

# PERFORMANCE MEASUREMENT CHALLENGES IN SWITZERLAND: ESSONS FROM IMPLEMENTATION

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## Introduction

This article assesses recent reforms to implement performance budgeting at the national level in Switzerland with emphasis on the necessity for integrating the political dimension. The political context in Switzerland is described as a regulation-driven with fairly liberal but still detailed private and public law, and where the legal basis is the major subject of political influence. In practice, the law is the result of long-term politics while the budget reflects the short-term, actual value of tasks is determined by the legislators. Thereby, a systematic link between legal obligations and financial resources – such as is the case in U.S. programs – does not exist in the traditional form of political steering. In times of financial pressure, this can lead to laws that are not enacted due to a lack of resources. The article analyzes traditional budgeting and contrasts it with results-oriented public management and performance budgeting as manifest in the Swiss model.

## Political Control Structures in Switzerland

### Political Background

The Swiss Confederation was founded in 1291. The Swiss Federal government (the Federal Council or *Bundesrat*) is a collegial authority of seven ministers. Switzerland has neither a president nor a prime minister - the seven federal councillors constitute one single decision-making body, with all members having equal rights. A typical feature of Switzerland is its special form of concordant democracy that, in contrast to the 'competitive' or 'adversarial' democracies of Anglo-Saxon countries, incorporates all the major political parties in the national government. The latter's composition does not vary in that it always includes both the major political parties and the various linguistic regions. Parliament consists of two chambers with equal rights: the Council of States, comparable to the American Senate and the National Council, comparable to the American House of Representatives. These chambers reflect the diversity of the party political landscape, although the 'governing parties' occupy 74% of the seats.

Unlike the British Westminster system, but similar to the US one, Swiss parliaments see themselves as part of a system of "checks and balances". In practice, parliaments often behave like an opposition to the government that, in turn, develops its own tactics to get around parliament if necessary.

A notable feature of Swiss government is the country's system of direct democracy. Its major instruments are the 'initiative' and the 'referendum'. An initiative (requiring 100,000 signatures) enables citizens to demand that a new constitutional article be submitted to a nation-wide ballot. With 50,000 signatures, citizens can demand a nation-wide referendum against an alteration of a federal statute. Democratic awareness has

deep roots in Swiss political culture, and any attempts at changing democratic possibilities of intervention in favour of more efficient processes can be expected to provoke total resistance from the population and its representatives.

### Laws as a Major Means of Political Influence

As Switzerland is a regulation-driven nation with a fairly liberal but still detailed private and public law, the legal basis is the major subject of political influence. In practice, the law is considered the result of long-term politics while the budget reflects the short-term, actual value a certain task is given by the legislator. Thereby, a systematic link between legal obligations and financial resources – such as is the case in U.S. programs – does not exist in the traditional form of political steering. In times of financial pressure, this can lead to laws that are not enacted due to a lack of resources.

The law (or Act of Parliament) as the traditional means of parliamentary control is suffering from an increasing loss of effectiveness. A recent report of a committee of experts (1996) on the subject can be summarised as follows:

- It is becoming more and more difficult to solve long-term problems with general and abstract regulations.
- The law is not a suitable means of carrying out the necessary constructive tasks.
- Legislation often arrives too late because the legislative process is too slow.
- The law of the land and law as people experience it are drifting further and further apart.
- Law nowadays does not make any systematic link between tasks (services) and resources.
- The latent financial shortage is threatening to dominate legislative decisions.

Nevertheless, it must be clear that the major function of the Swiss legislature is the creation and up-date of a legal framework for the co-existence of the diverse actors within the nation. Therefore, budgeting is important but – in general – not the most important aspect of political life.

### Traditional Budgeting

Switzerland's tradition in budgeting is easily comparable to the one in other countries. Before the new public management debate started in the early nineties, line-itemized input budgets were the regular case, which was not questioned until a few years ago. There was, however, a certain difference in the degree of detail in that smaller local bodies always had a fairly 'lean' budget while the city of Zurich, for example, usually published a thick book full of figures. For the normal citizen, both forms did not transport much information that could be understood without considerable effort. So it came to the internationally, often experienced, situation that parliamentary committees spent hours discussing small spending items for unimportant matters while the administration decided on long lasting strategies without the political bodies.

Even in Switzerland, where direct democratic habits lead to a whole people voting on questions that have more or less strategic value four times a year, there was a growing dissatisfaction with the uneven partition of real power between the administration, the government and the legislature. Even when it comes to the core function of the legislator, the enactment of new laws, MP David (1998:172) points out that the administration has a much greater influence than is usually expected, and that, "...not only are the bureaucrats competent, but they also have a political point of view. This is rarely discussed."

The rise of a modern managerialist view of the administration created a need for management information that went further than just the financially dominated input view. Soon it became clear that the traditional accountability patterns lacked of outputs and outcomes. Although there had always been implicit ideas about output and outcome targets behind allocation decisions, a systematic feedback and – if necessary – correction process was not in place. In the context of increasing financial pressure and several scandals of mismanagement in Swiss public institutions, a growing dissatisfaction gained ground among public officials and politicians. Some solutions were to be found in the private sector management domain which promised stronger strategic leadership with a new managerialist rationale of the whole decision making process.

### **Results-oriented Public Management and Performance Budgeting: The Swiss Model**

Results-oriented public management (*Wirkungsorientierte Verwaltungsführung*) is the key term for Swiss reforms of the new public management type. It is on the one hand similar to the US National Performance Review, on the other hand it differs from most NPM projects in terms of political control processes, and it emphasises outcomes rather than outputs. Although it has not yet been possible to achieve total results-orientation – the ultimate aim of the reforms – the awareness of all parties that this should be the way to go seems to be a competitive advantage for the Swiss reforms in the international context.

