

Reforming the government budgeting system in Malta

Pressures promoting or hindering the reform

518

Lauren Ellul

Department of Accountancy, University of Malta, Msida, Malta, and

Ron Hodges

University of Birmingham, Birmingham, UK

Received 5 October 2018
Revised 9 January 2019
29 March 2019
Accepted 22 August 2019

Abstract

Purpose – The purpose of this paper is to analyse the pre-adoption phase of budgetary reform. Perspectives on the introduction and use of performance information in budgeting are obtained through interviews with current and former senior politicians and civil servants in Malta. Institutional theories are used to analyse the pressures that are perceived as promoting or inhibiting reforms.

Design/methodology/approach – The research followed a qualitative approach, using data gathered from documentary sources and empirical evidence collected from semi-structured interviews. Documentary sources were used to provide knowledge, obtaining an understanding of budgeting processes in the Maltese central government. Two categories of interviewee are identified in the analysis: political interviewees, consisting of 7 politicians; and administrative interviewees consisting of 13 senior civil servants.

Findings – The authors find that the current line-item budgeting system is deeply embedded into government practices. Malta's membership of the European Union and its adoption of the Euro support coercive pressures for reductions in fiscal deficits. Normative pressures appear to be significant and may have a longer-term impact in promoting budgeting reform.

Originality/value – This paper contributes to existing performance-based budgeting literature by studying the pre-adoption phase which has rarely been the focus of previous studies. The study delves into the interaction between institutional and economic forces, an aspect which has been inadequately studied. The access to current and former Prime Ministers and other Ministers of State in this study is unusual. As such, the researchers have been able to obtain the perceptions of political decision makers in a way that might be more difficult to do in larger countries.

Keywords Performance information, Public sector, Elite interviews, Budgetary reform

Paper type Research paper

1. Introduction

This paper provides an analysis of central government budgetary reforms in Malta. In particular, the paper considers the potential implementation of performance-based budgeting (PBB) within Maltese central government, exploring the pressures for and against such reform. PBB is an important theme of public financial management reforms, which is targeted at making government more efficient and effective and promoting accountability by introducing modern management and budgeting concepts into government.

There are pressures for government financial management reform arising from fiscal deficit and debt reduction targets. The European Union (EU) lays obligations on Member States to restrict levels of general government deficit and debt (European Council, 2008). Failure to meet these obligations forced Malta into the EU Excessive Deficit Procedure[1] (EDP) from June 2013 to June 2015, resulting in additional fiscal surveillance and oversight (European Council, 2015).

Malta is an island state situated in the Mediterranean, with a population of approximately 460,000 at the end of 2016, making it one of the world's smallest and most densely populated countries (Malta National Statistics Office, 2018). It is an independent parliamentary democracy and became a republic in 1974. It joined the EU in 2004 and adopted the Euro in 2008. Its two major political parties, the centre-right Nationalist Party



and the centre-left Labour Party have, between them, held all seats in the House of Representatives since 1955 (University of Malta, 2014). The constitution, based upon the single transferable vote system, makes it extremely difficult for other parties to attract sufficient votes to qualify for seats (Bonnici, 2017).

The central government uses a cash basis of financial reporting, supplemented by accrual-based adjustments to meet Eurostat requirements under the European System of Accounts (ESA). A study into the maturity of central government financial reporting systems (PricewaterhouseCoopers (PWC, 2014)), based upon conformity with International Public Sector Accounting Standards (IPSAS), reported Malta as having a 22 per cent compliance level, one of the lowest in the EU. The central government of Malta has long been considering reforms to its accounting systems; a process characterised by slow progress over extended time scales. Jones and Caruana (2016) analyse proposals from 1999 to introduce accrual-based financial reporting into the Maltese Government sector. They found that mimetic influences promoting credibility and legitimacy through accounting reforms were prevalent. Coercive influences to adopt IPSAS, arising from Malta's EU membership, were downplayed, perhaps because the role of IPSAS in European government financial reporting has still to be agreed within the EU. The initial decision of the Maltese Government to adopt IPSAS indicated normative influences from the international accounting community, but accounting rules under the ESA provided the dominant doctrine for government financial reporting. Only recently has the Maltese Government confirmed its intention to adopt accrual financial reporting based upon international standards (*Times of Malta*, 2017).

The central government in Malta currently operates a traditional cash budgeting system. The annual budget presents expenditures by inputs for each ministry. Focus is placed upon ensuring that the ministries do not spend in excess of the stipulated line-item caps and performance information (PI) is not incorporated routinely into budget documents. However, the Government of Malta has indicated its commitment to pursue PBB. In its Report on Malta in 2008, the International Monetary Fund (IMF) noted that the Maltese authorities are "reinforcing the fiscal framework with a medium-term orientation. They are pursuing more structured multiyear fiscal planning and the introduction of performance budgeting methods" (IMF, 2008, p. 12).

The use of financial data by Members of Parliament in Malta has been described as "minimal and rather selective" (Caruana and Farrugia, 2018, p. 1140) in the context of the annual government financial report (GFR). This current paper can be distinguished from Caruana and Farrugia (2018) because their study is based upon the use of the GFR, whereas this current paper examines the potential reform of Malta's budgetary systems leading to the annual budget, with its high public profile and importance in respect of "who gets what" in the annual government spending plans. Furthermore, this paper extends consideration of the development and impact of accounting reforms to both financial and non-financial PI.

This paper contributes to existing PBB literature in a number of ways. First, it examines the pre-adoption phase, rarely covered in prior studies (Lu *et al.*, 2015; Mauro *et al.*, 2017). Indeed, the Maltese Government has still to commit itself formally to PBB, so our analysis is from the pre-decision and pre-adoption phase. Second, the context of a small, independent state, subject to fiscal oversight arising from its EU membership and Euro adoption, is different to most PBB studies, which concentrate upon US state governments (Lu *et al.*, 2015) and OECD countries (Mauro *et al.*, 2017). Third, the perspectives of senior politicians (including current and former Prime Ministers) and administrators are analysed using semi-structured interviews. It is unusual, in studies of government accounting, for researchers to have access to current or former ministers of state. Indeed, Mikecz (2012) observes that research into the views of political, business and social elites is rare in the social sciences in general, perhaps because of their determination to protect themselves from criticism and intrusion.

We apply a theoretical framework based upon institutional theory to collect and analyse evidence from interviews with senior politicians and government officials relating to the possible introduction of PBB. We analyse the perspectives of our interviewees on the interaction of institutional and economic forces (insufficiently researched, according to Modell, 2009) to consider the following questions:

- RQ1. What pressures, deriving from the needs of users for information to support decision making and accountability, are perceived as promoting the implementation of PBB in the Maltese Government?
- RQ2. Conversely, what factors are perceived as having the potential to prevent or delay the introduction of PBB?

The next section gives an overview of PBB literature in a public sector context. Subsequent sections present the theoretical framework and describe the research methods used in this study. The empirical findings are presented, followed by an analysis of those findings. The concluding section reflects on the contributions of this study and the scope for related research.

2. Literature review on PBB in government

High levels of public debt coupled with constraints in government revenue and increasing demands for services from citizens have led to calls for the restructuring of public budgeting systems in many countries (e.g. Anessi-Pessina *et al.*, 2016; Buylen and Christiaens, 2016; Carvalho *et al.*, 2012; ter Bogt *et al.*, 2015). PBB aims to establish a link between pre-determined objectives and resource allocation through the budgeting process[2]. In its broadest sense, PBB is any attempt to integrate performance measures into the budgetary process to support the effective management of public resources and to promote accountability for results (Lu *et al.*, 2015). PBB reforms can be seen as representing a move from an emphasis on inputs, to a focus on performance, outcomes or results.

The concepts of PBB have been used as the antithesis of traditional budgeting formats and procedures. The strengths of line-budgeting rest on its relative simplicity, which aligns with the limited accounting expertise of most public sector administrators and politicians, together with its potential to control public spending given the detailed specification of inputs (Wildavsky, 1978; Reichard and van Helden, 2016). Significant limitations of traditional budgeting practices include the difficulty of relating the quantity and quality of services delivered to the costs incurred and the system's short-term focus on year-to-year changes in receipts and payments, which can result in across-the-board budget reductions during times of economic uncertainty (Murray and Efendioglu, 2011).

