve only L.E. 22 billion (the previous year's actual revenues). What are the means to increase the revenues by L.E. 4 billion?

Now, the consultant is clearly using the language of OBB – identifying an outcome and looking for what resources need to be allocated to achieve the outcome. However, the answers received to these questions are revealing. A budgeting accountant responded to the Minister of Finance Consultant's questions in a way that indicates some resistance:

The use of outcomes-based budgeting is currently difficult because the whole government budget is a line-item budget. So it would be difficult that some government units use line item budgets and other units use outcomes-based budgets.

This was supported by general managers who stated:

We currently use the line-item budget. If the Ministry of Finance wants us to implement the outcomes-based budget, it would send the appropriate forms to fill. (The General Manager for Budgeting and Encumbrances)

The Ministry of Finance should itself implement the outcomes-based budget. If it has not implemented the budget reform, the current situation would continue for a long period and there would not be integration. (The General Manager of Planning)

It appears that at this stage, the desirability of OBB has not yet been transmitted and that there is internal opposition to the idea of OBB implementation in the ETA without changing the existing budgeting system at the government level as a whole. It seems clear OBB was perceived by middle managers and other senior officials as a complementary tool to the current line item budget rather than a replacement to it. According to the Budget Act No. 53 of 1973, amended by Law No. 87 of 2005, the government units are required to set their activities in the form of programmes and prepare programme budgets for their activities in addition to the current and capital budgets. Contradictions internalised within the Budget Law (line budgeting vs. OBB) express clashes of underlying ideologies (various views on transparency, accountability and personal freedom). These countervailing ideologies make lawmakers make their policy decisions partly to satisfy these contesting ideologies (the use of OBB as a complementary tool).

The Indeterminacy of Law

The Budget Act No. 53 (1973), amended by Law No. 87 (2005), requires the current estimation base of both revenues and expenditures using the results of prior three years as a base for predicting the coming year's revenues and expenditures. However, there are no clear guidelines for preparing outcomes-based budget estimates. The Minister of Finance Consultant asked:

The estimated revenues for the next year are L.E. 26 billion. There is a planned increase in revenues with L.E. 4 billion this year. What are the spending requirements to achieve this increase?

The General Manager of Planning Department suggests, working on a contrasting logic to the consultant:

We can analyse the actual expenditures for the previous year. The fundamental appropriations at the beginning of the year were L.E. 215 million and the actual expenditures at the end of the year were L.E. 275 million. Thus there was L.E. 60 million deficit or additional appropriations.

The Consultant tries to bring the reasoning back to being forward looking:

Is there a relationship for such increase with other variables such as the increase in collected revenues or the increase in the workforce? Or is it just coincidence? What were the reasons for the additional appropriations and the means used to fund them?

We can assume that the increase in expenditures would be the same as the prior year (L.E. 60 million).

To which a general manager responded:

There were a lot of reasons for such increase and we cannot classify them into categories. In addition, your suggestion means that there is an official recognition of the additional appropriations and that the costs have to increase. We can use the basic appropriations for the next year (L.E. 260 million) as a minimum estimation.

The Minister of Finance Consultant then suggested:

The budget in Egypt is based on an actual basis. What it is supposed to do is to show the labour in Egypt as a fixed cost except incentives... You can start with the prior year's actual expenditures (L.E. 275 million) as an initial basis for estimation and, then, add 10% the annual increase in wages and salaries as an inevitable increase.

These discussions indicate that there was no agreement on a unified basis for preparing the outcomes-based budget or even the starting point for such estimates. The ambiguity in OBB internalised in the Budget Law makes it difficult to prepare proper estimates.

The outcomes of OBB implementation in the ETA

Some incremental changes in accountability practices in the ETA were observed. As a consequence of OBB implementation, the IT reform to update the computerised systems used to collect tax revenues were successful, with significant increases in the tax revenues collected. However, OBB was abandoned by a new Minister of Finance in 2013, although some level of performance reporting within the ETA was achieved. The ETA reformulated its mission,

principles, strategy, policy and methodology and added three new performance indicators (i.e. productivity, quality and results) to existing efficiency and effectiveness measures. A researcher in the General Planning Department pointed out:

We have been preparing the annual plan and have been using efficiency and effectiveness measures before implementing the outcomes-based budget. This helped us to absorb the idea and complete its components. Furthermore, we depend on the existing organisational structure to set programmes for each region and district.