Swiss reforms can be titled "concept-driven" or "theory-driven" as the theoretical debate of academics and practitioners about the "right" public management model for this country has been intense since the beginning of the nineties. This is an important difference to, say, the Dutch reforms as Kickert (1999) points out that no such in-depth debate had ever taken place in the Netherlands before or during the reform process. Although the academic driving forces for the Swiss NPM reforms came from management theory, it was only until an interdisciplinary debate between lawyers, management scholars, and economists started that the Swiss NPM was too managerialist. Since 1996, a much broader approach has tried to design a Swiss NPM model that takes into consideration the peculiarities of the direct democratic system in this country. Some of the ideas were detailed earlier by Schedler (1997) to an international audience.

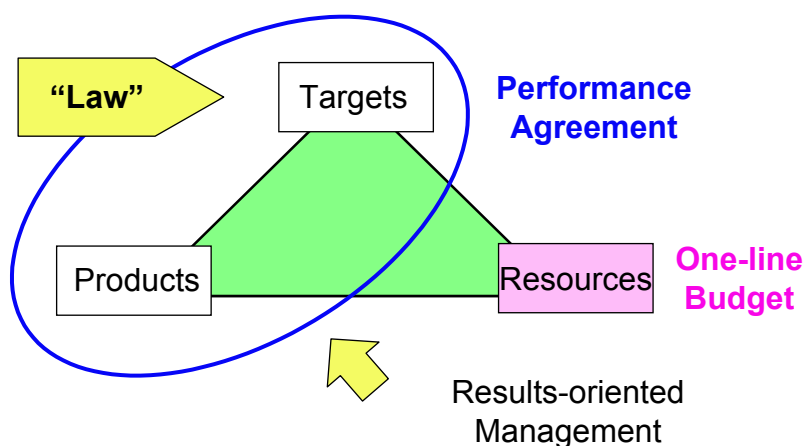
## Political-Administrative Control Structures

The general concept that lies behind the results-oriented public management contains a new form of control:

- the general basis for all state action will always be a legal one. In contrast to the U.S. or anglo-saxon system, Switzerland has a specialised public law with a strongly conditional logical concept (if-then-relations).
- in order to give the managers a greater freedom of action, one-line budgets replace the traditional line-itemised budgets.
- this increase in managerial freedom in order to create a minimal degree of concrete terms for the allocation of financial resources, so-called "products" are defined that are comparable to the "outputs" in U.S. terminology.
- the targets of each programme and/or public institution are made transparent with beneficiary effects for political decision making and the staff working in a certain organisation.

Products and targets are the core ingredients of so-called performance agreements, which are to be combined with a one-line budget per organization or performance unit. Up to this point, the Swiss model does not differ much from other internationally known concepts.

*Figure 1: The Logic of Results-Oriented Public Management*



The most important argument for the results-oriented public management is the creation of a win-win situation in which all the actors profit from the new structures:

- the parliament will get a new transparency about outputs and outcomes and will therefore be able to take better informed decisions
- the government will gain stronger managerial influence and also output and outcome transparency

- the administration, at last, will have more room to manoeuvre for managerial decisions.

In theory, these arguments were welcomed by the reform community and the Swiss model of a results-oriented public management has been implemented since 1993 in pilot projects in nearly all the Swiss cantons. Meanwhile, it has become clear that the model suits well to the administration as its managerial rationality fits to the needs of the newly created public managers. Transparency has been increased within the administration which gave rise to a great support of the new model within the administration. If it had not been for the politicians, the results-oriented public management would be fully implemented in Switzerland.

However, political rationality differs widely from its managerialist counterpart, and the benefits of the results-oriented public management for the administration are of little importance to the politicians. Here, the major topic has been the diversion of political influence (and therefore power) in the new model. A politically rational decision can not be limited to the so-called strategic level if a (for managers unimportant) detail helps to find majorities.

It is therefore necessary to draw typical border lines between the responsibilities of parliament and government at first hand and the administration at second. Thereby, several choices have to be made by the responsible political institutions about the layout of the political interaction between parliament and government:

- will the one-line budget be linked to an organisational or a performance unit? If the latter, who will be responsible for the budget?
- will parliament take its budget and results decisions on the basis of (approximately) 1000 products, 200 product groups, or 50 task areas?
- will parliaments have a direct influence on single activities within the administration, or are they restricted from managerial decisions and limited to output or outcome specifications?

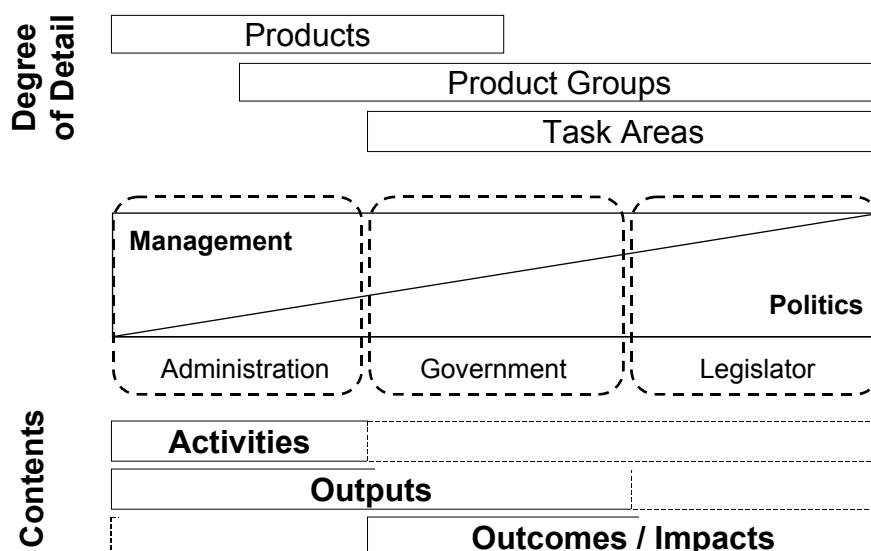
Practice demonstrates that there is a variety of solutions and combinations among the different cantons, which can be traced back to a wide range of political cultures around the nation. At the University of St. Gallen, we have developed an ideal model (see Figure 23.2) that divides direct influence as follows:

Parliament decides directly on expected outcomes and impacts in up to 50 task areas and sets targets on that basis. A performance measurement system delivers the politically important information on the achievement of outcome and impact goals. For information only, output and outcome figures per product group are delivered to the parliament, which in case of dissatisfaction has its own instruments to intervene with the government.

The government's duty according to our model is the "translation" of outcomes into output targets for the administration at the product group level. The single ministry will then set up a performance agreement with the administration that goes down to output targets at the product level.

The administration will organize its activities autonomously in order to achieve its targets and measure its performance. A layered reporting system creates managerial and political information which is delivered to the government and the parliament periodically.

Figure 2: Theoretical Concept of Political-Administrative Control under the NPM Regime



### Performance Budgets In A Political Context

The performance budget allocates a one-line budget and a performance contract to each of the administrative departments in order to produce given groups of products. The one-line budget for administration, approved by the Parliaments in each case, now basically takes two different legal forms:

- The “*pure*” *performance budget*: this allocates net costs or net expenditure to given product groups (the “product groups budget”) or task areas (the “task area budget”) with binding legal effect. Shifting budget amounts from one product group or field of activity to another later is only possible with a supplementary loan or amendment resolution.
- The *Institution budget* (e.g. departmental budget): this allocates net costs or net expenditure to given institutions with binding legal effect. Although financial data are shown for each product group, they have no binding legal effect and it is permissible to move financial resources between the product groups in any one department without special permission, provided the agreed services are delivered. The decisive factor is the “contract total” for each institution. This is the form that is currently being used in most projects because the administrations rarely have the basic figures for producing a binding product group budget.

Under this system, budget sovereignty still remains with Parliament, meaning that Parliament can determine how much money is devoted to which purposes; it is only the "specification", or the form in which the resources are bound, that is changed.

The product group budget is backed by the product group account as the instrument for keeping accounts. The present form of annual report, often divided into an accounts and an administrative report, thus separating the financial aspects from the services performed, will be superseded by the new reports.

### Indicator Systems and Political Indicators

The projects currently running under the heading of results-orientated public management are showing that the information systems being used in the projects – interim reports, product group accounts, etc. – contain too much management information and are thus often imposing too much work on the parliamentarians. Those involved have therefore been asked to keep the information on the product groups as concise as possible in order to provide a view of the interesting aspects. It was questioned by the government of the Canton of Berne whether a plenary session of parliament can handle *interim reports* anyway. In many cases, therefore, the parliamentary committees are only being given *political deviation reports* on the interim results, which can be passed on to the government on request and if necessary. The political indicators thus take the place of the (excessively) detailed performance indicators.

Mastronardi (1998: 87), a specialist in constitutional law, describes the problems of administrative dominance in designing the new management system very clearly:

"Parliament is not doing its job if it accepts sight-unseen the performance aims and indicators put up to it by the government and the administration. It would otherwise be allowing itself to be guided far too much by the commercial point of view, which is currently the dominant one in the context of the NPM projects. Instead, it should on its own initiative check whether the information on offer is relevant to those questions that are themselves relevant to judging the political effectiveness: are the political aims being achieved by the measures that are being taken? Political effectiveness control requires politically defined effectiveness indicators."

Political indicators require properly formulated political goals. The basic principle here is: no goal without an indicator, no indicator without a goal. For Parliament, this means that the government's suggested goals must be examined critically and if necessary replaced or augmented with Parliament's own goals. Although it is desirable for these various Committees to play an active role, the situation should be avoided in which they interfere in management questions and/or place too much of a workload on the administration by demanding a disproportionately large amount of information. For this reason, it was decided in the Canton of Solothurn, for instance, that the number of (political) indicators that Parliament can require should be reduced, and this had the agreeable side-effect that the Committee now has to set priorities.

It is obvious that a considerable amount of uncertainty is still affecting the question of political indicators, in both theory and practice. The projects currently running are still

too new to allow conclusive results to be expected, and there are hardly any examples of any similar schemes in other countries. Nevertheless, the idea is gaining acceptance in practice and is therefore worth mentioning.

#### Example 1: Political Indicators in the Canton of Solothurn

The Canton of Solothurn proposes the political indicators in its Ordinance "Experiment with results-orientated administrative management in the Canton of Solothurn". In response to an application from one of the competent Committees, the Parliament defines goals for selected product groups for which the politically significant indicators for the attainment of the goals have to be supplied with the proposal. The Parliament also lays down the period of time over which an indicator is to be monitored. The relevant Committee approves the amended political indicators as proposed by the Government.

It is envisaged that, during the experimental period, each Supervisory Committee can require three political indicators and each Technical Committee as many as the individual departments can handle. If any decide not to lay claim to a political indicator, another can claim two. As this regulation is very new it is not yet possible to say how it will develop in practice.

