THE USE OF PERFORMANCE INFORMATION
IN BUDGETARY DECISION-MAKING BY LEGISLATORS:
IS ESTONIA ANY DIFFERENT?

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The goal of this article is to examine to what extent legislators in Estonia use performance information in budgetary decision-making. Interviews with the members of the finance committee of the parliament show that legislators make only limited use of the formal documents containing performance information. Instead, they rely, for the most part, on informal social networks for gathering information they consider necessary for budget discussions. According to the legislators, the main reasons for limited use of performance information are the following: the documents containing performance are too long and cumbersome, the legislative budget process is too time-constrained, and the parliament has only a limited role in making substantive changes to the budget. The study also indicates that more experienced politicians are less interested in performance information than the novices but there are no significant differences between legislators from governing and opposition parties.

INTRODUCTION

Although an increasing number of countries have undertaken steps towards performance-informed and performance-based budgeting (Curristine 2005a, 2005b), there is still a ‘nagging concern’ among both theorists and practitioners about the extent to which the performance information (PI) provided by ministries and agencies is in fact taken into account in budgetary decision-making and whether PI leads to any changes in resource allocations (see, e.g., Willoughby and Melkers 2000; Pollitt 2006b; Bourdeaux 2008; Gomez and Willoughby 2008). If PI is not brought up in deliberations on the budget or not used as an input for appropriation decisions, one may start questioning whether the costs of producing PI really outweigh the benefits.

While there are many studies that have discussed the performance-based budgeting (PBB) reform efforts (and reform rhetoric) in various countries, there are fewer studies that consider the actual utilization of PI in budgeting. Several authors have pointed out that even the utilization of PI as a whole (that is, not only in the area of budgeting) is often overlooked in the literature on performance management (see, e.g., Talbot 2005; Bouckaert and Halligan 2006; Pollitt 2007; Van de Walle and Van Dooren 2008). There is even less research focusing on the use of PI by legislators (Askim 2007, 2008), leading Pollitt (2007) to state that it is ‘mildly amazing’ how few studies look at what elected representatives do with PI offered to them. Even fewer studies explore the use of PI by legislators in budgetary decision-making, since most of the existing research on PBB focuses on the executive branch (for exceptions, see Cunningham and Harris 2005; Curristine 2005a; Van Dooren and Sterck 2006; Bourdeaux 2008; Frisco and Stalebrink 2008; Johnson and Talbot 2008).

Given that PI can play a different role in budgetary processes vis-à-vis other areas of decision-making and can have different relevance for executive and legislative branches, and also for elected officials in government and in parliament (Neale and Anderson 2001; Bouckaert 2004; Brun and Siegel 2006), it is worth undertaking in-depth studies that focus on various constellations of these elements. This paper looks at one possible constellation:
it explores the use of PI by legislators in budgetary decision-making at the national level in a parliamentary system. In particular, it examines whether and how the members of the finance committee of the Estonian legislature use PI in budgetary deliberations and decision-making.

Based on the existing empirical evidence (which will be reviewed in the third section), one would be sceptical of the extent to which PI is used by legislators to make specific changes to the appropriations, but there are more grounds for optimism with regard to the role of PI in changing the tone of debates and questions asked during budget deliberations. The case study hence examines whether the same patterns can be found in Estonia. In addition to simply asking whether PI is brought up and used in budget discussions and decisions, the case study explores the institutional and individual factors that influence the use or non-use of PI by legislators (according to the legislators themselves). It also asks what kind of PI elected officials would find useful for budgetary decision-making and whether they support reform efforts that create closer links between PI and budgetary decisions. Estonia constitutes an interesting case because of the relative newness of its political system; thus, it has had the possibility to ‘reinvent’ its governing structures and procedures (including budgeting). Although new democracies could provide useful insights about the applicability of various management reforms and approaches in different contexts, they have received only limited attention in the literature on performance budgeting so far.

The data were collected via semi-structured interviews conducted with the legislators who were members of the finance committee of the Estonian parliament between 2007 and 2011 (see Appendix). As Frank and D’Souza (2004, p. 713) have noted, mail-surveys are likely to overstate the usage of PI, which is why researchers exploring the role of PI in decision-making should opt for open-ended questionnaires (rather than fixed choice surveys) and personal interviews in order to get more contextually rich information and to gain a deeper understanding of the impact of PI (see also Bourdeaux 2008).

The paper is structured as follows. The following section gives an overview of the theoretical arguments concerning legislators’ use of PI in budgeting. It outlines a discussion on whether (and to what extent) we can expect legislators to employ PI in deliberating, amending, and adopting the budget and what conditions affect the use (or non-use) of PI by members of parliament. The third section surveys the existing empirical studies. The fourth section gives a brief overview of the budget process in Estonia and recent developments towards PBB. The fifth section summarizes the findings of the interviews conducted with the MPs who were members of the finance committee of the Estonian parliament. The final section concludes and discusses the implications of the study.

