



National Programme for Turkey 2010 under the Instrument for  
Pre-Accession Assistance

*This project is co-financed by the  
European Union and the Republic of Turkey*

# **TR2010/0136.01-01/001- Technical Assistance for Improved Strategic Management Capacity**

*Netherlands Country Report  
Activity 3.4*

*08.10.2014*





## Project Data Sheet

<b>Programme Name</b>	<b>IPA 2010 National Programme for Turkey</b>
<b>Project Name</b>	<b>Technical Assistance for Improved Strategic Management Capacity</b>
<b>Contract No:</b>	<b>TR2010/0136.01-01/001</b>
<b>Reference No:</b>	EuropeAid/131858/D/SER/TR
<b>Project Duration</b>	24 months
<b>Project Start and End Date</b>	22 January 2013 - 21 January 2015
<b>Main direct beneficiary</b>	<b>Ministry of Development, Department of Governance and Strategic Management</b>
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## List of Abbreviations

ABD	Senior Civil Service
CBS	Centraal Bureau voor de Statistiek
CEP	Central Economic Plan
CPB	Netherlands Bureau for Economic Policy Analysis
CFCU	The Central Finance and Contracts Unit
CHE	The Council of Higher Education
COCOPS	Coordination for Cohesion in the Public Sector of the Future
CPB	Netherlands Bureau for Economic Policy Analysis
CPI	Central Public Institution
DGSM	Department of Governance and Strategic Management (Ministry of Devt.)
EU	European Union
EUD	European Union Delegation
FEAD	Financial Economic Affairs Directorate
FMC	Financial Management and Control System
GAD	General Audit Department
GDP	Gross Domestic Product
HRM	Human Resource Management
IA	Internal Audit
IAD	Internal Audit Directorate
ICT	Information and Communication Technology
IPO	Association of Provincial Authorities
KE	Key Expert
KMP	Office of the Prime Minister
MEV	Macro-Economic Outlook
M & E	Monitoring and Evaluation
MoD	Ministry of Development
MoEU	Ministry for EU
MoF	Ministry of Finance
Mol	Ministry of Interior
MPs	Members of the House of Representatives
NCA	Netherlands Court of Audit
NGO	Non-governmental Organization
NKE	Non-key Expert
NWF	Nicolaas Witsen Foundation
OECD	Organisation for Economic Cooperation and Development
PAO	Programme Authorising Officer
PBB	Performance-Based Budgeting
PBL	Netherlands Environmental Assessment Agency
PD	Project Director
RVD	Government Information Service
SAI	Supreme Audit Institution
SCP	Netherlands Institute for Social Research
SDU	Strategy Development Unit
SM	Strategic Management
SPO	Senior Programme Officer
SGP	Stability and Growth Pact
STE	Short-term Expert
TA	Technical Assistance
TAT	Technical Assistance Team
TL	Team Leader
TNA	Training Needs Analysis
ToR	Terms of Reference
UK	United Kingdom
US	United States
VBTB	Reform Program 'From Policy Budgets to Policy Accountability'
ZBOs	Autonomous Administrative Bodies

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# 1 Synopsis of the Study Visit

<b>Country Visited</b>	Netherlands
<b>Purpose of the Visit</b>	Component 3: Institutional Capacity Building Activity 3.4: Organise 3 five-day study visits (10 participants each) to OECD/EU member states and produce 3 country reports.
<b>Period</b>	Start Date (18.08.2014) – End Date (22.08.2014)
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<b>Programme</b>	See Annex 2.

## 2 Country Report

### 2.1 General Information

#### 2.1.1 Area

The Netherlands is a small country in the north of Western Europe. It is often called 'Holland'. The Netherlands borders Germany on the east and Belgium on the south. Half of the land was reclaimed from the sea, and the country is mostly flat and below sea level. The sea is prevented from flooding this land by a protective system of dykes (BBC, 2001).

The capital of The Netherlands is Amsterdam, but the seat of government is in Den Haag or 's-Gravenhage (The Hague). The Netherlands has twelve provinces. They are: Drenthe, Flevoland, Friesland, Gelderland, Groningen, Limburg, Noord-Brabant, Noord-Holland, Overijssel, Utrecht, Zeeland and Zuid-Holland. Drenthe, Groningen, Friesland and Overijssel are the Northern Provinces in The Netherlands. They are traditionally more agricultural than the other provinces. Some Dutch refer to these four as 'a bit behind', but these provinces are slowly making a comeback (*ibid.*).

The *Randstad* (literally 'the edge city') is the major industrial and commercial centre of The Netherlands. It includes the provinces Zuid-Holland, Noord-Holland and Utrecht. The four major cities in The Netherlands - Amsterdam, Rotterdam, Utrecht and Den Haag are all located in the Randstad (*ibid.*).

Flevoland is the youngest of the Dutch provinces, having been formed in the 1980s. Before that time the polders were each part of different provinces. It consists only of polders reclaimed from the sea, and as little as sixty years ago it was all under water. Flevoland consists of the Noordoostpolder, Noordelijk Flevoland and Zuidelijk Flevoland. These polders were laid dry in 1942, 1957, and 1968 respectively. Its purpose was to provide agricultural land, but the main city of Flevoland in the Zuidelijke Flevopolder, Almere is rapidly expanding due to the need for urban space in the north of the Randstad (*ibid.*).

The Netherlands is a country that lives on transport. It has Rotterdam - one of the major seaports of Europe - and Schiphol, one of the biggest airports, near Amsterdam. The Netherlands is often called the 'Gateway to Europe'. The Netherlands holds this position due to that fact that three major rivers run into the sea within its borders. These are the Rhine, the Maas and the Schelde. The Rhine also runs through Germany and ships can deliver produce to and from the major industrial areas there. The Maas and Schelde run through Belgium, where there is also a lot of industry (*ibid.*).

## 2.1.2 Population

According to the latest statistics of 2013, the Netherlands contributes to about 0,24 percent of the total world population, which makes it the 62nd most populated country in the world. The majority of its people are Dutch. In total, the Netherlands boasts about 16,86 million inhabitants (as of August 2014) in only 41,526 square kilometres, making it one of the most densely populated countries in the world (CBS, 2014). Amsterdam, the capital of Netherlands, is by far the most populous city of the whole country. 80,200 people are living within the city limits, 1,557,905 in the urban area and 2,332,839 people are living in the metropolitan area (World Population Review, 2014).

According to the Dutch official census taken in 2011, the population density is 404 people per square kilometre – placing the country at 28th in the whole world. The growth rate of the Dutch population is 0,39 percent, which is reported to be 189th in the world. The birth rate per 1.000 people is 10,3 births, which has a rank of 161st in the world; and the death rate is calculated at 8,78 per 1000 people, or 77th in the world. The fertility rate is calculated at 1,78 children per woman (*ibid.*).

### History

The population has seen significant growth during the last few decades. The census held in 1960 reported a total population of 11.461.964. This number grew over the years at a very high rate. Another census taken in 1971 reported a population of 13.060.115 people, but after that the high growth rate started to decrease. Over the years, only three decades later, another census held in 2002 reported a total population of 16.105.285. The growth rate has been low ever since and currently is reported to be at 0,39% according to the latest census held in 2011 (*ibid.*).

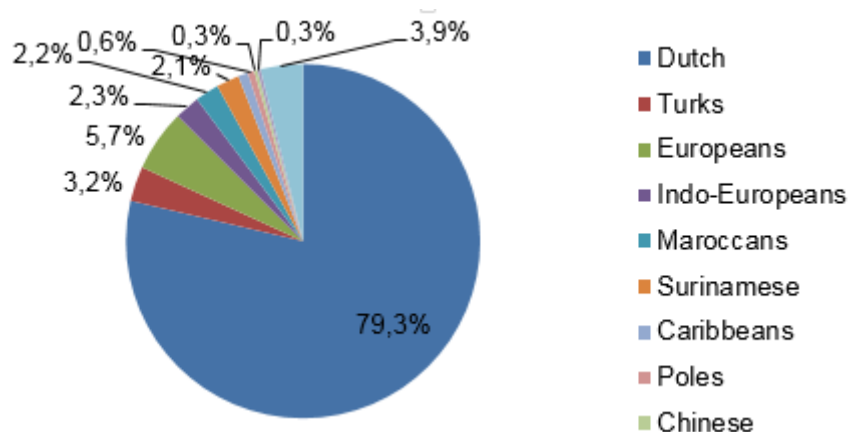
### Life expectancy

Life expectancy in the Netherlands was in 2012 reported to be 81,1 years for the total population, which is the 21st highest in the world. For the male population, the life expectancy rate is 79,3 years, while for females it is 83,0 years (estimated) (World Bank, 2014). The maternal mortality rate is 6 deaths per 1.000.000 live births. This is the 170th highest in the whole world. The infant mortality rate for the Netherlands is 3,69 deaths per 1.000 live births. This, for the male population, is 3,99 deaths per 1.000 live births; for the female population it is 3,38 deaths per 1000 live births (World Population Review, 2014).

## Demographics

The Netherlands is the 27th most densely populated country of the world, concentrated over the country's 41.526 square kilometres of area. The population is distributed as follows: 17,4 percent in the 0-14 age group, 67,7 percent in the 15-64 age group, and 14,9 percent in the age group of 65 and over. The ratio of males to females is 0,98 male/female. This ratio at birth is 1,05 males/female; under the age of 15, it is again 1,05 males per female; in the age group 15-64 years, 1,02 males/female; and for the 65 plus age group, it is 0,75 male/female (*ibid.*).

The population is mostly Dutch, comprising 79,3 percent of the total population. Dutch people are the major ethnic group of the country. Other ethnics that are minorities in the Netherlands include: Europeans (comprising 5,7 percent of the population), the Turks (comprising 2,4 percent), Indo-Europeans (with 2,3 percent of the population), Moroccans (at 2,2 percent), Surinamese (with 2,1 percent), Caribbeans at (0,9 percent), Poles (at 0,6 percent), Chinese (at 0,3 percent), Iraqis (at 0,3 percent), and some other ethnic groups that comprise the remaining 3,9 percent (*ibid.*).



**Figure 1: Ethnic composition of the Dutch population**

(Source: own modellification)

## Future predictions

The population of the Netherlands is expected to rise. According to calculations, it is anticipated that over one million more people will dwell in the country in the next thirty years' time, after which the population will start to decrease again. It is also reported that the Dutch population will reach 17,5 million by 2038. The forecast held in 2006 illustrated growth to a maximum of 17 million total population in the country, but the growth rate has been greater than what was predicted. It is now expected to behave in a similar way in the future as well (World Population Review, 2014).



### **2.1.3 GDP and Financial Budgetary Situation**

The Netherlands is the fifth largest economy in the Euro Zone and the third largest exporter in the region. The economy is dependent on foreign trade and derives more than 65 percent of the Gross Domestic Product (GDP) from both port activities and merchandise exports. GDP is an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units (OECD, 2002).

The port of Rotterdam is the largest port in Europe and the third busiest in the world. The Netherlands' economy is also noted for its stability, high skilled workforce and developed infrastructure. As a result, the Netherlands is the sixth biggest destination of foreign direct investment in the world (Trading Economics, 2014a).

#### **GDP**

The GDP in Netherlands was worth 800,17 billion US dollars in 2013. The GDP value of Netherlands represents 1,29 percent of the world economy. GDP in the Netherlands averaged 293,59 USD Billion from 1960 until 2013, reaching an all-time high of 870,81 USD Billion in 2008 and a record low of 12,28 USD Billion in 1960. GDP in the Netherlands is reported by the World Bank Group (Trading Economics, 2014b).

The GDP per capita is obtained by dividing the country's gross domestic product, adjusted by inflation, by the total population. The GDP per capita in the Netherlands was last recorded at 40.187,12 US dollars in 2013. The GDP per capita in Netherlands is equivalent to 325 percent of the world's average. GDP per capita in the Netherlands averaged 28.013,22 USD from 1960 until 2013, reaching an all-time high of 42.467,27 US dollars in 2008 and a record low of 13.161,74 US dollars in 1961. This GDP per capita in the Netherlands was reported by the World Bank (Trading Economics, 2014c).

#### **Financial budgetary situation**

The financial and economic crisis caused a sharp deterioration in Dutch public finances. The resulting budget deficit still has a major impact on government debt. As the debt rises, interest expenditure rises too. Therefore, the Dutch government has taken steps to reduce the deficit and put public finances in order in the past. The Dutch government also aims to put public finances in order in the years ahead. Various steps are being taken to reduce the

budget deficit. The coalition agreement contains a package of measures which will yield savings that will increase gradually to 16 billion Euros by 2017 (Government, 2014a).

In March 2013 the government announced a package of measures worth 4,3 billion Euros in 2014 to narrow the gap between revenue and expenditure. Because the economic conditions were worse than expected, the government announced a larger package of 6 billion Euros of measures in June 2013. These savings were primarily related to the care sector, social security and the public sector. A number of tax and social insurance measures were also adopted. Taken together, all these measures ought to bring the budget more into line with the new economic reality (*ibid.*).

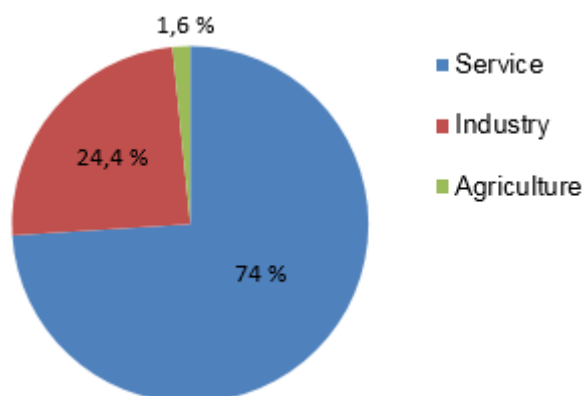
The measures proposed in 2013 supplement the measures in the coalition agreement, concluded in October 2012, in which the government proposed total savings of 16 billion Euros. The biggest cuts are being made in the public sector, the care sector and social security. Besides making cuts, the government also plans stimulus measures, for instance in relation to sustainable energy, business finance and education (*ibid.*).