The above measures reveal that the OBB project resulted in incremental changes to existing M&E procedures. What is developed is a system of performance reporting identifying different activities and measuring changes within them, rather than a full system of OBB⁵. Performance data are developed independently of the line item budget and control accounts, and cost figures have not been attached thereto. This system reflects a slight development in the existing planning system adopted by the ETA before the introduction of OBB.

Halliday & Carruthers (2009) argue that recursive cycles end when, for example, political attention shifts to other issues. By the end of 2005, the Budget Law was amended to require the implementation of OBB but the former Minister of Finance (the key champion and the OBB sponsor and initiator) resigned. This put an end to any future development of the OBB system in the ETA or any other governmental unit. In this regard, the World Bank consultants, Kusak and Rist (2004), argue that ‘the role of a political champion is key to ensuring the institutionalization

and sustainability of results-based M&E systems' (P. 21). However, the key Egyptian champion had been replaced by 2005 and the new Minister of Finance has changed his priorities and cancelled the OBB project. In 2007, the former head of the ETA (the OBB Manager in the ETA) resigned and a new head was appointed. The new head of the ETA announced in 2008 that he is going to replace OBB with a Balanced Scorecard (BSC) system to link incentives to performance indicators. However, there is no evidence as yet that the BSC has been implemented.

Discussion and practical implications

The World Bank claimed that 'a good understanding among key [Egyptian] government ministers of the potential benefits of M&E' (Mackay, 2007: 61) has been developed and the process of OBB implementation 'has been entirely top-driven' (WBOED, 2004: 59). They also believe that the 'efforts to institutionalize M&E in Egypt have been substantially frustrated by mid-level officials' (Mackay, 2007: 61) due to 'the weak level of cooperation and even resistance encountered at lower levels within agencies' (WBOED, 2004: 18). This chapter questions these beliefs using a case study in the ETA, a public sector agency involved in the OBB implementation, and drawing on the recursivity of law to understand the implementation issues of OBB as an accountability tool in Egypt and explain why OBB did not materialise at the meso (the Egyptian government) and micro (middle managers within public sector agencies) levels.

The findings reveal that senior Egyptian governmental officials disguise their compliance with the World Bank's requirements to implement OBB as a condition for lending. They promised to produce a new system of accountability for control and assurance that manages to outputs and

outcomes, empowers middle managers to be entrepreneurial and assesses their individual performance (Mackay, 2007: 61; WBOED, 2004: 59). However, the centralized command and control system of accountability was reproduced. In the absence of direct involvement of international experts in the implementation process of OBB, the monies were spent (with the permission of local consultants) to automate the traditional line item budgeting system that secures compliance with input control and process and does not assess individual accountability. The departure of both the former Minister of Finance and the former head of the ETA was just a formal recognition that the game is over (Hassanein, 2005). Ironically, however, the underpinning aim of investment to increase tax revenues that could go towards the alleviation of poverty was achieved through the computerisation of the collection of tax revenues, with tax revenues collected almost doubling.

The middle managers who were blamed for the implementation issues of OBB by the World Bank were the real supporters of this new accountability tool. They sought to push accountability down to lowest levels in the hierarchy by giving them greater freedom to manage and more accountability for continuous improvement. What middle managers observed in reality is the reproduction of a system that centrally controls the management of inputs and process and does not seek to hold them accountable for their individual performance. The inattention or even resistance by mid-level officials observed by the World Bank was for the actions of senior Egyptian governmental officials that reproduced existing structures, not for OBB implementation itself.

The World Bank appears to have been gripped by accountability for outcomes in order to enhance transparency and encourage appropriate behaviours for the Nation-State. However, OBB in the public sector appears to be problematic, with no one clear good example being in place of a whole Nation run on such lines. Transparency is problematic as a goal, as shown amply by Roberts (2009) and accountability for outcomes is tempered by pressures for accountability for control and assurance from stakeholders, as shown by Aucoin and Heintzman (2000). M&E systems take time and sometimes radical change to achieve (Mackay, 2007). In the meantime, inability to achieve full conditionality is waived where some step towards accountability for outcomes (the use of OBB as a complementary tool for example) is made (World Bank, 2007). Failures to develop suitable OBB such as that in the ETA, can be interpreted in terms of the failure of the Egyptian government to deliver its promises to give local managers more management freedom to perform and more individual accountability. The World Bank may have been disappointed but, as elsewhere, accept for a time that this is a learning experience (Mackay, 2007; Schiavo-Campo, 2005).