LEGISLATORS’ USE OF PERFORMANCE INFORMATION IN BUDGETARY DECISION-MAKING: THEORETICAL PERSPECTIVES

Askim (2008) provides a useful overview of theoretical perspectives and models that shed light on whether and why PI is used (or not used) by elected politicians. Though he focuses on the use of PI by politicians in general, one can draw implications from these theoretical propositions for legislative budgeting as well. Based on Askim’s (2008) discussion, there are several theoretical positions based on which one would expect legislators to use PI in budgetary decision-making. First, according to (at least some versions of) the agency theory, one would expect legislators to pay attention to PI in budgetary decision-making because they want to alleviate the informational asymmetries between the legislative and executive branch. Second, according to organizational learning theory, legislators would use PI for
improving the quality of budgetary decisions (see also Willoughby and Melkers 2000). In particular, one would expect legislators to turn to PI in order to identify problems (e.g., by pointing to declining performance or a gap between intended and actual performance of the ministries) and to bring these issues up when discussing budgetary allocations (see also Willoughby and Melkers 2000; Melkers and Willoughby 2005; Askim 2007).

At the same time, as Askim (2008) emphasizes, a number of theoretical perspectives are more sceptical of the legislative use of PI in budgetary decision-making. Based on some versions of the agency theory, one can argue that legislators would seek to alleviate their informational disadvantages vis-à-vis the executive branch via talking to officials (and also fellow legislators) rather than reading formal written performance reports (see, e.g., Ter Bogt 2001, 2004; Pollitt 2006a; Bourdeaux 2008). Furthermore, since PI is usually compiled by the very ministries and agencies about whom the politicians would like to get information, they may not trust it and would hence be reluctant to apply it when making resource allocation decisions (Bourdeaux 2008; Wang 2008). Alongside the considerations of the reliability of the PI provided, one should keep in mind that if PI is inserted as additional data to budgetary process, the legislators may face cognitive overload with regard to the amount of information they have to process (Curristine 2005a, p. 145; Bourdeaux 2008, p. 549; Gomez and Willoughby 2008, p. 300).

Based on political behaviour theories, one would be even more sceptical (than the agency theories focusing on informal communication mechanisms) of the extent of legislative use of PI in budgeting. As Askim (2008, p. 129) notes, politicians are more concerned with the future rather than with the past; thus, they would be interested in the goals that are set but less motivated to undertake ex post evaluation of goal attainment. When zooming in from the general theoretical discussions on political behaviour to more specific arguments concerning political budgetary behaviour, then budgeting theory would immediately remind us that budgeting is very much political in its nature (thus following political rationality rather than technocratic or economic rationality) (Wildavsky 1966; Rubin 1993).

Such ‘political’, rather than ‘technocratic’ rationality expresses itself in various forms. First, as Bourdeaux (2008) emphasizes, legislative decision-making is driven by an array of various and competing interests, which, in turn, may make them reluctant to focus on few targeted objectives. Second, budgetary decisions are often influenced by political considerations (e.g., desire to get re-elected, promises to constituents, and ideological values) rather than by the performance (either planned or already demonstrated) of the various government organizations (Wildavsky 1966; Ter Bogt 2004; Wang 2008). Third, legislators may be more worried about ‘non-mission oriented outcomes such as transparency and representativeness’, which may imply the preservation of ex ante restrictions (in the form of input controls) by the legislature (Bourdeaux 2008, p. 549). Fourth, besides purely ‘political’ considerations when making budgetary allocations, politicians would often face legal constraints: even if they wanted to change the foreseen budgetary allocations ‘according’ to PI received, they would be prevented from doing so because the appropriated amounts are mandated by existing laws. Fifth, even putting the legal constraints or political considerations aside, legislators may face conceptual problems when trying to link PI to allocation decisions. Lastly, the utilization of PI in legislative discussions may be complicated by the fact that budgeting is a highly time-constrained process with relatively short-term focus, while planning and accounting for outcomes involves significantly longer time-dimensions, resulting in the misfit between the strategic planning and budgeting cycles (see, e.g., Neale and Anderson 2001; Hatry 2002).
In sum, while there are at least some theoretical grounds for expecting legislators to employ PI when discussing and adopting budgets, there are also a number of theoretical perspectives that predict rather limited utilization of PI in legislative budget process. Taking a middle position, however, one can also argue that legislators’ use of PI in budgeting is likely to be contingent and depends on a number of institutional and individual factors (Ter Bogt 2004; Moynihan 2005; Pollitt 2006a, 2006b; Askim 2007; Hou et al. 2011).

Institutional elements influencing PI use

It can be conjectured that the general powers and the role of the legislature in the budget process (e.g., whether it can make changes to the budget and how extensive these amendments can be) are likely to influence the extent to which PI produced by the executive branch is brought up in legislative budget discussions (Cunningham and Harris 2005; Bourdeaux 2006). If the legislature’s role in the budget process is relatively limited, then politicians would be less motivated to immerse themselves in large amounts of PI or use it extensively in budgetary discussions.

In addition to the legislative-executive nexus, other elements of budget process, like the budget format can be expected to influence the extent to which PI is discussed (and potentially used) in budgetary decision-making (e.g. Grizzle 1986; Cunningham and Harris 2005). As Andrews and Hill (2003) argue, if PI is imposed on top of existing budget processes, rather than replacing the existing ones, the actors involved are likely to continue following the old (input-based) norms of budgeting, rather than switching the focus to results. If the format of the budget, however, is based on outputs or outcomes, one can expect legislatures to pay more attention to PI. The budget format oriented around results, rather than inputs, does not of course guarantee that PI will be taken into account when making allocation decisions, but it certainly increases the likelihood that PI will be discussed during legislative deliberations on the budget (Grizzle 1986).