As a member of the European Union (EU), the Netherlands has to comply with EU fiscal rules. These rules are set out in the Stability and Growth Pact (SGP). The SGP states that the deficit in EU countries must not exceed 3 percent of GDP and that the public debt must not exceed 60 percent of GDP. If the deficit exceeds 3 percent, the member state concerned enters the excessive deficit procedure. The Netherlands came under the excessive deficit procedure in October 2009, when its budget deficit rose above 3 percent. The European Commission therefore gave the Netherlands advice on how to put its public finances in order again. One of the recommendations was to take additional structural measures worth 6 billion Euros in the 2014 budget (*ibid.*).

According to the Netherlands Bureau for Economic Policy Analysis (CPB), the Dutch budget deficit will fall below 3 percent in 2014, and is expected to fall further in 2015. Since May 2014 the Netherlands has therefore no longer been subjected to enhanced surveillance under the excessive deficit procedure (*ibid.*).

#### **2.1.4 Main Economic and Commercial Characteristics**

The Dutch economic structure runs on the principles of an open economy. The Netherlands has a prosperous economy that depends on foreign trade. The Netherlands' key economic characteristics are a stable industrial sector, a low inflation and unemployment rate, and an impressive current account surplus (Economy Watch, 2010).



**Figure 2: Main economic sectors in the Netherlands (2013)**

(Source: own modellification)

### Primary sector

The service sector is the most dominant and biggest contributor to the Dutch economy. According to data of 2013, the service sector contributes as much as 74 percent to the GDP (Statista, 2014). The service sector includes financial services, transportation, goods distribution and tourism. The computer related industry is also a well-developed segment for the sector. The telecommunication industry holds a lot of potential as well. The latest trend in the service sector seems to be mergers to consolidate resources and optimize usage (Economy Watch, 2010).

### Secondary sector

The Dutch industrial sector is a well-diversified segment with a variety of industries such as petroleum refining, food processing, chemicals and electrical machinery. Other prominent industries are: 1) agro-industries, 2) metal and engineering, 3) construction, 4) microelectronics and 5) fishing (*ibid.*). The industrial sector contributes to 24,4 percent of the GDP (Statista, 2014).

### Tertiary sector

The agricultural sector remains a well mechanized sector that employs 1,6 percent to the Dutch GDP (*ibid.*). The main goods that the sector produces are: 1) grains, 2) potatoes, 3) sugar beets, 4) fruits, 5) vegetables, 6) livestock (Economy Watch, 2010).

## 2.2 Government and Public Administration

### 2.2.1 Constitutional Structure

#### Head of State

A Head of State can be defined as the public representative of a country such as a president or monarch, who may also be the Head of Government. The Netherlands is a 'constitutional monarchy', which means that according to the Dutch constitution, the monarch is the Head of State. In the Netherlands, there is a distinction between the Head of State and the Head of Government. Together with the Ministers in the cabinet the monarch forms the Dutch central government (Government, 2014b).

Since 1848, the Dutch Constitution has laid down that the monarch is inviolable. This means that the monarch is politically neutral and the Ministers are accountable to Parliament for government policy. This Dutch phenomenon is goes under the name of *ministerial responsibility*. Because the Constitution states that the monarch is inviolable, the Ministers are also politically accountable for what the monarch says and does. As head of state, the monarch co-signs new Acts of Parliament. He/she also contributes to the formation of new governments. In addition, the monarch is President of the Council of State and every year delivers the Speech from the Throne at the opening of the parliamentary session (*ibid.*).

#### Head of Government

A Head of Government can be defined as the chief officer of the executive branch of a government, often presiding over a cabinet; usually called Prime Minister (in a parliamentary system) or President (in a presidential system). In the Netherlands the Head of Government is the Prime Minister. The cabinet rules of procedure give the Prime Minister various powers. He sets the cabinet agenda, chairs its meetings and monitors implementation of its decisions. The current Prime Minister is called Mark Rutte, who has been Head of Government since October 14, 2010 (Government, 2014c).

The Prime Minister may be represented in cabinet meetings by a deputy Prime Minister. Ministers serving as deputy Prime Minister do so in addition to their other duties and are generally members of other political parties in the governing coalition. A weekly press conference is held after the cabinet meeting, during which the Prime Minister explains government policy and discusses current political events (*ibid.*).

The Prime Minister is also in charge of the Ministry of General Affairs. The 1947 Constituent Instrument states that the Ministry is in charge of matters relating to general government policy in the Kingdom, where these are not expressly dealt with by other

Ministries. The Ministry's duties as described are hard to specify in detail but amount to responsibility for co-ordinating overall government policy. The Prime Minister's office is in the 'Torentje' (Turret), part of the 'Binnenhof' complex in The Hague. The Prime Minister official residence is known as the 'Catshuis' (*ibid.*).

Furthermore, the Prime Minister is the Minister primarily accountable for the Royal House. He meets with the monarch once a week to discuss government policy. Moreover, the Prime Minister attends several international conferences and handles a wide range of bilateral international relations. The European Council is a regular meeting bringing together the heads of government of the European Union Member States, plus the Finnish and French heads of state and the President of the European Commission. Important European and international issues are discussed at European Council meetings, at which the Prime Minister is accompanied by the Minister of Foreign Affairs and the State Secretary, who have a specific responsibility for European policy. The Prime Minister is accountable to Parliament for his actions as member of the European Council (*ibid.*).

### **The Parliament (Senate and House of Representatives)**

The Netherlands is a 'Parliamentary Democracy'. This means that the government is subject to parliamentary scrutiny. The Dutch Parliament or 'State-General' consists of an upper house - *the Senate*- and a lower house -*the House of Representatives*. Therefore it can be said the Netherlands has a bicameral system.

The main duties of the first chamber of the Dutch Parliament, the House of Representatives, are to function as a legislator, controller and to represent the people of the Netherlands. As a legislator, the House of Representatives has the right to vote on legislation, the right to propose legislation, and the right to change proposed legislation. As a controller, the House of Representatives has to approve the central government's yearly budget, asks questions to the cabinet and issues motions to urge the cabinet to take or stop certain actions (House of Representatives, 2014a).

As a representatives of the people of the Netherlands, the Members of the House of Representatives (MPs) represent the people, their voters and political parties. However, they are elected individually and can decide independently. Political parties are not mentioned in the Dutch Constitution. The House of Representatives plays an important role in policy-making. Once every four years, the MPs are elected directly by the Dutch voters. In national general elections those people entitled to vote decide which 150 MPs will represent them during the next Cabinet term.

The major Dutch political parties are the Liberal Party (VVD, 41 seats), the Labour Party (PvdA, 38 seats), the Party for Freedom (PVV, 15 seats), the Socialist Party (SP, 15

seats), the Christian Democrats (CDA, 13 seats), and the Liberal Democrats (D66, 12 seats). The other 16 seats are positioned by MPs of small parties (*ibid.*).

The Senate is the second chamber of the Dutch Parliament. It is not elected directly by the Dutch people. The Senate consists of 75 Senators. The main task of the Senate is co-legislation, but it is also the duty of the Senators to scrutinize the work of the Government. Basically, it can be said that the Senate has the same tasks as the House of Representatives: it functions as a legislator, a controller and it represents the Dutch people indirectly, because the members of the Senate are elected indirectly by the members of the provincial councils. The latter are elected directly by the Dutch people (House of Representatives, 2014b).

The Senate has several instruments at its disposal to scrutinize the work of the Government, but does not often use them. As far as legislation is concerned, a bill adopted by the House of Representatives must be approved by the Senate in order to become law. The Senate does not have the right to amend a bill, however; it can only adopt or reject it. The Senate also does not have the right of initiative, so it cannot propose a bill. In short, the Senate has the same tasks as the House of Representatives, but it has less powers (*ibid.*).

### **The Cabinet**

The Cabinet comprises the Prime Minister, the other Ministers and the State Secretaries. The Cabinet formulates and is accountable for the Government's policies. The Prime Minister acts as president of the Cabinet and chairs the weekly 'Council of Ministers' (House of Representatives, 2014c).

In national general elections, citizens cast their votes for candidates of political parties. After the elections it becomes clear how many votes each party has obtained, how many seats they will be allocated in Parliament and which candidates have become MPs. During the formation of a Cabinet it is determined which parties can work together to form a coalition. Subsequently, the leaders of these so-called coalition parties negotiate a Coalition Agreement and the composition of the new Cabinet. The so-called 'Cabinet formateur', who is the intended Prime Minister, selects the other members of the Cabinet. The members of the Cabinet are officially appointed by the monarch (*ibid.*).

Following the principle of *ministerial responsibility*, Ministers are collectively and individually accountable to the Dutch Parliament for their actions when carrying out their duties. Moreover, the Ministers are politically accountable for the actions of the Head of State, the monarch. The Dutch Parliament also scrutinizes the work of State Secretaries. Every State Secretary is accountable to both the House of Representatives and the Senate, but the Ministers remain responsible for the overall policy of their departments (*ibid.*).

An individual Minister and the Cabinet as a whole must have Parliament's confidence. Consequently, a Minister, or the whole Cabinet, must resign if a majority in Parliament no longer has confidence in them. Either of the chambers of the Dutch Parliament can withdraw its confidence, by adopting a motion of no-confidence. In the event of an internal conflict, the Cabinet will generally tender its resignation to the King, which is often followed by snap elections and the formation of a new Cabinet (*ibid.*).

## **Judiciary**

The Netherlands is a democratic constitutional state. It is democratic, because citizens decide who governs the country. The Dutch state is constitutional, because everybody has to obey Dutch law: not just Dutch citizens, but Dutch government as well. The task of the Dutch Judiciary is to settle conflicts if the rules are unclear or if the rules are not applied. The Dutch judicial system consists of four organizations, namely: 1) *District Courts*, 2) *Courts of Appeal*, 3) *Special Tribunals* and 4) *The Supreme Court* (Rechtspraak, 2014a).

### **1. District Courts**

As mentioned before, the first Dutch judicial organizations are the District Courts. The Netherlands is divided into eleven districts, each with its own court. Each District Court is made up of a maximum of five sectors, which always include the administrative law, civil law, criminal law and sub-district law sector (*ibid.*).

### **2. Courts of Appeal**

Appeals against judgments passed by the District Court in civil and criminal law cases can be lodged at the competent Court of Appeal, the second judicial organization. There are four Courts of Appeal in total; appeals against administrative law judgments at the competent specialized administrative law tribunal - the Administrative Jurisdiction Division of the Council of State, the Central Appeals Tribunal or the Trade and Industry Appeals Tribunal, also known as Administrative High Court for Trade and Industry, depending on the type of case. Appeals in cassation in civil, criminal and tax law cases are lodged at the Supreme Court of the Netherlands (Rechtspraak, 2014b).

### **3. Special Tribunals**

The third judicial organizations, the three Special Tribunals, are competent in specific areas of administrative law. The first is the Central Appeals Tribunal, which is a court of appeal which is mainly active in legal areas pertaining to social security and the civil service. In these areas it is the highest judicial authority. The Tribunal is based in Utrecht. The second



Special Tribunal is the Trade and Industry Appeals Tribunal which is also known as Administrative High Court for Trade and Industry. This is a specialized administrative court which rules on disputes in the area of social-economic administrative law. In addition, this appeals tribunal also rules on appeals for specific laws, such as the Competition Act and the Telecommunications Act. The Tribunal is based in The Hague (Rechtspraak, 2014c).

The third Special Tribunal is The Administrative Jurisdiction Division of the Council of State in The Hague. This is the highest administrative court with general jurisdiction in the Netherlands. It hears appeals lodged by members of the public, associations or commercial companies against decisions by municipal, provincial or central governmental bodies. Disputes may also arise between two public authorities. The decisions on which the Division gives judgment include decisions in individual cases (e.g. refusal to grant a building permission) as well as decisions of a general nature (e.g. an urban zoning plan) (*ibid.*).

#### 4. The Supreme Court

The fourth judicial organization in the Dutch judicial system is the Supreme Court. As the highest court in the fields of civil, criminal and tax law in the Netherlands, the Supreme Court is responsible for hearing appeals in cassation and for a number of specific tasks with which it is charged by law. The aim of cassation is to promote legal uniformity and the development of law. The court examines whether a lower court observed proper application of the law in reaching its decision. At this stage, the facts of the case as established by the lower court are no longer subject to discussion (Rechtspraak, 2014d).

An Attorney General's office is attached to the Supreme Court. Its members main task is to provide the Supreme Court with independent advice, known as an advisory opinion, on how to rule in a case. Not only judgments of courts of appeal can be appealed in cassation, also judgments of the Joint Court of Justice of the Netherlands Antilles and Aruba can be appealed in cassation to the Supreme Court. The Supreme Court is located in The Hague (*ibid.*).



### Council for the Judiciary

The Council for the Judiciary (Raad voor de Rechtspraak) is part of the judiciary system, but does not administer justice itself. It has taken over responsibility over a number of tasks from the Minister of Justice. These tasks are operational in nature and include the allocation of budgets, supervision of financial management, personnel policy, ICT and housing. The Council supports the courts in executing their tasks in these areas. Another central task of the Council is to promote quality within the judiciary system and to advise on new legislation which has implications for the administration of justice. The Council also acts as a spokesperson for the judiciary on both national and international levels (Rechtspraak, 2014a).

## **2.2.2 Central Agencies**

Public administration in the Netherlands has four tiers. The first part of this sub-section is about the central agencies of the first tier; the central government. The second sub-section is about the other three tiers: the provinces, the municipalities and the water boards.

### **The first tier: Central Government**

#### Head of State

Since April 30 2013, the Dutch Head of State is the monarch King Willem-Alexander. The role of the Dutch King can be said to be threefold. On the one hand, the King has a cohesive role. He binds people and population groups together and supports the activities of persons and organizations who play a cohesive role in society. As such, he/she is impartial. This contributes to social stability, continuity and progress in the country. He expresses the people's feelings at times of both joy and sadness. Second, the King can be said to have a representative role. He/she represents the Kingdom of the Netherlands at home and abroad. Every year, he/she undertakes state visits abroad and receives foreign heads of state and government visiting the Netherlands. Third, the monarch fulfils an encouraging role. He regularly attends conferences meetings, celebrations, remembrance ceremonies, and other official events. He devotes attention to positive initiatives in society and supports valuable trends and activities (Government, 2014b).

