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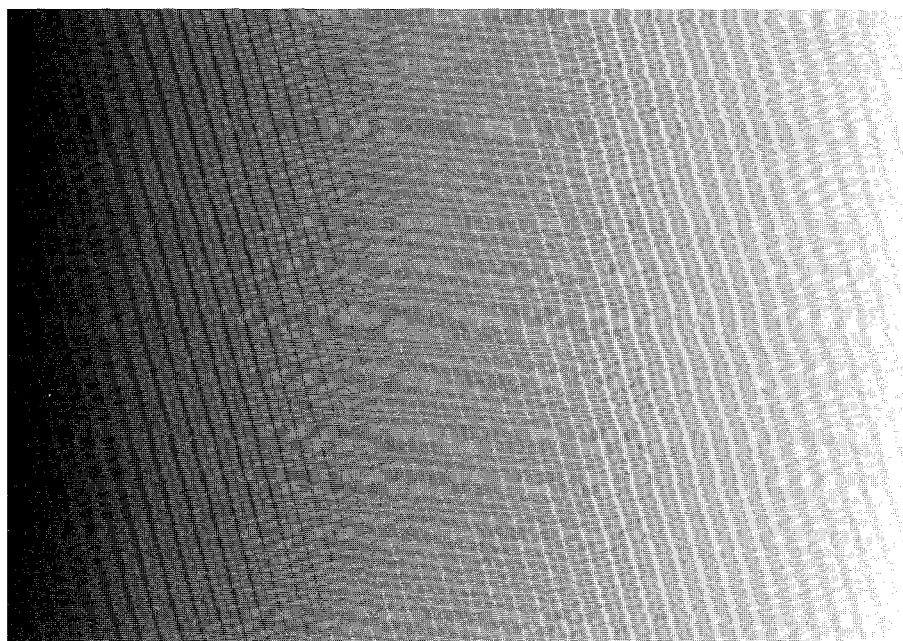
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Strategic Decisionmaking in Cabinet Government

Institutional Underpinnings and Obstacles

**NICK MANNING**

WITH

NAAZNEEN BARMA**JEAN BLONDEL****ELSA PILICHOWSKI****VINCENT WRIGHT**

SECTOR STUDIES SERIES

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Contents

Foreword	v
Acknowledgments	vii
Abstract	ix
1. What Are Cabinets?	1
Cabinets and Councils of Ministers	1
Contours of Cabinet in Organisation for Economic Co-operation and Development Countries	2
What Gets Discussed?	4
Variations on a Theme	5
2. How Do Cabinets Work?	8
When Is Government Cabinet-Like?	8
What Does Cabinet-Like Government Need to Make It Work?	9
The Cabinet Office	11
3. Where Does It Matter?	22
If Cabinet Is the Solution, What Is the Problem?	22
Cabinet Is a Popular Form of Government, and Pressures for Collective Decisionmaking Are Growing	25
4. Implications for Action	28
Credible Policy Drives Public Management	28
Improving Institutional Support for the Cabinet: A New Frontier of Institutional Reform	29
The Gambia—Cabinet and the Budget Cycle	29
Malawi—Cabinet and the Cabinet Office	31
Lithuania—Making New Rules Credible and Enforceable	33
Ukraine—Fundamental Questions About the Feasibility of Cabinet Government	35
Public Sector Reform in Tanzania, Zambia, and Albania	36
References	39
Box	
1. Core Criteria for the Existence of Cabinet Government	9

Figures

1. Number of Cabinet Committees	2
2. Size of OECD Cabinets in 1996 and Trends for 1987–95	3
3. Areas in Which Cabinets Vary Widely	5
4. Areas in Which Cabinets Display Consistency	6
5. Cabinets Exist Where the Risk is Greatest	23
6. Tradeoffs Between Risks of Dismissal and Risks of Budget Amendments	24
7. Overlap of Parliamentary and Presidential Systems	24
8. Cabinet Government Incidence by Region	25
9. Trends in Collective Government, 1980–94	26
10. Pre- and Post-Second World War Trends in Collective Government, 1920–50	26

Tables

1. Major Features of the Institutional Underpinnings of Cabinet Government	12
2. The Cabinet and Its Committees: Institutional Arrangements Underpinning the Role of the Cabinet in Defining Strategic Priorities	14
3. The Cabinet and Its Committees: Institutional Arrangements Underpinning the Role of the Cabinet in Applying Its Priorities as Events Unfold	14
4. Key Concerns with the Institutional Underpinnings of Cabinet in The Gambia	30
5. Key Concerns with the Institutional Underpinnings of Cabinet in Malawi	32
6. Key Concerns with the Institutional Underpinnings of Cabinet in Lithuania	34
7. Key Concerns with the Institutional Underpinnings of Cabinet in Ukraine	36

Foreword

Government policy is the set of laws, regulations, and other rules that together contribute to the achievement of specific government objectives. The quality of policy matters. Survey evidence increasingly confirms that unpredictable reversals in policies and laws and unstable governments are major deterrents to investment. Equally, rapidly changing rules on taxes or on licensing requirements discourage compliance. Economic actors affected by government policy must buy into policy, but policy credibility also has significance within government. Emerging survey evidence suggests that civil servants are less likely to implement policies that they do not support. Policy is also a significant aspect of accountability. Did government do what it said that it was going to do?

Accountable and credible government policies are a key aspect of good governance, the first pillar of the Comprehensive Development Framework articulated by World Bank President James D. Wolfensohn. As the World Bank enhances its efforts to help countries strengthen their governance, it is becoming increasingly clear that we must shift our focus from the content of public policy to the way policy is made and implemented, and from policy prescriptions to support to countries for developing the processes and incentives needed for countries to design good policies themselves.

Collective cabinet decisionmaking provides the institutional mechanism by which many governments prioritize their policies and guard against unpredictable policy reversals. Tracing the roots of consistent policymaking requires an examination of the risks to major government programs and to government survival, and cabinet government is an institutional solution to one particular set of risks. An assessment of how the institution of cabinet responds to the threats that government faces and identification of the practical strategies for examining the institutional arrangements for supporting cabinet decisionmaking are important steps toward helping countries build the institutions to support stable public policy.

This paper, a product of the Administrative and Civil Service Reform Thematic Group, is intended to stimulate thinking and encourage a more nuanced approach to institutional reforms at the center of government with a view to improving public sector policy performance. It emphasizes the centrality of institutions in producing good governance and draws on a wide body of academic literature and recent World Bank empirical findings on institutional arrangements at the center of government. The paper is the product of a partnership between academic researchers and the Bank's policy and operations staff, an exchange that has already enriched the dialogue and advanced the public sector institutional reform agenda in several client countries.



Masood Ahmed
Vice President
Poverty Reduction and Economic Management Network

Acknowledgments

The development of this report was made possible by the patience of many experts in policymaking and political institutions who have cast light on complex areas. It incorporates some of the ideas emerging from recent workshops with cabinets and councils of ministers facilitated by the World Bank Institute. Chapter 1, "What Are Cabinets?," draws extensively from an earlier paper by Vincent Wright of Nuffield College, Oxford University. In Chapter 2 the discussion in "What Does Cabinet-Like Government Need to Make It Work?" has benefited from detailed and practical insights from Gord Evans, who is leading the institutional support to cabinet in Lithuania provided through the Institute of Public Administration of Canada. The country case studies in chapter 5, "What Can Be Done?," have benefited from the helpful comments of the country management teams of Albania, The Gambia, Lithuania, Malawi, Tanzania, Ukraine, and Zambia, including the particularly helpful comments from Ahmad Ahsan, Lilia Burunciuc, Gord Evans, and Harry Garnett. This report has been developed with considerable research assistance from Naazneen Barma and Elsa Pilichowski of the World Bank and from Jean Blondel, at the European University Institute, Florence.

The report was initially shaped during the author's tenure as visiting scholar in the public sector management unit in late 1997, for which thanks are due to Malcolm Holmes, Barbara Nunberg, and Mike Stevens for their guidance. The report has drawn from advice provided during a parallel exercise to develop a pro-

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Abstract

Consistent policymaking in government is very much the story of how government obtains agreement to its policies from those who are in a position to threaten its purpose or survival. Stable policies are based in institutional arrangements that encourage the key players to bind themselves to a common position in which they fear losing more than they could gain by breaking the agreement. The contribution of individual unreliability of ministers to policy inconsistency within government is explored separately (Blondel and Manning 1999).

Tracing the roots of consistent policymaking requires an examination of the risks to major government programs and to government survival. Cabinet government is an institutional solution to one particular (and common) set of risks. This report describes an approach to assessing how the institution of cabinet responds to the threats that government faces and provides some practical strategies for examining the institutional arrangements for supporting cabinet decisionmaking.

In democratic contexts the three principal external incentives that encourage the head of government to form a collective cabinet are:

- The threat that the legislature will significantly amend the government's program as expressed in the budget proposals made by the executive.
- The threat of dismissal between elections.

- The risk that the executive will be seen by the public as having departed from a previous tradition of cabinet government and judged poorly as a result.

This report shows that cabinet government is a rational response to these risks and sets out the institutional arrangements that make cabinet a binding device. It takes a purely empirical view to determine what constitutes cabinets. Cabinets exist where we find them, not where they should be according to parliamentary and presidential categorizations. Using some new data and illustrative quantitative measures, the report shows how to make comparisons across countries, allowing for rapid diagnosis. The report recognizes the significance of the budget process for collective decisionmaking, but moves beyond the simplistic assumption that tradeoffs in cabinet government can only be made by reallocating the budget. Politicians trade in many commodities, including prestige and public acclaim.

In sum, the report supports practical approaches for assessing the strength of cabinet decisionmaking arrangements and for identifying practical steps to improve the prospect that decisions will be collectively binding.

In examining the incentives at work, the report is concerned with government survival, not government formation. It does not speculate on the incentive effects of arrangements under which it is hard to form a new government after the dismissal of the previous one.