In addition to the budget format itself, it is likely that the form in which PI is presented to the legislature would influence the extent to which the legislators use it for budgeting purposes (Curristine 2005a). If the documents comprising PI are designed with legislators’ needs in mind (and have been developed in consultation with them), the likelihood of utilization is higher than when the executive branch simply presents the PI in the form it has considered convenient for its own purposes (Neale and Anderson 2001; Andrews and Hill 2003; Bouckaert 2004; Curristine 2005a; Brun and Siegel 2006; Joyce 2011). In other words, one can suspect that PI supplied in lengthy and detailed reports would be less likely to find its way to budgetary deliberations than information provided in well-structured, concise and ‘digestible’ form. As Bourdeaux (2008, p. 548) puts it, ‘reporting performance information in the executive budget, the most typical way performance information is introduced to legislative processes, is unlikely to influence legislative discourse and decision making’.

Finally, drawing on Lu et al. (2009, 2011), it can be expected that the use of PI by legislators depends on whether PBB requirements have been established by law and how comprehensive these legal provisions are: the use of PI is more likely if there is a PBB law and the higher is the quality of the law the more likely is the utilization of PI. According to Lu et al. (2009, 2011), a high quality PBB law entails provisions that require links between strategic plans, performance measures, and the budget; it should outline what types of performance measures should be used, allocate responsibility for performance, and provide suitable incentives and sanctions. Although Lu et al. do not focus in their studies on the use of PI by legislators (but on the use of PI across all branches of government), it is very likely that the
The impact of institutional factors

Proposition 1: If the powers and the role of the legislature in budget process are limited, PI use is less likely
Proposition 2: If the budget format is based on inputs, PI use is less likely
Proposition 3: If documents containing PI do not correspond to legislators’ needs, PI use is less likely
Proposition 4: If there is no PBB law (or it is of low quality), PI use is less likely

The impact of individual factors

Proposition 5a: The more experienced the legislator is, the more he/she will use PI
Proposition 5b: The less experienced the legislator is, the less he/she will use PI
Proposition 6: Members of opposition parties are more likely to use PI than members of governing parties

Individual characteristics influencing PI use

Askim (2008) discusses the individual characteristics that are likely to influence the use of PI by elected politicians. He argues that the length of politicians’ political experience can influence their utilization of PI in different ways: while some arguments point to a positive relationship between the length of political experience and usage of PI, the relationship can also be inverse. On the one hand, it can be plausibly argued that the more experienced the legislators are (i.e., the longer they have been in the legislature and in the budget committee), the more proficient they have become in reading and interpreting PI submitted to them during budget process. On the other hand, it can be argued that it is the more inexperienced politicians who make extensive use of PI in budgeting since performance reports or other similar documents constitute the kind of information to which novices have ‘access’; they would also be more motivated to read the reports as they still feel ‘insecure’ compared to the more experienced politicians (Askim 2008, p. 132; Hou et al. 2011, p. 376).

Askim (2008, p. 123) adds that the utilization of PI is likely to vary between the politicians who belong to the governing party (or parties) and who are members of the opposition parties. One would expect the members of the opposition parties to feel themselves at informational disadvantage (vis-à-vis the legislators from parties in power) during budgetary deliberations, and hence look for additional information from performance data provided together with other budget documents. The members of in-power parties, however, have closer access to the executive budget deliberations and informal information provided during that phase, leading them to see lower utility in reading formal documents containing PI.

Summary of the research propositions

Drawing on the discussion above, table 1 outlines the set of research propositions that will be examined with the Estonian case study.

EXISTING EMPIRICAL STUDIES: WHAT DO THEY SHOW?

There are a number of empirical studies that explore the effects of PI on legislative decision-making in general (for overviews of the literature, see, e.g., Jordan and Hackbart 1999; Frank and D’Souza 2004), and several studies that have looked at the utilization of PI in budgetary decision-making in the executive branch (for recent overviews of
studies, see, e.g., Jordan and Hackbart 1999; Melkers and Willoughby 2005; Gomez and Willoughby 2008; Zaltsman 2009; Ho 2011). However, there is very little research exploring empirically the question of whether and how legislators employ PI in budgetary decision-making; among the studies that have been undertaken, the focus has been either on the local government level (Melkers and Willoughby 2001; Wang 2008) or state level (Willoughby and Melkers 2000, 2001; Bourdeaux 2008), rather than on national governments. It is important to keep in mind that even though PI may be used by the executive branch, this does not automatically carry over to legislative arenas (Melkers and Willoughby 2001; Zaltsman 2009). Below, an overview is given of those studies that have focused on the effects of PI on budgetary decision-making in the legislature. First, comparative studies encompassing more than one country will be reviewed, followed by single country case studies concentrating on national level legislatures, followed by a brief look at the research examining the sub-national level of government in the USA.