Empirical literature covering PBB in the public sector has been increasing (Lu *et al.*, 2015), although research in this field has concentrated on the perspective of public administrators rather than politicians (Saliterer and Korac, 2013). Budgeting studies of sub-national level governments outnumber central government studies published in major accounting journals (for related literature surveys see Anessi-Pessina *et al.*, 2016; Lu *et al.*, 2015; Mauro *et al.*, 2017; van Helden and Reichard, 2013). Most published research studies focus on Anglo-Saxon countries (Anessi-Pessina *et al.*, 2016) and examine PBB implementation or use after the adoption decision (Lu *et al.*, 2015; Mauro *et al.*, 2017).

Governments may refer to PBB as supporting drives for improved efficiency and accountability, supporting priority setting and informing resource allocation decisions (e.g. Currstine *et al.*, 2007). However, a culture of measuring and managing outputs/outcomes needs to filter through both legislative and executive management to promote enhanced efficiency and effectiveness; otherwise a change in the content and style of budget documents will be symbolic rather than functional (Carlin, 2006; Carlin and Guthrie, 2003).

For example, Mimba *et al.* (2013) found that administrators in Indonesian local government agencies placed more focus on satisfying the requirements of format and timely delivery of annual performance reports, rather than on the contents of such reports.

More generally, empirical studies have drawn out some of the difficulties in applying PBB in a government context, which lead to gaps between the declared intention of PBB reforms and what is achieved in practice (e.g. Andrews, 2006; Berry and Flowers, 1999; Carlin, 2006; ter Bogt *et al.*, 2015). Recent OECD Performance Budgeting Surveys (Downes, 2016; von Trapp, 2014) have found that PBB practices are widely used, but vary considerably and that there is often only an indirect link between PI and funding decisions. This is a consistent finding with much of the academic literature (e.g. Gilmour and Lewis, 2006; Ho, 2011; Raudla, 2012; Sterck, 2007). A possible explanation for the absence of a strong linkage between PBB and funding allocation decisions is that the supply of financial and PI presumes a business-like and economically informed managerial rationality, but budgeting is inherently political and, in a government setting, decisions are more likely to be informed by matters of political ideology and the perceived public interest (Buylen and Christiaens, 2016; Raudla, 2012). However, although performance data may not drive political decisions, it may still become part of the background in which such decisions are made (Moynihan, 2016).

Most studies suggest that politicians are only moderately interested in formal measures of performance linked to budgeting procedures. The cause of such limited use appears to be closely related to failures to meet the needs of users involved in the development and approval of budgets. Documents comprising PI may be too long with the budget process constrained by a very limited time-frame and with politicians' input for changing the budget being limited (e.g. Ezzamel *et al.*, 2007; Raudla, 2012; ter Bogt *et al.*, 2015). There may be no direct relationship between budgeting and organisational practices, so that PI cannot be utilised effectively in assessing outcomes and quality of services (Ezzamel *et al.*, 2014; Mutiganda, 2016).

It has been observed in some local government studies that politicians make limited use of PI incorporated in the budget for decision making during meetings (ter Bogt *et al.*, 2015) and in budget debates (Buylen and Christiaens, 2016). However, the notion of complete decoupling between the declared and practiced use of budgets is problematical because some politicians utilise their prior knowledge or the help of advisers to make use of budget figures in political debates (Ezzamel *et al.*, 2014). Nevertheless, the reluctance of politicians to utilise financial reports may be rational if the absence of PI limits the bargaining opportunities of those with different interests and political priorities. For example, those in control of the political process of resource allocation might influence the type of information that is made available for decision making and accountability purposes (Grossi *et al.*, 2016). Politicians may misuse PI and budget information to take advantage over political opponents, leaving the public misinformed (Guarini, 2016).

Contrary to the above, the literature also includes studies which report the use of PI by politicians (e.g. Jansen, 2008; Hou *et al.*, 2011). Hammerschmid *et al.* (2013), using a survey of public administrators across six European countries, report that the use of PI varied considerably across sectors (higher use in economic affairs, finance, employment services, justice and public order), between organisational level (higher use in agencies and municipalities than in central government) and between countries (higher use in those countries with greater New Public Management (NPM) features of their public administrations).

Saliterer and Korac (2013), using a survey of politicians and administrators of local governments in Austria, found that both groups use PI to a greater extent for external accountability relationships rather than internal management purposes. Their results indicate greater use of PI by politicians than by administrators, a result contrary to most

earlier literature, which the authors put down to the politicians in their survey having administrative authority or perhaps overstating their use of PI.

Liguori *et al.* (2012) use a survey of politicians and senior administrators in municipalities across Italy. Both politicians and administrators preferred non-financial PI to placing reliance on financial data; both externally and internally focussed non-financial PI were viewed as important, with no significant differences between the responses of politicians and administrators. They conclude that the influence of NPM has reduced the separate and distinctive positions of administrators and politicians and that both may wish to be seen as innovators in supporting the use of financial reports and PI in public sector modernisation agendas.

van Helden (2016) provides a literature review in which he seeks to explain the variable results of these studies. He suggests that surveys overstate the frequency of use of accounting information by politicians because respondents consider the desirability of using PI rather than the actual use of them. Survey results of PI use may also be influenced by the nature of the comparative sources of information available. For example, ter Bogt (2004) concludes that politicians prefer to use more focussed non-financial information for decision making, rather than generalised accounting targets. van Helden (2016) suggests that future research on the use of accounting information by politicians should focus on the decision-making process, including agenda-setting and problem solving, using observational studies combined with semi-structured interviews. At this pre-decision stage, we are unable to observe the implementation and use of PBB, which will need to be the subject of future research. However, our current analysis highlights factors which may be used to analyse the causes of future success or delay in PBB implementation.

3. Theoretical framework

Institutional theories have been prominent in the study of management accounting change in recent years (Ribeiro and Scapens, 2006; van Helden *et al.*, 2008; Modell, 2009). This study uses an institutional sociology framework to provide a broad canvas on which to analyse the influences, identified in documentation or raised during interviews, which might promote the introduction of PBB and lead to a future positive decision to implement PBB procedures (*RQ1*). We use an institutional economics framework to identify and analyse factors that might inhibit the development of PBB, particularly from a micro-level perspective, while recognising that such factors might be supported by wider issues based upon institutional sociology (*RQ2*). The remaining part of this section provides an overview of these theoretical streams.

The institutional sociology framework, often labelled new institutional sociology (NIS), advances the general argument that formal organisational structure is influenced by institutional forces which include frameworks of rules, rational myths and knowledge legitimated by social conditions (Meyer and Rowan, 1977). The adoption of similar structures and practices by organisations enhances legitimacy and social credibility, leading to improved probability of securing resources to achieve survival and success.

This search for legitimacy and resources supports homogeneity of organisational forms and processes in similar environments (Scott and Meyer, 1992). DiMaggio and Powell (1983) provide the distinction between coercive, normative and mimetic pressures to explain why organisations operating in the same spheres are likely to exhibit similar traits. Coercive aspects relate to political pressures and the influence of authorities which have the power of regulatory oversight and control. Normative forces emanate from the role of education and the significant impact of the professions. Mimetic factors refer to the expected reactions to situations of uncertainty. NIS is well established in the accounting literature; for example, Modell (2009) lists 28 public sector studies using institutional theories. van Helden and Tillema (2005) show that economic influences alone cannot explain the reason for

organisations' willingness to undertake performance benchmarking. Coercive pressures deriving from central government policy and normative pressures to adopt sector-wide benchmarking schemes also play an important role. Management accounting practices can be used as a political resource to promote institutional change, for example, by identifying the perceived shortcomings of budgeting systems (Hiebl, 2018).

NIS presumes that organisations implement management practices and structures which are viewed as legitimate by other organisations and stakeholders in the institutionalised environment. Meyer and Rowan (1977, p. 344) claim that institutionalised techniques are used "to establish an organisation as appropriate, rational and modern". The implication is that the success of an organisation is not solely dependent on its level of efficiency and effectiveness, but also on the incorporation of structures based on institutionalised rules.

The study of neo-institutional theory through the lens of isomorphism has been criticised by a number of scholars. Lounsbury (2008, p. 350) describes such research as "anachronistic" but "pervasive" and limiting the range of its explanatory potential. He argues that "this narrow conceptualisation of institutional dynamics was fundamentally flawed in that it maintained a distinction between technical forces and rational decision-making on the one hand, and institutional forces and 'irrationality' on the other". The result is that early adopters of change are seen to be "motivated by technical considerations and later adopters engage in mindless imitation fuelled by anxiety-driven pressures to conform". Scott (2008, p. 431), in a review of the development of institutional theory, suggests that the initial expectation of isomorphism has given way to "recognising the variety, complexity and in some cases, conflicts and ambiguity" present in organisations.