#### The Prime Minister

As mentioned earlier this chapter, the Dutch Prime Minister presides over the cabinet and is also Minister of General Affairs. The Prime Minister is accountable for the actions of members of the Royal House. He also plays an active role in international affairs (Government, 2014d).

The Secretary-General is the most senior civil servant of the Prime Minister's Ministry. This person is also head of the Office of the Prime Minister (KMP) and coordinator of the intelligence and security services. The Senior Management Board is the Ministry's principal decision-making body at civil service level. The board consults on strategic and practical matters that concern the Ministry as a whole and that require direction at the highest level. These include both policy and operational management issues (*ibid.*)

The KMP advises and supports the Prime Minister in the performance of his/her duties. It runs the Cabinet and Prime Minister's Office as well as the secretariats of the cabinet subcommittees. Ten Cabinet Advisers advise and support the Prime Minister and run the secretariats of the cabinet subcommittees. Each subcommittee prepares decisions on a number of interrelated policy themes, such as international and European affairs. The Cabinet Advisers are assisted by a number of other advisers and deputy cabinet advisers (*ibid.*).

The secretary of the Cabinet and Prime Minister's Office prepares the agenda for meetings of the cabinet and the Council of Ministers for the Kingdom and drafts the decision list and minutes. He or she attends these meetings along with one of the deputy secretaries. The secretary is also responsible for the work of the cabinet subcommittees and other committees. However, the cabinet subcommittees' secretariat duties are carried out by the cabinet advisers (*ibid.*).

The Government Information Service (RVD) is responsible for press relations for the Prime Minister and the government and provides information on general government policy, the Prime Minister and the Ministry of General Affairs. It also provides information on the Royal House and advises its members on public relations matters. The RVD chairs the Information Council and coordinates, and advises on, inter-Ministerial information (*ibid.*).

### Ministries

The Dutch central government consists of thirteen line Ministries and some 200 implementing organizations, including the Tax and Customs Administration and Rijkswaterstaat (Government, 2014f). Each Ministry is headed by a Minister, often with the support of one or more state secretaries. There are also Ministers without a portfolio, who do not have charge of a Ministry, but who fall under one of the Ministries. Development cooperation, for example, is part of the Ministry of Foreign Affairs (Government, 2014e).

The Dutch government wants to make the civil service smaller and more efficient. With this in mind, it reduced the number of Ministries from thirteen to eleven in 2010 (*ibid.*). These eleven Ministries are: 1) the Ministry of General Affairs; 2) the Ministry of Interior and

Kingdom Relations; 3) the Ministry of Foreign Affairs; 4) the Ministry of Defence; 5) the Ministry of Economic Affairs; 6) the Ministry of Finance; 7) the Ministry of Infrastructure and the Environment; 8) the Ministry of Education, Culture and Science; 9) the Ministry of Social Affairs and Employment; 10) the Ministry of Security and Justice; and 11) the Ministry of Health, Welfare and Sport (Government, 2014g).

The Ministries are responsible for a large number of civil service agencies and implementing organizations. Examples are the Tax and Customs Administration which collects taxes and social insurance contribution and the Custodial Institutions Agency whose responsibilities include implementing prison sentences. The Dutch central government also has a number of inspectorates. These include the Education Inspectorate, the Healthcare Inspectorate and the Transport and Water Management Inspectorate. In addition, it includes several autonomous administrative authorities (Government, 2014e).

The High Councils of State in turn monitor and advise the central government bodies. The Constitution states that these Councils must be independent and autonomous. They include the Parliament (Senate and House of Representatives), the Council of State, the Dutch Court of Audit and the National Ombudsman (*ibid.*).

Autonomous administrative bodies are part of the central government as well, but do not come under a ministry. If a Minister asks one of these authorities to implement a policy, its tasks are laid down in law. These organizations include among others the Electoral Council, the Dutch Central Bank (De Nederlandsche Bank), the Road Transport Agency (RDW) and the Land Registry. Although they are autonomous, a Minister always has authority over these organizations and is accountable to parliament for their performance (Government, 2014g).

### **The other three tiers: provinces, municipalities and water boards**

#### Provinces

As mentioned earlier, the Netherlands has twelve provinces. The provinces receive money from central government to manage nature areas, build and maintain cycle paths, oversee provincial public transport, and provide services in the areas of young people, the arts and culture. Like the municipalities, the provinces are increasingly performing tasks that were previously in the hands of central government. The present Government wants the provinces to concentrate on spatial planning, the provincial economy and nature conservation. The provinces work together in the Association of Provincial Authorities (IPO) (Government, 2014h). The provinces can impose taxes in a limited way. Their revenues come from national government and EU funds, but not from municipalities. They can rarely exert financial control on municipalities.

Each province has a provincial executive and council, both of which are chaired by a King's commissioner, who is a member of the executive but not of the council. Provincial councils consist of directly elected representatives. The King's commissioner, who is appointed by the King for a period of six years, represents central government in the province. Just as the municipal executive administers the municipality, the provincial executive administers the province (*ibid.*).

### Water boards

The Netherlands has 23 water boards. A water board is a public authority responsible for water management in a specific geographical area. It provides and helps tackling issues concerning 1) Flood protection (sea, rivers, local water systems); 2) Water quantity (drainage and irrigation), 3) Water quality (planning, licensing, monitor); and 4) Urban wastewater treatment. The water boards are financially independent from the central government, because their income is based on two taxes that Dutch citizens directly pay to the water boards: 'the water system levy' and 'the wastewater treatment levy'.

A water authority is administered by an executive board, which is appointed by a directly elected general council. Both bodies are chaired by the same person, known as a 'dijkgraaf'. In Dutch, a water authority is generally called a 'waterschap', but some water boards use the names 'heemraad' or 'hoogheemraad'. The water boards manage natural water systems and protect residents from flooding. Their experts keep dykes safe and ensure the supply of clean water (*ibid.*).

### Municipalities

The Netherlands has 408 municipalities. The municipality is the tier of government closest to the people. To apply for a Dutch passport, for instance, or register a new address, you have to go to a municipal office to do so. Dutch municipalities are for 80-85 percent financed by national government. For the other 20-15 percent they impose local taxes (property, dogs, parking space) and earn fees for passports and driving licenses.

Each municipality has an executive, consisting of a mayor and aldermen. The mayor chairs the municipal executive and the municipal council. The mayor of the municipality is responsible for public order and safety in the municipality. He has to respond to and prevent nuisance and disorder. He may for instance prohibit public gatherings if he is unable to guarantee safety in the area (*ibid.*).

## **Control and accountability relations within the Dutch government**

### Ministers and line Ministries

*Annex 3* contains a figure that gives an overview of the parliamentary control and ministerial accountability (externally) versus ministerial control and managerial (official) accountability (internally). In the Dutch system, external control of the Minister(s) or Government by the Parliament happens on an occasional base. On a more regular base, the annual budget and the annual (financial) reports are discussed (Ministry of Finance, 2012).

The Minister(s) and the Government are externally accountable through informing the Parliament. The Ministers are obliged to answer questions posed by the Parliament (obligation of information provision). On a regular base, the Minister(s) and the Government informs the Parliament through e.g. legislation, policy reports, evaluation reports, the annual budget, regular budget reports during the year, annual financial report, etc. The Minister is fully responsible and accountable to the Parliament for all the activities and (trans)actions of (the organizational units of) his/her Ministry (*ibid.*).

The internal control of line ministries by their Minister(s) in the Netherlands happens on three levels: 1) The top management/strategic level: Minister, State Secretary, Secretary General and Directors-General (DG's) are responsible for the strategic planning; 2) The middle management/tactical level: the heads of the directorates (Directors) are responsible for the development of the policy programmes and the operational support management; 3) The operational management/operational level: the heads of the departments, units and internal agencies are responsible for the performance of the policy activities (primary activities) and for the performance the operational support activities (secondary or support activities) (*ibid.*).

The Minister (or State Secretary) takes the strategic decisions, after consulting the top management (level A). Decisions that are not taken by the Minister (or State Secretary) himself, have been mandated to the Secretary General and sub-mandated to the DG's; they have been authorised to act on behalf of the Minister. A further sub-mandating has been done to level B (Directors) and sometimes to level C (head of departments etc.) depending on the nature and the scope of the activities. The Minister, however, remains fully accountable to the Parliament for all taken decisions either by him or on behalf of him. To be sure that on all levels decisions are taken according to his political ideas and specific instructions, the Minister needs an internal control system. This system is built up of a consistent set of control standards (e.g. the COSO standards) (*ibid.*).

In the Netherlands, giving account (internally) by the management to the Minister goes through informing the Minister (either on his demand or asked for) through for instance (periodical) notes, reports etc. about the performance of the annual budget, the performance of a policy programme, policy evaluations, recommendations of the Audit Committee etc. (*ibid.*).

#### (External) agencies and local/regional governments

External supervision (limited control) of external agencies and local and regional governments by Minister(s) or the Government is arranged in the following ways. For the individual activities and transactions the management of an agency is not accountable to the Minister/Government, nor to parliament, but in general to an own – law based – board of supervision. Therefore, an external agency has its own internal and external control system. However, the external control of the agency is extended with (external) supervision by the Minister/Government. This external supervision is by law limited to the outlines of the policy performance/execution or to the outlines of the supervision. The Minister and parliament are together responsible for the law based system of supervision ('system responsibility'). If the system is not well functioning, the law should be changed (*ibid.*).

Local and regional governments have their direct/own mandates (authorities) by law for their own public household. This is based on a historically long decentralized tradition since the Middle Ages. For the individual activities and transactions the local and regional governments (Mayor and Aldermen/Her Majesty's Governor and Deputies) are not accountable to the Minister/Government, nor to the Parliament, but in general only to the local or regional (democratically voted) council. So, a local or regional government has its own internal and external control system. However, for some policy fields these governments perform/execute national policy. In those cases the necessary mandates/authorities are generally transferred by law and the own external control of these local and regional governments is extended with (external) supervision by the Minister/Government. This external supervision of the performance of national policies is limited. The local and regional governments are limitedly accountable to the Minister. The extent of the accountability depends on the regulation by law of their responsibility (*ibid.*).

External agencies and local and regional governments are limitedly accountable to a Minister. The management of a law based agency (with own legal personality) is fully accountable to his own – law based – board of supervision, only limitedly accountable to the Minister and not at all directly accountable to parliament. The Minister is (limitedly) accountable to parliament, that's to say only for the legal framework and for the way his



supervision works ('system responsibility'). The (political) management of the local & regional governments (the Mayor and Aldermen/Her Majesty's Governor and Deputies) is fully accountable to his own – law based – council of representatives, only limitedly accountable to the Minister - in case of the performance of (a branch of) national policy - and not at all directly accountable to parliament. The Minister is (limitedly) accountable to parliament in case of the performance of (a branch of) national policy, that's to say only for the legal framework and for the way his supervision works ('system responsibility') (*ibid.*).

### Financial management

Central coordination by the DG Budget of the Ministry of Finance (as Central Harmonization Unit for Public Internal Financial Control and Internal Audit (IA) through frame setting for fiscal control and financial control on the one hand and for internal audit on the other hand. The frame setting is formalized in Government broad regulations. Before issuing the regulations by the Minister of Finance, there are (institutionalized) consultations between DG Budget and the Financial Economic Affairs Directorates (FEADs) of the line Ministries in the so called IOFEZ-meetings. Within the set frames the Ministries (Ministers/Policy Managers) are rather autonomous with regard to especially financial management (less with regard to fiscal management). DG Budget supervises especially whether the frames are respected. So 2<sup>nd</sup> line surveillance (preventive/ex ante) with respect to financial transactions by DG Budget could be very limited and is in general only applied to guarantees (warranties) (*ibid.*).

DG Budget supervises the fiscal and financial management of the line Ministries (line Ministers/Policy Managers) during the year by means of regular and occasional information provided by the FEAD. The Minister of Finance (DG Budget on his/her behalf) has the legal authority to demand all the (financial) information necessary for his surveillance. The line Ministers (FEAD's on their behalf) are legally obliged to supply that information. These authorities and obligations have been laid down in the Government Accounts Act 2001 (Comptabiliteitswet 2001) (*ibid.*).

The main tasks of FEAD within a Ministry are: 1) Coordination of the annual budget process and the multi-annual financial estimates; 2) Supervising the fiscal performance; 3) Organizing the budget accounting (accounting of the financial estimates) and the financial accounting; 3) Advising (independently from the policy/line managers) the Minister on all issues with financial consequences; 4) Coordinating the multi-annual policy evaluations; 5) Organising of the payment process, the assignments of the cashiers (managers/administrators of the bank accounts) and the securing of the valuables (cash, credit cards, bank cards, bank warranties, etc) (*ibid.*).

The authorities (powers) of (the head of) the FEAD are: 1) Establishing/issuing of internal by-laws within the ministry with regard to the financial management, the budget process and process of the financial accounts (financial reports) (frame setting within the broader frames set by DG Budget/BAD); 2) Giving of mandatory advice about all (policy) projects with financial consequences to (the heads of) the ministerial departments and with the authority (power) to report his objections directly (independently of the hierarchical line) to the minister (first line surveillance, preventive/ex ante); and 3) Submitting directly (independently of the hierarchical line) an alternative budget proposal to the minister, if he does not agree with a proposal of the policy department (first line surveillance, preventive/ex ante) (*ibid.*).

The co-ordination, (first line) surveillance and advising by FEAD is applied upon three organizational levels within a Ministry: 1) The strategic level (DG level); 2) The tactical level (directorate level) and 3) The operational level (the activity and transaction level as lowest level). There are eleven line ministries and every line ministry has his own FEAD. A FEAD is hierarchically directly subordinated to the Secretary General and the Minister, so internally independent of the policy directorates (*ibid.*).