OECD (2005) concludes, based on data from the OECD/World Bank Budget Practices and Procedures Database, that only in 8 percent of OECD countries do the legislators in budget committees utilize PI in decision-making (for a discussion, see Curristine 2005a). Cunningham and Harris (2005) find diverging patterns of the role of PI in legislative budgeting: legislators make very little use of PI in budget deliberations in Canada, England, and Virginia, some use in Minnesota, and significant use in Texas. Sterck (2007) finds, in his study of four countries (Australia, Sweden, Canada, and the Netherlands) that the legislators pay very limited attention to PI in budgeting (and that there are serious problems with the quality of PI submitted to the parliaments).

A number of single country case studies have reinforced the findings of comparative research pointing to rather limited use of PI in legislative budgeting at the national level. In the case of the USA, Frisco and Stalebrink (2008) find that both congressional chambers employ the programme assessment rating tool (PART) on a limited basis: legislators prefer to resort to their own knowledge of agency programmes rather than to the PART scores and remain sceptical of the objectivity of the scores. A study conducted by GAO (2005, p. 44) concluded that ‘it is not clear that the PART has had any significant impact on congressional authorization, appropriations, and oversight activities to date’. Furthermore, Joyce (2011) and Redburn and Newcomer (2008) conclude that Congress (and especially the appropriation committees) has been rather hostile to attempts of changing the budget dialogue. Johnson and Talbot (2008) show that MPs in the UK do not seriously check whether public departments have achieved the goals that have been defined in the target agreements; rather, legislative politicians appear to be interested only in ‘broad brush’ data and indicators referring to ‘critical incidents’ (pp. 140, 155). They argue that such lack of interest is due to low of quality of PI (e.g., problems with accuracy, quality, and relevance) and politicians’ lack of resources and expertise. Van Dooren and Sterck (2006) find that legislators in Australia have started to question outcome-based budgeting because the outcome measures for which appropriations are made are too abstract (which has made it difficult for the legislature to scrutinize the budget).

There are several studies that have looked at the role of PI in legislative budget process in the US states. The overall conclusion of these studies is that the state-level legislators make very limited use of PI in the budget process, especially when one asks whether PI has influenced legislative appropriation decisions (Melkers and Willoughby 2001, 2004; Willoughby and Melkers 2000, 2001). The reasons for such limited enthusiasm by the US state legislators to employ PI for budgeting are manifold. Melkers and Willoughby (2004) point out that in budgeting decisions, legislators are more concerned with constituency
needs and demands rather than with PI. Joyce and Sieg (2000, p. 24) note that legislators are rather sceptical of the PI submitted by agencies, and many of them consider PI to be still too new to be used as reliable input for allocation decisions. Bourdeaux (2008) argues that legislators do not use ‘unmediated’ PI (i.e., written performance reports submitted by the executive branch) because they do not consider such information trustworthy. Instead, they gather information necessary for budgetary decision-making from their own experiences, their own staff, legislatively affiliated staff agencies (like audit offices), informal networks of advisors (‘the kitchen cabinet’), other legislators, and constituents. At the same time, a number of studies have pointed out that despite the fact that the allocation decisions are not directly influenced by PI, it has improved communication across the different branches of government and added value to budget deliberations by changing the tone of the discussions and the kinds of questions asked (Grizzle 1986; Lee 1997; Willoughby and Melkers 2000; Melkers and Willoughby 2001; Gomez and Willoughby 2008; Ho 2011). Lu et al. (2009, 2011) find that in those US states where there is a PBB law and the law is comprehensive and of high quality (e.g. it entails provisions that: require links between strategic plans, performance measures, and the budget; establish how performance measures should be developed; and allocate responsibilities for collecting and evaluating PI), PI utilization is higher than in states where there is no PBB law or where the law does not entail the crucial components.

OVERVIEW OF PPB EFFORTS IN ESTONIA

Estonia has a parliamentary form of government, with a unicameral legislature (consisting of 101 members), elected according to proportional electoral rules. The legislature is divided into 11 permanent committees (with each member belonging to only one committee) and each committee focuses on a particular policy area. The parliamentary majority appoints the prime minister, who, in turn, puts together a cabinet (consisting of 12 ministers). Since regaining independence, Estonia has always had coalition governments (made up of 2–3 coalition partners). The executive branch is divided into 11 ministries, each led by a cabinet minister. While for most of the transition period the turnover of governments (and prime ministers) was high, since 2005 Estonia has been governed by the same prime minister (Andrus Ansip), and his pro-market Reform Party has been the leading coalition partner in all three governments Estonia has had since 2005.