Conclusion

The implementation of OBB as an accountability tool appears to be problematic in the public sector in emerging economies such as Egypt. However, there is little evidence on this research issue (Mauro et al., 2017). This chapter tried to fill this gap to advance policymakers' understanding of key implementation issues of OBB. It contributes to the debate on accountability in the public sector (Ferry and Eckersley, 2015) by focusing on the implementation issues of OBB in an Egyptian government agency. The case study interpretation presented here contextualises the processes of change in accountability practices and resistance to

this change in terms of recursive cycles that provide a means of articulating the flow of accountability practices between macro, meso and micro levels.

The obvious limitations apply to the study is that it is a single case study. Findings have support from other studies but are not generalisable. A further limitation is that data from the World Bank is purely documentary, with the exception of some limited access to their consultants involved in the project, whereas interview data from World Bank representatives would have been useful. It should be noted that the analysis of this case was developed more fully once the World Bank began publishing reports on conditionality, M&E and the Egyptian Project that enabled the author to contextualise the data collected more fully.

Implications for further research

One of the main contributions of this chapter is that the analysis presented here offers an alternative interpretation of the implementation issues of the Egyptian OBB project to that published by the World Bank (WBOED, 2004; Schiavo-Campo, 2005). Whereas the Bank's reports blame middle management intransigence for the implementation issues of OBB in Egypt, an alternative explanation is that middle managers and the World Bank shared the same benefits of OBB but that senior management and politicians failed to mobilise this, reproducing existing budgeting practices and failing to manage the change process across all the elements of the organisation, including providing requisite changes in legislation. Middle managers were not resistant toward OBB as such, but experience had made them skeptical of senior management's capability to effect change. The case as interpreted here could act as feedback into the

acknowledged learning experience of the Bank (Mackay, 2007; World Bank, 2007). Future studies can contribute to the learning experience of the World Bank by investigating similar cases in other countries.

The theoretical framework offered here may provide some insight into why individuals or groups are gripped by the practices of performance measurement and why, recursively, M&E becomes accepted and embedded. This study is an initial application of the recursivity of law (Halliday and Carruthers, 2009) and further reflective and theoretical work is required to provide methodological foundations for the framework. Future research can use the theoretical framework provided in this study in addressing management control issues such as change and stability in management accounting that involve multiple agents and multiple levels.

Finally, the study contributes to the question raised by Power (2000) and stated in the introduction: how well do the concepts of the audit society travel? From this case, government and local managers are receptive to the concepts of accountability for outcomes, whatever form of signification or practice it takes. Resistance in this case is related to relations between levels of local management. Despite the practical difficulties and fallacies associated with transparency, management freedom and well-behaved Nationhood, OBB as a form of accountability for outcomes is still an achievable goal even when there is failure to deliver. The debate needs to continue on the desirability and means of diffusing new budgeting practices and accountability cultures in different countries.

References

Aucoin, P. and R. Heintzman. "The Dialectics of Accountability for Performance in Public Management Reform." *International Review of Administrative Sciences* 66 (2000): 45-55.

Bakalikwira, L., J. Bananuka, T. Kaawaase Kigongo, D. Musimenta, and V. Mukyala. "Accountability in the public health care systems: A developing economy perspective." *Cogent Business & Management* 4, no. 1 (2017): 1-14.

Berger, P.L. and T. Luckmann. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. London: Penguin, 1967.

Berry, A.J. and I. Gray. "Some Things in Moderation: A Case Study of Internal Audit." *International Journal of Auditing* 4 (2000): 51 - 69.

Bowerman, M., H. Raby, and C. Humphrey. "In Search of the Audit Society: Some Evidence from Health Care, Police and Schools." *International Journal of Auditing* 4 (2000): 71-100.

Breul, J.D. and C. Moravitz. *Integrating performance and budgets: the budget office of tomorrow*. Maryland: Rowman and Littlefield, 2007.