The policy performance/execution activities (primary activities) and the operational support activities (secondary activities) will take place at the operational level within government. The activities of operational support management can be divided in: A) Financial management operations; B) Material management operations; and C) Human resource management operations (*ibid.*).

Financial management operations (A) are divided in 1) Regular financial operations (including entering into financial obligations: contracting, subsidizing, etc.; paying expenditures: payments; imposing levies/taxes/tariffs: imposing claims; and collecting income: tax and non-tax revenues); 2) Special financial operations e.g. payment of advances, balancing of debts, payment in kind, remission of debt, securing valuables (cash, credit cards, bank cards, bank warranties, etc.); and 3) Balance sheet operations (treasury activities, managing financial assets and managing financial liabilities) (*ibid.*).

Material management operations (B) (in broader sense) include: 1) Procurement of material and equipment; 2) Material management (in limited sense): stock management, management of capital goods/assets, real estate management, etc.; and 3) management of redundant material: disposal by selling, by destroying or demolishing (*ibid.*).

Human resource management activities (C) include: 1) Recruitment and selection; 2) Staff management (training, remuneration, appreciation/appraisal, disciplinary actions, etc.; and 3) Resignation and dismissal (*ibid.*).



The Internal Audit Directorate (IAD) has two main task fields. First, it has a law-based task: financial and compliance audits. This is the auditing of the financial regularity of the financial management, the financial information and (the realization of) policy information in the annual reports, resulting in the annual statement of assurance. This is the main element of (internally independent) ex post audit. Second, it has a consultative task: operational audits (or performance audits). This consists of advising the manager (on his demand) about the operational support systems/procedures (supporting systems for Staff, Procurement, ICT, Materials/equipment, Organization, Finances, Housing). A statement of assurance can be the result. Operational audits are not an element of ex post audit (*ibid.*).

The IAD reports the results of the annual financial and compliance audits to the Minister. So, internal audit includes reporting of the results (information by the IAD to the minister). The content of the financial and compliance audits is: 1) Auditing whether the financial management is regular, orderly, verifiable and efficient; 2) Auditing whether the financial information in the annual reports is congruent with the financial records; and 3) Auditing of the realization of policy information in the annual reports. The financial, compliance and operational audits by the IAD are applied upon three organizational levels within a ministry: 1) The strategic level (DG level); 2) The tactical level (directorate level); and 3) The operational level (the activity and transaction level as lowest level) (*ibid.*).

There are eleven Ministries in the Netherlands. All eleven Ministries used to have their own IAD, but since 2012 they have been merged into a Shared Service Centres for Internal Audit (the General Audit Department). The choice for a Shared Service Centre is a matter of efficiency in auditing (*ibid.*).

The board of the IAD/General Audit Department (GAD) consists of a general director and five functional directors and is hierarchically directly subordinated to the Secretary General (SG) of the Ministry of Finances, but functionally subordinated to the line minister and the SG involved. The IAD/General Audit Department is independent of the policy directorates and the support management directorates within a ministry. The IAD/GAD is not a central audit directorate in hands of the Ministry of Finance. The results of the audits and the audit certificate are submitted directly to the line Minister involved. So, the audit function is still decentralized; the organization form is centralized (*ibid.*).

The line ministers are legally obliged to submit the results of the financial and compliance audits (inclusively the audit certificate) to the Ministry of Finance (DG Budget). This obligation has been laid down in the Government Accounts Act (Comptabiliteitswet 2001). In practice the General Audit Department submits the results to the Ministry of Finance (DG Budget) (*ibid.*).

The annual financial and compliance audit reports of the IAD/GAD are sent to the Supreme Audit Institution (SAI), so the SAI can make use of the results of this audit (for reason of efficiency of the audit process). This obligation has been legally regulated in the Government Accounts Act (Comptabiliteitswet 2001). However, the SAI is constitutionally independent meaning it has the authority to decide itself to do any supplementary (financial or policy) audit (*ibid.*)

The SAI issues an annual statement of approval regarding the annual financial statements included in the Central Government annual financial report, and also regarding the Central Government trial balance. Regarding the external agencies, the audit by the SAI is limited to the public or legal tasks of the agencies and to the public money involved. For efficiency reasons the SAI makes use of the audit results of the IAD/GAD (the statement of assurance). External audit includes reporting of the audit findings; the SAI provides the (line) Minister and the external agency with audit information (*ibid.*).

The SAI has not been authorized to audit the public household of local and regional governments. With regard to the performance of national policy by the local and regional governments, the SAI can only perform audits by means of data, documents and other data carriers in possession of the ministry involved. The SAI has no entry to the offices and accounting systems of local and regional governments. To this no-entry-rule is only one exception: in case of spending of European subsidies/subventions by local and regional governments. Based on a historically long decentralized tradition, local & regional governments are responsible for organizing and regulating their own external audit. Normally these audits are performed by a local 'SAI' or by a public accountancy firm (*ibid.*).

The SAI primarily informs the Dutch Parliament annually about the (financial) regularity of the policy programs (primary processes) and the operational support management (secondary processes). About the performance of the policy programs, the SAI informs Parliament on a regular but not an annual base (every year some other policy programs, risk based). The SAI reports, before being sent to Parliament, are submitted to the Ministers involved for their remarks. The Ministerial remarks are also sent to parliament by the SAI (*ibid.*).

In each Ministry, an audit committee advises the Minister and/or the SG about:

- 1) The recommendations of the internal and external auditor (IAD/GAD and SAI/CoA) as a result of the audits of the financial report and the financial management;
- 2) Operational support affairs (secondary processes) and risk management; and sometimes
- 3) About the (programming of the) annual audit plan of the IAD/GAD.

It is a functional (not hierarchical) official body, composed of the members of the top management (DG's, SG), the head of

FEAD, the involved senior auditor of the IAD/GAD and some external members with special expertise in FMC affairs or broad public management expertise (*ibid.*).

### 2.2.3 Civil Service

#### Number

In the upcoming years, the amount of civil servants in the Netherlands will decrease from 1,06 million in 2012 to 1 million in 2016. This decrease will be visible in almost all government sectors: the central government, the municipalities, the provinces, the water boards, education, the police, defence, research institutions and the judicial authorities. The goal of the cabinet to shrink the government will be reached by this measure by 2016 (Government, 2014i). To name an example of a way in which the Dutch government wants to shrink down, small municipalities are merged into larger ones. For instance, in 1975 there were 842 municipalities, while currently there are 408 municipalities in the Netherlands.

#### Assessment

Performance assessment is mandatory for almost all public employees and takes the form of a meeting with the immediate superior every six months. A reasonable range of criteria is assessed, including activities undertaken, outputs and improvement of competencies, and the results are of medium importance for career advancement and remuneration (OECD, 2012).

#### Training

For years, many throughout the Western societies have been calling for improvements to the operation and organization of their governments. These calls for reform have also imposed demands on senior civil servants, since any substantial changes were bound to have repercussions for their positions. On the other hand, they are the key players to execute government reform programmes (Profession in Perspective, 2008).

As a result, the requirements governing their selection, development and career paths have been changed. In the Netherlands this led to the establishment of the Senior Civil Service, or in Dutch 'de Algemene Bestuursdienst' (ABD) in 1995. It also led to the establishment of the Dutch office for the Senior Civil Service. This is a centralized unit concerned with all management development issues for the highest ranking officers in central government. It closely works together with the management development within the different ministries to ensure good development programmes and it is responsible for all appointments in the top 800 positions in the senior civil service (*ibid.*).

The Dutch office for the Senior Civil Service structurally invests to improve the quality of the civil service as a whole. It does so by means of recruitment and selection and development and education. Over the past thirteen years, the role of the office has evolved from enhancing mobility in the top of government to being a strategic counterpart for the governmental top of departments concerning management development and organisational development (*ibid.*).

### **Promotion**

For a promotion to a senior post in the Dutch civil service, there is no requirement in terms of a minimal amount of years to be served within the civil service prior to appointment. For people within the civil service this means that the only entitlement one has is the post to which one is appointed. An 'automatic career' is not part of the deal. This system opens the opportunity of a relatively fast career for high achievers. The Dutch civil service system therefore possesses typical characteristics of a 'non-career' system. In general, civil servants are not recruited for a career but only for a specific position (Ministry of Interior and Kingdom Relations, 2001/2006 in United Nations, 2006:11-12).

With the exception of specific services like the fiscal authorities, normally each position can be filled by internal and external candidates. However, in practice most civil servants make their entire career and increase in hierarchy by hopping from one position to the other. The Dutch civil service system is still a public law-based system. As a consequence of the government policy of 'normalization' of labour relations and employment conditions, the terms and conditions of Dutch civil servants are to a large extent harmonized with the private sector (*ibid.*:12).

## **2.2.4 Reforms to the Structure of Government**

### **History**

The Netherlands has always avoided a highly centralized government. The Dutch reform processes have often been about making the central government leaner by *decentralizing* more tasks to agencies and local authorities. In the last decades, the Dutch government increased its attention for results-oriented budgeting and focused on integrating performance measures into budget documents (Pollitt & Bouckaert, 2011:294 in Jilke, Van de Walle e.a., 2013:8).

In the 1980s these specific reform ideas that are part of the trending umbrella concept 'New Public Management' came from several other countries among which Sweden, the United Kingdom (UK) and the US. These countries showed an example of comprehensive

planning and business-origin management ideas which increasingly did their entrance in the public sector. However, as opposed to countries like the UK (under Thatcher) and the US (under Reagan) in the Netherlands the drive for efficiency and savings did not carry an anti-government ideological edge (Pollitt and Bouckaert, 2004:270).

The strong New Public Management trend of privatization and shedding tasks to ZBOs (autonomous administrative bodies) in the 1980s already ended in the 1990s. This can be seen as a result of the lesser need to cut back on public spending and the intention of the so-called purple cabinets to restore the 'primacy of politics'. In recent years, the focus shifted to the question of the core business of the ZBOs and the ZBOs became more responsible for the performance, cost and quality of their services (Pollitt & Bouckaert, 2011: 292 in Jilke, Van de Walle e.a., 2013:8).

With the government program 'Programma Andere Overheid' (Program Different Government) that started in 2003, steps were taken to achieve an administrative reform at the national level of government. The main characteristics of this reform program were a combination of investing in the quality of services, saving on the overhead expenses and reducing the responsibilities and administrative burden of the government (Van Twist, Van der Steen e.a., 2009:32 in Jilke, Van de Walle e.a., 2013:9). The central aspects of these reforms were rethinking central government tasks, reducing bureaucracy and the administrative burden, improving the organization and establishing an e-government (Pollitt & Bouckaert, 2011:296 in Jilke, Van de Walle e.a., 2013:9). Additionally, a State Minister of Government Reform which falls under the responsibility of the Ministry of Interior and Kingdom Relations was also appointed (Jilke, Van de Walle e.a., 2013:9). Only parts of this program succeeded, among which the renewal of the organization of the civil service (Van Twist et al., 2009:81 in Jilke, Van de Walle e.a., 2013:9).

Besides the 'Program Different Government', there has been another big reform program that goes under the name 'Vernieuwing Rijksdienst' (Renewal of Central Government) which started in 2007. The aim of this reform program was that the central government can and should work in a different and better way and that it can and should be smaller. This was supposed to be realized by increasing efficiency and dropping activities already carried out (Vernieuwing Rijksdienst, 2007:7 in Jilke, Van de Walle e.a., 2013:9). The first strategy by which the government used to realize this was a series of vertical upper and interdepartmental plans, which were aimed at promoting cooperation between the departments and combating horizontal fragmentation. Second, each department had to meet a certain percentage of staff cuts (Luts et al., 2008:41 in Jilke, Van de Walle e.a., 2013:9).

Unlike the 'Programma Andere Overheid' reform, the 'Vernieuwing Rijksdienst' reform mainly focused on the central government while other levels of government were disregarded. The goal was to achieve better policies and to properly implement this by slimming down the government by twenty percent (Van Twist et al., 2009:88 in Jilke, Van de Walle e.a., 2013:9).

### **Recent reforms**

From January 1, 2015 on, Dutch municipalities will become responsible for youth care, employment and income and health care for the sick and elderly. Some parts of these tasks were already part of the municipalities' responsibilities. Other parts, however, will be decentralized from the central government to the municipalities. The reason for the implementation of this reform is that municipalities are closer to the citizens. It is therefore assumed that they can deliver healthcare cheaper, more efficient and with less bureaucracy (Government, 2014n).

The Dutch municipalities have to take the lead in the decentralization process. The municipalities will realize most of these tasks at a local level. They will therefore need to cooperate with other municipalities in political, administrative and financial areas. The cabinet has taken several measures to help the municipalities in realizing their new tasks. Examples of these measures are: 1) Less complicated rules for citizens: the rules should be as simple as possible. Citizens with complicated problems should be able to contact one standard authority.; 2) The cash flows from the government to the municipalities for tasks regarding social policy will become less complicated. Municipalities will receive one budget to improve participation in society. With this measure, the spending- and justification of the budget will become clearer for the municipalities (*ibid.*).

Another recent reform has to do with higher education. Because the quality of the Dutch higher education needs to improve, the Dutch government has taken several measures. Universities need to specialize themselves. Furthermore, measures related to a more conscious study choice should lead to less drop-outs. There are also plans for another form of 'study funding' (Government, 2014o).

### **2.2.5 Key Issues, Lessons Learnt, Trends**

The Key issue that contributed to the need for a strategic reform program like 'Vernieuwing Rijksdienst' is that the Dutch government became too big and too slow. This has led to a low

amount of political trust among the Dutch population. The main lesson learnt is that the government can operate better and more efficient when it is smaller (Government, 2007:7).

Since the start of 'Vernieuwing Rijksdienst' in 2007, the Dutch central government has therefore been aiming at organizing its work process more efficiently so that it can respond better and faster to changes in society. These plans are presented in the Central Government Reform Programme. The basic principles of this quality change are: 1) A clearer political and administrative relationships throughout the civil service; and 2) Transparent political decision-making, policymaking, policy implementation and oversight (Government, 2014h).