Estonia has undertaken a number of steps to integrate PI into the budgeting system, primarily through pursuing closer links between strategic plans and budgets. The revisions made to the State Budget Act (the organic budget law) in 2003 introduced elements of strategic planning into the budget process and those became official requirements in 2006. The first step in the annual budget cycle is the preparation of the State Budget Strategy (SBS), adopted by the government each year for the next four years on a rolling basis. As an input to the SBS, the ministries have to submit Organizational Development Plans (together with a financial plan) which are consolidated into the SBS by the Ministry of Finance (MoF). The Organizational Development Plans are divided into programmes and sub-programmes and entail goals, key activities, and expected results. After the SBS has been approved, the line ministries prepare Organizational Operational Plans and budget bids for implementing these plans. These operational plans also indicate goals, activities, and expected results. After negotiations between the MoF and line ministries, the cabinet approves the budget and submits it to the parliament (the Riigikogu). Until 2010, these organizational operational plans were included in the explanatory note of the draft budget.
submitted to the legislature. Thus, while the budget law itself has been broken down by organizations and line-items according to economic classification (distinguishing between operating expenses, transfers, and investments), the explanatory note has included large amounts of PI, often running for a couple of hundred pages. The draft budget act is first discussed in the finance committee of the parliament and in plenary sessions before the legislature approves it. The legislature can amend the budget, subject to the restriction that the amendments have to be offsetting (e.g., when an expenditure increase is proposed for any appropriation, an appropriate source of funding for covering that increase has to be indicated). The finance committee is regarded as one of the most important committees in the parliament. It is made up of 11 members of parliament and it has to discuss all the amendment proposals to the draft budget and vote on whether they should be included in the budget. The committee does have a small support staff (four persons), but most of the analytical work has to be undertaken by the committee members (i.e., the MPs) themselves. For the evolution of the role of the legislature in the budget process in Estonia, see Raudla (2010a, 2010b); for the design of the executive/legislative nexus during the constitutional phase, see Raudla (2010c); for recent discussions on budgeting in Estonia, see Raudla (2012a) and Raudla and Kattel (2011).

It is worth mentioning here that the provisions pertaining to PBB in the organic budget law (which governs the budget process) are very brief and general: the law just states that ministries have to prepare their strategic and operational plans when they submit the budget bids, but the specification of the details has been delegated to the executive branch. The law does not establish what kind of performance measures should be developed, who is responsible for evaluating the PI, and whether there are any budgetary sanctions or rewards associated with performance. So far, the ministries have been required to submit the PI based on the decree of the Minister of Finance, issued at the beginning of the budget preparation process.

The budgeting system in Estonia can be categorized as presentational performance budgeting (with some elements of performance-informed budgeting). Performance information is presented together with financial information and, in principle, it is expected that PI is considered when appropriations are discussed. OECD’s (2011, p. 38) review of public governance in Estonia noted, however, that performance budgeting in Estonia ‘is not really operational to the extent seen in other OECD countries’, as budgetary decision-making is primarily based on inputs (rather than outputs or performance-related criteria) and there is no direct link between appropriations and the expected outputs or impacts resulting from the expenditure. The review also notes that hitherto the budget negotiations between MoF and line ministries have focused on inputs and not on the PI produced by the line ministries.

In 2008 the MoF put forth a Concept Paper for financial management reform (Estonian Ministry of Finance 2008), which envisions the implementation of a programme-based performance budgeting system, which would introduce stronger links between strategic planning and budgeting and also entail a change of budget format from input-based line items to results-based structure. The MoF has undertaken preparatory steps towards this reform, but so far the general idea of the reform has not been consulted with the legislative body (see Raudla 2012b). It is also important to note that the explanatory note of the draft budget for 2011, submitted to the legislature, did not include PI any more. This omission by the budget department of MoF is rather curious since it appears to contradict the general direction of the reform planned by another department of the MoF (the Budgeting Methodology and Development Department).
USE OF PI IN LEGISLATIVE BUDGETING IN ESTONIA

Although some studies (Kraan et al. 2008; OECD 2011) have explored the role of PI in the executive phase of the budget process (and shown that the MoF does not pay significant attention to PI in budget negotiations), there are no studies that would have examined the use (or non-use) of PI by legislators in Estonia. In order to get an overview of utilization of PI in the legislative budget process in Estonia, semi-structured interviews were conducted with 9 (out of 11) legislators who were members of the finance committee in the 11th Estonian parliament (which was in session between 2007 and 2011). As mentioned above, the finance committee is responsible for discussing and amending the draft budget submitted by the executive. All 11 members of the finance committee were contacted (with the goal to cover the entire membership of the committee), but two were not available for an interview. Among the interviewees, four came from the governing parties and five from the opposition parties. Although the sample size appears to be small, it is mitigated by the fact that the Estonian parliament itself is rather small (101 members). Furthermore, since only the finance committee discusses the whole budget, almost all legislators who closely deal with the budget were covered by the study. All interviewed legislators were asked to comment on whether (and how) they use PI in budgetary deliberations and decision-making, which factors hinder the use of such information, what kind of PI would be conducive for legislative budgetary discussions, and whether further steps towards PBB would be desirable.