Another theme of the NIS literature has been an emphasis on the loose or complete decoupling of formal, symbolic organisational structures from systems and procedures used for managing operational-level activities. Organisations may be seen to comply with regulations or adopt formal procedures, to gain legitimacy and resources, while operational activities and governance processes remain unchanged (Oliver, 1991). Hengel *et al.* (2014) provide evidence from Dutch municipalities of loose coupling that is both vertical (between different levels of authority within organisations) and horizontal (between the orientation of results and the use of PI). Ezzamel *et al.* (2007, p. 32) found that budgets of the new UK devolved administrations had a veneer of rationality within a process of becoming institutionalised, but the budgets were not completely decoupled from the process of political debate because some politicians were prepared to engage with the budgets using the support of advisers or colleagues.

The NIS literature has become more critical of the suggestion that decoupling is an inevitable response to organisational change. Scott (2008, p. 432) suggests that decoupling should be seen as only one of many responses, rather than being a hall mark of NIS. Modell (2009, pp. 281-282) notes that the conception of decoupling has been extended in public sector literature to include the separation of PI or measurement practices from organisational goals and the decoupling of systems to meet conflicting demands from multiple constituencies. He concludes that the interaction between institutional and economic forces is insufficiently researched and calls for longitudinal studies on how performance measurement and management frameworks are constructed and embedded within organisations.

A further extension of NIS research is the interplay between institutionalised structures and the role of agency infused with interests and power (Modell, 2009; Oliver, 1991; Scott, 2008), which is linked to studies conceptualising agency as embedded in competing institutional logics (e.g. Hiebl, 2018; Lounsbury, 2008; Marquis and Lounsbury, 2007; Rautiainen and Järvenpää, 2012).

The institutional economics framework, sometimes called old institutional economics (OIE), has significant overlaps with the NIS framework described above (Alsharari *et al.*, 2015;

Ribeiro and Scapens, 2006; Scapens, 1994). Both NIS and OIE reject the neo-classical economic assumptions of abstract, rational economic actors and, instead, consider the impact of institutionalised rules and values on organisations and individuals. The traditional approach in NIS has been to assume that organisations change their formal structures and procedures to meet societal expectations and obtain legitimacy within their external environment. In contrast, OIE deals with continuity and change in rules and routines within organisations (Scapens, 1994, 2006).

Burns and Scapens (2000) provide a framework for conceptualising management accounting change which stresses the stability of rule-based behaviour and established practices, while recognising that rules and routines can change. Such a framework is appropriate for the analysis in this paper in view of the established nature of existing, traditional budgeting practices in the Maltese Government, but with the potential for change to PBB. The OIE framework developed by them emphasised the distinction between rules and routines[3] and that changes in either can influence the other. For example, new budgeting procedures could be defined in the budgeting manual and new budgeting routines will be promulgated, although modifications may emerge, either deliberately or subconsciously, in the implementation of these new rules. Alternatively, routines might emerge that were never explicitly set out in the form of rules, but which lead to the formalisation of established routines as a set of rules. Attempts to enact new rules and routines may be subject to resistance, especially if existing values and meanings are challenged and those actors wishing to resist such change have sufficient power to intervene. Prevailing institutions will shape the process in ways that might promote or resist changes to rules and routines.

Various outcomes can be foreseen in the context of this study, consistent with Burns and Scapens' (2000) framework. Existing budgeting systems with limited PI in the budgeting process might prevail with no attempt to significantly change rules or routines. Alternatively, there might be formal changes to budgeting rules based upon the implied needs of users, but strong resistance leads to ceremonial change in budgeting with little impact on the relative positions of interest groups or on the effectiveness of decision making. A third possibility is that there are changes to rules and routines, resulting in PBB becoming part of a new institutionalised budgeting system in the government sector in Malta.

In summary, we see the NIS and OIE frameworks as sharing some similar conceptual ground, and we use both sets of theories for different purposes (Ribeiro and Scapens, 2006). NIS will be used to provide macro-level explanations of the pressures to adopt PBB in Malta. OIE will be used to shed light on the processes of resistance, or the absence of such resistance, and the potential for the future decoupling of PBB procedures from everyday budgeting activities, if the reforms are carried through.

4. Research design and methods

The research project followed a qualitative approach, using data gathered from documentary sources and empirical evidence collected from semi-structured interviews.

Documentary sources were used to provide knowledge and obtain an understanding of budgeting processes in the Maltese central government. The Maltese Government website provided information on the structure and functions of the Ministry for Finance (MF) with the aim of identifying the key players involved in the budgeting process, for eventual participation in the study. It also served to obtain and review budget documents and financial estimates. The Central Bank of Malta and the National Statistics Office reports provided historical financial and statistical data required to identify trends in the government's fiscal deficit and debt position. Maltese newspaper articles were considered to gather information on the Maltese economic and fiscal climate, as reported by the major credit rating agencies. European Commission websites provided data on fiscal deficits and

debt provisions stipulated by the EU, while Maltese legislation was examined to obtain an understanding of the relevant legal provisions. Publications by international organisations, including the OECD, IMF and the World Bank, provided an overview of budgetary reform experiences across a number of countries.

Following the conduct of the documentary research and the thorough review of the literature and the theoretical framework underpinning the study, the interview questions were compiled in line with the research objectives. The interviews were held between August 2014 and April 2015, a period in which the EDP over Malta was in force.

Two categories of interviewee are identified in the analysis: political interviewees, consisting of 7 politicians, of whom three were former or current Prime Ministers and four were former or current Ministers; and administrative interviewees consisting of 13 current or former senior civil servants, of whom five worked in the MF and eight within line ministries. Five out of the seven politicians interviewed had an accounting, management, economics and/or finance background[4] and another, who had a background in law, had headed the MF for a number of years. Out of the 13 civil servants, 9 also had an accounting, economics and/or finance background. The sample of interviewees was skewed towards civil servants because there was a smaller number of politicians, rather than senior civil servants, identified as being involved in budgeting reforms.

We describe our participants as an “elite” population. Lilleker (2003, p. 207) observed that “elites can be loosely defined as those with close proximity to power or policy making” and suggested that interviews with politicians are particularly useful because, while few are specialists, many have extensive knowledge of policy-making and procedures and interviews are the most direct source of information on their own activities and motivations.

Data analysis was carried out using a thematic approach. The first phase of the thematic analysis was to develop familiarity with the data. In this regard, “analysis” has been referred to as developing a close engagement with the data gathered (Bazeley, 2013). The fact that the interviews were transcribed by the first-named researcher facilitated the attainment of this familiarity. Upon completion of the transcription process, the documented text was read repeatedly and thoroughly, in order for the researcher to immerse herself in the data. During this process, the initial thoughts and ideas about codes and themes were noted and recorded.

The next phase involved generating initial codes for the purpose of categorising the data comprised in the transcripts. The themes identified were both “theory-driven” and “data-driven”. The “umbrella” themes, which encapsulate the main points in the data set, were determined on the basis of the research questions and the theoretical underpinnings. The sub-themes emerged partly from our original theorisation and partly from the subsequent review of the data gathered. Some examples of *ex ante* theory-driven themes included the consideration of isomorphic pressures from NIS and the potential of resistance to change from OIE. Examples of data-driven themes, arising *ex post* from either documentary sources or from the interviews, include the issue of budgetary cuts across-the-board during the course of the year, the lack of suitably qualified human resources within the ministries, and political barriers. The entire data set was then re-read by both authors, to ensure that the themes capture what is in the data and to assess the need for re-coding some data extracts.

The main or “umbrella” themes, which are discussed in the “Empirical findings” section, included the identification of: the pressures which support the implementation of PBB; and the factors which might prevent or delay the implementation of the reform.

The sub-themes identified under the first main theme comprised:

- the interviewees’ opinion on whether PI should be incorporated into budgets;
- the interviewees’ experiences on how expenditure cuts are effected during the course of the year;

- the implications of a department/ministry over- or underspending its budget and the extent to which PI is a factor in the response to over- or underspending;
- the extent to which particular factors might trigger the implementation of budgetary reform, such as high fiscal deficits, high government debt and Malta's participation in the Eurozone; and
- the extent to which PI will enhance political accountability and whether public officials should be held responsible for the actual performance of their department/programmes.

The sub-themes identified under the second “umbrella” theme included:

- the extent to which the transition to a PBB system might be resisted by politicians or public officials, the reasons for such resistance and steps that might be taken to mitigate such resistance; and
- the extent to which personnel and political issues are considered as potential barriers to the implementation and use of PBB.