### Conceptual Consequences from Performance Budgeting

#### Instruments for Controlling Outcomes by Parliament

All Swiss members of parliament are part-timers and parliamentary secretariats are relatively weak. This fact represents a considerable restriction on the ability of Swiss parliaments to take action. Information brought into Parliament by the government can hardly be subjected to any further work unless individual parliamentarians work on them, and this inevitably results in their having a high degree of specialisation, but also to a great asymmetry of information – to the disadvantage of the parliaments.

In connection with the current series of reforms, therefore, the parliaments are constantly calling for their facilities to be strengthened. The ability of Parliament to exert any influence is currently limited to its legislative instruments, the only real exceptions being budget decisions and, particularly, its supervisory activities, even though sanctions normally have to take the legislative course.

The principle of results-orientated public management requires the parliaments to concentrate harder on *strategic and standard-setting functions* and leave operational work to the government and the administration as much as possible. This leads to the logical consequence that Parliament will have to be given the necessary facilities (instruments and resources) to be able to do its job. Mastronardi (1995: 1550) stresses correctly that removing the control of resources without replacing it with other (results-orientated) possibilities for exerting influence and control is in practice rejected for democratic reasons.

Parliamentary control in Switzerland often boils down in effect to *indirect control*, unless it is carrying out business on its own account. Since Parliament will not take on



any political or management responsibility, it should not interfere directly in the executive management function. However, there are exceptions to be found in the major tasks that fall within the competence of Parliament.

In order to put all the various activities and possibilities at the interface between Parliament and government into some kind of logical order, in practice and in the literature a distinction is made between *the resources of political communication* and *instruments of parliamentary intervention*.

- Communications resources define the form in which the political intentions of the executive are communicated to Parliament and the population at large. This includes those cases that serve for obtaining the authorisation needed for later implementation, e.g. of the annual budget.
- Instruments of intervention are used to enforce or instigate given political actions. They do not of themselves define policy, but are the tools of parliamentary work.

In Switzerland, Parliaments of the larger or smaller kind have the following possibilities for intervening in government policy:

- Binding instructions: Government is not allowed to do anything other than implement them.
- Guidelines: The government can take other action than direct implementation but must give a political justification for doing so, and is required to pursue the stated aim.
- Clarification request: Parliament requests the Government to clarify whether in a given question a certain course of action should be taken.
- Political indication: Parliament indicates its considered position on an important political question on which no decision can be taken at the moment. The Government can decide not to conform with the indicated policy.
- Parliamentary wording (Bill): Parliament hands down a completely formulated draft Act (or Bill). The Government has to accept it as it stands.
- Information: The Government must provide the requested information (in the requested form).

Ultimately, however, all these instruments suffer from the fact that they are limited to the legislative function of Parliament. Directly laying down goals for performance or effectiveness is not possible within the traditional system. An instrument had therefore to be created that is capable of doing this: the *Auftrag*.

#### Auftrag – A Parliamentary Order to the Government

An *Auftrag* has been described as follows by the federal committee of experts that recommended it to Parliament as a new instrument:

”An *Auftrag* is a general instrument with which the Federal Assembly can control future decisions regardless of whether they are to be taken by Parliament itself or

the Federal Council. The allocation of authority does not dictate the permissibility but the effect of the *Auftrag*:

- If the Federal Council and the administration are required to support the Federal Assembly in the exercise of its own powers, the Order will have the same effect as *instructions*...
- If the Federal Council is required to issue regulations or undertake application acts that lie within its sphere of decision-taking authority, the *Auftrag* will have the same effect as a *guideline*...”

Article 22<sup>quarter</sup> of the Parliament Business Routines Act subsequently enacted in the Federal Parliament now states:

- The *Auftrag* instructs the Federal Council to issue or amend a performance contract under Article 44 of the Federal Government and Administration Organisation Act. The *Auftrag* shall have the effect of a Guideline from which deviation shall only be permitted in well justified cases.
- The draft *Auftrag* can be amended.
- The *Auftrag* shall require the consent of the other Council. If the first Council decides on a difference during the Second Reading, the Reconciliation Conference shall be called in.
- Decisions by one Council to write off *Aufträge* shall require the consent of the other Council.

The Federal Parliament thus has a co-determination right in the form of performance contracts, which goes further than its previous overall supervisory function. Furthermore, by revision of the Federal Budget Act the basis for a management by one-line budgets was created:

The *Auftrag* enables Parliament to do almost anything. For instance, it can:

- intervene in the product groups budget,
- intervene in long-term plans and developments,
- require laws to be formulated or adapted which issue a planning *Auftrag*.

The instrument of the *Auftrag* has also been introduced at the Cantonal level, but here it is so new that no experience has yet been accumulated that can be evaluated. The Cantons that work with the *Auftrag* include Solothurn and Berne.

### Leistungsmotion – A Performance Order

The Parliament of the Canton of Zürich has decided on a slightly more specific form of intervention, but it does have a certain similarity to an *Auftrag*. The *Leistungsmotion* that has been introduced here requires the executive to calculate the financial consequences of a stated alternative level of performance in the next budget, or to include a stated performance goal in the one-line budget for stated groups of performance.

Only the standing parliamentary committees are authorised to bring in a *Leistungsmotion*, which has to be submitted to parliament no later than the end of January. The government then states its considered view on the matter within eight weeks, and the parliament decides at its next meeting on the handing over of the performance. The Government submits to the parliament in the next one-line budget the draft that was handed over with the *Leistungsmotion* and submits its application. If the government comes to the conclusion that an extended goal cannot be reached within the envisaged period of time it is free to state with what resources and within what period of time the goals can be reached.

The *Leistungsmotion* was introduced in June 1999 when the revised Cantonal Parliament Act took effect.