When asked about the extent to which PI is used during budget deliberations of the finance committee, all members noted that PI is not discussed at the meetings. The reasons for the lack of attention to PI appear to be manifold. Some legislators emphasized that the budget process in the parliament in general and in the finance committee in particular is not conducive to discussing PI, since the legislature usually has too short time to debate the budget and most of the issues have already been settled during the budget preparation phase (by the executive branch). It was also mentioned (especially by politicians from the opposition parties) that substantive discussions in the finance committee are rather limited and a large portion of the committee time is dedicated to just voting on the amendment proposals. A number of opposition members noted that the legislative phase of budgeting is more or less just rubber-stamping what the governing coalition wants to do and what has been decided in the preparation phase already. One of the interviewees noted that if legislators really want to influence what goes into the budget, they have to do it in a more informal way during the budget preparation phase (by talking to the pertinent ministers) (Interview E). A further procedural concern that was brought up during the interviews was the timing of when the performance reports (indicating to what extent the set goals were achieved) are presented to the legislature: since there is a significant time gap between the submission of the government annual report (comprising both financial statement and performance report) and budget discussions, it would be quite challenging to link an increase or decrease of appropriations to past performance, even if the legislators wished to do so. One of the members noted here that although the finance committee does look at the annual report, it is mostly concerned with the financial part than the performance part (Interview E).

Interestingly, some MPs remarked that the legislature shouldn’t even ‘bother’ itself with detailed PI (as they wouldn’t have time and capacity to analyze it): in their opinion, the role of the parliament in budgeting is to look at broader issues and general fiscal indicators rather than to engage in micro-management of specific programmes. One of the legislators noted that maybe the other parliamentary committees could have time to look at PI in greater detail, but that the finance committee does not have the time or analytical
resources to discuss PI in its meetings (Interview G). He also added that it should primarily be the MoF (rather than the parliament) who looks at PI when negotiating budgets with line ministries.

It is worth noting that the exclusion of PI from the explanatory note of the draft budget for fiscal year 2011 had gone unnoticed by a number of committee members. It is also rather telling that the fact that the executive branch had not submitted the PI together with the draft budget (as it had done between 2006 and 2009) was not even brought up in the finance committee discussions: no remarks were made with regard to missing PI during their meetings.

Many of the committee members considered it to be likely that PI is used as an input for budgetary decision-making during the budget preparation phase in the executive branch, especially during the negotiations between the MoF and the line ministries. There were some, however, who were sceptical of the extent to which PI is used even in the executive branch. One of the MPs noted that the lack of links between strategic plans and actual budgeting is a real problem, since without the actual money for implementation, many strategies ‘remain in the air’ (Interview B). A number of interviewees noted that the use of PI in budgeting is likely to be limited by the fact that most budgetary obligations are prescribed by laws, which makes it difficult to make any significant changes to the appropriations on the basis of PI. All interviewees agreed that what makes the use of PI challenging in the budget process is that budgeting is a political process, where decision-making is driven by political considerations. Some interviewees considered it necessary to emphasize that in a number of areas PBB would not be desirable at all (for example, in the areas of police, defence, social insurance, and social security).

With regard to personal use of PI by finance committee members (e.g., in order to prepare themselves for the meetings), the Estonian case confirms the prediction that politicians do not usually sit down with a cup of coffee and read the entire PI part of the explanatory note of the budget (see Van de Walle and Van Dooren 2008, p. 3). A number of legislators explicitly said that they never read the PI part of the explanatory note and some said that they look at it selectively and only browse the sections they are interested in. Some interviewees noted that they had read the PI part of the budget documents more thoroughly when they were still newcomers in the finance committee; as they became more experienced, however, they saw less need to inform themselves via PI reports. Most of the MPs agreed that the documents containing PI had been too long and detailed, which had made it difficult to read and analyze them. While one would have expected the opposition members to read the PI sections of the budget documents more thoroughly, given their informational disadvantage vis-à-vis legislators from governing parties, there were no significant differences between these two groups of legislators. One reason for such lack of interest in PI by opposition MPs seems to be that they are disillusioned about the role opposition parties can play in budgeting: they have a feeling that most budgetary questions have already been decided in the executive phase and parties outside the governing coalition have very limited chances of getting their amendment proposals accepted.

In answer to the question about their sources of information for making budgetary decisions, most interviewees noted that they inform themselves by talking with an informal network of trusted sources. All MPs from governing parties noted that they never feel that they have problems getting access to information they need since it is always possible to ask the pertinent ministers or officials. One of the legislators noted that ‘As Estonia is such a small country, then you anyway know who the experts are in any given field and usually it is not that many’ (Interview B). Several opposition members, however, felt that
they are at an informational disadvantage vis-à-vis the governing parties and that the budget document itself and the explanatory note are not sufficiently transparent, making it difficult for opposition MPs to follow what is really going on and how appropriations for different activities or sectors have changed over time. Most of the interviewees noted that on the whole they found the PI presented to the legislature reliable and trustworthy (in the sense that they do not think that the executive branch is providing deliberately false information), although there were some areas where the quality of PI can be questioned. One legislator noted that sometimes public administrators tend to dramatize the PI in order to receive more money (Interview D). Taken together though, the legislators appear to have a bigger problem with the form of how PI is presented to them (and how the documents containing PI are structured) than with trusting the information once they manage to find it in the documents.