1. What Are Cabinets?

Modern cabinet government emerged in Europe in the 19th century from an attempt to reconcile the continuing wish of the monarch to govern alongside emerging popular sovereignty. It attempted to satisfy the appetites of both the monarch and parliament for power. An understanding of cabinet government is key to an understanding of policymaking within parliamentary democracies and, as this report will discuss, beyond.¹

Cabinets and Councils of Ministers

Cabinets and councils of ministers are more a series of interlinked forums than a single group and are rarely a tidy single body comprising a single group that meets formally every week.² Cabinet can best be conceived of as a series of overlapping arenas that provide ministers with an opportunity to compete for political gain and public expenditure.³ The style and membership of cabinets vary enormously internationally.

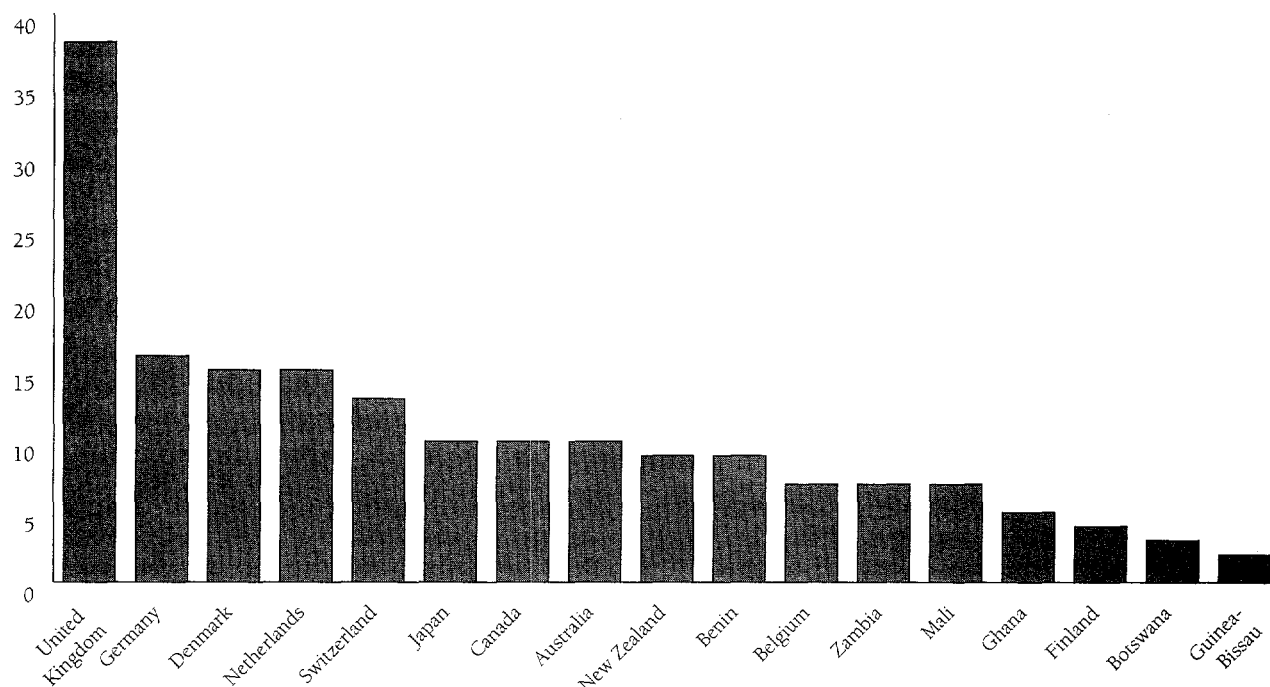
A cabinet may be an assembly of senior party officials (as in Belgium, Germany, the United Kingdom, and English-speaking Commonwealth countries) or a group including technocrats (as in Austria, France, and Spain), or a combination. In some countries there is a tradition of appointing only parliamentarians (the Westminster model), while in other countries (Spain and Austria) outside experts can be brought in. In a small number of countries (France, Norway, The Gambia, and, at least until the recent constitutional court ruling, Mongolia), there is an incompatibility rule: one cannot be both minister and member of parliament. The system that is described misleadingly as cabinet government in the United States is more akin to a disparate collection of individuals who are bound togeth-

er only by loyalty to a particular individual (although this was not the situation earlier this century).

Attendance at cabinet meetings is not always restricted to cabinet ministers. In Finland, France, and The Gambia formal cabinet meetings are presided over by the president, and in Norway by the king. Many countries have the practice of inviting junior ministers affected by a particular item on the agenda. In Germany junior ministers may be called to replace their minister. Also permitted to attend and participate in discussions, although with no right to vote, is the governor of the Bundesbank, whose opinions carry great weight. Key officials may also attend: in France the general secretary of the government and the general secretary of the presidency; in Germany the head of the chancellor's office and of the press office; in Italy the junior minister in the prime minister's office, who acts as secretary to the cabinet; in Norway the prime minister's press officer and the permanent secretary to the prime minister's office; and in the United Kingdom the cabinet secretary.

Discussions in full cabinet are rarely of sufficient focus or duration to decide among complex alternatives. Thus in all settings cabinet committees are of increasing significance (figure 1). In Europe the average number of cabinet committees has increased significantly over the past decades. Basically, committees identify contending views and interests and attempt to resolve them prior to the formal decision process. Cabinet committees may take the traditional form, such as the Danish Finance Committee, which ensures that all the financial ramifications of a proposal are aired and understood before full cabinet discussion, or the Priorities Committee in Canada, which vets all proposals from individual ministers before the cabinet. Committees can also provide a venue for initial

Figure 1. Number of Cabinet Committees



Source: Mackie and Hogwood 1985 for OECD; Bratton and others 1997 for Africa.

discussions among ministers who will later meet in formal session. Informal meetings of ministers relevant to particular policy debates can also precede formal meetings.

However, the basis of cabinet committees is the ratification of their decisions by the full cabinet—even if this is all but automatic. This is particularly significant in the case of inner or “kitchen” cabinets—an inner core of the most powerful ministers, including the head of government. These may meet to deal with a specific issue or may be permanent and general in scope. Inner cabinets have a distinguished lineage and are frequently used in wartime.⁴

Contours of Cabinet in Organisation for Economic Co-operation and Development Countries

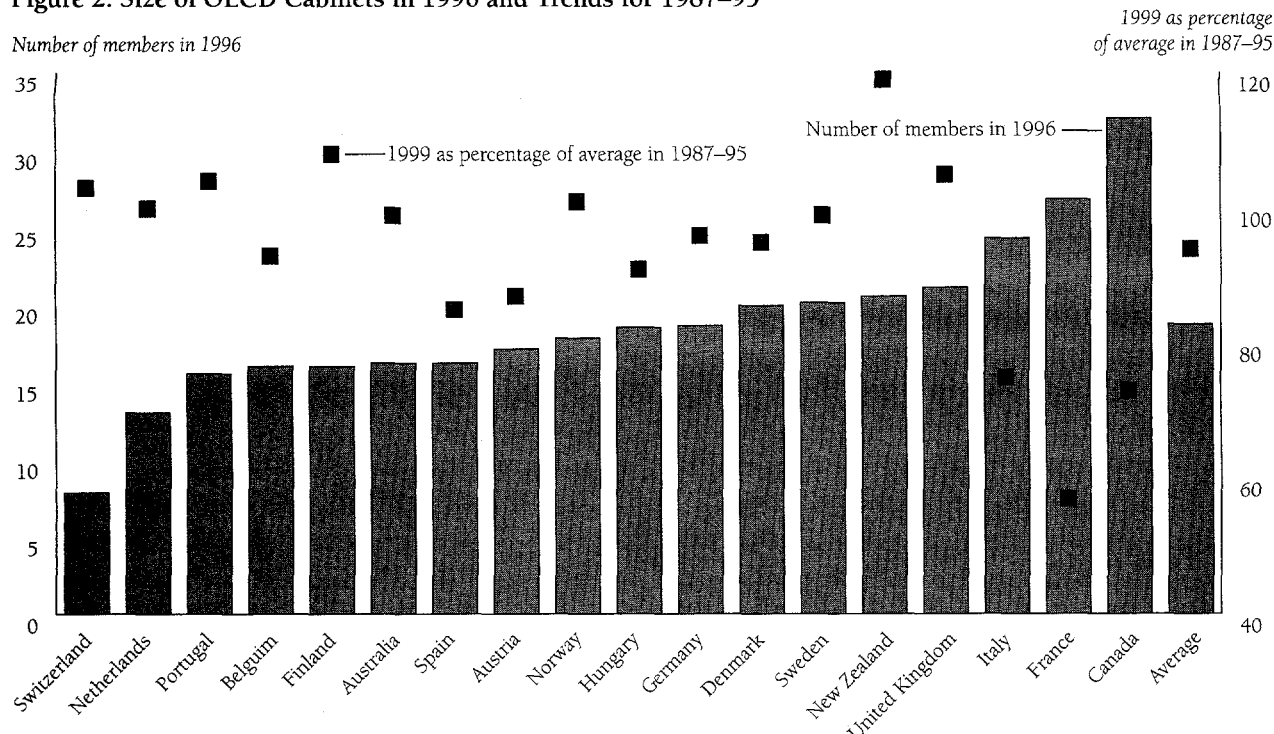
Most cabinets in countries of the Organisation for Economic Co-operation and Development (OECD) have around 20 ministers. During 1987–95 the average size of cabinets in a range of European and African

countries was just over 18. The largest average during that period was Canada, at 32, and the smallest was Switzerland, at just below 8.⁵

In the OECD there has been a light trend toward further reduction in cabinet size in the past decade, following some four decades of expansion after 1945 (figure 2). In July 1987 the government of Australia reduced the number of government departments from 28 to 18, organized in 16 cabinet portfolios; in 1996 the number of cabinet-level departments was further reduced to 14. Canada radically reduced the size of its cabinet in a similar exercise in 1993. Hungary has reduced the size of its cabinet from 20 in 1987 to 15 in 1999. This reduction in size has been associated with some rationalization of portfolios.⁶

The general rule in most countries is to hold a weekly cabinet meeting, although in practice this rule does not prevail in Sweden (up to 20 meetings a month, 4 of them formal) or Norway (three times a week, one of which, the formal cabinet meeting, is presided over by the king). In the Netherlands the cabinet normally meets once a week, but three or four meetings a week may be organized during the annual budget setting. In

Figure 2. Size of OECD Cabinets in 1996 and Trends for 1987–95



Source: World Bank data, drawn from various sources including OECD 1996c and Bratton and others 1997.