5. Empirical findings

This section uses the views of our interviewees to analyse the perceived influences promoting PBB and the factors recognised by them as having the potential to prevent or delay the implementation of PBB in Malta. The interviews were loosely structured around the themes described earlier. Given the semi-structured nature of the interviews, some interviewees discussed issues that were only indirectly related to a particular theme and some respondents were not conversant or interested in all the themes, so that the related questions were not answered by all participants. For these reasons, we do not attempt to provide a comprehensive numerical analysis of all responses here. Quotations in the next section identify the category of respondent as Political (P) or Administrative (A) together with the location of their current or most recent role (Office of the Prime Minister (PM), Ministry for Finance (MF) or Line Ministry (LM)).

5.1 *What are the pressures promoting the implementation of PBB?*

The Maltese current line-item budgeting system has served the country for many years and has become deeply embedded in the country's processes. We were informed that the MF, with direction from the Office of the Prime Minister, takes the lead in the design of the budget and negotiating allocation decisions. A former finance minister mentioned that the current budgeting process puts the onus on funding allocation decisions almost exclusively on the MF. The interviewee claimed that the line ministries come forward with their plans which are not measured in terms of the objectives and outputs they are trying to achieve. The MF meets with the line ministries to discuss their programmes and priorities and then allocates funds (usually a fraction of what had been requested) without further consultation with the ministries. A civil servant in the Office of the Prime Minister remarked that the process to request the budget and to get a budget allocation is quite arbitrary and not at all scientific. The respondent added that the creativity in developing solutions to deal with new issues may be limited by existing practices and routines:

If a ministry has a new initiative, it will have to fight hard to get the necessary finance for it. On the other hand, expenditures which have been budgeted for in the past are not questioned. (A-PM)

Interviewees were asked whether PI should be incorporated into budgets. All the politicians and 11 of the civil servants interviewed expressed strong support for reform. The absence of

information in the current system to relate expenditure to performance is impeding effective economic decision making, according to most of the interviewees:

The current system of compiling the budget [...] is not good enough to act as a tool for decision makers [...] a transition to a performance based budgeting system is required. (P-PM)

When there are pressures to increase certain expenditures at the same rate as revenue, to increase other expenditure items (including salaries) by more than inflation and, at the same time, reduce the deficit, it is very obvious that there is the need to move towards PBB. (A-MF)

Interviewees were asked for their experiences of how expenditure cuts are effected. Budgetary cuts by the MF during the course of the year have become a routine occurrence, aimed at keeping the fiscal deficit under control and for shifting funds to expenditure items that were not included in original budget estimates. Two politicians and six administrative interviewees claimed that these expenditure cuts are carried out across the board. Our interviewees were of the view that with a PBB system, the MF would be in a better position to identify ineffective or lower priority programmes, such that the required budgetary cuts could be better targeted, rather than effected across the board. In contrast, a former finance minister explained that the MF sought to target areas which are less sensitive for expenditure reduction. However, in the absence of information on performance, it is difficult to take decisions which are not potentially harmful from economic and social perspectives:

For example, if the country's competitive position is deteriorating and government wants to boost it, funds have to be shifted from other projects towards this objective to give it priority. These decisions are difficult but it is easier to take such decisions if you have a PBB system. (P-PM)

Interviewees were questioned on the implications of a department/ministry underspending its budget. Six politicians and nine civil servants raised the issue that ministries which underspend their budget have their excess funds returned to the MF and the following year's budget may be reduced. This practice was strongly criticised by interviewees, on the basis that it discourages cost saving and revenue generating initiatives by the ministries:

The present practice of clawing back unspent funds by the MF is one of the things that the Government wishes to change, because savings should be encouraged rather than discouraged. An output driven system, such as PBB, would help in this regard, because at the end of the day, the most important thing is to achieve the output by year end, rather than the savings. (P-PM)

Interviewees were asked about the extent to which particular factors might trigger budgetary reform. The influence of international organisations on Malta was mentioned by three politicians and four administrative interviewees. For example, an IMF delegation visited Malta in 2014 to provide advice on changes to the budgetary process (IMF, 2015). Our interviewees also referred to countries such as Australia, Canada, the Netherlands, New Zealand and the UK as exemplars of governments that have promoted central government PBB. Cyprus, France, Ireland and Italy were also mentioned as countries which might represent a starting point from which Malta could learn.

Our interviewees suggested that with a system of performance measures in place, political and executive accountability should increase. A civil servant emphasised the external accountability role of PI, stating that the citizen is in favour of enhanced accountability and that therefore this reform, which should improve the management and accountability of public resource allocation, will receive the public's support:

It is not a question of whether PBB should be implemented, but it's a question of when it should be introduced. PBB enhances accountability and increases the information available to the public, giving explanations of the purpose of the budget allocation. (A-MF)

[With a PBB system], the public at large would obviously have much more visibility on the government spend and the objectives being reached, that is, transparency and accountability would definitely be enhanced. (P-MF)

More information should be available to provide accountability on the funds voted and what deliverables were achieved. If 10% more than budgeted was expended but the output was 20% more, then the level of efficiency was improved – this type of information is not publicly available. (A-MF)

A senior civil servant within a line ministry highlighted the internal accountability purpose of PI, explaining that PI could be used to hold public officials responsible for their performance:

Accountability should be linked to the results obtained by public officials – monetary rewards such as bonuses could be awarded; but there are other rewards that could be given, such as those relating to the person's career development opportunities. (A-LM)

Despite the support for PBB by interviewees, a number of caveats were mentioned. For example, a Minister cautioned against over-reliance on performance targets, because the social aspect cannot be underestimated in the public sector:

One has to remember that behind the numbers, there are persons [...] the number in itself or satisfying Brussels is much less important than the [people] themselves. So the statistics and KPIs should be used to achieve a final objective, mainly to better the lives of people. (P-LM)

In summary, our respondents gave broadly positive views on the development of PBB in central government. Rational economic perspectives dominated the arguments, based around the need to control government spending and borrowing by improving government performance. Most interviewees held views that the availability of PI would support better resource allocation decisions and reduce the need for across the board in-year reduction in budgets. The accountability purpose of PI was also emphasised by our interviewees, in view of the fact that government is dealing with public funds.

5.2 What factors might prevent or delay the implementation of PBB?

Given the support for PBB, or at least for its principles, it seemed relevant to ask why PBB has not been implemented into central government before now. Two of the political interviewees, one being a former Prime Minister and the other a former Minister for Finance, gave very similar accounts, referring to issues that had taken priority over budgeting reforms. These priorities were the adoption of the Euro by Malta leading up to 2008 and dealing with the subsequent financial crisis within the Eurozone after 2008, including the imposition of the EDP regime in 2013:

[Expenditure cuts] have become inevitable, due to the fact that Malta is under an EDP. (P-PM)

Another Minister referred to issues in the energy and transport sectors taking priority over the time that could be allocated to budgeting reforms. One politician and four civil servants suggested that there were other accounting reforms, such as the introduction of accrual-based financial reporting systems, that were currently on the Government's agenda and would continue to take priority over budgeting reforms.

When asked about the potential resistance to the reform, all the interviewees recognised that there would be some resistance to the introduction of a PBB system. A politician reflected on the institutionalised nature of the existing budgeting system, voicing concern about changing a system which has operated for so many years:

With this [current] system, we know exactly how to pull the right strings if immediate action is needed. If we go for a new system, and things crop up, how are we going to take corrective action? (P-PM)

The practice of performance measurement might be perceived as threatening to politicians and public officials because weaknesses would be highlighted and responsibility allocated. Three politicians and four administrative respondents were of the view that the reform has to be championed by persons in high positions of power, such as the PM, the Finance Minister and/or the Permanent Secretary within the MF. For example:

The political class has to understand the long term benefits of such reform. The introduction of [PBB] requires strong political commitment from the top such that the system would be imposed on the politicians and on the civil servants. These two groups of people will resist these types of controls because everyone prefers to have a free hand in spending. (P-MF)

Interviewees claimed that resistance to change would be greater if individuals are uncertain about what the reforms involve and how they will impact their work load, financial situation and career opportunities. The need for adequate and timely communication and training was mentioned by six politicians and nine administrative interviewees as means of mitigating resistance, for example:

You have to get the people involved on board and involve the [trade unions and professional groups]. (A-LM)

The need for resources to support the reform was seen as a potential barrier to the implementation and use of PBB. The lack of adequately qualified accountants in government employment might act as a stumbling block for the implementation of budgetary reform, according to our interviewees:

There should be a chief accountant in each ministry who reports to the MF and who has the necessary competences. (P-MF)

Further practical issues were seen as potentially limiting the use of PBB. A former Minister and four administrative interviewees expressed concern over the effectiveness of information systems to capture and analyse data to provide PBB information. Two political and four administrative interviewees raised the issue of determining the allocation of responsibility for reaching pre-determined performance targets. Political and administrative accountability should increase, but there would be difficulty in separating political responsibility for policy from administrative responsibility for implementation.