In the context of the subsidiarity principle, the central government is transferring some of its tasks to municipalities, provinces and water boards. In other words: it is decentralizing its tasks. This will give municipalities and provinces more say in issues that directly affect their residents, like youth care and public transport, and permit a smaller central government (*ibid.*).

Municipalities, provinces and water boards will take over the implementation of some central government tasks, so that there will be fewer tasks for central government. This decentralisation process is specified in the Administrative Agreement. This will allow municipalities, provinces and water boards to implement tasks that are closer to them and that they are good at. They will receive funds of a 8,5 billion Euros in total to perform these new tasks. This decentralisation process is expected to reduce central government's spending by two billion Euros (*ibid.*).

The provisions in the Administrative Agreement are based on arrangements laid down in the current coalition agreement. The coalition agreement sets out the aim of achieving a small, effective government that only does what is necessary. Therefore, the coalition agreement states that: 1) The central government, provinces, municipalities and water boards will restrict themselves to their core tasks. For provinces, these lie in the areas of spatial planning, the economy and the natural environment; 2) The tasks of government will be performed at a level that is as close as possible to the citizen; and 3) No more than two tiers of government will be concerned with the same subject. In general, the government wants the tasks of the various authorities to be more clearly defined, and it wants fewer public servants to work on the same issue (*ibid.*).



## 2.3 The Process of Strategic Planning and Management

### 2.3.1 History of the Strategic Planning in the Country

Ever since the Second World War, the Dutch government has founded several agencies to conduct research in different policy areas. The outcome of this research is used as a means for strategic future policy planning.

### 2.3.2 Lead Bodies and Co-ordinating Bodies

#### Strategic planning

Because the composition of the Dutch budget is highly dependent on the composition of Government Coalition, it has a culture of *strategic exploration* instead of strategic planning. Because the composition and goals of the government can change after each government election, there is no need for a long-term strategic plan. Instead, there are various agencies that conduct scenario analyses for the government, so that it can adjust the goals in the Coalition Agreement based on research done by these agencies. The most important agencies that conduct scenario analyses are lined out below.

#### CPB: Economical planning

One of the most important institutions the Dutch government uses for strategic exploration, is the Centraal Plan Bureau (CPB). This is the Dutch organization for Economic Policy Analysis. The CPB was founded just after the Second World War in 1945. The founders thought that the Netherlands needed a new planning agency, which would supply the government with scientific knowledge and insights needed for active economic policy (CPB, 2014a).

The CPB prepares middle-long term surveys geared towards the preparation of the Coalition Agreement and the adoption of the budget policy, including predictions for the average economic growth for the next four years. Based on these predictions, the CPB then calculates the available budget for the next four years. The CPB also makes economic predictions at other times when the government has to take a decision on public finance, for example, when preparing the annual national budget (Ministry of Finance, 2007:9).

The output for which CPB is best known includes its quarterly economic forecasts of the development of the Dutch economy. The main forecasts are the CEP, published every spring, and the Macro Economic Outlook (MEV), which is published jointly with the Annual Budget at the Opening of the Parliamentary Year in September (CPB, 2014b).



### PBL: Environmental policy and regional planning

The 'Planbureau voor de Leefomgeving' (PBL) (Netherlands Environmental Assessment Agency) was founded in 2008 by a merger of the 'Ruimtelijk Planbureau' (RPB) and the 'Milieu- en Natuurplanbureau' (MNP). This merger was the result of a decision made by the Cabinet in the context of the program 'Vernieuwing van de Rijksdienst'. The functions of RPB and MNP have been taken over by PBL (PBL, 2014a).

PBL is the national institute for strategic policy analysis in the fields of environment, nature and spatial planning. PBL contributes to improving the quality of political and administrative decision-making by conducting outlook studies, analyses and evaluations in which an integrated approach is considered paramount. Policy relevance is the prime concern in all its studies. PBL conducts solicited and unsolicited research that is always independent and scientifically sound (PBL, 2014b).

The word 'environment' is understood in its broadest sense. PBL's core tasks can be described as follows: 1) To investigate and document current environmental, ecological and spatial quality; 2) To explore future social trends that influence environmental, ecological and spatial quality, and evaluate possible policy options; 3) To identify social issues of importance to environmental, ecological and spatial quality and raise them for discussion; and 4) To identify possible strategic options for achieving government objectives in the field of environmental, nature and spatial policy (*ibid.*)

### SCP: Social and cultural planning

The 'Sociaal Planbureau' (SCP) (Netherlands Institute for Social Research) is a government agency which conducts research into the social aspects of all areas of government policy. The main fields studies are health, welfare and social security, the labour market and education, with a particular focus on the interfaces between these fields. The reports published by SCP are widely used by the Dutch government, civil servants, local authorities and academics (SCP, 2014).

The SCP was established by Royal Decree in 1973 and has three official tasks to support the government with strategic planning in the social and cultural policy areas. The first task of the SCP is to describe the social and cultural situation in the Netherlands and to outline anticipated developments. The second task is to provide the information needed for a well/considered choice of policy objectives and resources and for the development of alternatives. The third official task is to evaluate government policy, especially interdepartmental policy, e.g. concerning the elderly, young people, ethnic minorities, etc.

Moreover, SCP publishes scientific reports on several topics. Examples of topics covered are life in the Netherlands (*ibid.*).

## Management

Historically, in the Netherlands the principle that decisions should be taken at the level where consequences are likely to be assessed best on the basis of relevant information, is widely applied. This is known as the '*subsidiarity principle*'. In practice this means that mandates are used within predetermined limits. Consequently, managers are responsible and accountable for their unit's overall functioning at operational level. Politically the relevant Minister is responsible (*ministerial responsibility*). This mechanism is conducive to achieve operational goals and, ultimately, policy objectives at tactical and strategic level as well. Besides the fact that this subsidiarity principle is seen as rationale, it is also believed that it fosters motivation and the civil servants' career developments (Ministry of Finance, 2013:40).

The concept of *integrated management* is in line with a Minister's integrated responsibility and accountability for his/her policies and the associated budget. As such, the concept is also in keeping with the Dutch culture of trust. Of course, the application of the integrated management assumes a working climate in which willingness to cooperate, information sharing and communicative skills are prevailing features. In terms of shared services, there is a growing conviction that (mainly) back-office units performing the same kind of work in different parts of central government should work together. This can be seen a 'horizontal approach' of government management (*ibid.*).

The way policy- and budget implementation take place in the Netherlands presupposes a considerable degree of internal control. The Financial Management and Control system (FMC) and the way that internal audit (IA) is designed and organized are crucial in this respect. By analogy with efforts to regularly examine the effectiveness of policies by means of all kinds of policy evaluations (be it *ex ante* or *ex post*) by independent, objective institutions, a variety of FMC instruments are used in a concerted way. To mention a few:

- Risk management is widely applied. This means that requirements such as sound record-keeping and financial processes (e.g. the segregations of functions) are fulfilled.
- The use of structured planning and control cycles is widespread at line Ministries. Consequently, annual activity planning, periodical monitoring efforts (with discussion of reports between hierarchically adjacent managers) and rendering account for results and resource use are common in practice.

- In general, a modern HRM system is firmly in place. For example, there are annual staff assessments and interviews between managers with integrated responsibility and directly subordinated staff (Ministry of Finance, 2013:40-41).

### **Advisory and monitoring bodies**

The Dutch government can turn to a large number of bodies for advice. The highest advisory body is the Council of State (*Raad van State*). The Council of State is primarily made up of former parliament members, ex-ministers and legal experts. The councillors are supported by a range of officials. The Dutch government is obliged to consult the Council of State every time it submits a bill to the Dutch parliament. The Council of State mainly focuses on the quality of the proposed law and checks whether the bill does not conflict with existing legislation (ProDemos, 2013: 70).

In matters of social and economic policy, the Dutch government can consult the Social and Economic Council of the Netherlands (*Sociaal-Economische Raad*), which consists of representatives of the trade unions, employer's organisations and experts appointed by the government. Another independent advisory body is the previously mentioned Netherlands Court of Audit (NCA) which checks whether central government revenue is spent legitimately and efficiently. In this context, the NCA also monitors whether public spending has yielded the desired results (ProDemos, 2013: 71).

Citizens who believe they are the victim of improper conduct on the part of a government organisation can file a complaint with the National Ombudsman. The National Ombudsman will subsequently investigate whether the complaint in question is justified. In addition, the Ombudsman draws up a yearly report for the Dutch parliament that provides an overview of all the complaints lodged against government ministries and other public bodies. This report also offers recommendations on how to possibly avoid similar mistakes in the future (*ibid.*).

### **Financial governance system**

The Dutch Financial Governance System of the Central Government is the administrative governance and management system in The Netherlands from financial perspective. It covers (see *Annex 4*):

#### **1) External governance/control**

This involves political control by the parliament and an audit function of the Supreme Audit Institution.

## *2) Internal governance/control*

This involves management control by the minister and by the managerial officials of a ministry; first line surveillance by the director of the Financial Economic Affairs Directorate; second line surveillance by the Minister of Finance and an audit function of the Internal Auditor). The system focuses on the steering and controlling of the policy making processes (policy programmes/primary processes/front office functions) and the operational support processes (secondary processes/back office functions) to support the policy processes in order to realize the (strategic) objectives of the Minister(s)/Government.

## *3) Policy programmes (primary processes)*

The strategic elements of a policy programme are in general: the objectives; the target groups; the instruments/tools; and the organizational structure for policy performance (including supervision).

## *4) Policy programmes (primary processes)*

The strategic elements of a policy programme are in general: the objectives; the target groups; the instruments/tools; the budget; the time schedule and the organization structure for policy performance.

These performance options include: performance by the ministries (full ministerial accountability); performance by external agencies (legally limited ministerial accountability); performance by local and regional governments (no ministerial accountability); and own local/regional democratic control. In case of performance by external agencies and performance by local and regional governments, there is ministerial responsibility for the policy direction (the so called system responsibility) and for supervision by ministries or by an (other) external agency.

## *5) Prior (or limiting) conditions*

The most important prior condition in the strategic planning is retaining sustainable political support of parliament for the policy programmes (external control). For the fiscal sustainability of government policy, it is also important to respect the fiscal framework, which is for an important part enforced by the EU (General government balance: structural zero balance, maximum deficit of 3% GDP; General government debt: maximum of 60% GDP).

Respecting the prior conditions of effectiveness, efficiency, economy (the 3 E's) and of financial regularity is an important approach of the Financial Governance System of Central Government in the Netherlands.

#### 6) Operational support processes

The operational support management is defined as: organizing the input of staff and the material means for the support of the policy processes. So, the general and technical support services (in Dutch the acronym PIMOFACH-functions: Staff, Procurement, Material and equipment, Organization, Finances (including audit), Automation/ICT, Communication (internal), Office housing).

### 2.3.3 Key Issues, Lessons Learnt, Trends

The most important lesson learnt is that there is limited space for strategic planning in the Netherlands because the composition of the government coalitions can differ so much. Strategic exploration in the form of scenario analyses works better in the Dutch government structure, because it allows for policy to be more flexible.

## 2.4 The Process of Budgeting in the Country's Public Sector

### 2.4.1 History

Traditionally, the Dutch budgetary policy is formed each four years when a new Coalition Agreement is formed by the new ruling parties. The Coalition Agreement is a document in which the government's major policy objectives are described. This is the first phase of budget formulation. The second phase of budget formulation happens annually, when the government's overall budgetary policy is translated into operational terms for all of the government's various activities (Blöndal and Kristensen, 2002:43).

#### Past

##### Continuous budgeting

In the early 1980s, budget deficits increased dramatically in the Netherlands. Therefore, the Dutch government embarked on a new course with the aim of major restrictions in the budget deficit. Because of this new policy the deficit fell from more than 8,9 percent of the GDP in 1983 to 5,7 percent of GDP in 1986. However, when the Dutch cyclical economic situation improved significantly between 1986 and 1990, budget overruns and additional expenditure were easily financed by cyclically high tax revenue without violating the actual deficit targets. Consequently, the positive change in the cyclical component of the budget balance was, for a large part, offset by a negative change in the structural component. This caused the opposite of what the government was aiming for to happen: the high structural deficit limited the scope to work and required the government to take strict measures to respect the actual targets (*ibid.*).

As a result of the returning government deficit, the Dutch government was forced to introduce fiscal packages in addition to the initial budget. This system of 'continuous budgeting' turned out to be a failure from both a political point of view as well as a budget management point of view. There were two main reasons for this: 1) Previous multi-party agreements on budget policy had to be frequently re-opened which created a fragile environment for governing; and 2) The system became very tumultuous with major decisions made last minute and on an *ad hoc* basis. Therefore, the Minister of Finance appointed a *Study Group on the Budget Margin* in 1993. This Study Group was supposed to consult the government about a new budget formulation system (*ibid.*:44).

#### Line budgeting

Based on the recommendations of the Study Group, the Dutch budgeting system was changed into a system that can be seen as 'line budgeting'. First of all, the biggest recommendation made by the Study Group was that the government needed a more solid budget policy anchor. In other words: the focus should be more on the level of the expenditures rather than the level of the deficit. Additionally, budgeting should also be based on cautious economic assumptions, meaning that extra stability would be created as extra revenue would not directly translate in extra expenditures. Cautious economic assumptions would reduce inherent risks (*ibid.*:44).

The renewed key elements of the budget policy of the Coalition Agreement were: 1) The budget policy is valid for the entire term of the government's office (four years); 2) There are fixed maximum caps for expenditures in each sector; 3) These maximum caps are established in real terms; 4) Transfers between different actors are permitted; 5) Maximums are based on cautious economic assumptions; 6) 'Firewalls' exist between revenues and expenditures'; and 7) Explicit rules apply for dealing with windfalls and shortfalls (*ibid.*: 45).

With regard to this budgeting process, the phenomenon of 'ministerial responsibility' is also very important, because it is the primary responsibility of the respective Minister to prevent or deal with budget over-runs. The respective Minister will have to reduce another part of his budget in order to finance this over-run. In some cases, the cabinet decides that another Ministry, or all other Ministries, should contribute to financing the overrun in one Ministry (*ibid.*:46).