### Further Parliamentary Instruments

The Canton of Zürich has introduced another new instrument, the "planning postulate", with which measures for medium-term planning can be required, and the right of the business management and the standing committees to submit their own motions and planning postulates. In the Canton of Berne, the people can vote on a "basic decision" which is an order to the government that a specific programme should be planned. In general, a certain amount of money for the funding of the planning activities is linked to the decision. Other Cantons have also introduced further parliamentary instruments, but these will not be discussed in detail here.

### *Task and finance planning*

In most Swiss governments, there is broad consensus that the one-year perspective of traditional budgets is too short a period to steer effectively. Therefore, new forms of mid-term steering instruments are being developed which affect the communication between government and parliament. Although the biennial budgeting models of some U.S. states and cities have been studied by Swiss parliamentary committees, it seems to be too early to make that step away from yearly budgets. It is argued by politicians that the parliament would give away its power when [verzichten] on its yearly influence on the budget.

In order to emphasise a stronger focus on the mid-term development – combined with a strategic management perspective – the government's planning resources have also been re-designed. Here too, a systematic link between budgetary and performance figures has been created so that the basic idea of the performance budget is reflected in the multi-year plans.

The government will, according to our model, draw up an *integrated task and finance plan* as described by Haldemann (1997: 131). It is the instrument designed to present the medium-term consequences of political decisions in terms of costs, output, and effects over four to six years. It is a rolling plan, meaning that every change such as those caused by political decisions or external factors is registered and the plan adapted accordingly. Every decision by Parliament therefore has to be examined for its effects on the task and finance plan, and presented transparently.

The plan contains at least the following information:

- a. *planned developments regarding output and effects in the various working areas;*
- b. *the financial ramifications for the Current account and the Investment Account;*
- c. *the key financial and output figures for the Cantonal budget.*

It has to be submitted in a form that is digestible for Parliament together with the preliminary estimate, and Parliament takes due note of it. As the plan does not cover any fixed period of time, but "rolls on" forever, no final report is necessary.

#### Example 2: Government Policy Guidelines in the Canton of Berne

In 1998, the government of the Canton of Berne submitted to the public for the first time its so-called Government policy guidelines for the next four years (1999 to 2002). They can be described as follows:

"The Government policy guidelines form part of political planning. They contain a declaration of intent. The Government gives an overview of the main government tasks and the aims that it intends to achieve in the next four years. ... The planning of tasks and the financial plan are thus linked together. Planning has much to do with early warning, co-ordination, and the search for consensus" (Chancellery of State of the Canton of Berne).

Parliament takes due note of the guidelines, and can express its considered opinion by issuing a declaration of its own. The citizens also are to be consulted, but because the style of presentation is decidedly technical this might prove to be a problem.

The guidelines cover task and financial planning for the coming four years, and consist of the following elements:

- a description of the initial situation in 28 different fields of activity defined by the government
- aims and activities, with priorities, relating to these fields of activity
- the legislative programme for each field of activity
- the legislature financial plan.

The guidelines thus form a combination of legislature, task, and finance planning. They have both a programmatic and a prognostic character.

#### *Legislature planning*

While the integrated task and finance plan is more of a management-type mid-term instrument, legislature planning is the government's priority political programme, of which Parliament takes due note at the beginning of each legislature. In its traditional form, the legislature plan mainly contains information about new laws that are to be created; the results-oriented aspect of the new form of legislature planning is the list of political programmes which the executive would like to draw the most attention to during the coming legislature. For each priority it contains a reference to the consequences to be expected in the medium term. Its degree of detail must be such that

it is possible to check on progress (politically) by means of the definition of "milestones" every year.

As with every planning instrument, the legislature plan has to have the appropriate report providing information at the end of the period on whether the output or effects have been achieved or how much progress has been made in this direction.

It is normally the job of the government to formulate the legislature plan. It gains in significance when Parliament takes note of it and when *indirect* influence is exerted on the legislature plan by means of various instruments. The main problem, however, is the fact that the plan is not given any formal statutory force. It is not binding, and as a result hardly any real notice has been taken of it up to now.

*Political resources in their overall context*

Looked at in their entirety, the new resources can be seen as forming a consistent whole. Behind the model presented here is a fundamental question which matters greatly at least for medium-term control: how tightly can and should Parliament allow itself to be bound in the medium term? Discussions with parliamentarians and experts indicate that some Swiss parliaments would even accept the necessity for making short-term changes *more difficult*. On the other hand, it is at the moment an open question whether a parliament would allow itself to be bound strictly over a period of several years, for instance by accepting that an outline resolution that had once taken effect could never be altered. Up to that point, however, the Federal Parliament had regularly dispensed with any such self-limitation (see Committee OF EXPERTS: *Division of authority*: 488).