Three administrative respondents also indicated various political dimensions that might constrain PBB use and effectiveness. Holding public officials accountable for the performance of their division may be difficult, in view of political interference. The financial plans compiled by a line ministry are sometimes superseded by a political decision:

Unfortunately, certain political decisions do not take into account budget decisions – politicians override them. I start wondering why I'm spending nine months compiling tables for budgeting and the Comprehensive Spending Review, when everything changes following a political decision. (A-LM)

Two administrative respondents did not accept that budgetary reform would control expenditure levels and allocations, since these were driven by political policy-making, rather than administrative controls. One of them commented:

The reform required is not in the budgetary framework, but in the drivers, because the budgetary framework will not change the results – it is the policies in the various sectors which will affect the end result. PI alone is not going to solve the real issues. (A-MF)

Another referred to the difficulty of implementing changes in operational practices in the public sector given existing employment conditions, irrespective of the results from applying PBB:

You cannot sack people working within government. If there is a surplus of untrained staff, what can one do in the public sector? It is sometimes difficult to get people to go on courses. [...] you have to deal with the [trade unions] [...] so it's very difficult to solve the staff issues. (A-LM)

A political respondent also reflected on the limitations of budgetary reform as a means of reducing demands for spending:

This issue [of high spending requests] will still remain even with the introduction [of PBB], because the real problem is that the politician does not know how to prioritise – everything is a priority. (P-MF)

In any event, it is far from certain that politicians and other decision makers would necessarily make use of the information provided from PBB. It may be more comfortable for politicians to avoid open conflict and make decisions “behind closed doors” based upon criteria perceived as rational by those in positions of authority. For example:

The ministries jointly request about €240 million more than they’re supposed to – there’s no way that they’re going to get these additional funds. Elimination of programmes are not effected in the [meetings], but after they leave the negotiating table [...] this is done to avoid clashes. When they leave, funds are allocated for salaries and other non-discretionary expenditure. (P-MF)

The public disclosure of results which are below target or expectations was mentioned by a political respondent as another potential barrier to the use of PBB:

If only one out of ten items shows negative performance, it is that item which will feature in the front page of a newspaper; no-one will mention the nine positive achievements. (P-PM)

In summary, barriers to the implementation and use of PBB were seen to include the existence of greater priorities of the government; the need for effective championing of the reform process; resistance because of concerns of inappropriate target setting; the need for resources to be made available to support staff appointments, communication, training and IT support; and the desire to avoid negative media exposure.

6. Analysis and discussion

The findings suggest that the current line-item budgeting system is deeply embedded in Government’s existing practices. The outputs and outcomes as a result of budget allocations are rarely assessed or questioned. This provides an indication that the existing budgetary system is itself an institution and that the support of powerful actors is needed to bring about significant change, consistent with Burns and Scapens (2000). However, institutional pressures and macro-level forces promote budgetary reform and may provide the impetus for change, although the timing of such reform is highly unpredictable. Coercive pressures for change are strong, particularly arising from EU surveillance and regulation to reduce the fiscal deficit. This is contrary to the findings in Jones and Caruana (2016) and might be explained by the increasing influence of the EU during Malta’s subjection to EDP requirements. The existence of mimetic influences is illustrated by interviewees referring to other countries as implied exemplars of administrations which have successfully adopted PBB.

Normative influences were significant, linked by interviewees to the importance of inter-governmental institutions, such as the IMF, and to the work of national and international accounting organisations. Such normative pressures seemed to be based upon economic reasoning for budgetary reform as reported in many studies (Modell, 2009). The principal factor promoting reform was the belief that it would support more effective economic decision making. Other economic perspectives on budgetary reform used by interviewees reflected normative pressures to enhance effectiveness and to promote accountability. Issues mentioned included arbitrary budget allocations, a lack of accountability for results, ineffective programmes which continue to be funded and budget cuts effected across the board. The similarity of views between most of the political and administrative interviewees was striking and is consistent with the results reported in Liguori *et al.* (2012).

Both politicians and administrators might be attracted by management accounting innovations built around the rhetoric of modernisation and efficiency (Hiebl, 2018).

There is the potential for future conflict between economic and institutional forces. The existing budgeting process might be attractive to the government because resource allocation decisions can be made without structured analysis of expected performance outputs, limiting the bargaining opportunities of those with different political priorities (consistent with Grossi *et al.*, 2016). In contrast, the introduction of PBB would highlight and intensify the economic case required to support claims for departmental resource allocations and would bring such conflict into the open.

This potential for conflict is reflected in the different pressures facing Malta at this time. Coercive pressures from the EU from the implementation of the EDP resulted in the reduction of the fiscal deficit becoming the dominant, short-term fiscal objective. Budgeting reform, including the implementation of PBB, became a longer-term objective which has been displaced, at least temporarily, by the need to reduce the fiscal deficit. This is similar to the findings of Christensen and Skærbæk (2007), who found that accounting reforms in Denmark were disturbed by cost cutting requirements of government.

Most interviewees appeared to assume that the use of PBB would directly affect final budget allocations, although research has shown that this is rarely the case (Raudla, 2012; ter Bogt *et al.*, 2015; Mutiganda, 2016), reflecting that budgeting is inherently a political process of making choices about policies and resources within a complex environment (Grossi *et al.*, 2016). This may reflect an underestimation of the difficulties of relating budget allocations to programmes in the absence of a direct link between resource allocation and standardised outputs in a public sector setting (ter Bogt *et al.*, 2015). A more cynical explanation is that politicians and administrators alike have been taken in by (or wish to promote) the rhetoric of the potential of PBB (Carlin and Guthrie, 2003). Most may be unaware that research provides little evidence that PBB has an impact on aggregate fiscal discipline. Robinson (2016) argues that most governments focus more on performance management than budgeting, suggesting that aggregate expenditure is controlled by limits imposed through top down budgeting, rather than PBB. Only two interviewees (both MF senior civil servants) stated explicitly that a radical change to the budgeting system would be ineffective in reducing government spending, because they felt that modifications are required to the policy stances adopted by government in high spending areas rather than in the budgetary framework. These respondents are heavily involved in the decision making underlying the current budgetary process and hence they may have a vested interest to preserve the existing system to avoid criticism. Alternatively, MF officials may be amongst the few to appreciate that PBB may have only a limited impact on decision making and the level of government expenditure in the face of political constraints.

Whilst the internal decision-making purpose of PI is undoubtedly a major factor for PBB implementation, the desirability for further political and administrative accountability was also identified as salient to the promotion of the reform (Lu *et al.*, 2015; Saliterer and Korac, 2013). The external accountability potential of PBB may be real, but may be difficult to realise without the full support of politicians and we cannot be sure that politicians want transparency, if that process creates difficulties such as adverse media criticism (Lapsley and Rios, 2015).

We cannot dismiss the possibility that interviewees over-estimate the potential usefulness of PBB (van Helden, 2016) and only future research following PBB implementation can answer the empirical questions on the scope and scale of its use.

Many factors were mentioned that might continue to prevent or delay the implementation and use of PBB. The reform would go against deeply established routines. The shortage of people within the existing workforce with experience to support such radical change in government budgeting contributes to the likelihood of resistance,

consistent with Burns and Scapens (2000). We are of the view that a further explanation for the absence of progress towards budgeting reform is that the existing cash-based budgeting system supports the cash-based financial reporting system used by the Government. It also maintains the emphasis of control over cash expenditure that is the primary objective of such systems (Reichard and van Helden, 2016). It became apparent that our respondents were highly familiar with the incremental nature of the budgeting of expenditure and the likelihood of subsequent in-year reductions. Such practices were criticised by many respondents as limiting innovation, but the importance of controlling cash expenditure was not questioned, it was how things are done (Scapens, 2006).

Political interference, which might negatively impact the achievement of pre-determined targets, was mentioned by several civil servants as a factor potentially preventing PBB effectiveness. Perhaps politicians perceive that the use of PBB will support their preferred policies. These different perspectives indicate the possibility that coercive and normative forces will result in a formal change to budgeting rules, but that changes in routines could become ceremonial in nature and decoupled from resource allocation decisions.