#### Performance-based budgeting

Another reform in the budgeting system was introduced in 2002. This reform can be labelled as 'performance-based budgeting' (PBB). PBB is a budgeting policy in which budgeting is

based on output targets. Worldwide, PBB reforms were very popular under the New Public Management agenda in 1990s and early 2000s. This reform was introduced under the acronym VBTB, translated as 'From Policy Budgets to Policy Accountability'. The Netherlands switched from 'line-budgeting' to both program and performance budgeting, because in this way the loss of control as a result of reduced input controls for a government agency would be compensated by increased accountability over actions and results. Under the VBTB, the traditional structure of the budget was extensively revised into a performance-based budget in which funds were authorised according to general policy objectives. As a result of this reform, the number of line items to be authorised in the budget went down from about 800 to 160 (De Jong, Van Beek e.a., 2012:3-6)..

In the new budget document, the content of each policy article was designed to answer three basic questions that were mirrored in the annual report: 1) 'What do we want to achieve?'; 2) 'What will we do to achieve it?'; and 3) 'What will be the costs of our actions?'. Additionally, a milestone in the form of 'Accountability Day' was introduced to the Dutch budget calendar. This day takes place on each third Wednesday of May. With the aim of stimulating a dialogue between government and the parliament about the effectiveness and efficiency of public spending, the Minister of Finance has to present the central government's annual financial report as well as the ministries annual financial report to the parliament (*ibid.*).

#### Accountable budgeting

The VBTB (From Policy Budgets to Policy Accountability) did not live up to its expectations, because evidence that supports major reallocations of spending is lacking. There was limited usefulness of budgets and annual reports for financial analysis and unclear results accountability, especially with regard to policy outcomes. Also, the information value of the budgets and the administrative burden for line ministries have been continuous sources of debate. On the other hand, the concept of linking funding to results has proven its usefulness in agency management and has helped the Ministry of Finance in its role to differentiate between a powerful claim and a powerful claimant. There was also no tendency to give up the benefits of the increased transparency and enhanced managerial flexibility that resulted from introducing the program budget (De Jong, Van Beek e.a.:2).

Because the VBTB (From Policy Budgets to Policy Accountability) has not lived up to its expectations, another reform in the budgeting system took place 2013, with the introduction of the 'Accountable Budgeting' reform. This reform aims at tackling the problems encountered with regard to PBB in the Netherlands. The changes introduced were intended



to enable more detailed parliamentary oversight of spending as well as to enhance internal control by the Ministry of Finance and line Ministries. In order to achieve this objective, more detailed financial information was presented following a uniform classification of financial policy instruments and categories of organizational expenses. Moreover, the use of policy information (like performance indicators and policy texts explaining policy objectives) was curtailed and had to meet stricter criteria concerning the precise role and responsibility of government.

Many performance indicators disappeared from budget documents. Instead, the lessons learnt from evaluation gained a more prominent place in the budget documents, because these provide more useful insights in how to learn and improve instead of how to legitimise funding and compliance. Other objectives following the Accountable Budgeting reform are 1) better and more concise budgets and annual reports; and 2) more outlines and overviews (this has already partly been realised, since there are less separate budget articles and policy programs) (*ibid.*).

#### **2.4.2 Lead Bodies**

The lead bodies in the Dutch budgeting process are the Ministry of Finance and its Minister of Finance, all other Ministries, the CPB, the Council of State, the Parliament and the Court of Audit. In chapter 2.4.3, it will be clarified which role these different actors play in the budgeting process.

#### **2.4.3 The Budgetary Cycle**

There are a number of fixed elements in the budget calendar. The entire process takes about 2,5 years (Government, 2014k).



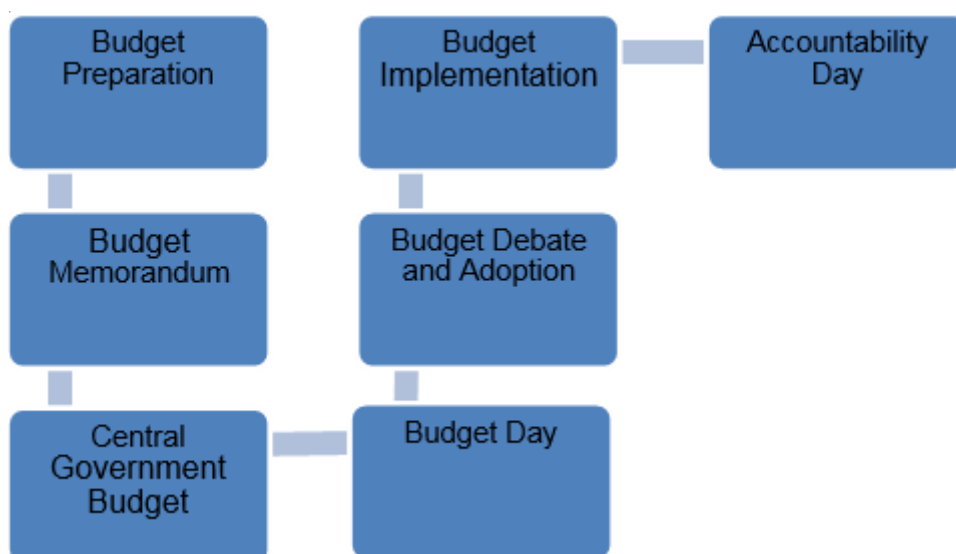


Figure 3: The Dutch Budgetary Cycle

(Source: own modellification)

### Budget preparation

The government presents its central government budget on Budget Day (Prinsjesdag), the third Tuesday in September, but preparations already commence in October of the previous year when the Minister of Finance sends budget instructions to the ministries. The ministers then inform the Minister of Finance of their plans for the coming period by means of policy letters (Government, 2014j).

In spring, the Minister of Finance sends a framework letter, asking what setbacks and windfalls there have been, what additional funding is being requested, whether spending in one or more of the three traditionally distinguished sectors (central government, social security and care) must be reduced or whether spending can be increased (for example to cut taxes or improve public finances). Then in the aggregates letter in April/May, the Minister of Finance informs the ministries how much can be spent in the coming year (*ibid.*).

In June, every Ministry prepares an initial draft budget, which is finalised in the summer months. The Ministry of Finance decides whether the initial draft budgets are consistent with the coalition agreement, the budget notice and the aggregates letter (*ibid.*).

### Budget Memorandum

The Budget Memorandum is prepared at the same time as the draft budgets. It summarises the main policy frameworks set out in the individual budgets and discusses the financial and economic position of the Netherlands. The Ministers work with provisional figures until the summer. In August, the latest economic data published by the Netherlands Bureau for

Economic Policy Analysis (CPB) in the Macro Economic Outlook (MEV) are incorporated into the final decisions on the central government budget (*ibid.*).

### **Central Government Budget**

In August, all the ministries present their final budgets to the Ministry of Finance. Together, they form the central government budget. Like other Bills, the central government budget and the Budget Memorandum are forwarded to the Council of State for advice, which is received in the first week of September. The ministers respond to the advice in writing. The central government budget and the Budget Memorandum are then printed so that they will be ready on time. Any amendments necessitated by the Council of State's advice and the latest figures are made in the printer's proofs. The budget is then ready to be presented on Budget Day (*ibid.*).

### **Budget Day: presentation of the budget and the Budget Memorandum**

On behalf of the government, the Minister of Finance presents the central government budget, the Budget Memorandum and the Tax Plan to the House of Representatives on Budget Day, the third Tuesday in September. When he presents the documents, the Minister of Finance gives a speech on the state of the Dutch economy (*ibid.*).

The central government budget (Rijksbegroting) consists of the budgets of all ministries. The budget and the annual review of each department have the same structure. The cabinet's policy goals are prioritized and form the base of this structure. Each ministries' budget answers the following questions: 1) What goals do we want to reach?; 2) How are we going to reach these goals?; and 3) What will this cost? (Government, 2014l).

The Budget Memorandum (Miljoenennota) outlines the expected income and outcome of the government. It looks at the current financial and economic situation of the Netherlands as well as the expected developments. The Budget Memorandum answers questions like: 1) What are the cabinet's most important plans for the upcoming year?; 2) What will these plans cost?; 3) What effects do these plans have on citizens and companies?; 4) What is the current state of the government finances?; 5) Is there a deficit and if so, how big is this deficit?; 6) Does the Dutch policy comply with European decisions and goals?; 7) How is the Dutch economy doing? (Government, 2014:m).

Besides the central government budget and the Budget Memorandum, the House of Representatives also receives the Tax Plan on Budget Day. The Tax Plan is a fiscal bill. For an important part, it arranges the changes that are needed at the income-side of the central government budget (*ibid.*).

### **Budget debate and adoption**

Shortly after Budget Day, parliament begins to debate the central government budget and the Budget Memorandum. It first debates the main political issues and then the financial and economic policies. The budgets of the individual ministries are then debated, first in the House of Representatives, which can make amendments, and then in the Senate (*ibid.*).

### **Budget implementation**

Once parliament has approved the departmental budgets, the ministries carry out the policies. Both the ministries and the House of Representatives monitor the implementation of the budget. The ministries inform the House of the budget's implementation by means of memorandums. The most important memorandums are the Spring Memorandum and the Autumn Memorandum. The Spring Memorandum considers the status of the current budget. If necessary, measures are proposed to change revenues or expenditures in response to developments since the budget was prepared.

The Minister of Finance sends the Spring Memorandum together with the first supplementary budgets to the House of Representatives. The Spring Memorandum is issued no later than the first of June in the current budget year. The Autumn Memorandum is the final budget memorandum to be sent to the House of Representatives and the Senate during the budget year. It is issued no later than the first of December. The Autumn Memorandum considers the implementation of the budget since the adoption of the Budget Memorandum. The budget can be amended if there have been financial windfalls or setbacks or if policy has been changed (*ibid.*).

### **Accountability Day: audit and accountability**

The ministries prepare annual reports after the end of the budget year. These reports look back at the plans presented in the central government budget and the Budget Memorandum. The government accounts for their implementation. Together, the annual reports of the individual ministries form the National Financial Annual Report. The Minister of Finance sends the annual reports to the Netherlands Court of Audit (NCA) at the end of March.

The NCA is a High Council of State and is independent of the Government and Parliament – a position laid down in the Constitution. Its powers are set out in the Government Accounts Act. Each year, the NCA audits each Ministry and examines the collection the collection and allocation of public funds, financial and non-financial management and Ministries' annual reports. It also investigates the efficiency and effectiveness of government policy and monitors organisations receiving public funds. Even

the House of Representatives cannot construct the NCA to conduct a particular audit. At most, the House of Representatives may request an audit. As a rule, the NCA honours these requests. To avoid duplication, the NCA makes as much use as possible of the activities of the Central Audit Service, and checks the quality of its activities periodically (Ministry of Finance, 2013:43:).

The National Financial Annual Report, consisting of explanatory notes on the ministries' annual reports and the central government statement of expenditure and revenue, is also sent to the Court of Audit. The NCA must express an opinion on the documents before they are forwarded to the Senate and House of Representatives. The Minister of Finance presents the National Financial Annual Report and the ministries' annual reports on Accountability Day, the third Wednesday in May (*ibid.*).

As an external auditor, the NCA brings out annual audit reports on the ministries' financial management. However, it also audits the effectiveness and efficiency of the ministries in general. Apart from auditing Dutch ministries the NCA can also audit institutions at arms-length of central government, like the road authorities, the State Forest Authority and the Social Health Insurances Authority. It also audits companies that are state-owned, like the National Railway company. Rules like the lifetime appointment for the board members and rules regarding the NCA's powers (like access to all information of central government) have to safeguard the NCA's independence (*ibid.*).

A well-defined strategic view helps the NCA to set goals. The most important characteristics of NCA's strategic view are 1) a learning government; 2) a societal perspective; 3) prioritizing vulnerable groups; and 4) attention for international connections. The NCA's strategic starting point is the good governance diamond, based on the United Nations definition. Four of the facets of the diamond form the realm of the NCA's work, as the NCA focuses on the performance and operation of the public administration. Performance and operation are the two pillars of the NCA's audits (NCA, 2010).

The NCA's audits on government performance focus on the actual effects of policy on society and how they compare to the intended effects. In the current audit strategy, the NCA focuses on groups and target groups that are largely dependent on the proper performance of the public sector. The NCA has grouped these 'recipients' of regulations, finance or policy implementation into three domains: 1) People; 2) the Netherlands; and 3) the Planet.

First, in the domain People, the NCA pays particular attention to the effectiveness, efficiency and responsiveness of the policy formulated and implemented in the healthcare, education and development cooperation sector. Second, the focus in the domain the Netherlands is on the efficiency of policy and policy implementation for the position and

resilience of the Netherlands in the following fields: competitiveness, integration, infrastructure and safety and security. Third, the Netherlands has obligations to protect the future of the planet. The NCA focuses on the actual effects of the Netherlands' climate change measures while paying special attention to energy (NCA, 2010).

#### **2.4.4 Key Issues, Lessons Learnt, Trends**

The main lessons learnt from the implementation of the PBB related reforms under the VBTB reform (From Policy Budgets to Policy Accountability) are that 1) A political process like budget allocation by parliament will not be rationalised by changing the budget structure; 2) A program budget can never live up to the expectation of being a super comprehensive policy document that contains all the information considered useful by every stakeholder; and 3) There is a need for more detailed financial information in the budget documentation, although none of the stakeholders involved would support a return to a classical line-budget (De Jong, Van Beek e.a.:2).

## **2.5 Lessons Learnt from the Study Visit**

### **2.5.1 Evaluation by the Participants of the Study Visit**

This section elaborates on the evaluation of the participants of the study visit. The complete survey can be found in Annex 1.2. In general, the participants were very positive about the way in which the programme as a whole met its aim and objectives as stated in the programme. Half of the group graded the programme with 'good', while the other half graded the program with 'very well'. One participant additionally commented that they would have liked to see answers given to the question that they had sent.

Six participants thought that the programme was very valuable in terms of developing their knowledge and broadening their expertise. One participant thought the program was valuable and another participant had a neutral opinion about this issue.