France and Norway the frequency of meetings is fixed by statute. When the head of government enjoys some discretion over the calling of cabinet meetings there is significant variation; in the United Kingdom, Prime Minister Wilson held 59 cabinet meetings a year, Prime Minister Thatcher only 35.

Cabinet meetings may be long (as in Ireland and the Netherlands) or short (as in the United Kingdom). However, taking frequency and duration together, Norwegian, Dutch, and Swedish ministers can spend up to 30 to 40 hours a month in cabinet (formal and informal), whereas British, French, Italian, and Belgian full cabinet meetings absorb only 8 to 12 hours a month. The average is 12–15 hours a month, with Finland, Ireland, Norway, the Netherlands, and Sweden above the average and Austria and Germany below the average.

In all settings cabinet committees are increasingly taking the lead. In principle, issues can be resolved more quickly in a more confined and confidential arena. Cabinet committees also help to unclutter the cabinet, leaving it free to tackle more long-term issues. Delegation to cabinet committee is the system most

avored in countries such as the United Kingdom, where such committees are numerous. However, there are problems with this tactic:

- In some countries, such as Ireland, there is no tradition of creating cabinet committees; they are few in number and they lack political clout.
- In some countries, such as France, the practice is to refer unresolved conflicts in cabinet committees to cabinet and not the reverse.
- In countries with a developed cabinet committee system, disputes often arise over intracommitee coordination and their composition. Disputes over composition are particularly acute in countries with coalition governments. Moreover, as in the case of superministries, coordination problems may not be resolved but merely postponed and rendered more intractable.

The problems of size and representation present a real dilemma. On one hand, small size may ensure quicker decisionmaking but could cause representative spread; excluded ministers can and do call into question the legitimacy of the decisions made. On the other hand, a representative cabinet committee may

be unwieldy and merely mirror the divisions that had originally emerged at cabinet level. The experience of the two main permanent committees in Finland is revealing in this respect. In principle, these two committees enjoy considerable power in coordinating ministerial activities. In practice, however, ministerial autonomy is usually asserted.

More general strategies of “precooked” decisionmaking prior to cabinet can be seen in formalized consultation among the various departments involved in a policy and between the cabinet office and those departments. This may be achieved by traditional filters such as the finance ministry, which drives bilateral negotiations, or by the establishment of a strong cabinet committee such as the Danish Finance Committee, which explores the financial ramifications of a proposal before the full cabinet discussion, or the Priorities Committee in Canada, which vets proposals coming from individual ministers, or by an interdepartmental committee of officials. Precooking may occur in:

- Informal yet institutionalized meetings of all cabinet ministers before the formal meeting (Austria holds 4 a month; Sweden holds 20).
- Informal discussions before cabinet meetings between affected ministers and the head of government; in Finland, Ireland, and Norway unofficial preparatory meetings of the full cabinet deal with middle-range policies as a tactic for uncluttering the cabinet agenda.
- Institutionalized meetings of party bosses belonging to the governing coalition on the day before the formal cabinet meeting (as in Belgium and the Turret meetings in the Netherlands).
- Institutionalized meetings of party bosses, cabinet ministers, and the head of government (and his or her staff) before each cabinet meeting; in Germany the Coordinating Committee and the chancellor and the vice-chancellor meet weekly to discuss cabinet business. In France a similar meeting occurs between the president and the prime minister and, in periods of *cohabitation*, when the president and prime minister belong to opposing coalitions, formal cabinet business is conducted in the Wednesday Meeting of the *Council des ministres* presided over by the president, but much of the real business is discussed in the *Réunion des ministres*,

which takes place on Thursdays with the prime minister in the chair.

- Informal meetings of important ministers before cabinet to discuss a particularly contentious issue.

What Gets Discussed?

Rules generally define which issues go to cabinet, but these rules are often imprecise (for example, the Norwegian Constitution stipulates that all “major issues” must be placed on the cabinet agenda) or incomplete (the formal rules in France, which date from 1947, divide the cabinet meeting into three parts—presentation of draft bills, ordinances, and decrees; ratification of appointments; and ministerial statements—but do not define how these items should be treated). The types of matter that go to cabinet or its committees in the United Kingdom are outlined in “Questions of Procedures for Ministers”—that is, questions that significantly engage the collective responsibility of government because they raise major issues of policy or are of critical public importance, and questions on which there are unresolved arguments between departments. Therefore the formal scope of the cabinet agenda is restricted but open to considerable interpretation. Only in a small number of countries are the rules precise and constraining, for example, in Finland where almost every government decision requires the formal blessing of the cabinet and in the Netherlands where the rules list all the items requiring cabinet approval.

In most countries the agenda is fixed by convention, statute, or standing orders, which rarely change. In the United Kingdom or Ireland the agenda (and cabinet business in general) has no constitutional or legislative basis but is governed by a set of standing orders or guidance notes. Austria, Belgium, and France also have less formalized systems than, say, Finland and Germany, where binding rules (constitutional, legislative, or standing orders) cover almost all business. The rules may be changed by the prime minister (Sweden and the United Kingdom) or only by parliament (Finland, Germany, Ireland, Italy, the Netherlands, Norway, and Sweden), but irrespective of the formal situation, rules are rarely changed and then only on minor matters.

Departments (particularly the finance ministry) are the major source of agenda items, but departmental demands are filtered through cabinet committees in countries such as Italy and the United Kingdom and through the office of the head of government in countries such as France and Germany. Only in Finland and Ireland is there no fixed agenda. In some countries (the Netherlands, for example) a minister has the right to place an item on the agenda, but may be dissuaded by informal precooking. The formal and informal rules for agendas generally provide heads of government with great discretion, enabling them to push preferred policies or, more important, to prevent troublesome items from reaching cabinet. During many critical months British Prime Minister Wilson successfully prevented the issue of devaluation from being brought to cabinet; his successor, Prime Minister Thatcher, progressively reduced the number of items on the cabinet agenda and was ruthless in filtering out the unpalatable.

The frequency and duration of cabinet meetings and the stripping out of items of formal or routine business emphasize the conclusion that cabinets may *choose* policy but they do not *make* it. An average cabinet will deal

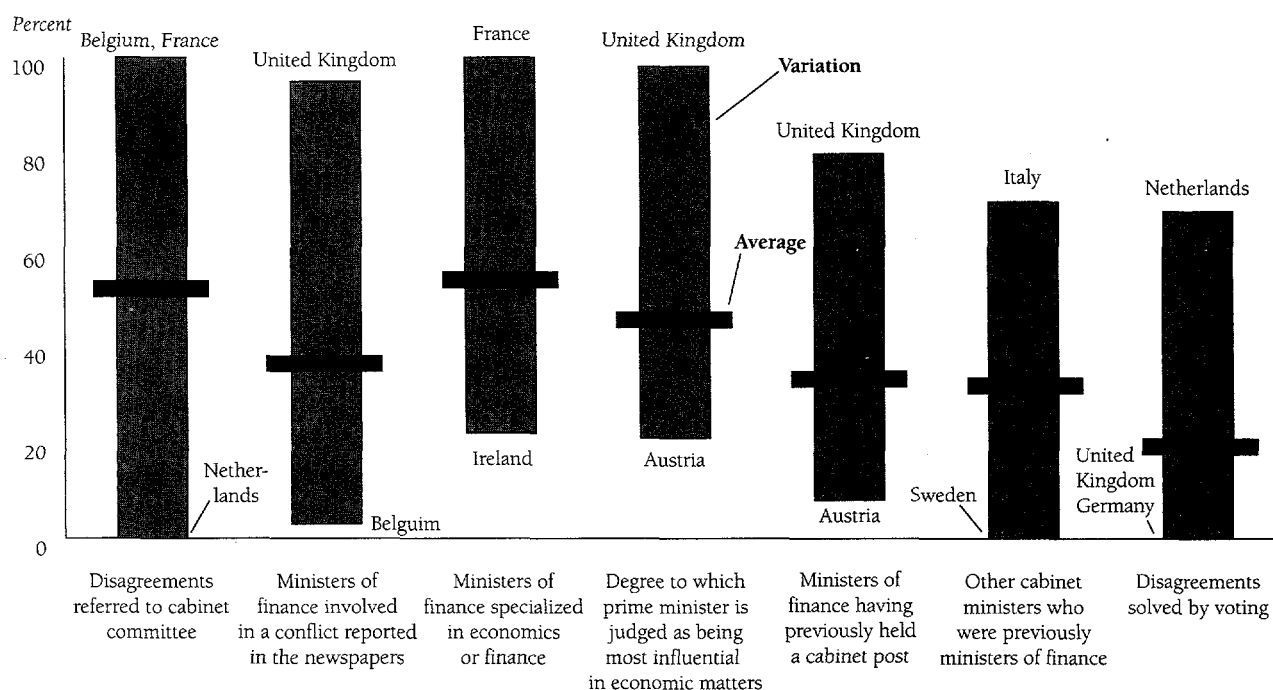
with 500 to 700 items a year (this rises to 4,000 to 5,000 in Finland), most of a routine nature. The role of cabinet is to select from the options presented to it. Policy development must inevitably take place largely in the sector ministries.

Variations on a Theme

Cabinets show wide variations in some areas (figure 3). The area of greatest variation concerns whether disagreements should be referred to cabinet committee or dealt with in full cabinet. Significantly different approaches are also found in relation to the willingness of the minister of finance to engage in open conflict, the background of the minister of finance (in terms of subject specialty and previous cabinet experience), and the use of voting procedures.