The views of the majority of interviewees, be they politicians or administrators, largely coincide in support of PBB reforms. This finding appears contradictory to studies that have found politicians to be only moderately interested in using PI (e.g. Buylen and Christiaens, 2016; Ezzamel *et al.*, 2014; Mutiganda, 2016; Raudla, 2012; ter Bogt *et al.*, 2015), but is supportive of recent studies which identify politicians as having an interest in PI that may be similar to the views of managers and administrators (e.g. Hammerschmid *et al.*, 2013; Hou *et al.*, 2011; Liguori *et al.*, 2012; Saliterer and Korac, 2013). An explanation for the consistency of views in this study is that most of the politicians interviewed had a background in finance, accounting and business, which might make them more supportive than most politicians of the managerialism which underlies NPM-style reforms (Liguori *et al.*, 2012, p. 906). The political interviewees were conversant with the themes discussed and are, or had been, involved in the government budgeting process.

The findings might be influenced by the small size of Malta; politicians and administrators are situated in the same buildings and they work closely together, resulting in politicians being cognisant of the way the current system operates and of its limitations. Interviewees seemed to be well aware of the coercive pressures for reform applied by the EU and others. We cannot be certain that interviewees were not just saying "what was expected", although we attempted to understand the reasons that each interviewee had for taking a particular position and then to triangulate between the different responses of interviewees and the understanding gained from the documentary analysis (Marginson, 2004).

7. Conclusion

This paper contributes to existing PBB literature by studying the pre-adoption phase which has rarely been the focus of previous studies (Lu *et al.*, 2015; Mauro *et al.*, 2017). The study delves into the interaction between institutional and economic forces, an aspect which has been inadequately studied (Modell, 2009). The institutional position of Malta, as a member of the EU which has adopted the Euro as its currency, provides an important backdrop to this study. The level of government deficit and debt during the period of the study resulted in Malta being subjected to the EDP with a resulting short-term emphasis on reducing its fiscal deficit. Thus, the economic imperative to improve its fiscal position coincided with and accentuated the coercive influences of its EU membership and the mimetic forces arising from other countries' budgeting systems.

The responses of interviewees suggest that normative influences are also significant, as illustrated by the many arguments put forward in favour of PBB reforms. The normative influences identified might reflect the background of those interviewed; many of the

administrators and (more unusually) the politicians had an accounting, finance or business administrative background which might make them more receptive to professional and NPM-influenced reforms. An implication is that the potential for budgeting reform, promoted by normative influences, is stronger if those with this type of professional background retain positions of power within the institution and are able to highlight the shortcomings and ambiguities in existing rules and routines (Hiebl, 2018); if not, countervailing forces will hold back the reforms (Alsharari *et al.*, 2015).

The access to current and former Prime Ministers and other Ministers of State in this study is unusual, even in the context of a small country. The authors' position as academics was an important attribute to gain access to politicians, as the interviews were not perceived as having a political motive. The researchers have been able to obtain the perceptions of political decision makers in a way that might be more difficult to do in larger countries, with a greater power-distance between senior politicians and citizens. This illustrates that small country studies have the potential to make contributions to theory and understanding.

Several policy and practical implications arise from these findings. It is not readily apparent what might trigger a move towards PBB reform within the Government of Malta. We are left with the conundrum that very little progress has been made in the years since the IMF (2008) referred to the Government's commitment towards PBB. However, the evidence presented in this paper is that this commitment to PBB has, at least, forced politicians and senior civil servants to consider its potential benefits, downsides and implementation issues. If progress is to be made, then time and resources need to be set aside to promote such reform. Various influences appear to support this agenda. First, the introduction of accrual-based financial reporting was thought by some respondents to be a necessary starting point towards PBB, albeit that in the short term the accrual accounting reforms had pushed resources away from PBB development. Second, there was a readiness of both political and administrative interviewees to see PBB as a route to providing more robust information to support decision making and to promote accountability; views influenced by the perceived success of some other EU countries and supported by the NPM-influenced thinking of international and professional bodies. Third, now that Malta has left the EDP, there is an opportunity to develop a medium-term budgetary framework, based upon multiyear budgets, improved monitoring and stronger linkages to PI; features that are promoted by the EU (European Council, 2013).

A further policy implication might be to introduce reforms gradually, beginning with presentational PBB, where PI is included in budget documents as background information, without playing a direct role in decision making. As both the civil service and political classes become familiar with PI within budget documentation, there could be a transition towards a performance-informed budgeting system (Downes, 2016), where PI is used to assist budget decision making, and a subsequent extension of PBB towards direct budget allocation consequences. Such performance-informed and direct allocation systems might also support accountability to citizens and stakeholder groups by disclosing the trends in spending allocations and public sector performance. Clearly, these are matters of policy implementation that will need to be considered and analysed as part of a future research agenda.

There are two further aspects of future research to highlight. First, this study can be developed longitudinally to analyse the factors that contribute towards adoption (or rejection) of PBB proposals in Malta and, if adopted, the subsequent implementation and use of PBB processes within its central government. Following implementation, future research could investigate the usefulness of PBB to politicians and seek evidence of loose coupling by administrators (especially at implementation) and by politicians (especially in use). Second, future research could be aimed to test the generalisability of the conclusions emanating from this study to see if what happens in other small countries is replicated from the pre-adoption

phase through adoption, implementation and use. Analysis of the perspectives and actions of senior politicians would be an essential part of such empirical research and would go some way to meeting van Helden's (2016) call for a greater consideration of the role of politicians in government accounting reforms.

Notes

1. The Excessive Deficit Procedure is applied to EU member states whose annual fiscal deficit exceeds a reference value of 3 per cent of GDP, based upon the European System of Accounts (ESA). The European Council, on recommendations from the Commission, may decide that an excessive deficit exists and then make recommendations to that Member State. The recommendations to Malta included: steps to reduce the ESA deficit by 0.7 per cent of GDP in each of the years 2013 and 2014; the creation of independent bodies for monitoring compliance with fiscal rules; improving its budgetary framework and improving the monitoring of budget execution throughout the year (European Council, 2013).
2. Performance-based budgeting is also referred to as Performance Budgeting, Output-based Budgeting and Managing by Results.
3. Rules are the formally recognised way in which "things should be done" while routines "represent the patterns of thought and action which are habitually adopted by groups of individuals" (Burns and Scapens, 2000, p. 6).
4. The current Prime Minister holds degrees in Public Policy and European Studies and a PhD in Management Research; the current Minister for Finance holds a Doctorate in Economics; a former Prime Minister holds a Doctorate of Business Administration; and two former Ministers for Finance are qualified accountants.

References

- Alsharari, N.M., Dixon, R. and Youssef, M. (2015), "Management accounting change: critical review and a new contextual framework", *Journal of Accounting & Organizational Change*, Vol. 11 No. 4, pp. 476-502, available at: <http://dx.doi.org/10.1108/JOAC-05-2014-0030>
- Andrews, M. (2006), "Beyond 'best practice' and 'basics first' in adopting performance based budgeting reforms", *Public Administration & Development*, Vol. 26 No. 2, pp. 147-161, available at: [http://doi.org/10.1002/\(ISSN\)1099-162X](http://doi.org/10.1002/(ISSN)1099-162X)
- Anessi-Pessina, E., Barbera, C., Sicilia, M. and Steccolini, I. (2016), "Public sector budgeting: a European review of accounting and public management journals", *Accounting, Auditing and Accountability Journal*, Vol. 29 No. 3, pp. 491-519, available at: <http://dx.doi.org/10.1108/AAAJ-11-2013-1532>
- Bazeley, P. (2013), *Qualitative Data Analysis: Practical Strategies*, Sage Publications, London.
- Berry, S.F. and Flowers, G. (1999), "Public entrepreneurs in the policy process: performance based budgetary reform in Florida", *Journal of Public Budgeting, Accounting and Financial Management*, Vol. 11 No. 4, pp. 578-617, available at: <https://doi.org/10.1108/JPBAFM-11-04-1999-B005>
- Bonnici, K.M. (2017), "On the state of our democracy", *Times of Malta*, 7 May, available at: www.timesofmalta.com/articles/view/20170507/opinion/on-the-state-of-our-democracy.647247 (accessed 28 March 2019).
- Burns, J. and Scapens, R.W. (2000), "Conceptualizing management accounting change: an institutional framework", *Management Accounting Research*, Vol. 11 No. 1, pp. 3-25, available at: <https://doi.org/10.1006/mare.1999.0119>
- Buylen, B. and Christiaens, J. (2016), "Talking numbers? Analysing the presence of financial information in councillors' speech during the budget debate in Flemish municipal councils", *International Public Management Journal*, Vol. 19 No. 4, pp. 453-475, available at: <http://dx.doi.org/10.1080/10967494.2015.1064502>