One participant thought that the programme did not meet his/her expectations at all. However, four participants thought that the programme did meet their expectations and three participants even thought that the programme met their expectations very well.

Some participants let us know that there were some topics which should have been included given the aims and objectives of the program. These topics are 1) Transport and communication in the Netherlands; 2) The specific budgeting system between 2001 and 2014 as well as examples of program budgeting; and 3) Applications of social services.

Besides topics that should have been included, there were also some participants that thought some of the topics that were included in the program should have been left out. The topics that some participants did not see as relevant were: 1) 'How the Dutch government finances the higher education'; 2) 'Large investment projects planning and financing'; 3) Ministry of Defence; 4) The Water Board. Other participants did not think the presentations should have been left out, but did had some other comments like *"The large investment projects planning and financing programme could have been better. If the general investment system was told and then an example was given, it would be easier to understand"*, *"The content of the presentation of the Ministry of Defence was more about the analysis than practice."*, and *"The presentation of the Water Board was too long"*.

Several participants also gave us their opinion about the balance of the programme. With 'balance' we mean things like the amount of time spent in the conference room compared with the time spent on visits. Comments we received were: *"It was rational and logical"*, *"The Ministry of Social Affairs visit and Amsterdam tax department visit was an opportunity to see working conditions"*, *"The presentations were long. There should have been breaks"*, *"You may increase the amount of time spent on visits"* and *"The programme was balanced"*.

The comments we received about the administration of the programme were the following: *"Because the weather is rainy in The Netherlands the transport between the hotel and PBLQ could have been facilitated with taxis."*, *"It was really nice. I think that due to the weather condition, the transportation from the hotel to PBLQ was the problem."*, *"There should be transport that was appropriate for the weather conditions."*, *"The speakers were really ambitious and keen to answer our questions."*, *"Very good."*, *"It was very good."* and *"Ingrid has taken care of all our needs."*

Furthermore, we received some recommendations for further development activity of similar programmes. The recommendations we received are the following: *"For the sake of homogeneity in the presentations it should be that all the presentations start from general and go to specific."*, *"The presentations that included answers to our questions were really helpful and practical."*, *"There could be focus themes and they could be presented in detail."*, *"The transport could be easier."* and *"The hotel should be closer to PBLQ."*

### 2.5.2 Key Issues and Lessons Learnt by Participants

In general, there are several key characteristics of the Dutch governing system that surprised the participants of the study visit. These key characteristics are the Dutch principle of ministerial responsibility, decentralization, and the fact that the Netherlands is a relatively

flexible country when it comes to strategic planning. The sections below will elaborate on these key issues in order to clarify them once more.

### **Ministerial responsibility**

Since 1848, the Dutch Constitution has laid down that the monarch is inviolable. This means that the monarch is politically neutral and the Ministers are accountable to Parliament for government policy. This key characteristic of the Dutch constitution is called *ministerial responsibility*.

### **Decentralization**

Decentralization means that municipalities, provinces and water boards will take over the implementation of some central government tasks, so that there will be fewer tasks for central government. This decentralisation process is specified in the Administrative Agreement. This Agreement allows municipalities, provinces and water boards to implement tasks that are closer to them and that they are good at (Government, 2014h).

The provisions in the Administrative Agreement are based on arrangements laid down in the current coalition agreement. The coalition agreement sets out the aim of achieving a small, effective government that only does what is necessary. Therefore, the coalition agreement states that: 1) The central government, provinces, municipalities and water boards will restrict themselves to their core tasks. For provinces, these tasks lie in the areas of spatial planning, economy and the natural environment; 2) The government tasks will be performed at a level that is as close as possible to the citizen; and 3) No more than two tiers of government will be concerned with the same subject. In general, the government wants the tasks of the various authorities to be more clearly defined, and it wants fewer public servants to work on the same issue (*ibid.*).

### **Strategic Planning**

Because the composition of the Dutch budget is highly dependent of the composition of Government Coalition, the Netherlands has a culture of *strategic exploration* instead of strategic planning. Because the composition and goals of the government can change after each election, there is no need for a long-term strategic plan. Instead, there are various agencies that conduct scenario analyses for the government, so that the government can adjust the goals in the Coalition Agreement based on research done by these agencies.



## 2.6 Conclusion

Even though the Netherlands and Turkey differ in a various ways, they are similar in some ways as well. To name an example, the relationship between line ministries and the ministry of financial affairs is similar.

The biggest difference between the Netherlands and Turkey is their way of strategic planning. While the Turkish government plans its policy very strategically, the Dutch government rather works with a flexible planning. The decentralized government system and the relatively large role of de-central governments also give strategic planning a smaller role.

Another important point of difference in this context is that the Dutch government makes much use of scenario analyses. These analyses are done by ministries, but also by other executive agencies. For example, these analyses are used for big infrastructural projects. Working with multiple scenario's gives government organizations the possibility to react to fast and unexpected changes in the political landscape in a flexible way.

Turkey and the Netherlands differ in numerous ways regarding their political system. Turkey, for example does not work with coalition governments. The Turkish delegation learnt a lot from the flexible way of strategic planning in the Netherlands.

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## 4 Annexes

### 4.1 Annex 1 – Evaluation of the Study Visit Organization

#### 4.1.1 Annex 1.1 – Evaluation by the Contractor

A total number of 8 people participated in the study visit to the Netherlands held between 17 and 23 August 2014. These 8 participants who attended the study visit filled out an evaluation questionnaire. The following parts provide a summary of the replies to this questionnaire.

Based on the outcome of evaluation questionnaires, it is obvious that participants are generally content with the general organization of the study visit. They also indicated in the questionnaire that they were provided with beneficial information at the end of presentations delivered by various institutes. Thus, it is possible to say that participants were provided with important clues regarding comparison between the Dutch public management and the one in Turkey.

Based on the scores given to the question, we can conclude that participants were less content with the transportation service and cultural activities provided to them in the Netherlands when compared to other questions. Except for these two fields, the level of satisfaction that the participants had was above the average. Replies provided to open ended questions confirm these data.

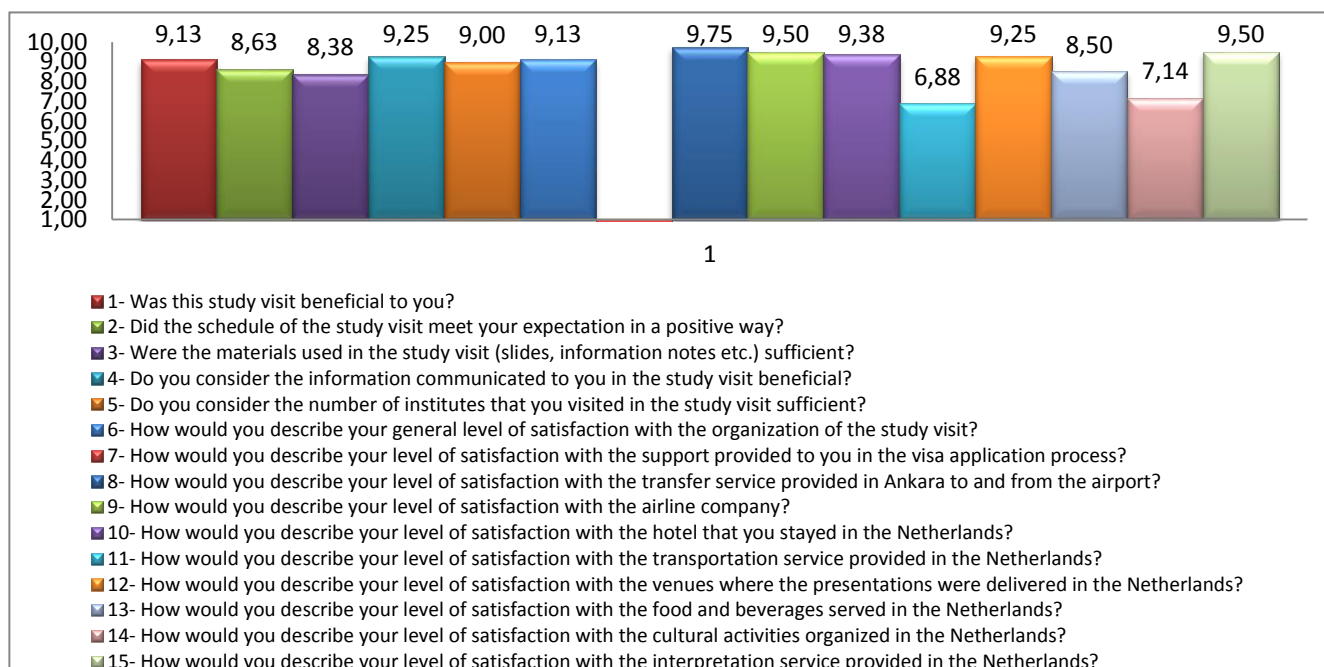


Figure 1 Average score of the replies provided by the participants



**16 Are there any public organizations or administrations that you consider beneficial to visit other than the ones that you already paid a visit in the scope of this study visit? If yes, would you please name them?**

- They were enough in number.
- Embassies, consulates, Attache's Office for Religious Affairs (if there is any)
- Ministry of Infrastructure, Port of Rotterdam
- As the ministries in Turkey and in this country differ, we visited those which are not the direct counterparts of our ministries in Turkey. Despite this, all those that we visited contributed sufficiently to our understanding of public management in the Netherlands.
- An institute which is counterpart of Treasury.

**17 What were the most beneficial aspects of the study visit? Why did you find them beneficial?**

- We were informed about the administrative and financial structure available in the Netherlands; we received information which would be useful in our daily business life.
- It was quite beneficial to learn a different public management system and institutes and to have representatives and professors who worked in various institutes replying our questions.
- To know better how state organization looks like, to receive information on the implementation from the authorized persons. To have the chance to compare this system with the one in Turkey.
- I had the chance to learn the system in the Netherlands. Since I learnt the current situation of public management in the Netherlands, I compared it with our country.
- The most beneficial aspect of the study visit: we learnt the public management system in a developed country directly from the public sector managers in the country, our questions were replied directly by them.
- All presentations were very well prepared other than those delivered by the institutes mentioned in question 18.

**18 What were the least beneficial aspects of the study visit? Why did you find them as such?**

- Timing appeared as a problem since interpretation took time. Presentation on "Large investment projects planning and financing" delivered by Ministry of Infrastructure and Environment was beneficial as it showed us an example of an investment made, but it was not comprehensive enough to explain general investment system.
- I do not think this study visit has any aspect which is not beneficial.
- I do not think this study visit had any aspect which is not beneficial.
- Presentation on "Introduction to Dutch Public Administration" talked about the parliamentary system other than other issues. The following presentations were not necessary: "How the Dutch Government Finances the Higher Education", "Large investment project planning", "Dutch Waterboard".
- Presentation delivered on the last day about how the system works at the local level did not meet what we were expecting. We were expecting to understand how budgets are allocated at the local

level, what kind of decision mechanisms are available at the local level and how they function, but it did not happen.

- The Ministry called Ministry of Planning which we visited was acting as Ministry of Environment and Urbanization in Turkey. This visit was different from what we were expecting in terms of understanding how public investments are made at the local level.
- Meeting held at Department of Planning and Infrastructure was not fruitful and relevant.

#### 19 Other comments/suggestions?

- One or two issues should be picked and a study visit focusing just on those issues may be organized.
- The distance between our hotel in Den Haag and PBLQ building which we need to commute to every day to hear presentations was long and the weather was not good. Thus this situation gave us hard time.
- I would like to thank everyone who made this visit possible, particularly Mr. Kutluhan Taşkın who is the head of Strategic Management Department in the Ministry of Development for his sincere cooperation and good-humored approach as a team leader.
- I think such study visits are beneficial and it would be good if efforts were made to ensure the participation of the personnel working on strategic management in various Ministries.
- It would be better if participants were allowed to decide on the agenda and the institutes to be visited. Thus what we would like to learn from each institute/administration delivering a presentation would be better communicated. If there is any recommendation about “books, articles, whitepaper” etc. which may be relevant to the issue that we discuss, we should get them either before or after the visit.

#### 4.1.2 Evaluation by the Hosting Organization

**How well did the programme as a whole meet its aim and objectives as stated in the programme?**

Very well                      4x              4x              0x              0x              0x              Not at all

Comments:

- We would have liked to see answers given to the questions that we've sent

**How valuable was the programme to you in terms of developing your knowledge, broadening your experience, etc?**

Very valuable              6x              1x              1x              0x              0x              Not at all valuable

**How far did the programme meet your expectations?**

Very well                      3x              4x              0x              0x              1x              Not at all

**Are there any topics you would have liked, given the aims and objectives of the programme, but which were not included?**

- I would have liked information about transport and communication specific in The Netherlands.
- The budgeting system (2001-2014) wasn't told in details. Especially program budgeting system should be told with examples.
- No issues. They were all answered.
- Applications of social services.

**Are there any parts of the programme which you think should have been left out?**

- "How the Dutch government finances the higher education" and "Large projects planning and financing".
- Large investment projects planning and financing.
- Large investment projects planning and financing programme could be better. If the general investment system was told and then one example was given, it would be easier to understand.
- The part of the Ministry of Defence, it was not relevant to me.
- The presentation of the Ministry of Defence could have been left out. The content was more about the analysis than practice.
- The presentation of the waterboard.
- The presentation about the waterboard was too long.
- The presentation about the marine investments.

**Do you have any comments on the balance of the programme, for example the amount of time spent in the conference room compared with the time spent on visits?**

- It was rational and logical.
- The Ministry of Social Affairs visit and Amsterdam tax department visit was an opportunity to see working conditions.
- The presentations were long. There should have been breaks.
- You may increase the amount of the time spent on visits.
- The programme was balanced.

**Do you have any comments on any aspects of the administration of the programme?**

- Because the weather is rainy in The Netherlands the transport between the hotel and PBLQ could have been facilitated with taxi's
- It was really nice. I think the transportation from hotel to PBLQ due to the weather condition was the problem.
- There should be transport that was appropriate for the weather conditions.
- The speakers were really ambitious and keen to answer our questions.
- Very good.
- It was very good.
- Ingrid has taken care of all our needs.