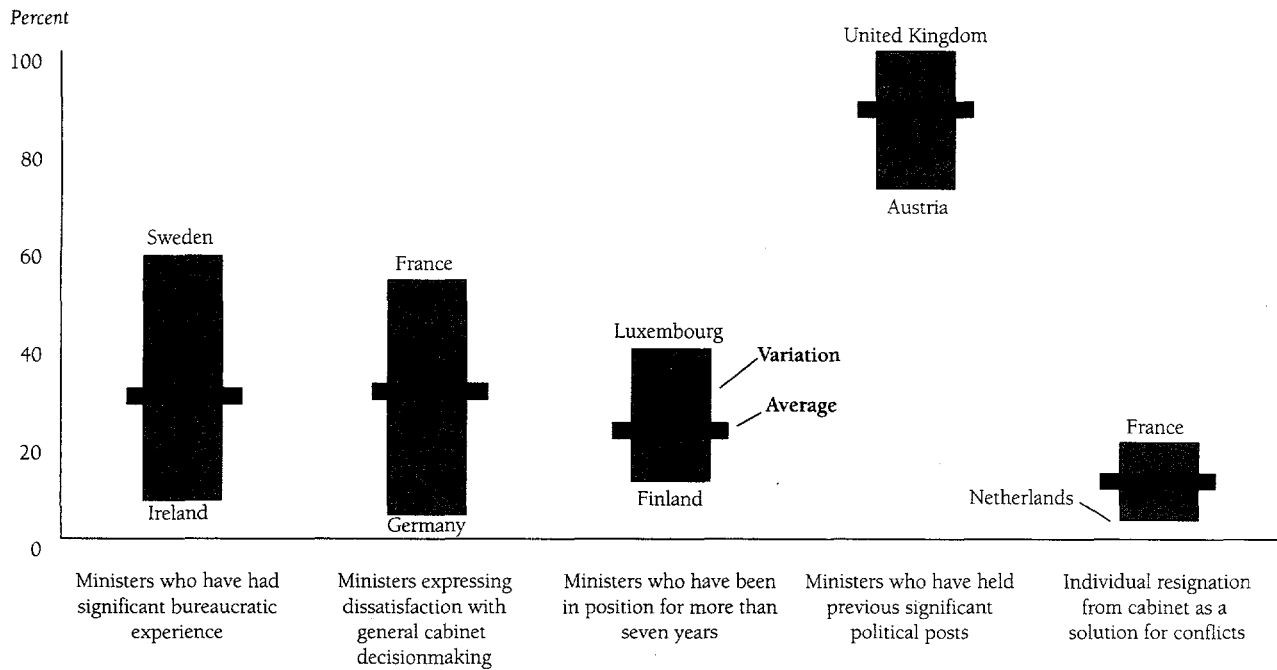
However, cabinets display consistent patterns in other areas (figure 4). These include the tendency of ministers to have significant bureaucratic experience and to feel dissatisfied with the decisionmaking process, the length of service of ministers, the nature of their

Figure 3. Areas in Which Cabinets Vary Widely



Note: Countries listed at the tops and bottoms of the bars are those at the maximum and minimum ends of the range.

Source: Torbjorn 1993; Nousiainen 1993; Thiébault 1993; Cotta 1991; and Blondel 1993b.

Figure 4. Areas in Which Cabinets Display Consistency

Note: Countries listed at the tops and bottoms of the bars are those at the maximum and minimum ends of the range.

Source: Torbjorn 1993; Nousiainen 1993; Thiebault 1993; Cotta 1991; and Blondel 1993b.

political careers, and their unwillingness to resign from cabinet to solve conflicts.⁷

Notes

1. As Laver and Shepsle (1994) point out, "any discussion of governance in parliamentary democracies must incorporate a systematic account of cabinet decisionmaking. Without such an account, it is impossible to model the making and breaking of governments because it is not possible to specify how legislators envisage the consequences of their actions."

2. The term *cabinet* is the most easily recognized generic description of this body, but it might create some confusion between cabinets as a collective political body and cabinets in the (particularly French) sense of a group of advisers working for a minister, comprising friends, political allies, and politically sympathetic civil servants dealing with the political aspects of the post. This paper uses the term only in the first sense.

3. Wright (1998) refers to four types of cabinets:

- Cabinet as *spectator*, with major decisions being taken elsewhere in 'central executive territory,' either by the chief executive, the chief executive in bilateral nego-

tiations with relevant ministers, cabinet committees, interdepartmental committees of high-ranking civil servants, ad hoc commissions, and so on.

- Cabinet as *clearing house* for rubber-stamping decisions made elsewhere and for formal reporting.
- Cabinet as *arena* for reviewing, debating ministerial initiatives, and for legitimizing decisionmaking.
- Cabinet as *actor*, with the power to initiate, filter, co-ordinate, and, as final court of appeal, to impose constraints or even vetos.

Of course, these roles are not mutually exclusive. Indeed, most cabinets find themselves locked into all four roles. However, the emphasis on each changes from country to country: in Ireland, Belgium, Sweden, Austria, and the Netherlands the cabinet is rarely reduced to the role of spectator—real debates take place, even if they are sometimes 'framed' by the Prime Minister or Chancellor or by the 'pre-cooking' of the party bosses. At the other end of the spectrum we have the Russian and American cabinets, which are mainly spectators or clearing houses. In France and Britain the cabinet has carried all four functions—depending on the prevailing position of the chief executive.

Mackie and Hogwood (1985) offer a related typology.

4. There has always been a dilemma at the heart of this tactic. On the one hand, the kitchen cabinet may be composed of the cabinet heavyweights, but they are not always political allies. Nor are the heavyweights necessarily the friends of the prime minister (for example, the early Thatcher governments and the French Socialist governments of the 1970s). They are frequently the leaders of the coalition parties in government, locked into mutual suspicion and surveillance. On the other hand, if members of the inner cabinet are mere cronies of the prime minister, they are not necessarily the cabinet heavyweights. Indeed, inner cabinets may be designed as a means of strengthening the center, but they are often a symptom of the weakness of that center (for example, the Major government in Britain). It should also be noted that the existence of inner cabinets may result in the creation of unofficial and informal meetings of excluded and resentful ministers.

5. Switzerland provides the limiting case and is frequently not regarded in the academic literature as cabinet government. However, the definition used here encompasses Switzerland.

6. The political opposition to reductions in cabinet size are considerable. Large cabinets allow powerful stakeholders to influence policymaking, and “a large and broadly-representative cabinet at least gives dissenters a sense that their stances have received consideration in the secrecy of cabinet deliberations” (Campbell 1996). As Campbell also notes, “The Australian and Canadian Prime Ministers who pressed radical rationalizations of their ministries challenged

head-on the representational imperative which had inflated cabinets in their respective countries.”

In general, the opposition to reductions in cabinet size emerges in the following areas:

- It requires the creation of superministries, which can run into constitutional or legal obstacles.
- In countries with coalition governments it is easier to distribute 25 posts than 14.
- Cabinet size reduction may reduce the scope of prime ministerial patronage.
- Good coordination within superministries is to an extent achieved by a tradeoff with coordination at the cabinet level.
- Larger ministries may lead to the emergence of independent power bases for the superministers and heighten the political stakes in the case of conflict.
- The reduction in the number of ministers in the cabinet reduces the chief executive’s ability to construct supportive shifting coalitions.
- Superministries reduce the visibility of the junior ministers and hence the capacity of the cabinet to identify their talents or weaknesses.

7. OECD data indicate that on average over 30 percent of ministers have been in a post for more than seven years. This contrasts strongly with the observation provided by a Central Intelligence Agency report, which noted that ministers in Latin American governments serve an average of only 14.6 months (CIA 1994).

2. How Do Cabinets Work?

What makes cabinet work as a binding device? How does the arrangement ensure that cabinet members cannot easily renege on agreements made by cabinet? Current game theory analyses of cabinet decisionmaking are helpful in examining which game is played, but they do not assist much in identifying the minimum set of constraints that make a binding game possible in the first place.¹ The key question is: How and when is it possible for cabinets to be established so that ministers with different opinions on risks and opportunities can debate a contentious issue and emerge with a single position that all must work to defend?

When Is Government Cabinet-Like?

Basically, cabinets act as binding mechanisms because of two factors: the cost to ministers of leaving cabinet is greater than any gain they will experience as a result of no longer being in government, and the threat that they may indeed have to leave is credible. When these factors are present, dismissal from government acts as a real threat that, if inflicted, would exact a high price in terms of personal and political ambitions. If there is no threat of removal from office, the loss, however great, represents no disincentive for dissent. Conversely, if the life of a cabinet minister brings few rewards relative to other career possibilities, the threat of expulsion, however real, will do little to silence an aggrieved minister.

Paradoxically, the credibility of the threat of expulsion from cabinet depends on arrangements that make it unlikely to happen—particularly institutional arrangements that hold the cabinet collectively accountable and therefore restrain arbitrary actions of the head of government. If the head of government can dismiss ministers or drop parties from the coalition easily, to the point

of arbitrariness, the sanction that dismissal represents disappears. In other words, if ministers may be so easily dismissed whatever they do, they might as well do whatever they want. To make the threat credible, it must happen rarely and after considerable reflection. To constrain the head of government there must be some risk in threatening to dismiss a minister. This risk can arise when the party might challenge the head of government (see below). Significantly, however, this risk arises as a result of one of the basic institutional arrangements behind cabinet—that it be held collectively accountable to another body (the legislature in the case of parliamentary systems).² In a parliamentary system, if the head of government dismisses ministers often, at some point the legislature will question the competence of the government as a whole, not just the dismissed ministers, thereby exposing the head of government to the risk of losing office.³

The credibility of the threat of dismissal generated by these arrangements can be undermined in practice if the next election is close, as this reduces the willingness of the head of government to be seen as uncertain about the government team. It is also reduced if the minister under threat has powerful support relative to the head of government (within the legislature or the country at large, particularly within the party), since the head of government will be less likely to dismiss a minister with a strong and independent power base. These countervailing pressures that reduce the credibility of the threat of dismissal from government can never be removed entirely, but the collective accountability of government places persistent pressure on the head of government to discipline cabinet members.⁴

Assuming that the threat can be credibly maintained, the pain that dismissal would represent increases as the difference between the personal and political rewards

that politicians receive as ministers and the rewards that they would receive outside of office grows. Absent any grand corruption or distorted salary scales, the rewards of office stem from:

- The power to change policy.
- Public visibility and public acclaim.⁵
- Greater prospects of further and more senior political office.

The power to change policy requires that cabinet have comprehensive responsibility for the major policy questions of government. Public visibility and acclaim require that the public perceive cabinet as authoritative. Ensuring that there are at least prospects of further and more senior political office is partly a question of the size of cabinet. Whatever the number of ministers, there are only a few highly prized portfolios (particularly finance and foreign affairs) and there is only one head of government. Smaller cabinets reduce the field of similarly placed contestants for these positions.