- Carlin, T. (2006), "Victoria's accrual output-based budgeting systems in Australia: delivering as promised? Some empirical evidence", *Financial Accountability & Management*, Vol. 22 No. 1, pp. 1-19, available at: <https://doi.org/10.1111/j.0267-4424.2006.00390.x>
- Carlin, T. and Guthrie, J. (2003), "Accrual output based budgeting systems in Australia: the rhetoric-reality gap", *Public Management Review*, Vol. 5 No. 2, pp. 145-162, available at: <http://dx.doi.org/10.1080/1461667032000066372>
- Caruana, J. and Farrugia, B. (2018), "The use and non-use of the government financial report by Maltese Members of Parliament", *Accounting, Auditing and Accountability Journal*, Vol. 31 No. 4, pp. 1124-1144, available at: <http://doi.org/10.1108/AAAJ-12-2015-2350>
- Carvalho, J., Gomes, P.S. and Fernandes, M.J. (2012), "The main determinants of the use of cost accounting systems in Portuguese Local Government", *Financial Accountability & Management*, Vol. 28 No. 3, pp. 306-334, available at: <https://doi.org/10.1111/j.1468-0408.2012.00547.x>
- Christensen, M. and Skærbæk, P. (2007), "Framing and overflowing of public sector accountability innovations: a comparative study of reporting practices", *Accounting, Auditing and Accountability Journal*, Vol. 20 No. 1, pp. 101-132, available at: <http://doi.org/10.1108/09513570710731227>
- Curristine, T., Lonti, Z. and Joumard, I. (2007), "Improving public sector efficiency: challenges and opportunities", *OECD Journal on Budgeting*, Vol. 7 No. 1, pp. 161-201, available at: <http://dx.doi.org/10.1787/budget-v7-art6-en>
- DiMaggio, P.J. and Powell, W.W. (1983), "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 No. 2, pp. 147-160, available at: www.jstor.org/stable/2095101
- Downes, R. (2016), "Update on OECD Performance Budgeting Survey", Ljubljana, 28–29 June, available at: www.slideshare.net/OECD-GOV/update-on-oecd-performance-budgeting-survey-2016-ronnie-downes-oecd-secretariat (accessed 28 March 2019).
- European Council (2008), "Consolidated versions of the treaty on the European Union and the treaty on the functioning of the European Union", C 115/01, Official Journal of the European Union.
- European Council (2013), "Council recommendation with a view to bringing an end to the situation of an excessive government deficit in Malta", 10558/13, Council of the European Union, Brussels, 18 June.
- European Council (2015), "Council Decision (EU) 2015/1025 of 19 June 2015 abrogating Decision 2013/319/EU on the existence of an excessive deficit in Malta", L 163/35, Official Journal of the European Union, pp. 1-2.
- Ezzamel, M., Hyndman, N., Johnsen, Å. and Lapsley, I. (2014), "Reforming central government: an evaluation of an accounting innovation", *Critical Perspectives on Accounting*, Vol. 25 Nos 4-5, pp. 409-422, available at: <http://dx.doi.org/10.1016/j.cpa.2013.05.006>
- Ezzamel, M., Hyndman, N., Johnsen, Å., Lapsley, I. and Pallot, J. (2007), "Experiencing institutionalization: the development of new budgets in the UK devolved bodies", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 1, pp. 11-40, available at: <http://dx.doi.org/10.1108/09513570710731191>
- Gilmour, J. and Lewis, D. (2006), "Does performance budgeting work? An examination of the Office of Management and Budget's PART scores", *Public Administration Review*, Vol. 66 No. 5, pp. 742-752, available at: <http://dx.doi.org/10.1111/puar.2006.66.issue-5>
- Grossi, G., Reichard, C. and Ruggiero, P. (2016), "Appropriateness and use of performance information in the budgeting process: some experiences from German and Italian municipalities", *Public Performance & Management Review*, Vol. 39 No. 3, pp. 581-606, available at: <https://doi.org/10.1080/1530956.2015.1137770>
- Guarini, E. (2016), "The day after: newly-elected politicians and the use of accounting information", *Public Money & Management*, Vol. 36 No. 7, pp. 499-506, available at: <http://dx.doi.org/10.1080/09540962.2016.1237135>
- Hammerschmid, G., van de Walle, S. and Stimac, V. (2013), "Internal and external use of performance information in public organizations: results from an international survey", *Public Money & Management*, Vol. 33 No. 4, pp. 261-268, available at: <http://dx.doi.org/10.1080/09540962.2013.799803>

- Hengel, H., Budding, T. and Groot, T. (2014), "Loosely coupled results control in Dutch municipalities", *Financial Accountability & Management*, Vol. 30 No. 1, pp. 49-74, available at: <http://dx.doi.org/10.1111/faam.12027>
- Hiebl, M.R.W. (2018), "Management accounting as a political resource for enabling embedded agency", *Management Accounting Research*, Vol. 38 No. 3, pp. 22-38, available at: <https://doi.org/10.1006/mar.2017.03.003>
- Ho, A.T. (2011), "PBB in American local governments: it's more than a management tool", *Public Administration Review*, Vol. 71 No. 3, pp. 391-401, available at: <https://doi.org/10.1111/j.1540-6210.2011.02359.x>
- Hou, Y., Lunsford, R., Sides, K. and Jones, K. (2011), "State performance-based budgeting in boom and bust years: an analytical framework and survey of the states", *Public Administration Review*, Vol. 71 No. 3, pp. 370-388, available at: <https://doi.org/10.1111/j.1540-6210.2011.02357.x>
- IMF (2008), "Malta: staff report for the 2008 Article IV Consultation", IMF Country Report 08/276, International Monetary Fund, Washington DC, available at: www.imf.org/external/pubs/ft/scr/2008/cr08276.pdf (accessed 28 March 2019).
- IMF (2015), "2014 Article IV Consultation – Staff Report; Press Release; and Statement by the Executive Director for Malta", International Monetary Fund, Washington DC, available at: www.imf.org/external/pubs/ft/scr/2015/cr1546.pdf (accessed 28 March 2019).
- Jansen, E.P. (2008), "New public management: perspectives on performance and the use of performance information", *Financial Accountability & Management*, Vol. 24 No. 2, pp. 169-191, available at: <https://doi.org/10.1111/j.1468-0408.2008.00447.x>
- Jones, R. and Caruana, J. (2016), "Governmental accounting in Malta towards IPSAS within the context of the European Union", *International Review of Administrative Sciences*, Vol. 82 No. 4, pp. 745-762, available at: <http://doi.org/10.1177/0020852315576705>
- Lapsley, I. and Rios, A. (2015), "Making sense of government budgeting: an internal transparency perspective", *Qualitative Research in Accounting & Management*, Vol. 12 No. 4, pp. 377-394, available at: <https://doi.org/10.1108/QRAM-01-2015-0014>
- Liguori, M., Sicilia, M. and Steccolini, I. (2012), "Some like it non-financial: politicians' and managers' views on the importance of performance information", *Public Management Review*, Vol. 14 No. 7, pp. 903-922, available at: <http://dx.doi.org/10.1080/14719037.2011.650054>
- Lilleker, D. (2003), "Interviewing the political elite: navigating a potential minefield", *Politics*, Vol. 23 No. 3, pp. 207-214, available at: <https://doi.org/10.1111/1467-9256.00198>
- Lounsbury, M. (2008), "Institutional rationality and practice variation: new directions in the institutional analysis of practice", *Accounting, Organizations and Society*, Vol. 33 Nos 4-5, pp. 349-361, available at: <https://doi.org/10.1016/j.aos.2007.04.001>
- Lu, E.Y., Mohr, Z. and Ho, A.T. (2015), "Taking stock: assessing and improving performance budgeting theory and practice", *Public Performance & Management Review*, Vol. 38 No. 3, pp. 426-458, available at: <http://dx.doi.org/10.1080/15309576.2015.1006470>
- Malta National Statistics Office (2018), "Population Statistics (Revisions) 2012-2016", News Release, NSO, Valetta, 12 February, available at: https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C5/Population_and_Migration_Statistics/Pages/Population%20Revisions.aspx (accessed 28 March 2019).
- Marginson, D. (2004), "The case study, the interview and the issues: a personal reflection", in Humphrey, C. and Lee, B. (Eds), *The Real Life Guide to Accounting Research*, Elsevier, Oxford, pp. 325-337.
- Marquis, C. and Lounsbury, M. (2007), "Vive la resistance: competing logics and the consolidation of US Community Banking", *Academy of Management Journal*, Vol. 50 No. 4, pp. 799-820, available at: www.jstor.org/stable/20159891
- Mauro, S.G., Cinquini, L. and Grossi, G. (2017), "Insights into performance-based budgeting in the public sector: a literature review and a research agenda", *Public Management Review*, Vol. 19 No. 7, pp. 911-931, available at: <http://dx.doi.org/10.1080/14719037.2016.1243810>