Chand, P. and M. White. "A Critique of the Influence of Globalization and Convergence of Accounting Standards in FIJI." *Critical Perspectives on Accounting* 18 (2007): 605-622.

Chiapello, E. "Critical accounting research and neoliberalism." *Critical Perspectives on Accounting* 18 (2017): 47-64.

Cooper, C., D. Neu, and G. Lehman. "Globalisation and its Discontents: A Concern about Growth and Globalization." *Accounting Forum* 27, no. 4 (2003): 359-364.

De Vries, M. S., J. Nemec, and D. Spacek. *“Performance-Based Budgeting in the Public Sector.”* The UK: Palgrave Macmillan, 2019.

Drori, G.S., J.W. Meyer, and H. Hwang. *Globalisation and organisation: World society and organisational change.* Oxford: Oxford University Press, 2006.

Ferry, L. and P. Eckersley. “Budgeting and governing for deficit reduction in the UK public sector: act three ‘accountability and audit arrangements’.” *Public Money & Management* 35, no. 3 (2015): 203-210.

Gao, J. “Performance Measurement and Management in the Public Sector: Some Lessons from Research Evidence.” *Public Administration and Development* 35, no. 2 (2015): 86-96.

Graham, C. and D. Neu. “Accounting for Globalisation.” *Accounting Forum* 27, no. 4 (2003): 449-471.

Granlund, M. and K. Lukka. “It’s a Small World of Management Accounting Practices.” *Journal of Management Accounting Research* 10 (1998): 153-179.

Halliday, T. and B. Carruthers. “The Recursivity of Law: Global Norm Making and National Lawmaking in the Globalization of Corporate Insolvency Regimes.” *American Journal of Sociology* 112, no. 4 (2007): 1135-1202.

Halliday, T. and B. Carruthers. *“Bankrupt: Global Lawmaking and Systematic Financial Crisis.”* California: Stanford University Press, 2009.

Hassanein, M. “The Egyptian Experience in Outcomes-Based Management”, USA: The World Bank. 2005. Accessed 25 November 2018.

www.worldbank.org/ieg/outcomesroundtable/docs/Egypt_Outputs_to_Outcomes.pdf

Hope, J. and R. Fraser. *Beyond Budgeting: how managers can break free from the annual performance trap*. Boston, MA: Harvard Business School Publications, 2003.

Hughes, R. "Is audit research? The relationships between clinical audit and social research." *International Journal of Health Care Quality Assurance* 18, no. 4 (2005): 289-299.

Jeacle, I. "Constructing audit society in the virtual world: the case of the online reviewer." *Accounting, Auditing & Accountability Journal* 30, no. 1 (2017): 18-37.

Kaja, A. and E. Werker. 'Corporate governance at the World Bank and the dilemma of global governance.' *The World Bank Economic Review* 24, no. 2 (2010): 171 – 198.

Kamarck, E.C. *Government Innovation around the World*. Boston, MA: Ash Institute for Democratic Governance and Innovation John F. Kennedy School of Government Harvard University, 2003.

Khalifa, R., N. Sharma, C. Humphrey, and K. Robson. "Discourse and Audit Change: Transformations in Methodology in the Professional Audit Field." *Accounting, Auditing and Accountability Journal* 20, no. 6 (2007): 825-854.

Krippendorff, K. H. '*Content analysis: an introduction to its methodology*.' Thousand Oaks, California: Sage Publications, 2004.

Kusak, J. Z. and R.C. Rist. *Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners*, USA: World Bank, 2004.

Lombardi, D. "The governance of the World Bank: Lessons from the corporate sector." *The Review of International Organisations* 3, no. 3 (2008): 287-323

Mackay, K. *Institutionalization of Monitoring and Evaluation Systems to Improve Public Sector Management*. Working Paper Series 15. Washington: The World Bank ECD, 2006.

Mackay, K. *How to build M&E systems to support better government*. Washington D.C: The World Bank, 2007.

Manson, S., S. McCartney, and M. Sherer. "Audit Automation as Control within Audit Firms." *Accounting, Auditing and Accountability Journal* 14, no. 1 (2001): 109-130.

Mardijuwono, A. and C. Subianto. "Independence, professionalism, professional skepticism: The relation toward the resulted audit quality." *Asian Journal of Accounting Research* 3, no. 1 (2018): 61-71.