The rewards of ministerial office are lessened by the difficulty of the job and the tension inherent in the constant haggling with fellow ministers.⁶ Under any game theory assumptions, cabinet is an arena for exchanges among ministers of diverse currencies ranging from budget to public visibility. However, there is a difference between the inevitable political horse trading and daily arguing with ministerial colleagues. The size of a cabinet is inversely related to the size of ministerial portfolios. Restricting cabinet size to moderate numbers (between 5 and 40) ensures that the portfolio size is sufficiently limited for ministers to make credible policy proposals, but not so limited that the proposals mean little to anyone outside of the sector. The size of a cabinet must therefore be restricted, but not unduly. It is probably for this reason that the average size of cabinets is remarkably consistent (see figure 2).

Ensuring that ministerial portfolios are significant solves much of the problem of interministerial haggling. Cabinet ministers tend to focus on the affairs of their departments, even if they are generalists or interested in wider policy questions. Focusing on sector issues and avoiding undue comment on the portfolios of others are encouraged by the appropriate division of portfolios.⁷

The pain of losing office can also be increased if the career rewards awaiting ex-ministers are kept lower

than those within cabinet. The lack of other opportunities for public recognition are useful in this respect if the public views the cabinet as the principal policymaking body. The incompatibility rule found in some countries, under which a cabinet minister cannot also be a member of the legislature, removes any possible cushion from a minister leaving cabinet.

The preceding argument demonstrates that if institutional arrangements are to be useful and cabinet government is to work as a binding device, certain necessary conditions must be met. In the absence of any counterexamples where the criteria are satisfied but government is not regarded as cabinet, the criteria are also offered as sufficient conditions (box 1).

What Does Cabinet-Like Government Need to Make It Work?

Cabinet has two core tasks:

- Setting the major policy priorities of government.
- Making choices within those priorities.

In budgetary terms setting the major policy priorities of government is concerned largely with determining intersectoral allocations. However, addressing the manifesto promises on which the major party was elected, particularly the big-ticket items, and responding to the

Box 1. Core Criteria for the Existence of Cabinet Government

Cabinet government does not exist only in formal parliamentary systems or democracies—examples of cabinet-like arrangements can be found in settings where there is no formal requirement for cabinet government. Conversely, we can find in parliamentary systems cabinets that are little more than facades. Whether a government is cabinet-like is ultimately a matter of empirical observation. Cabinet government exists when:

- Between 5 and 40 senior policymakers are widely perceived to be at the highest decisionmaking level in government.
- All major government policy matters go to this group for final approval.
- Members of this group have to make decisions together and, as a consequence, are together accountable for these decisions.

known concerns of powerful or well-connected groups could also affect budget priorities.⁸

In applying its own priorities as events unfold, a cabinet is trying to adhere to the rules that it has created. It is difficult to agree on major priorities, but even more difficult to adhere to those priorities under the daily pressure of interest groups or immediate events.

Cabinet decisionmaking at both levels requires that all ministers be associated with cabinet decisions and that those decisions involve some alternative scenarios. Final decisions must be shaped to some degree by the cabinet process and not simply rubber-stamped on every occasion. That in turn requires initial conditions to start off the negotiations and tradeoffs, sufficient room to maneuver, and sufficient credibility in the process to allow some tradeoffs to be achieved. In other words for binding cabinet decisionmaking at both levels a game of negotiation *must* be played and there must be enough flexibility to ensure that such a game *can* be played.

The game is played at two levels. Lasting strategic decisions are perhaps relatively few and far between, but they are fundamental to the role of a cabinet. The annual budget round represents the clearest example of this type of decisionmaking, in which major strategic priorities are being set and must then be lived with. The second type of decisionmaking, which requires that choices be made within preset priorities, is more common and requires equally robust incentives for maintaining collective discipline.

The following summaries of the issues involved at both levels of decisionmaking draw from the extensive literature on cabinet effectiveness.⁹

Defining strategic priorities

In its strategic policy prioritization role, a cabinet must play a negotiation game in which funds are finite and choices must therefore be made between competing policy proposals. Such a game requires:

- The ability of the minister of finance to impose a cabinet-agreed fiscal limit.
- Credible threat from the ministry of finance that, if necessary, cuts can be proposed for ministries if they do not propose their own.
- Binding party platforms that commit parties to deliver as much of a published program as possible.

- A head of government who is obliged to support the minister of finance when broad budget cuts are necessary, does not allow competing policy arenas that diminish the authority of cabinet to emerge, and can reward cooperative ministers.¹⁰

These negotiations require that the constitutional and political rules be credibly enforced. In policy prioritization, arrangements must ensure that:

- Forecasts of resource availability are credible and authoritative.
- In single party governments the minister of finance can offer selective incentives or punishments to spending ministers with the backing of the head of government; in coalition governments discipline is achieved by enforceable contracts between the coalition parties.¹¹
- In any government the minister of finance ensures buy-in on the budget preparation process by offering the proposed rules for budget preparation to the cabinet before the formal budget preparation cycle starts.
- The head of government—generally the head of the major party—has the ability to reshuffle ministers and, in extreme cases, to edge some out of government.
- The minister of finance is able to ensure that the promised sectoral budget allocations will be provided and that actual spending is reported and can authoritatively challenge the spending sector ministries to demonstrate that their program costings are realistic.
- The cabinet office or chancellery is able to ensure that the necessary sequence of meetings can be achieved and can demonstrate that it has no separate agenda that might lead it to challenge the authoritative roles of the sector ministries (by proposing sector program options) or of the ministry of finance (by questioning cost estimates).
- The cabinet office or chancellery can credibly allocate the two key time resources: time in the legislature to pass laws and time in cabinet committees to review policies.

The accompanying condition for ministerial commitment is that some alternatives exist so that there is a realistic prospect for agreement. This is achieved by arrangements that require:

- The ministry of finance to demonstrate the economic implications of varying policy stances.
- The ministry of finance to offer bilateral negotiations to other spending ministries in which some real

choices can be provided, particularly concerning nontax revenue initiatives.

- Spending sector ministries to provide some costed alternatives (at least in the margins) for program scenarios.
- The cabinet office or chancellery to ensure that these alternatives are made known to the cabinet.
- The minister of finance to offer the budget for endorsement by cabinet prior to submission to the legislature.

Applying priorities

In this second role of applying priorities, the arrangements that force a cabinet to play a negotiation game can be seen in:

- The possibility of budget allocation changes between years leaving resources to compete over.
- The requirement that the head of government, as the head of the major party, consider the views of cabinet, sometimes coupled with a constitutional requirement to do so.

These negotiations require that the constitutional and political rules be credibly enforced. By applying previously determined priorities to emerging events, this means that:

- The ministry of finance must be able to shift the burden of proof for policy costings to sector ministries.
- The rules gain credibility from the ability of the head of government to reshuffle ministers and, in extreme cases, to edge others out of government; the authority that the head of government must lend the cabinet office or chancellery to screen cabinet submissions also lends credibility.
- The cabinet office or chancellery must be able to ensure that submissions are legal and have had adequate interministerial consultation, that decisions are transmitted to all relevant parties, and that implementation of past decisions is tracked and reported to the cabinet; in particular, the cabinet office or chancellery must maintain a position of professional supremacy, ensuring that cabinet offices or chancellery positions are seen as career opportunities.

The accompanying condition for ministerial commitment is that some policy alternatives must be pos-

sible so that in considering tradeoffs cabinet was selecting from more than one option. This condition is achieved by requiring:

- Spending sector ministries to provide information on the results of the implementation of policies already agreed to by cabinet and to accept the burden of proof for new policy proposals.
- The cabinet office or chancellery to ensure that all major decisions are in fact routed to cabinet and its committees.
- A cabinet agenda that has not excluded major ministerial concerns, achieved at least in part by ensuring that the head of government consults on the cabinet agenda.

Table 1 summarizes the required institutional underpinning of cabinet government.¹² The details of the arrangements in relation to defining strategic priorities and applying those priorities are mapped against the relevant key actors in tables 2 and 3.

In assisting the development of these institutional arrangements, the World Bank's mandate restricts its involvement to the organizational rather than the political actors.

The Cabinet Office

The office that supports the cabinet (usually known as the cabinet office or state chancellery) has a particular role in ensuring that the rules are credible and enforceable and that there is a realistic prospect of agreement. The office must be in a position to ensure that:

- All major decisions are routed to the cabinet with the necessary sequence of meetings during budget preparation.
- Items that are not legal, that raise obvious policy inconsistencies with prior decisions, or that have not been consulted on can be withheld from the cabinet.
- Decisions are clarified and implementation is reported.
- There is no perception that the cabinet office has a separate policy agenda from that of the sector ministries or the ministry of finance.
- Alternative economic and policy scenarios are presented to the cabinet.

Table 1. Major Features of the Institutional Underpinnings of Cabinet Government

	<i>Setting the major policy priorities of government</i>	<i>Making choices within those priorities</i>
<p>The game must be played</p> <p><i>There are incentives to negotiate</i></p>	<ul style="list-style-type: none"> • Minister of finance able to impose a cabinet-agreed fiscal limit • Party platforms binding • Head of government generally obliged to support the minister of finance • No competing policy arenas to diminish the authority of the cabinet 	<ul style="list-style-type: none"> • Existence of contingency funds • Head of government obliged to take cabinet views into account
<p>The game can be played</p> <p><i>The rules are credible and enforceable</i></p>	<ul style="list-style-type: none"> • Credible forecasts of resource availability • In single party governments there are selective incentives or punishments for spending ministers to keep them in line; in coalition governments there are enforceable contracts among the coalition parties • Proposed rules for budget preparation agreed to by the cabinet prior to the cycle • Promised sectoral budget allocations provided • Cabinet office or chancellery can demonstrate that it has no separate agenda and can credibly estimate legislative and cabinet capacity to review proposed legislation 	<ul style="list-style-type: none"> • Burden of proof for policy costings placed on sector ministries • Cabinet office or chancellery guarantees that submissions are legal and have had adequate interministerial consultation, that decisions are transmitted to all relevant parties, and that implementation of past decisions is tracked and reported to the cabinet • Cabinet office or chancellery maintains a position of professional supremacy ensuring that its positions are seen as valued career opportunities • Rewards for cooperative ministers
<p><i>There is a realistic prospect of agreement</i></p>	<ul style="list-style-type: none"> • Economic implications of varying policy stances are known • Bilateral negotiations with other spending ministries provide real choices • Minister of finance offers the budget for endorsement by the cabinet prior to submission to the legislature 	<ul style="list-style-type: none"> • Sector ministries required to provide some information on the results of implementation of policies already agreed to by the cabinet • All major decisions are routed to cabinet and its committees • A cabinet agenda that has not excluded major ministerial concerns

Routing and consultation

The most visible role of the cabinet office is to provide guidance for staff and ministers who must relate to the cabinet. These procedures ensure that submissions to the cabinet are reviewed, with adequate lead time, by all affected parties.