Figure 24.3: Theoretical Structure of Results-Oriented Steering Instruments

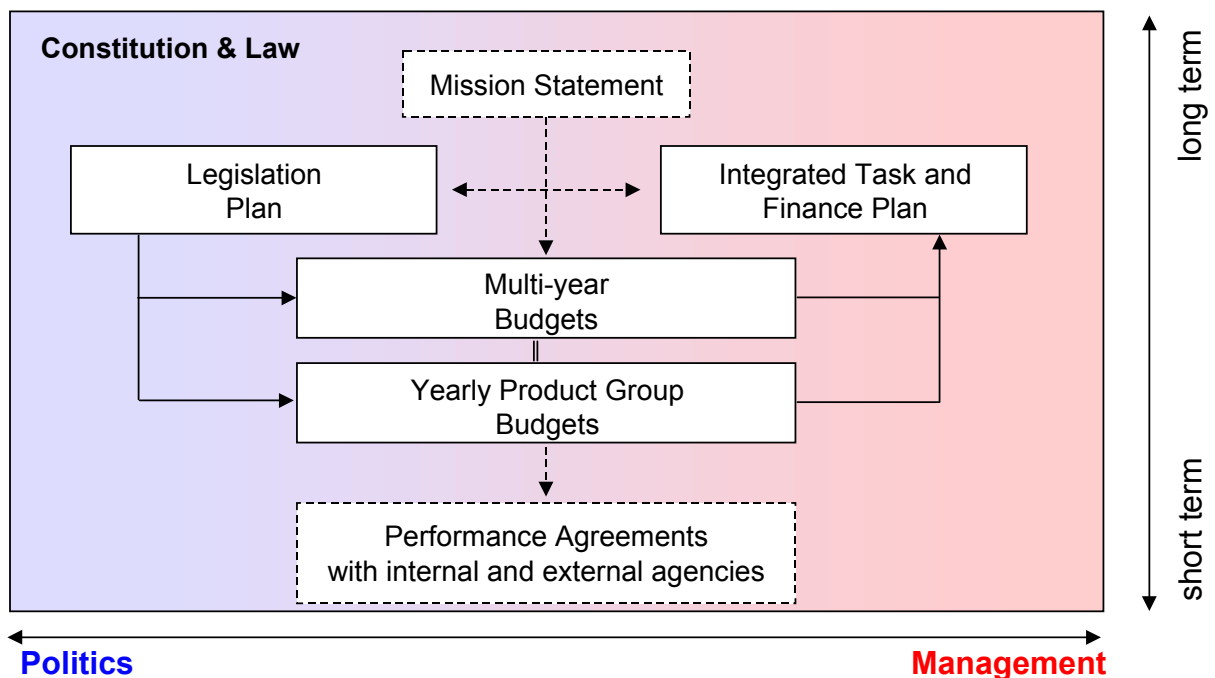


Figure 3 shows in diagrammatic form how the various different control possibilities are meant to fit together with one another in Parliament. This will make it clear that the interplay between them is very greatly influenced by their different time scales and the characteristics of the communications resources.

All the elements are embedded in the constitution and the law. The objective shows the long-term vision for public policy, which in an ideal situation will be reflected in the legislature plan, in the Integrated Tasks and Finance Plan, and in the outline resolutions and product group budgets. The relationship between the legislature plan and the Integrated Plan can be described this way: in the legislature plan, the government sets the political priorities for the coming legislature, but is subject here to the financial restrictions imposed by the income side that can be seen in the Integrated Plan. At the same time, every priority in the legislature plan consequently alters the Integrated Plan on the expenditure side and in the finances.

Outline resolutions defined development priorities in certain areas of activity, and should therefore of course be in harmony with the legislature plan. In the product groups' budget, finally, the consequences of all these preliminary political decisions become visible and are broken down into the year under consideration. Any change, be it made in the form of an outline resolution or in the product groups budget, must have its impact on the Integrated Plan and must make it *immediately transparent*. Although this all-embracing model is accepted as such, it is hardly ever implemented in any specific application.

### New Parliamentary Structures

Results-orientated public management in combination with performance budgeting in some respects requires new parliamentary structures in Switzerland. In particular, the tasks of the parliamentary committees are becoming more and more demanding, and in some cases – in the Canton of Zurich, for instance – the parliament's offices are being expanded. Instead of the traditional ad hoc committees, a certain amount of standing specialist committees are going to be needed in order to be able to meet the new requirements of outcome target setting, interpretation of government reports on tasks, and working with indicator systems. Various different standing committees already exist at federal level, although they hardly ever deal with NPM questions.

#### Example 3: Standing committees in the Canton of Zürich

The Canton of Zürich now has specialist committees for every individual aspect of its business. During the course of the amendments to the Cantonal Council Act, standing "subject" committees take the place of the special committees. They take over and work on drafts from a given specialist area, e.g. education and culture, or economics and taxes.

#### Example 4: Standing specialist committees in the Canton of Basle City

An efficient organisation and infrastructure has to be created if Parliament is to retain its *Miliz* (or part-time service) character. Parliament also is to be given a staff organisation reporting to it alone, which will take on the existing financial control functions in the service of Parliament and also other tasks in the field of political monitoring and

control. Standing specialist committees are intended to ensure that the specialist knowledge necessary for parliamentary work can be put to good use. Another point to be covered is access by members of the parliamentary committees to the internal administrative information relevant to their work. It must be possible to use all modern means of communications in parliamentary work as well.

## **Practical Experience with Performance Budgeting**

### The Federal Level

At the Swiss federal level, the performance contract is designed to act as a management instrument for the Federal Council (government). It is not legally binding on Parliament. The definitive performance contract is fleshed out in precise detail by the National Department responsible for it in the form of a performance agreement with the department concerned.

After the end of the financial year, the department submits a business report to the Federal Council and Parliament. The latter formulates its opinion on the execution of the performance contract and its annual implementation. The business report contains a management summary, a management report, a performance report describing the output for the year by product group, and a financial report describing the financial results with a full set of figures appended as required by public-sector accounting systems. At the end of the performance contract period, a separate performance contract report can also be requested.

One-line budgets at federal level are made up of the following elements:

- applications for payment loans by product group
- justification
- information
- any supplementary documentation.

Parliament evaluates income and expenditure in each product group and in each organisation during the transition phase to one-line budgets and performance contracts. The one-line budgets are binding under credit law.