Mauro, S. G., L. Cinquini, and G. Grossi. "Insights into performance-based budgeting in the public sector: a literature review and a research agenda." *Public Management Review* 19, no. 7 (2017): 911-931.

Messner, M. "The Limits of Accountability." *Accounting, Organisation and Society* 34 (2009): 918- 938.

Nolke, A. "Introduction to the Special Issue: The Globalization of Accounting Standards." *Business and Politics* 7, no. 3 (2005): 1-7.

Patton, M.Q. "*Qualitative Research and Evaluation Methods*." Thousand Oak: Sage Publications, 2002.

Power, M. *The Audit Explosion*. London: DEMOS, 1994.

Power, M. "The Audit Society - Second Thoughts." *International Journal of Auditing* 4 (2000): 111-119.

- Power, M. "Evaluating the Audit Explosion." *Law and Policy*, July (2003): 185 - 202.
- Power, M. "Organisations and Auditability." Paper presented at Lancaster University. 9th May (2007). Accessed 28 March 2010. <http://www.lums.lancs.ac.uk/files/OA.doc>
- Roberts, J. "No One is Perfect: the Limits of Transparency and an Ethic for 'Intelligent' Accountability." *Accounting, Organisation and Society* 34 (2009): 957 – 970.
- Scapens R.W. "Researching management accounting practice: The role of case study methods." *The British Accounting Review* 22, no. 3 (1990): 259-281.
- Schiavo-Campo, S. *Building Country Capacity for Monitoring and Evaluation in the Public Sector: Selected Lessons of International Experience*. ECD Working Paper Series No.13. Washington D.C: The World Bank, 2005.
- Scott, J.C. *Seeing like a State*, New Haven: Yale University Press, 1998.
- Shaoul, J., A. Stafford, and P. Stapleton. "Accountability and corporate governance of public private partnerships." *Critical Perspectives on Accounting*. 23 (2012): 213-229.
- Sikka, P. "The Role of Offshore Financial Centres in Globalization." *Accounting Forum* 27, no. 4 (2003): 365-399.
- The World Bank's Operation Evaluation Department (WBOED). *Evaluation Capacity Development: OED Self-Evaluation*. Washington, D.C: The World Bank, 2004.
- Tumwebaze, Z., V. Mukyala, B. Ssekiziyivu, C. Tirisa, and A. Tumwebonire, A. "Corporate governance, internal audit function and accountability in statutory corporations." *Cogent Business & Management* 5 (2018): 1-13.

Unerman, J. "Enhancing Organisational Global Hegemony with Narrative Accounting Disclosures: An Early Example." *Accounting Forum* 27, no. 4 (2003): 425-448.

United States Agency for International Development (USAID). "USAID Assistance in Fiscal Reform: Comprehensive Tax Reform in Egypt." USAID, USA. 2006. Accessed 25 November 2011. http://www.fiscalreform.net/pdfs/egypt_comprehensive_tax_reform_2006.pdf

Weber, R.P. *Basic Content Analysis*. Newbury Park, CA: Sage Publications, 1990.

World Bank. *Conditionality in Development Policy Lending, Operations Policy and Country Lending*. Washington D.C.: World Bank, 2007

Yin, R. K. *Case study research, design and methods*. CA: Sage, Beverly Hills, 2014.

Zhang, Y., J. Andrew, and K. Rudkin. "Accounting as an instrument of neoliberalism? Exploring the adoption of fair value accounting in China." *Accounting, Auditing & Accountability Journal* 25, no. 8 (2012): 1266-1289.