Submissions to the cabinet typically require mention of the following:

- Previous consideration by the cabinet of ministers or committees.
- The policy objective to which this proposal contributes.
- The range of policy choices (realistic options from which the proposal was selected).
- Why the preferred option is recommended.
- Financial considerations including: cost of options, period over which expenditure will occur, estimated cost in each of next three financial years and at maturity, expenditure already budgeted and additional expenditure, and possible savings.

- Employment implications.
- Public information implications.
- Legislative implications.
- Options for policy and program evaluation.
- Summary of recommendations.

There is an extensive literature that details the typical requirements.¹³ Generally, cabinet offices issue manuals that describe this process. The guidance can be detailed. Some manuals even describe how memorandums to the cabinet must be researched and drafted. In New Zealand cabinet office guidance extends to the form of consultation necessary with political caucuses in a coalition government. Consultation can be facilitated, as in Australia, by the cabinet office convening interministerial meetings, at the level of officials. In Macedonia submissions for the cabinet agenda, which can be made by the prime minister, any minister, or the secretary general, must be presented at least 15 days before the cabinet meeting except in an emergency. A draft agenda is distributed at least five

days before the cabinet is scheduled to convene, and extensive consultation procedures must be completed before submission.

Effective consultation requires discipline in the timing of submissions to the cabinet. Ministers are busy, and restricting the time that they have to consider proposals is widely seen as an attempt to force cabinet into perhaps unwise decisions. In most countries cabinet offices prepare a draft cabinet agenda for consideration by the prime minister prior to its circulation to ministers at a specified period before the meeting. In Australia and Lithuania cabinet documents are distributed at least three days prior to the meeting. By contrast, in Slovenia the secretary general of the government sends material for cabinet decision no later than four hours prior to the meeting.

Cabinet offices universally ensure that all submissions are legally reviewed before they reach the cabinet, testing for coherence and compatibility with existing legislation. In Estonia and Latvia the state chancellery verifies the legality and form of submissions, after checking that adequate consultations have been carried out, prior to preparing draft legislation. The organization of the chancellery in Germany mirrors the structure of the departments to facilitate the legal review of all submissions from sector departments to cabinet.

Monitoring

Cabinet offices also ensure that the cabinet is aware of the status of previous decisions, although international practice on the circulation of minutes varies greatly. In Australia the cabinet office conveys decisions to the initiating ministry for implementation and requests quarterly reports on progress in implementation. In the United Kingdom minutes are recorded by the cabinet secretary (a permanent civil servant) in consultation with the prime minister. In France the task is undertaken by the general secretary of the government and in Ireland by one of the collaborators of the prime minister. In only a minority of European countries (Germany, Ireland, and the Netherlands) are the policy conclusions and minutes approved at the following meeting of the cabinet. Minutes are not circulated at all in Italy and Sweden; in Finland and

France they are sent only to the prime minister and the president of the republic, but any minister can consult them at the general secretariat of the government. In Germany and the United Kingdom all cabinet ministers and all other affected ministers receive cabinet minutes, while in the Netherlands and Norway all ministers receive minutes.

In two African countries in which monitoring of implementation was recently initiated, 75 percent and 67 percent of cabinet decisions were found never to have been implemented.

In Estonia the state chancellery keeps the record of implementation for checking against agreed implementation steps, which in most cases are specified in the written cabinet decision. The state chancellery regularly presents overviews of the course of implementation of decisions and has the authority to send appropriate reminders and to demand information of ministries on their implementing activities.

In Romania cabinet discussions and decisions are recorded by the staff of the Directorate of Analysis and Legal Advice in the cabinet office. The Directorate for Evidence maintains a computerized information system designed to monitor the implementation of government decisions. Where the ministries fail to provide status reports on time or to implement decisions within the deadlines set by the government, the Directorate for Evidence will pursue the matter.

In Lithuania cabinet minutes are taken by the government secretariat and notification of decisions is sent to executive offices and other agencies within two working days after the signing of the minutes. In Ghana and Mali decisions are conveyed in writing to the originating ministers by the secretary to the cabinet, at best on the same afternoon or the morning after the cabinet meeting. In Hungary decisions of the cabinet concerning decrees, resolutions, position statements, and guidelines of the government must be widely announced or sent to the parties concerned within eight days following the meeting.

Sources of authority

The authority of the cabinet office goes beyond the negative capacity to block submissions that have not been routed appropriately or that present legal or consistent

Table 2. The Cabinet and Its Committees: Institutional Arrangements Underpinning the Role of the Cabinet in Defining Strategic Priorities

	Organizational actors			
	Ministry of finance	Economic planning unit	Sector ministries	Cabinet office or chancellery
The game must be played <i>There are incentives to negotiate</i>	<ul style="list-style-type: none"> Can propose cuts for ministries if they do not propose their own 		<ul style="list-style-type: none"> Are bound by spending envelopes Are bound by limits on legislative capacity 	
The game can be played <i>The rules are credible and enforceable</i>	<ul style="list-style-type: none"> Can report actual spending Can reliably provide promised sectoral allocations Can shift burden of proof for program costings to sector ministries Can alert minister if others are not playing fair 	<ul style="list-style-type: none"> Can provide credible economic or revenue forecasts 		<ul style="list-style-type: none"> Can deliver the necessary sequence of meetings for priority setting Can demonstrate that it has no separate agenda Can credibly estimate legislative and cabinet capacity to review proposed legislation Can alert head of government if ministers are not playing fair
<i>There is a realistic prospect of agreement</i>	<ul style="list-style-type: none"> Can provide alternative economic scenarios that affect spending envelope Can provide some room to maneuver in bilateral negotiations with sector ministries (may negotiate size of reserve or nontax revenue initiatives) 		<ul style="list-style-type: none"> Can deliver costed program scenarios Can align ministry initiatives with government priorities 	<ul style="list-style-type: none"> Can block proposals that bounce the cabinet

Table 3. The Cabinet and Its Committees: Institutional Arrangements Underpinning the Role of the Cabinet in Applying Its Priorities as Events Unfold

	Organizational actors			
	Ministry of finance	Economic planning unit	Sector ministries	Cabinet office or chancellery
The game must be played <i>There are incentives to negotiate</i>	<ul style="list-style-type: none"> Can make some contingency funds available for competition 			
The game can be played <i>The rules are credible and enforceable</i>	<ul style="list-style-type: none"> Can report actual spending Can reliably provide promised sectoral allocations Can shift burden of proof for program costings to sector ministries Can alert minister if others are not playing fair 			<ul style="list-style-type: none"> Can ensure that submissions are legal and consistent with previous decisions Can block submissions with inadequate consultation Can reliably report cabinet decisions Can reliably report on implementation decisions Can maintain position as top of professional hierarchy
<i>There is a realistic prospect of agreement</i>			<ul style="list-style-type: none"> Can provide information on results of implementation of past policy decisions (outputs and outcomes) Can credibly cost new policy proposals 	<ul style="list-style-type: none"> Can block proposals that bounce the cabinet

<i>Political actors</i>		
<i>Party caucuses</i>	<i>Minister of finance</i>	<i>Head of government</i>
<ul style="list-style-type: none"> • Can bind their party to manifesto commitments 	<ul style="list-style-type: none"> • Can impose a cabinet-agreed fiscal limit 	<ul style="list-style-type: none"> • Supports minister of finance if broad cuts are necessary • Does not establish or allow competing policy arenas • Can promote or dismiss ministers who have or have not supported government priorities
<ul style="list-style-type: none"> • In coalition governments, contracts can be enforced among political parties • In single party governments, can offer selective incentives or punishments to spending ministers 	<ul style="list-style-type: none"> • Ensures that the rules for budget preparation are accepted by cabinet 	<ul style="list-style-type: none"> • Supports minister of finance in offering selective incentives or punishments to spending ministers • Can promote or dismiss ministers who have been supportive or unfair

- Ensures that the budget is endorsed by full cabinet prior to submission to the legislature

- Can ensure that final priority decisions are presented to the cabinet

<i>Political actors</i>		
<i>Party caucuses</i>	<i>Minister of finance</i>	<i>Head of government</i>
		<ul style="list-style-type: none"> • Heeds proposals from ministers
		<ul style="list-style-type: none"> • Authorizes the cabinet office or chancellery to enforce screening of cabinet submission • Can promote or dismiss ministers who have been supportive or unfair

- Consults on cabinet agenda

cy problems. The office also has, to a limited but significant degree, the authority to insist that submissions to the cabinet not take the form of single choice options. It can, with caution, require that the ministry of finance present some at least marginally different economic scenarios and that sector ministries present policy options that at least suggest some choices to be made.

The dilemma that such offices face is that although they are at the bureaucratic summit of the public sector, they must use hierarchical authority sparingly if they are to maintain cooperation. Sector ministries can effectively withhold information and cabinet offices must maintain their cooperation if they are to avoid future enforcement difficulties. The key generally lies in adopting an honest broker role, maintaining the perception of having no separate policy agenda from those of the sector ministries or the ministry of finance.¹⁴ The exception to the rule is the repeated attempt to provide cabinets with an independent source of policy advice that can assist in complex crosscutting issues. Specialist units were established in Germany in 1969, in the United Kingdom in 1970, and more recently in Sweden in 1997. These arrangements bring distinctive tensions with them and have been somewhat short-lived.