- Meyer, J.W. and Rowan, B. (1977), "Institutionalized organizations: formal structure as myth and ceremony", *American Journal of Sociology*, Vol. 83 No. 2, pp. 340-363, available at: www.jstor.org/stable/2778293
- Mikecz, C. (2012), "Interviewing elites: addressing methodological issues", *Qualitative Inquiry*, Vol. 18 No. 6, pp. 482-493, available at: <https://doi.org/10.1177/1077800412442818>
- Mimba, N.P., van Helden, G.J. and Tillema, S. (2013), "The design and use of performance information in Indonesian local governments under diverging stakeholder pressures", *Public Administration and Development*, Vol. 33 No. 1, pp. 15-28, available at: <https://doi.org/10.1002/pad.1612>
- Modell, S. (2009), "Institutional research on performance measurement and management in the public sector accounting literature: a review and assessment", *Financial Accountability & Management*, Vol. 25 No. 3, pp. 277-303, available at: <http://dx.doi.org/10.1111/j.1468-0408.2009.00477.x>
- Moynihan, D.P. (2016), "Political use of performance data", *Public Money & Management*, Vol. 36 No. 7, pp. 479-481, available at: <http://dx.doi.org/10.1080/09540962.2016.1237112>
- Murray, L.W. and Efendioglu, A.M. (2011), "Budgeting for city and county governments: how performance-based budgeting could have reduced budget deficits", *Business and Management Review*, Vol. 1 No. 9, pp. 13-22.
- Mutiganda, J.C. (2016), "How do politicians shape and use budgets to govern public sector organization? A position-practice approach", *Public Money & Management*, Vol. 36 No. 7, pp. 491-498, available at: <https://dx.doi.org/10.1080/09540962.2016.1237133>
- Oliver, C. (1991), "Strategic responses to institutional processes", *Academy of Management Review*, Vol. 16 No. 1, pp. 145-179, available at: <https://doi.org/10.5465/amr.1991.4279002>
- PWC (2014), "Collection of information related to the potential impact, including costs, of implementing accrual accounting in the public sector and technical analysis of the suitability of individual IPSAS standards", Prepared for Eurostat, 2013/S 107-182395, PriceWaterhouseCoopers, Brussels.
- Raudla, R. (2012), "The use of performance information in budgetary decision-making by legislators: is Estonia any different?", *Public Administration*, Vol. 90 No. 4, pp. 1000-1015, available at: <https://doi.org/10.1111/j.1467-9299.2012.02041.x>
- Rautiainen, A. and Järvenpää, M. (2012), "Institutional logics and responses to performance measurement systems", *Financial Accountability & Management*, Vol. 28 No. 2, pp. 164-188, available at: <http://dx.doi.org/10.1111/j.1468-0408.2012.00541.x>
- Reichard, C. and van Helden, J. (2016), "Why cash-based budgeting still prevails in an era of accrual-based reporting in the public sector", *Accounting, Finance and Governance Review*, Vol. 23 Nos 1-2, pp. 43-65.
- Ribeiro, J.A. and Scapens, R.W. (2006), "Institutional theories in management accounting change: contributions, issues and paths for development", *Qualitative Research in Accounting & Management*, Vol. 3 No. 2, pp. 94-111, available at: <https://doi.org/10.1108/11766090610670640>
- Robinson, M. (2016), "Budget reform before and after the global financial crisis", *OECD Journal on Budgeting*, Vol. 2016 No. 1, pp. 29-63, available at: <https://dx.doi.org/10.1787/budget-16-5jlvc85w7nkf>
- Saliterer, I. and Korac, S. (2013), "Performance information use by politicians and public managers for internal control and external accountability purposes", *Critical Perspectives on Accounting*, Vol. 24 Nos 7-8, pp. 502-517, available at: <https://doi.org/10.1016/j.cpa.2013.08.001>
- Scapens, R.W. (1994), "Never mind the gap: towards an institutional perspective of management accounting practices", *Management Accounting Research*, Vol. 5 Nos 3/4, pp. 301-321, available at: <https://doi.org/10.1006/mar.2017.03.003>
- Scapens, R.W. (2006), "Understanding management accounting practices: a personal journey", *British Accounting Review*, Vol. 38 No. 1, pp. 1-30, available at: <https://doi.org/10.1016/j.bar.2005.10.002>
- Scott, W.R. (2008), "Approaching adulthood: the maturing of institutional theory", *Theory and Society*, Vol. 37 No. 5, pp. 427-442, available at: <https://doi.org/10.1007/s11186-008-9067-z>

- Scott, W.R. and Meyer, J.W. (1992), "The organization of societal sectors", in Meyer, J.W. and Scott, W.R. (Eds), *Organizational Environments: Ritual and Rationality*, Sage, London, pp. 129-153.
- Sterck, M. (2007), "The impact of performance budgeting on the role of the legislature: a four country study", *International Review of Administrative Sciences*, Vol. 73 No. 2, pp. 189-203, available at: <http://doi.org/10.1177/0020852307077960>
- ter Bogt, H. (2004), "Politicians in search of performance information? Survey research on Dutch aldermen's use of performance information", *Financial Accountability & Management*, Vol. 20 No. 3, pp. 221-252, available at: <http://dx.doi.org/10.1111/j.0267-4424.2004.00387.x>
- ter Bogt, H.J., van Helden, G.J. and van der Kolk, B. (2015), "Challenging the NPM ideas about performance management: selectivity and differentiation in outcome-oriented performance budgeting", *Financial Accountability & Management*, Vol. 31 No. 3, pp. 287-315, available at: <https://doi.org/10.1111/faam.12058>
- Times of Malta* (2017), "Government to adopt accrual accounting", *Times of Malta Online*, 10 July, available at: www.timesofmalta.com/articles/view/20170710/local/government-to-adopt-accrual-accounting.652923 (accessed 28 March 2019).
- University of Malta (2014), "How Malta votes: an overview", available at: www.um.edu.mt/electionsdata/stvsystem/howmaltavotes (accessed 28 March 2019).
- van Helden, G.J. (2016), "Literature review and challenging research agenda on politicians' use of accounting information", *Public Money & Management*, Vol. 36 No. 7, pp. 531-538, available at: <https://dx.doi.org/10.1080/09540962.2016.1237162>
- van Helden, G.J. and Reichard, C. (2013), "A meta-review of public sector performance management research", *Tékhnē*, Vol. 11 No. 1, pp. 10-20, available at: <https://dx.doi.org/10.1016/tekhne.2013.03.001>
- van Helden, G.J. and Tillema, S. (2005), "In search of a benchmarking theory for the public sector", *Financial Accountability & Management*, Vol. 21 No. 3, pp. 337-360, available at: <https://doi.org/10.1111/j.0267-4424.2005.00224.x>
- van Helden, G.J., Johnsen, Å. and Vakkuri, J. (2008), "Distinctive research patterns on public sector performance measurement of public administration and accounting disciplines", *Public Management Review*, Vol. 10 No. 5, pp. 641-651, available at: <https://dx.doi.org/10.1080/14719030802264366>
- von Trapp, L. (2014), "Performance budgeting in the OECD: highlights from the OECD 2011/2012 PB Survey Results", 10th Annual Meeting of OECD – Asian Senior Budget Officials, Bangkok, 18-19 December, available at: www.slideshare.net/OECD-GOV/performance-budgeting-in-the-oecd-highlights-from-the-oecd-20112012-pb-survey-results-lisa-von-trapp-oecd (accessed 28 March 2019).
- Wildavsky, A. (1978), "A budget for all seasons? Why the traditional budget lasts", *Public Administration Review*, Vol. 38 No. 6, pp. 501-509.

Corresponding author

Lauren Ellul can be contacted at: lauren.ellul@um.edu.mt

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.