Article 44: Performance contracts:

1. *The Federal Council can issue performance contracts for certain groups and departments, and determine the degree of independence necessary for each one.*
2. *It shall consult the competent parliamentary Committee of each Council in advance.*

Article 44 of the 1997 Government and Administration Organization Act forms the first major basis for the partial introduction of administrative management forms based on the NPM principles. The time horizon for these contracts is always four years. The requirements laid down in the executive's performance contracts and parliament's one-

line budgets are filled out in detail in the performance agreements between the Federal Departments and the individual organisations. The time horizon here is one year.

In practice, Parliament has been following the development at federal level on the basis of the experiments already at hand, and has expressed a critical opinion of the progress made towards implementation. Particular criticism has been levelled against the absence of reliable cost and performance information, and the fact that Parliament has too little possibility for intervening on the basis of the information that is available. Better examples are to be found at the Cantonal level.

### The Case of the Swiss Meteorological Institute (SMI)

The Swiss Meteorological Institute (SMI) started on 1<sup>st</sup> of January 1997 to be managed on the principle of results-oriented public management, with a performance contract and a one-line budget. The SMI, together with the State Topographical Survey Office, is a pilot scheme under the Federal NPM project designed to accumulate initial experience relevant to government and administrative reform.

The job of the SMI has been defined in a number of statutory decrees published by the Swiss Federal Council (1996: 2), and can be described as follows:

- acquisition of meteorological and climatological data covering the whole country completely
- national and international exchange of data
- public meteorological service
- information and advisory service
- aviation weather service
- technical support for military meteorological services
- climate monitoring
- international collaboration and representation of Switzerland to the outside world within the area of authority allotted to it.

### Performance contract (outline contract)

The Federal Council awarded the SMI a performance contract on 6 November 1996. This can be roughly broken down into:

3. *legal principles*
4. *general performance specification*
5. *specific goals and strategies for the performance contract period (1997-99)*
6. *services to be performed (product group)*
7. *general operational provisions*
8. *special regulations*
9. *performance management and quality assurance*



10. *provisions for amending or terminating the contract.*

Section 3 is concerned with the goals and strategy for the 1997-99 performance contract period. The five product groups are listed first. In addition to quality requirements, the performance contract also contains a prescribed cost-savings target – a 5 percent reduction by the end of 2000. Another important innovation is the maintenance of operating cost accounts, which will now also mean that it is possible to calculate the degree to which costs are being covered.

Section 4 outlines each product group in detail. The group is described briefly and its subordinate goals are defined. This is followed by the financial framework for 1997 to 1999. the main products are mentioned, and the "customers" – government departments or outside companies receiving the services provided – are named. Specific goals are set at the end of each product group.

*Table 1: Example of a Product Group: Aviation Meteorological Service*

<i>Description</i>	An Ordinance from the Federal Council has allocated this responsibility to the SMI, and it will require about 30 percent of the SMI's total effort. The Ordinance covers the provision of meteorological information for all flights over Swiss sovereign territory (at all altitudes), the operation of manned aviation meteorological advisory centres at Geneva and Zurich airports, and the supply of Swiss aviation weather observations and forecasts in accordance with ICAO standards.			
<i>Overall goals</i>	Weather warnings, information, and advice will lead to safe, efficient flying in Switzerland and neighbouring countries. Aviation services are to be sold to customers at prices which cover their costs.			
<i>Financial framework</i>	Total expenditure	39,5	Total income	55,0
	Net financial requirement	0,0		
	Total costs	58,0	Total revenue	58,0
	Average cost-cover requirement	100%		
<i>Main products</i>	<ul style="list-style-type: none"> <li>• Warning of weather phenomena which could entail any danger to aviation</li> <li>• Services for air traffic control</li> <li>• Services to pilots flying by instrument flight rules</li> <li>• Services to pilots flying by sight rules and for military aviation</li> </ul>			
<i>Customers</i>	All users of Swiss airspace, airports, and airfields.			
<i>Goal and performance specification</i>	<ol style="list-style-type: none"> <li>1. Limitation of costs to the 1996 level; handling additional demand for aviation weather resulting from the greater number of air movements without incurring greater costs; 100 percent adherence to the rate of issue of information required by ICAO recommendations.</li> <li>2. Number of missed warnings: maximum of 1 in the 1997-99 period.</li> </ol>			

The next section of this article covers the outline operating provisions, including the target that expanded commercial services must not exceed 5 to 10 percent of the total output. Cross-subsidies are strictly forbidden. The action is defined that has to be taken

if expenditure falls short of or exceeds the amounts approved in the one-line budget. The outlines of personnel management also are described; e.g., the staff is subject until further notice to federal personnel law, with the exception of the central job structure. It is also worth mentioning that provision is made for creating a performance-related pay component. The contribution for this is budgeted by the Swiss Federal Office of Human Resources. Starting from this performance contract, the Swiss Federal Ministry of Internal Affairs signs a performance agreement with the SMI every year.

#### Performance agreement (annual contract)

The performance agreement contains quantifiable annual goals for the SMI's individual products and outline operating provisions for the year covered by the agreement.

Any deviations from the performance agreement have to be disclosed in the business report and the reasons stated.

To return to the example above, the product group "Aviation meteorological services" is used as the basis for presenting the product "Services for pilots flying by sight rules and for military aviation":

*Table 2: Goals and Performance Specification for 1998*

<i>Costs, revenue, and quantities</i>	<ul style="list-style-type: none"> <li>• Cost reduction of 10 percent from the 1996 level</li> <li>• Maintain cost-coverage at the 1997 level despite increasing international demands</li> </ul>
<i>Quality</i>	<ul style="list-style-type: none"> <li>• Maintain quality at the 1996/97 level</li> </ul>
<i>Projects</i>	<ul style="list-style-type: none"> <li>• Rationalise existing product range, in collaboration with customers, and reduce to the minimum necessary, without any loss of air safety</li> </ul>

Formalities such as the frequency of reporting are regulated at the end of the agreement.