The authority of the cabinet office derives from two sets of institutional arrangements, one providing political incentives and one career incentives. First, proximity to the head of government provides the cabinet office with a significant source of authority. The head of government has the ultimate sanction of dismissing ministers from the cabinet (although this is more effective as a threat than as a frequent occurrence), and therefore the capacity of the cabinet office to shape the view of ministers held by the head of government has some impact on ministers' behavior. Arrangements that ensure that the cabinet office has direct access to the head of government provide the head with reassurance that cabinet decisionmaking will indeed bind ministers and provide the office with the implicit threat that misbehavior can be reported.

Second, if the cabinet office is seen as a highly desirable career goal, it can positively motivate other civil servants to cooperate. If a period of work in the cabi-

net office is a key stage in a successful career, few upwardly mobile civil servants would wish to prejudice their relationships with its staff. To achieve this professional incentive, a distinction is made between politically appointed staff and permanent civil servants in most settings. Estonia provides a typical example. Its state chancellery is divided into units with responsibility for legal matters, strategic personnel issues, economic and administrative matters, archiving, state information systems, and responses to correspondence. Differentiation between the nonpolitical officials (permanent officials deal primarily with the legal, technical, and procedural aspects of matters presented to the government) and the political staff (advisers and assistants to the prime minister) is provided under the Public Service Act. Both categories of officials advise the prime minister at different stages of a matter. Political officials, however, meet the prime minister more frequently. They are relatively independent and may critically appraise the opinions of ministries. In France there is a clear distinction between the administrative staff of the *Secrétariat Général du Gouvernement* and the political staff of Matignon (prime minister) and Elysée (president).

A key institutional purpose of this distinction is to create a career path that provides officials with the possibility of a cabinet office posting or, at least, cabinet office support for other bureaucratic advancement if they cooperate with the office. Consequently, the quality of the staff of the cabinet office is universally seen as crucial. The general model is one in which the prime minister's and cabinet offices are able to draw on the most promising professionals in public service. In the United Kingdom this model has been institutionalized so that high flyers are regularly posted to the cabinet office for a few years to learn about the center of government and ensure their career prospects elsewhere in the public service.¹⁵

The ability to rely on the support of the head of government and to mobilize cooperation from civil servants across the public sector makes it possible for the comparatively small staffs of cabinet offices to enforce cabinet rules and hold the line against the short-term concerns of ministers. However, as demonstrated in Ukraine, these same arrangements can lead to "capture," in which the cabinet office dominates formal pol-

icymaking and relegates ministers to the role of operational managers.

Organizing for other tasks

The key tasks of the cabinet office are complicated by a series of other pressures at the center of government. Foremost among them is that the head of government must be provided with some support for the individual political functions of that position.

There seems to be no general organizational principle that applies internationally for distinguishing between the office that supports cabinet as a collective body and the office of the head of government. In principle, the tasks are quite different; the filtering and gatekeeper functions of the cabinet office are distinct from the political and policy planning issues of the head of government's office. In practice, the arrangements are varied and somewhat fluid. In Australia, Canada, and the United Kingdom, the central administration is divided between those who serve the prime minister and those who work for the government, although in practice the separation can be more theoretical than real. In Canada cabinet support staff keep track of departmental initiatives, ensure full interdepartmental consultation, prepare agendas for cabinet and cabinet committee meetings, brief cabinet committee chairpersons on agenda items, take minutes, and record committee decisions. Staff in the office of the prime minister provide advice from the perspective of the political party.

In France both the president and prime minister have a cabinet (staffed by friends, political allies, and politically sympathetic civil servants) that deals largely with the political dimensions of the post, as well as services that deal largely with administrative aspects. In Germany and the United States distinctions are not made between staff who serve the government and staff who serve the head of government.

In Slovenia the office of the prime minister also supports the cabinet. In Lithuania the government secretary advises the prime minister and government on nonpolitical issues, while the chancellor advises the prime minister on more sensitive policy issues and on implementation and coordination of government programs. In Latvia the prime minister's office consists of

politically appointed staff who provide confidential assistance to the prime minister and draft speeches and articles. The state chancellery provides the cabinet with support and coordination services, including legal and administrative services. There are 5 advisors to the cabinet who work on legislative affairs and 10 cabinet advisors who work on sectoral issues under the director of the state chancellery.

In Macedonia the secretary of the government provides support to the prime minister and to the cabinet as a collective body. The secretary is also responsible for assisting in the preparation and organization of government sessions (including the submission of documents required by the government and its working bodies), submitting the conclusions of the government sessions to the responsible ministries and other bodies, and ensuring that the government fulfills its obligations to parliament and to the president.

While committees of cabinet have become increasingly significant in cabinet governments, cabinet offices do not generally mirror the committees of cabinet. The Australian cabinet office is typical of the organization of cabinet offices in three of its four divisions: policy analysis and coordination, management development division (responsible for the implementation of the public service reform program), and the administration division (daily operations). The fourth division, for ensuring that women's issues are adequately addressed in policy, is less typical. In Latvia the key cabinet office divisions are concerned with the media, project management, finance, personnel, correspondence, and document management.

Centers of government also inevitably gather a series of responsibilities linked only by their political sensitivity or the lack of obvious alternative locations:

- Urgent cross-cutting policy issues that are not addressed by sector ministries (the creation of the Social Exclusion Unit by the new government in the U.K. cabinet office, the allocation of tasks concerning the recent floods in Poland, and children's rights in Romania are examples).
- Sensitive relations with other bodies such as parliament, the president, coalition parties, and sometimes civil institutions (for example, unions, employer organizations, trade associations, the Church).

- Emergencies and political issues raised by the media, including emerging scandals.
- Highly complex issues, including the management of relations with the European Union and intergovernmental issues in federal states.

There is a tendency for cabinet offices to accumulate permanently tasks and functions originally provided only on an ad hoc basis (flood relief, for example).

Size

Cabinet and prime minister's offices vary enormously in size. Although in Europe most of these institutions pre-date the Second World War (Sweden is the exception because the prime minister's office was not created until 1946), many remained surprisingly small until the 1970s. In Sweden the newly created prime minister's office comprised a half-time secretary and a porter in 1946 and by 1969 still had only 10 staff excluding typists and service staff. The growth in the size of these institutions in Europe occurred in the 1970s. In France the Matignon contains a powerful prime minister's cabinet *ministériel* composed of young and dynamic officials, many from the *grands corps*, with a host of supporting bodies and officialdom. The federal chancellery in Germany is the largest cabinet office in western Europe.

Some staffs are small, however. In Denmark the prime minister's office, which covers the cabinet office functions, has 3 permanent secretaries with responsibility for cabinet arrangements, economic policy, and foreign policy in addition to a very small administrative support unit. The U.K. prime minister can count on the support of only 100 people at 10 Downing Street, which includes policing and secretarial staff, although another 100 indirectly serve the prime minister in the cabinet secretariat. Small prime minister staffs elsewhere in Europe include those of Ireland (with 3 or 4 advisors who are politically appointed and a handful of professional civil servants), Norway (with 9 civil servants and 5 political advisors), and Austria. Medium-size staffs are found in Australia (30 in the prime minister's office and 343 in the Department of the Prime Minister and the Cabinet), Canada (85 in the prime minister's office and 600 in the Privy Council office), and Germany (453 people in the chancellor's office).

Interestingly, the demise of an effective cabinet system in the United States has been paralleled by the growth of the executive office staff.¹⁶ Herbert Hoover's White House staff in 1930 had three confidential secretaries, a stenographer, and a handful of clerks. The White House staff expanded under Roosevelt after his 1932 victory, but it was not until 1939 that the Reorganization Act created the Executive Office of the Presidency. Sixty years later the requirements of the presidency have generated a staff that is the size of a large village.

Common problems

Well-recognized difficulties in cabinet office functioning include:¹⁷

- Excessive focus on logistics at the expense of concentrating on content and vetting for policy inconsistencies.
- Weak liaison with sector ministries and the consequent inability to fine tune cabinet submissions.
- Retreat to command relationships rather than networked cooperation.
- Weak policy capacity in the sector ministries.
- Culture of crisis management.
- Fragmentation in support for cabinet committees.

Notes

1. Laver and Shepsle (1996) have taken the game theory analysis of decisionmaking within cabinets a very considerable distance. They make a general distinction between analyses, such as theirs that assumes an open-ended process in which cabinet governments must be continuously rebuilt and maintained, and that of theorists, such as Baron and Ferejohn (1989), who have modeled decisionmaking games in government on the basis that the primary task is the pork barrel—apportioning expenditure between different interest groups whose game therefore repeatedly stops when the money is divided.

2. It is the accountability of the executive to parliament that is generally taken to be the hallmark of cabinet systems. This is certainly one type of them, but the accountability of the executive to the monarch can also provide the basis for a cabinet system.

3. A relative judgment constitutes excessive or arbitrary changes in cabinet composition. Swedish ministers in social democratic governments stay in government for an average of eight years. The term of Japanese ministers is a little more than one year. Similar differences can be found in presidential systems—in Chile the average term of ministers is about one year, while in Mexico ministers remain in office for about four years (Blondel 1995).

4. The recent electoral reforms in New Zealand provide an interesting study of the evolution of political conventions to maintain collective accountability. In a jurisdiction in which coalition governments were historically almost unknown, they are now all but inevitable. The New Zealand cabinet office has noted that cabinet ministers in that country have on occasion pushed the bounds of collective cabinet responsibility and cabinet confidentiality. Such behavior may be tolerated for some time, particularly where the government does not have a strong majority. However, a minister who continually breaches the conventions is regarded as undermining the government and in time a reason will be found to dismiss that minister. The New Zealand cabinet office concludes that the conventions and practice surrounding cabinet government have evolved from pragmatic rules that support the politically feasible.

5. There are two views of what motivates politicians. On the one hand the office-seeking view suggests that “parties formulate policies in order to win elections” and, on the other, the policy-seeking views of authors such as De Swaan (1973) suggest that office is merely a necessary step toward getting policy implemented: “considerations of policy are foremost in the minds of the actors . . . the parliamentary game is, in fact, about the determination of major government policy” (Downs 1967). However, as Laver and Shepsle (1996) point out, ultimately this results in the same thing since “what all of this implies is that the big political game—an indefinite sequence of elections and government formations—may force office-seeking and policy-seeking politicians, who seem on the face of things to be so different, to behave in quite similar ways.”