**Do you have any recommendations for further development activity, e.g. further programmes, courses, advice or support?**

- For the sake of homogeneity in the presentations it should be that all the presentations start from general and go to specific.
- The presentations that included answers to our questions were really helpful and practical.
- There could be focus themes and they could be presented in detail.
- The transport could be easier.
- The hotel should be closer to PBLQ.

**Do you have any other comments?**

- Thanks
- Thank you

## 4.2 Annex 2 – Programme of the Study Visit

All meetings took place at PBLQ or the speakers location in The Hague or Amsterdam, indications are given per presentation.

### Arrival – Sunday August 17<sup>th</sup>

- Arrival at Amsterdam Schiphol Airport
- Meeting with PBLQ support staff
- Transport to four star hotel in The Hague centre town
- Explanation of facilities and agenda Day 1
- Diner at the hotel.

### Day 1 – Monday August 18<sup>th</sup>

*Prepare for learning and understanding The Netherlands; setting the scene*

- |               |   |
|---------------|---|
| 09.00 – 09.30 | <b>Arrival and Welcome at PBLQ (@PBLQ, The Hague)</b><br><i>Ingrid van Wifferen – Strategic advisor / head of research PBLQ Europe and International.</i>   |
| 09.30 – 10.00 | <b>Introduction and explanation of the programme (@PBLQ, The Hague)</b><br><i>Ingrid van Wifferen – Strategic advisor / head of research PBLQ Europe and international.</i>   |
| 10.00 – 11.45 | <b>Strategic Innovation in the Public Sector (@PBLQ, The Hague)</b><br>(Focus on efficient & effective public service delivery and transparent & sound financial management of public funds)<br><i>Prof. dr. Marcel Thaens / Erasmus University and Director Centre for Strategy and Leadership (in the Public Sector).</i>   |
| 11.45 – 12.00 | Coffee break  |
| 12.00 – 13.00 | <b>Introduction to the Dutch Public Administration (@PBLQ, The Hague)</b><br><i>Arnaud Wirschell – Strategic advisor PBLQ.</i>  |
| 13.00 – 13.30 | Lunch   |
| 14.00 – 16.00 | <b>Strategic planning and Implementation at the Ministry of Social Affairs and Employment (@Ministry Social Affaires)</b><br>From policy to implementation is a great challenge, The Ministry for Social Affairs has a department responsible for implementation policy.<br><i>Three Senior Advisors with specializations labour market, social security and international relations.</i> |

16.00 – 16.30 Preparation day two and evaluation

## Day 2 – Tuesday August 19<sup>th</sup>

09.00 – 09.15 Arrival at PBLQ

09.15 – 09.30 Recap of day 1

09.30 – 10.00 Travel time

10.00 – 11.30 **Transparent & sound financial management (@Parliament, The Hague)**  
*Teresa Cardoso Ribera - consultant PBLQ Centre for Strategy and Leadership (CSL).*

11.30 – 12.00 Travel time

12.00 – 13.00 Lunch

13.00 – 14.30 **Regularity, efficiency, effectiveness and integrity of the State of the Netherlands and fostering sound public administration (@ PBLQ)**  
Court of Audit in The Netherlands  
*Martin Abbink – Head of professional expertise Court of Audit in The Netherlands*

14.30 – 15.00 Travel and Coffee

15.00 – 16.00 **How the Dutch government finances the Higher education (@PBLQ The Hague)**  
*Désirée Meijer - Senior- advisor at PBLQ.*

16.00 – 16.30 Preparation day three and reflecting on the assignment (@PBLQ The Hague)

## Day 3 – Wednesday August 20<sup>th</sup>

*Decentralised Unitary State – “working together!”*

08.30 – 09.00 Travel Time

09.00 – 09.30 Arrival and recap of day two

09.30 – 11.00 **Personnel Management at central government level in practice @PBLQ**  
*Mr. Jan Willem Weck - former Director General Senior Civil Service Central Government Netherlands (ABD) director-general of DG Top Management Central Government.*



- 11.00 – 11.30 Coffee break
- 11.30 – 13.00 **Public Finance in the Netherlands (@Ministry of Finance, The Hague)**  
*Robert Vos - Ministry of Finance – The Netherlands*
- 13.00 – 14.30 Lunch
- 14.30 – 16.00 **Large Investment projects planning and financing (@PBLQ, The Hague)**  
Ministry of Infrastructure and Environment  
*Jan van der Burg – Senior advisor and associate at PBLQ. Retired vice-admiral, former Program manager of "SPEER", a major IT and restructuring programme of the Dutch Ministry of Defence and armed forces.*
- 16.00 – 16.30 Preparation day four, reflecting on the assignment.
- 19.00 – 22.00 **Diner (The Hague)**

## Day 4 – Thursday August 21<sup>st</sup>

- 09.00 – 09.30 Arrival and recap of day three (@PBLQ, The Hague)
- 09.30 – 10.30 **Netherlands Bureau for Economic Policy Analysis (CPB) (@PBLQ, The Hague)**  
Role and function of the CPB  
*Wim Suyker – programme leader public finance.*
- 10:30 – 12:00 Travel to Amsterdam
- Lunch
- 13.30 – 15.00 **Government performance, the Citizens perspective (@Ombudsman, Amsterdam)**  
*Luc Verdegaal (legal expert) en Henk Balke (teamleader marketanalysis).*

Free time

## Day 5 – Friday August 22<sup>nd</sup>

- 09.00 – 09.30 Arrival and recap of day four





- 09.30 – 10.30    **Financial management at central government level in practice (@Academy, The Hague)**  
National Academy for Finance and Economics  
*Marco Laar - Deputy Head of National Academy for Finance, Economics and Management.*
- 10.30 – 11.30    **Finance and control at the Dutch Water board( @PBLQ, The Hague)**  
*Boudien Glashouwer– senior advisor, auditor PBLQ and former director of a Dutch Water Board.*
- 11.30 – 12.30    **Presenting the Lessons Learnt by Delegates (@PBLQ, The Hague)**
- 12.30 – 15.00    Lunch and time for visit to mosque
- 15.00              **Formal Closing of the Programme (@PBLQ, The Hague)**  
*Ingrid van Wifferen – Strategic advisor / head of research PBLQ Europe and international*  
  
*Distributing and collecting Evaluation forms*

## Departure – Saturday August 23<sup>rd</sup>

Free time until departure to airport. Departure to airport depending on flight times.

### 4.3 Annex 3 - Parliamentary control and ministerial accountability (externally) versus ministerial control and managerial (official) accountability (internally)

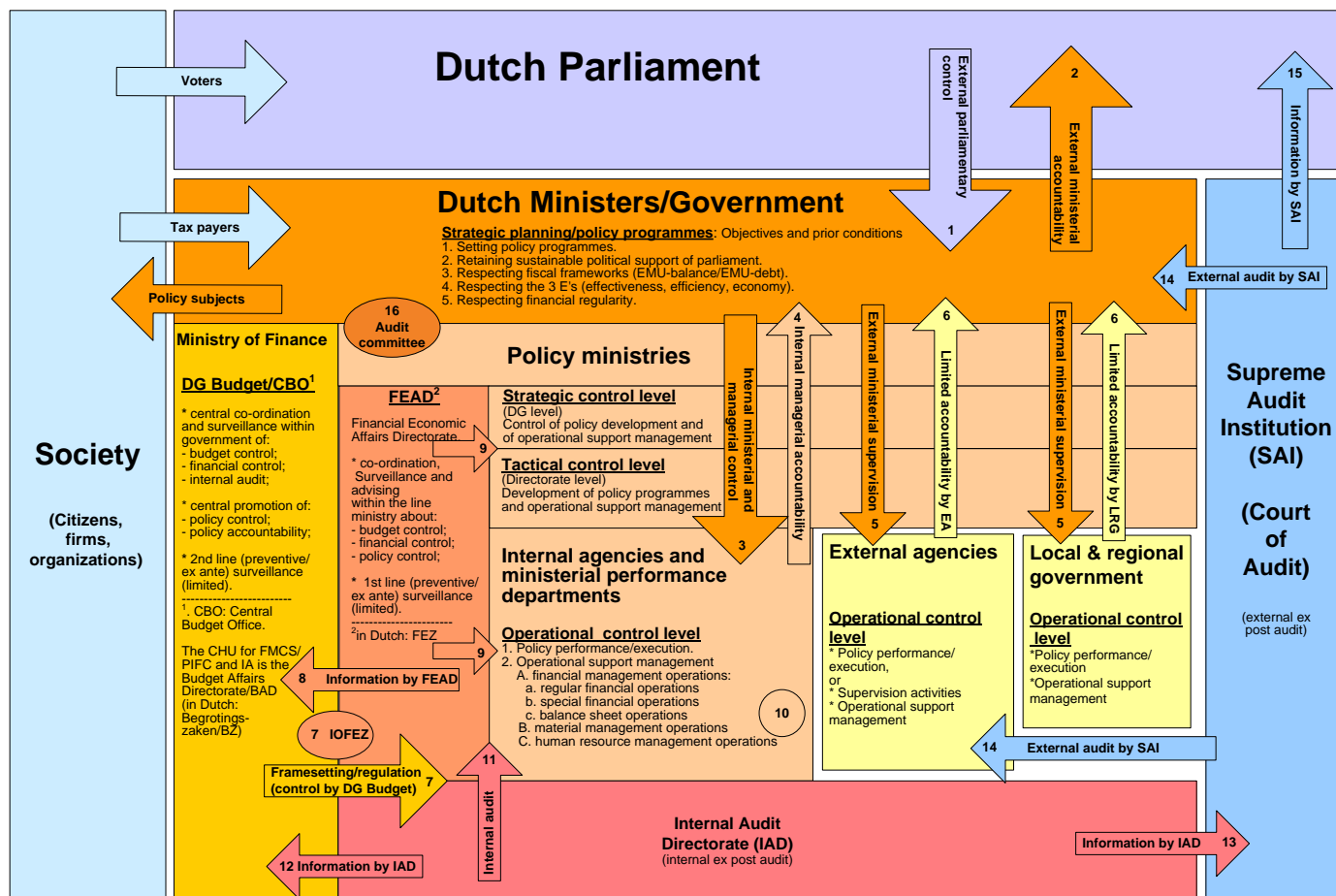
Ex ante versus ex post →		Ex ante control and surveillance of fiscal and financial management	Ex post control, surveillance and audit of fiscal and financial management
External versus internal ↓	External versus internal		
Political/parliamentary control = External control	Political control	1. <b>External political control</b> Control by Parliament of ministers/government through: a. enacting annually the budget laws. b. setting the general fiscal and financial framework through enacting the Organic Budget Law/PFIC-law ( <i>Comptabiliteitswet</i> ).	1. <b>External political control</b> Control by Parliament of ministers/government through: a. annually voting the (financial) ministerial reports. b. discussing the audit reports of the SAI/CoA.
	External audit		14/15. <b>External audit</b> Independent audit by the SAI/CoA for Parliament. a. auditing annually the financial reports and the financial management of the ministries. b. performing periodically efficiency audits.
Political/ministerial control and official control = Internal control (management control)	Internal control	3. <b>Internal political control:</b> a. Control by the minister of the official management (managerial board: SG and DG's; strategic level);  <b>Internal official control</b> b. Control by the official management of the general staff members (tactical and operational level);	3. Sometimes, risk based, <b>internal verification by a verification department</b> , through order of the manager (for example in case of large-scale granting subsidies).
	1 <sup>st</sup> line internal surveillance	<b>Internal surveillance by FEAD</b> 9. Setting fiscal and financial frameworks, internal regulation and advising within a line ministry . Supplemented with limited preventive control for special cases/situations/operations/ activities (mandatory directions = hard control).	<b>No formal (hard) ex post controls</b> (e.g. mandatory directions). Applying soft ex post control through informing, arguing and convincing.
	2 <sup>nd</sup> line internal surveillance	<b>Internal surveillance by the MoF/DG Budget</b> 7. Setting government broad fiscal and financial frameworks and regulations. Supplemented with limited preventive control for special cases/situations/operations/activities (mandatory directions = hard control).	<b>No formal (hard) ex post controls</b> (e.g. mandatory directions). Applying soft ex post control through informing, arguing and convincing.
	Internal audit		11. <b>Internal audit</b> Financial, compliance and operational audits by the internal auditor. Independent of the manager/policy performer, but subordinated to the minister

#### Definitions

<b>Control</b>	Steering and managing of the processes of an organization through: a. laying down standards; b. testing the performance against the standards, c. reporting about the results of the test, d. taking corrective actions.
<b>Internal control</b>	(In case of a ministry): the political and official steering by the minister and - on behalf of him - by the official management of his ministry.
<b>Surveillance</b>	To supervise that something happens or has been happened or that is acted or has been acted within a certain normative framework and in addition to which respecting that framework could be enforced or promoted through taking adequate measures.
<b>Internal surveillance (1<sup>st</sup> line)</b>	The surveillance of a controller on the operational actions (especially financial operations) of the line managers.
<b>Internal surveillance (2<sup>nd</sup> line)</b>	The surveillance of the Ministry of Finance/DG Budget on the operational actions (especially financial operations) of the line ministries.
<b>Audit/verification</b>	Inspecting whether something has been happened or that has been acted in line with a certain standard, without the inspectors authority (power) to enforce respecting the standard or to impose a sanction for compensation or punishment.

(Source: Ministry of Finance, 2012)

#### 4.4 Annex 4 - Financial Governance System of the Dutch Central Government



(Source: Ministry of Finance, 2012)

## **4.5 Annex 5 - (CD)**

In addition to the above annexes we enclosed a CD (Annex 3) that contains a collection of larger files that could not be included as hard copy in the Country Report. These additional materials include: documents provided to participants for preparation, presentations made during the Study Visit, photos of meetings as well as an electronic version of this Country Report. Below you find the exact content of the CD that accompanies the report

### **4.5.1 Electronic version of the present report**

### **4.5.2 Material provided to participants for preparation**

### **4.5.3 Presentations made during the Study Visit**



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