#### *Internal management*

The director of the SMI has developed a vision and strategies for it covering the years 1996 to 1999. This planning horizon matches the legislative period. The strategies have been implemented by the SMI management as specific target fields and projects. "Planning and Management Conferences" review the annual plans every four months; this procedure was first carried out operationally in 1996.

#### *Results*

The SMI has been managed under the principles of results-orientated administrative management since 1 January 1997. Initial experience with results-oriented public management has been evaluated briefly by those concerned as successful, challenging, and demanding a great deal of work. The interim report on the evaluation states the following (SMI, 1997):

”The performance contracts are currently at the middle ”specificity” level, and describe the limits of the SMI’s activities mainly in qualitative terms regarding resources, areas of activity, and reporting. For the government departments concerned, the annual performance agreements are of the greatest importance; it makes specific goals visible and checkable. The way the performance contract was prepared at the SMI was not perfect; the lack of knowledge of key internal figures slowed the process down, and greater willingness to make changes would have been desirable. Both instruments require a discussion between the parties concerned, as this enables management tasks to be handled better.”

The 1997 SMI business report presents the main results of the first pilot year in the Report of the Ministry of Internal Affairs (1997):

The management of the SMI enjoyed greater operational room to manoeuvre and thus more flexibility in the area of resources (management of jobs and loans). The national and international environment and market situation are dominated by the rapid developments in the field of communications (e.g. the expansion of the Internet) and the trend in all meteorological offices to commercialisation in the sense of moving from a seller’s to a buyer’s market. The specifications laid down in the performance contract were attained, both in the financial sense and with regard to production / output. The operation work, as the main part of the SMI’s duties, was handled without any major limitations, and various new, quality-raising services were offered as well. Operating accounts show an increase in the level of cost coverage compared with the preceding period (1995), from 32 to about 36 percent.

It proved possible to meet the cost-cutting target of 2.5 percent in the first year of operation, and to keep within the one-line budget approved by Parliament. At the same time, new services were offered such as those in the areas of motoring weather, tourism, forest fires, and rain and snow forecasts for emergency services. In the personnel field, use was made of the possibilities for flexible contracts of employment, which enabled requirements on the demand side to be met better. Cost-consciousness and customer orientation underwent a considerable improvement. Internally, not only were the new management instruments such as cost accounts and output time registration that were developed further but also management and operating procedures were reorganised on the basis of a process analysis. The anxiety suffered by staff as a result of the process of change was countered by an increase in the flow of information and by involving them more closely

In general terms, the introduction of performance budgeting has resulted in a large amount of new knowledge being gained relating to the organisation, cost structure, and management philosophy of government departments, and this provides a good basis for further improvements in the SMI’s strategy and management. On the minus side, the additional workload is enormous, and the changes are still causing nervousness in the staff.

## CONCLUSIONS

The Swiss reform movement has started at the cantonal level, which has remained one of the major driving forces for the new public management in Switzerland. Since 1994, some cantons have experimented with different formats of performance budgets, with

more or less success. Shining examples such as the cantons of Zurich or Lucerne have succeeded in including parliamentarians into the process of development of the performance budgets. The modes of sharing power between parliament and the governments of most cantons still differ from the "ideal" model developed in St. Gallen and from each others' model. However, the notion of separating outcomes and outputs and installing indicator systems that provide information about the two levels respectively seems to have found ground in Switzerland.

Although at the Federal level, only few projects with performance budgeting are currently running, there is a irreversible trend at the cantonal and the local level towards the NPM-type budgeting. First evaluations such as in the City and the Canton of Berne as well as in other cantons demonstrate a wide support for performance budgeting within the administration. Not surprisingly, it is primarily the politicians who fear a loss of influence over the administration and/or a shift of power from government to parliament or vice versa.

Performance budgeting has succeeded in changing political debates within parliamentary committees in that the new transparency on outputs and outcomes combined with a loss of detailed financial information leads to substantial political discussions about outputs and outcomes. There remains, however, the necessity to transport the "NPM knowledge" from parliamentary reform committees to the plenaries. It is also unclear how far the new forms of steering and budgeting affect the work of political parties and fractions.

The most burning problem at the time is certainly the provision of useful outcome information for political decision makers. In the City of Zurich in 1999, the city parliament decided not to implement performance budgeting before the administration is ready and able to produce valuable performance information. As a strong emphasis was put on outcomes in Switzerland, there is a certain obligation to provide for outcome information, which could turn out to be nearly impossible for certain task areas such as defense. International comparison shows that this is not a problem of the Swiss alone (see Boston, and Jones and Mussari in this volume). Bureaucratic use of performance indicators is a difficult task encountered internationally.

As held generally in Switzerland and elsewhere (see, for example, Jones and Thompson, 1999), that the new public management affects not only administration but leads also to reform of political systems, expectations by both the media and the politicians supporting the NPM are high. Performance budgeting is an integral part of the Swiss NPM, and many hope that it will change the political culture both in governments and in parliaments. Experience in several cantons shows that results-oriented public management can meet only some of these expectations. Although the first signs of a cultural changes in political institutions are clearly observable, it is doubtful whether some public officials' dreams of more management rationality in politics will ever come true. In fact, this might not even be democratically wise as it may be argued that the two systems – management and politics – should be better integrated rather than separate.

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