In their answers to the question about what kind of PI they would find useful, a number of politicians noted that information should be more concise; others added that PI should be presented in two separate parts: (executive) summaries, and longer reports entailing detailed information. A number of members emphasized that PI should be as visualized as possible (with the help of graphs and tables) and it should present comparisons over time. Most of the interviewees agreed that the number of performance indicators currently used by the executive branch is either sufficient or even too large and there should be more in-depth policy analyses (examining the reasons for poor performance) than just snapshot performance indicators. Concerning the question of how PI should be integrated to the budget process, a number of the interviewees stated that they do not feel competent enough to comment on that. Even the chairman of the finance committee said: ‘Well, I am just a simple politician… how could I know about such nuances of public management?’ One of the MPs emphasized that a better link should be created between strategic planning documents and the budgets in the budget preparation process (Interview B); another remarked that participation of the NGOs and citizenry at large in evaluating the PI should be encouraged (Interview D).

When asked to comment on the potential reform plan being prepared by the MoF entailing a move towards programme-based performance budgeting, the opinions of the committee members diverged. Most MPs said that they would prefer it if the budget remained input-based, with some suggesting that perhaps a hybrid form (combining input- and output-based appropriations) could be tried. One of the coalition politicians even noted that ‘the legislature should not give up control over inputs, since it is the taxpayers’ money that is used by public officials’ (Interview F). Concerning the question of whether the budget should be broken down by programmes (instead of ministries), only one member expressed support for a programme-based format (Interview C), whereas others remained rather sceptical of it (or said they are not competent enough to imagine how this would work exactly) and emphasized that ministries should remain the foci of appropriations. With regard to the PBB reform plan in general, one of the legislators noted that it is ‘just another fashion that will pass soon’ and if the MoF were to implement it, it would create needless paperwork and lead to potentially perverse incentives (Interview B); another MP remarked that the MoF officials ‘seem to come up with all kinds of reform ideas in order to justify their own existence and create work for themselves’ (Interview D).

In sum, the Estonian case corroborates Propositions 1, 2, 3, 4, and 5b in table 1 (table 2 summarises the findings). Legislature’s relatively limited role in the budget process, input-based budget format, and PI format that does not correspond to legislators’ needs – all these institutional factors appear to hinder PI use in the legislative budget process.
TABLE 2  Findings of the Estonian case study

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Description</th>
<th>Corroboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1</td>
<td>If the powers and the role of the legislature in budget process are limited, PI use is less likely</td>
<td>Corroborated</td>
</tr>
<tr>
<td>Proposition 2</td>
<td>If the budget format is based on inputs, PI use is less likely</td>
<td>Corroborated</td>
</tr>
<tr>
<td>Proposition 3</td>
<td>If documents containing PI do not correspond to legislators’ needs, PI use is less likely</td>
<td>Corroborated</td>
</tr>
<tr>
<td>Proposition 4</td>
<td>If there is no PBB law (or it is of low quality), PI use is less likely</td>
<td>Corroborated</td>
</tr>
<tr>
<td>Proposition 5a</td>
<td>The more experienced the legislator is, the more he/she will use PI</td>
<td>Not corroborated</td>
</tr>
<tr>
<td>Proposition 5b</td>
<td>The less experienced the legislator is, the less he/she will use PI</td>
<td>Corroborated</td>
</tr>
<tr>
<td>Proposition 6</td>
<td>Members of opposition parties are more likely to use PI than members of governing parties</td>
<td>Not corroborated</td>
</tr>
</tbody>
</table>

in Estonia. Although it was not directly addressed in the interviews, the lack of PBB law is also likely to limit the utilization of PI as an input to the budgetary decision-making process. Although, based on the existing literature, one could predict that the opposition members would make more use of PI than MPs from the governing parties (Proposition 6 in table 1), this was not borne out in the Estonian case. With regard to the influence of the length of experience in legislature and politics, the interviews provide support for Proposition 5b: the less experienced the legislator is, the more likely he is to use PI. The interviews provide corroboration to most of the theoretical arguments brought out in the literature that deal with political budgetary behaviour, discussed in the second section. According to the members of the finance committee, linking PI to budgetary decisions is complicated for the following reasons: budgeting is political in its nature; a significant portion of the expenditures in the budget have been mandated by laws (and hence would be difficult to change according to PI); and there are also conceptual problems when making reallocations on the basis of PI. The theoretical predictions that legislators do not trust the validity of the PI submitted to them were not borne out, but the prediction that legislators still prefer information from informal sources was corroborated.

Although this study focuses on the use of PI by legislators – in order to get an in-depth picture of the role of PI in the legislative phase of the budget process – it is worth mentioning that for a related (but separate) study, the author interviewed five leading officials from the MoF, who are responsible for putting together the budget. They all admitted that in the course of the budget process, very limited attention is paid to PI (hence reinforcing the finding of OECD (2011) and Kraan et al. (2008)), mostly because of time-constraints and lack of analytical capacity, but also because of the ‘political’ nature of budgeting. Currently, the National Audit Office of Estonia is conducting an audit that examines the use of PI on the ministry level. Thus, as a future study, a cross-branch comparison of PI use in Estonia could be conducted (taking as an example the study by Willoughby 2004).