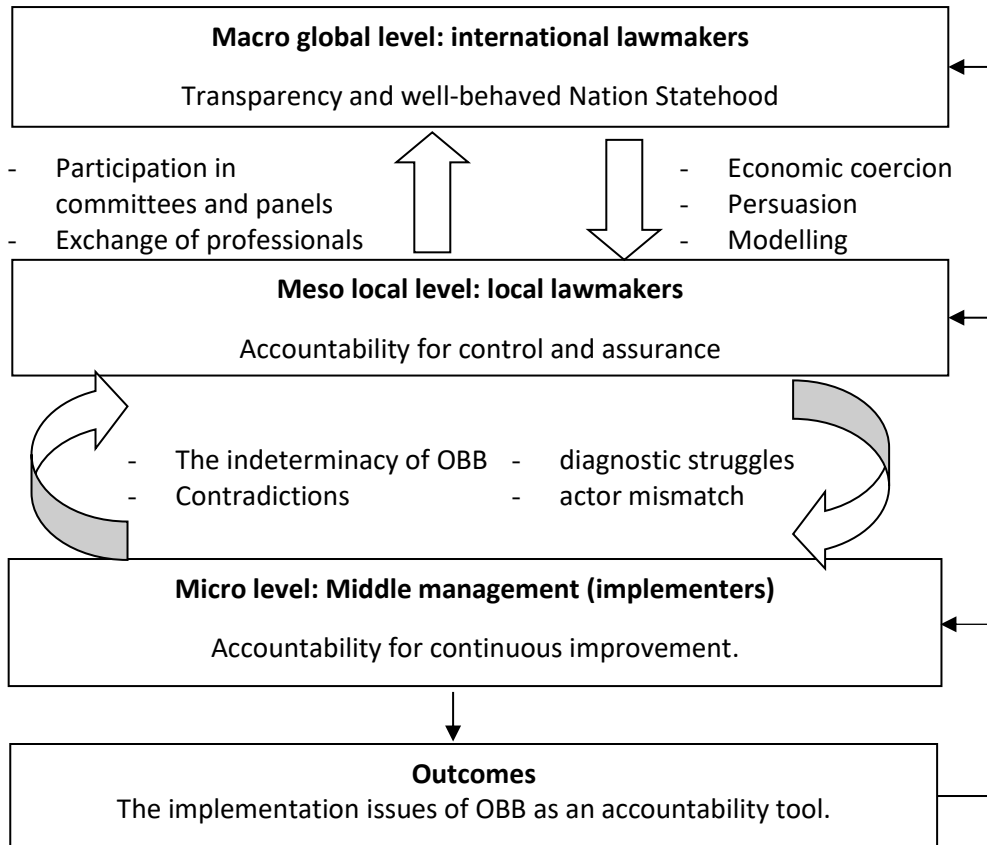


Figure 1. Middle managers within the wider local and global accountability contexts

Table 1: Description of interviewees

Organizational Members	Interviewees
Accountants	General Manager of Costing Department (IT developer) Financial Manager –East Region, Alexandria General Manager of Revenues General Manager of Budgeting and Encumbrances Budget Accountant Tax Officer - Return Department, Alexandria
IT specialists	General Manager of Database Administration MIS Manager, East Region, Alexandria MIS Manager, Duties Region, Alexandria IT developer –Finance Department IT developer – Planning Department IT network specialist- Middle Region, Alexandria IT specialist - Middle Region, Alexandria IT specialist- Karmoz District, Alexandria
Managers	General Manager of Karmoz District, Alexandria General Manager of Duties Region, Alexandria A Researcher in Planning Department General Manager of Tax Research and Tax Operations Former Head of the ETA Former Minister of Finance
Consultants	Ministry of Finance Consultant World Bank Consultant

Endnotes

¹ OBB is a comprehensive mechanism to translate planning into outcomes through effective policy and programme implementation of public funds. M&E are core elements of OBB. They are performance feedback systems that help answer the “so what” question in order to assess how goals are being achieved over time. Monitoring gives information on where a policy, programme, or project is at any given time relative to its targets and outcome goals. Evaluation gives evidence about why targets and outcomes are, or are not, being achieved (Kusak and Rist, 2004; Mackay, 2007).

² The World Bank has since revised its policy of conditionality (World Bank, 2007) but it remains a key factor in this study.

³ Semi-structured interview questions were used only as a basic guideline during the interview to make sure that all relevant topics were covered, to provide direction for questioning and to help the researcher conduct the interview in a systematic way. In most cases, supplementary questions were asked, particularly when initial responses needed elaboration or when new issues emerged in the course of discussions.

⁴ All interviewees are middle level managers who are members of the OBB project team.

⁵ Performance-based budgeting goes beyond the performance reporting system. The identification of programmes and the measurement of changes therein are set forth on a cost basis so that performance costs are equal to total costs for budgetary purposes.