CONCLUSIONS AND DISCUSSION

In conclusion, the Estonian case confirms the predictions of those theoretical approaches that are sceptical of the extent to which PI would be used for making budgetary decisions in the legislature. Interviews with the members of the finance committee of the Estonian parliament reinforce the findings of most of the existing empirical studies and show that legislators pay only limited attention to PI in budgetary decision-making. While some of the MPs have read documents containing PI, submitted together with draft budgets, in order to prepare themselves for the committee meetings, some interviewees explicitly emphasized that they never read them. Although based on existing literature, one would
have expected PI to surface at least to some degree in the legislative discourse on the budget (influencing the kind of questions that are asked), these predictions were not borne out in the Estonian case. Furthermore, according to the interviews, PI is not discussed at all during the finance committee meetings. The main reasons for such lack of attention to PI by the finance committee (according to the members themselves) are the following: the documents containing PI have been too long and cumbersome; the legislative budget process is too time-constrained; and the parliament has only a limited role in making substantive changes to the budget. The connection between the budgetary powers of the legislature and the extent to which legislators use PI in budgeting has also been pointed out by Bourdeaux (2008), indicating that it may be fruitful to examine this relationship closer in future comparative studies. Most of the other reasons behind limited use of PI in budgeting, pointed out by the existing theoretical and empirical literature, also emerged in the interviews with the finance committee members. For example, all MPs agreed that since budgeting is essentially a political process, it is difficult to subject it to the technocratic type of reasoning PBB often assumes. Many interviewees also pointed to conceptual problems involved in linking PI to resource allocation decisions. In contrast to the existing research, however, which has indicated the tendency of legislators to distrust the PI submitted by the executive branch, the legislators in Estonia for the most part consider the PI they receive to be reliable and trustworthy.

With regard to individual differences between legislators, the Estonian case confirms the theoretical prediction that the interest in formal documents containing PI is higher among less experienced politicians than the veteran legislators. At the same time, the study contradicts the proposition that attention to PI would be more significant among opposition MPs (compared with MPs from governing parties): since the opposition legislators in Estonia feel powerless about making significant changes to the budget, they do not see the value in immersing themselves in PI.

When asked what kind of PI they would find useful for budgeting purposes, the finance committee members noted that PI provided to them should be more concise, visualized, and provide comparisons over time. At the same time, most of the committee members were sceptical of too radical reform steps towards programme-based performance budgeting: they feel that the legislature should maintain control over the main input categories in order to secure the democratic legitimacy of the budget.

So far, however, the Estonian Ministry of Finance has not asked the legislators what kind of PI they would find useful for budgeting purposes (or for any other purposes for that matter). One can conjecture that if the legislators were, in fact, asked about the types of PI they consider useful for budgetary decision-making, they would also be more likely to pay attention to it in the budget process. It is also worth noting that although the preparations for PPB reform are well under way in the MoF, the opinion of the legislature on the reform plans has not been asked by those preparing it. As Bourdeaux (2008) has pointed out, the failure to engage legislatures in performance budgeting (and management) reforms is endemic (see also Burns and Lee 2004; Posner 2007), so in that light the Estonian case certainly appears typical rather than exceptional.

The lack of attention to the legislators’ opinions concerning PI in general and PBB in particular, however, may turn out to be rather problematic. Although in principle the PBB exercise may remain in the realm of the executive, without involving the legislature (see, e.g., Swiss 2005), then as Bourdeaux (2008, p. 548) points out, the existing experience shows that the lack of involvement by the legislature in the preparation or implementation of PBB may lead to a situation where the entire reform effort is ‘called into question’
(see also Askim 2007). If the PI prepared by officials in the executive branch is not used by the legislators, the incentives to produce good-quality PI are curtailed (Melkers and Willoughby 2005). Furthermore, when the legislature is left out of the performance management (and budgeting) reform effort, this may undermine the democratic values of the polity (Bourdeaux 2008). In order to increase legislators’ interest in PI, there should be more effective communication between the legislative and executive branch with regard to the type and form of PI the legislature wants: the PI produced by the executive branch should fit the needs of the legislators (Bouckaert 2004; Brun and Siegel 2006), and the legislature should certainly have a say on what kind of format the budget should follow and how PI should be integrated to the budget process.

The findings of this study point to a conclusion that although PBB as a general concept may be a worthwhile pursuit, when it comes to its success in particular circumstances, the ‘devil is in the details’. The Estonian case demonstrates that when the parliament’s substantive role in the budget process is rather limited, MPs have too little time and capacity to ‘digest’ the performance data entailed in the budget documents, and the PI documents are too long and cumbersome, then legislators will pay very little attention to PI, if at all, when making budgetary decisions. With regard to further reform steps in Estonia, the Ministry of Finance should consult with the legislators and ask whether they are interested in further PBB reforms, how far reform should go (e.g., whether it should entail a change in the budget format), and to what extent they are willing to invest resources to improve the current practices (including increasing the legislature’s own role in the budgeting process).

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REFERENCES


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APPENDIX: INTERVIEWS WITH MEMBERS OF THE FINANCE COMMITTEE OF THE ESTONIAN PARLIAMENT

Interview A, conducted 14 March 2011.
Interview B, conducted 21 March 2011.
Interview C, conducted 22 March 2011.
Interview D, conducted 11 April 2011.
Interview E, conducted 13 April 2011.
Interview F, conducted 14 April 2011.
Interview G, conducted 2 May 2011.
Interview H, conducted 29 June 2011.
Interview I, conducted 1 September 2011.