6. An important foundation of the approach of this paper is that ministerial power is multidimensional. Although competition between ministers takes place for budgets, there are other dimensions along which trading can take place. Prestige is certainly one other major dimension. Foreign affairs is a more prestigious portfolio than agriculture but may have a considerably smaller budget. The multidimen-

sional nature of the trading in committees is emphasized by Shepsle and Weingast (1994) in their review of congressional institutions, noting that “they have a game in mind in which multiple things are being divided up over which the players have heterogeneous preferences.”

7. Blondel and Müller-Rommel (1993), among others, discuss this point and note that, “ministers are more likely to be left alone if they do not discuss, criticize, or raise points about matters that concern other departments.” There is an extensive analytic literature on portfolio allocation. One of the most straightforward practical reviews of the options was provided by the State Services Commission in New Zealand when advising an incoming government in the early 1990s (interview with Alex Matheson, New Zealand State Services Commission, November 1996).

8. Campbell (1997) notes that, in relation to a range of anglo OECD countries, “many things that absorb a government—for instance, recognizing gays in the military (U.S.), the devolution of powers to Scotland and Wales (U.K.), perennial difficulties with Quebec separatism (Canada), or conflicts over aboriginal people’s rights (Australia and New Zealand)—do not relate directly to budgetary issues.”

9. This paper has drawn on the following in preparing this summary of institutional arrangements: Alesina and Perotti 1994; Alesina, Hausmann, and Hommes 1996; Alesina and Perotti 1996b; Allan 1994; Australia Department of the Prime Minister and Cabinet 1992; Bagehot 1963; Baron 1998; Baron and Ferejohn 1989; Barwood 1997; Bertsch, Clark, and Wood 1991; Blondal 1997, undated, 1969, 1993, 1993b, 1995; Blondel and Thiébault 1991; Blondel and Müller-Rommel 1993, 1997; Bratton and others 1997; Campbell 1986, 1996, 1997; Chancellery of the Sejm 1997; Garnett, Koenen-Grant, and Rielly 1996; Gerlich and Müller 1997; Goetz and Margetts 1998; Hallerberg and von Hagen 1997; Huber 1998; Jones 1987; Kaul 1997; Keating 1992; Lane 1996; Larsson 1993; Laver and Shepsle 1990, 1994, 1996; Lindauer and Velenchik 1992; Linz and Valenzuela 1994; Loewenberg and Patterson 1979; Loughlin 1994; Mackie and Hogwood 1985; Müller-Rommel 1993; Nousiainen 1993; OECD 1995, 1996a, 1996b, 1996c, 1997, 1998a, 1998b; Plowden 1987; Premchand 1996; Reich 1998; Root 1989; Rose and Suleiman 1980; RSA 1997; Savoie 1995, 1996; Schick 1997; Shepsle 1979; Shepsle and Barry 1994; Shugart 1992; SIGMA 1996, 1997, 1998a, 1998b, 1998c, 1998d, 1998e, 1998f, 1998g; Stein and Grisanti 1998; Stevens 1994, 1995,

1996; Thain and Maurice 1992a, 1992b; Thiebault 1993; Torbjorn 1993; Victorian Auditor General's Department 1998; von Hagen 1992; von Hagen and Harden 1995; Wagner 1890; Wildavsky 1992; World Bank 1998b.

Contextual information on the changing nature of budgetary institutions and relations with the legislature has been drawn from: Australia Department of Finance 1988; Axelrod 1995; Caiden 1989; Caiden and Wildavsky 1974; Campos and Pradhan 1996; Schick 1998a, 1998b.

10. In a discussion with the author in March 1999, Gord Evans pointed out that in some situations spending ministers can unite against the minister of finance to increase the total amount of available resources over which they will fight. This game is not zero sum as it attempts to increase the total revenue either by revising the deficit target or by pursuing additional nontax revenue measures. However, in either of these cases, the need for the head of government to support the minister of finance remains key.

11. Coalition agreements in European governments are well-explored and show the level of detail that can be involved:

- In Austria forging the coalition legislative program for the following year involves cabinet ministers, the most important members of Parliament, the lord mayor of Vienna (always a Socialist luminary), and representatives of the major pressure groups, and covers both policies, distribution of posts, and the mechanisms for conflict resolution.
- The coalition program in the Netherlands is an exercise in codified mistrust, and may take weeks to reach agreement. It details the distribution of cabinet posts, defines aggregate targets and deficits, and may even elaborate precise departmental policies.

Keeping the coalition together may be a constant preoccupation—hence the practice, in most multiparty cabinets, of institutionalized processes of consultation, normally in the form of a weekly meeting of party chieftains and key cabinet ministers. Such meetings may, as in Germany and the Netherlands, be directly linked to the cabinet agenda and be seen as part of the wider process of precooking cabinet business.

12. Holmes and Sayin (1999) includes a module specifically focusing on institutional arrangements for consistent policymaking in cabinet government. This sets out the diagnostic questionnaire developed and tested in Malawi, The Gambia, Ukraine, and Lithuania. Again, the assistance of Gord Evans, Institute of Public Administration of Canada, in testing these criteria should be noted.

13. This paper has drawn particularly on the following in reviewing the role of cabinet offices and state chancelleries: Armit and Bourgault 1996; Campbell 1996, 1997; Australian Cabinet Office 1991; Australian Department of the Prime Minister and Cabinet 1992, 1996; United Kingdom Commonwealth Secretariat 1999; Garnett, Koenen-Grant, and Rielly 1996; Gerlich and Müller 1997; Canada Privy Council Office undated; Goetz and Margetts 1998; New Zealand Department of the Prime Minister and Cabinet 1996; HMSO undated; IoG 1999; James 1998; Kaul 1997; Keating 1992; Nuffield 1998; NZ 1996; OECD 1996j; OECD 1996i; Rielly, Koenen-Grant, and Garnett 1996; Zambia 1996; Savoie 1995; SIGMA 1998a, 1998b, 1998c, 1998d, 1998e, 1998f, 1998g; Victorian Auditor General's Department 1998; Wright 1998a.

Contextual information on the changing role of the cabinet office has been drawn from: Ablard, Barrier, and Ziller 1993; Breton 1990; Clark 1994; United Kingdom Commonwealth Secretariat 1994, 1995, 1996; GAO 1990, 1994; Iceland Ministry of Finance 1997; Kickert and Stillman 1996; Metcalfe 1978; Gambia 1994; Santo and Verrier 1993; Wright 1996, 1998.

14. This emphasis on the informal networking role of the cabinet office can be seen in the strong emphasis that is given to process in cabinet office operations. The Australian Department of Prime Minister and Cabinet (1992) notes that "the Department is not in the business of 'second guessing' for its own sake or because it thinks its opinion is worth more than that of the line departments. The department starts from the perspective that good process leads to good decisions. All advice is improved by its being contestable. The Department aims to ensure that contestability is built into the system."

This challenge for the cabinet office is common in OECD countries. "A perennial problem for the centre is that it wields little administrative power of its own, and often can do little to impose implementation deadlines on ministries that neglect to execute policy decisions within the specified timeframes. This handicap is largely due the principal of ministerial autonomy, which applies to some degree in all Member countries. It prevents the centre from encroaching on Ministerial portfolios, thus limiting its administrative capacity to intervene directly in the implementation process" (OECD 1996a).

Institutional solutions to the problem of achieving cooperation without the use of threat tend to emphasize overlapping membership of the prime minister's office and the

cabinet office with other central agencies. This can be seen clearly in Japan and in the departmental *assessores* in Spain, who act as the eyes and ears of the prime minister. The French system, with its numerous *grands corps*, lends itself well to horizontal networking.

15. In the United Kingdom, "The cabinet office has served as the core agency supporting ministers in their deliberations. Its professional staff largely serve on the basis of secondment from other departments. Selection of these officials usually shows a bias toward individuals with experience in the Treasury" (Campbell 1997). Peer networks can be built in different ways. The United Kingdom draws its staff from other central agencies—it assumes the networks and then offers privileges to people already in them—the Canadian assumption is different. In Canada the Privy Council Office grows its own staff, but maintains a strong network by ensuring that they will eventually

assume senior positions (assistant deputy ministers and deputy ministers). In Zambia the networking role of the cabinet office has been emphasized in recent work, by Garnett, Koenen-Grant, and Rielly (1997), who cite as a successful indicator of progress that "Ministers and Permanent Secretaries now regard [the Policy Analysis and Coordination Division of the Cabinet Office] as an ally, a far cry from the early fear that [the Policy Analysis and Coordination Division of the Cabinet Office] would be a politburo that dictated policy in the old style."

16. See Wayne 1987 for a discussion of the demise of full cabinet in the United States.

17. I am grateful to Michal Ben-Gera at the Organisation for Economic Co-operation and Development (Support for Improvement in Governance and Management in Central and Eastern European Countries) for her experienced suggestions concerning common failings.

3. Where Does It Matter?

Traditionally, analyses of cabinet governments have focused on the constitution and the formal accountability of the government to the legislature. A more nuanced approach is to examine the incentives that motivate the head of government under any system to heed the views of ministerial colleagues and others because government is exposed to the risk of dismissal or to having its program undermined. This approach confirms what we find in practice—that a constitution is not a perfect predictor of the existence of a cabinet.

If Cabinet Is the Solution, What Is the Problem?

One component of the pressure on the head of government is internal to the public sector. Authority does not simply arise from position. Leaders require followers, and there is no guarantee that the group with the title of government will be followed by all elements within the public sector. The head of government must provide authoritative leadership to a diverse public sector and be seen to work with ministers who command respect. Government must be seen to consist of ministers who know enough about their portfolios or who represent regional constituencies. However, in the extreme case of military juntas, collective government provides a solution to the need to include generals from diverse units of the army and air force.

In democratic contexts the three principal external incentives that encourage the head of government to form a collective cabinet are:

- The risk that the legislature will significantly amend the government's program as expressed in the budget proposals made by the executive.
- The risk of dismissal between elections.

- The risk that the executive will be seen by the public as having departed from a previous tradition of cabinet government and judged poorly as a result.

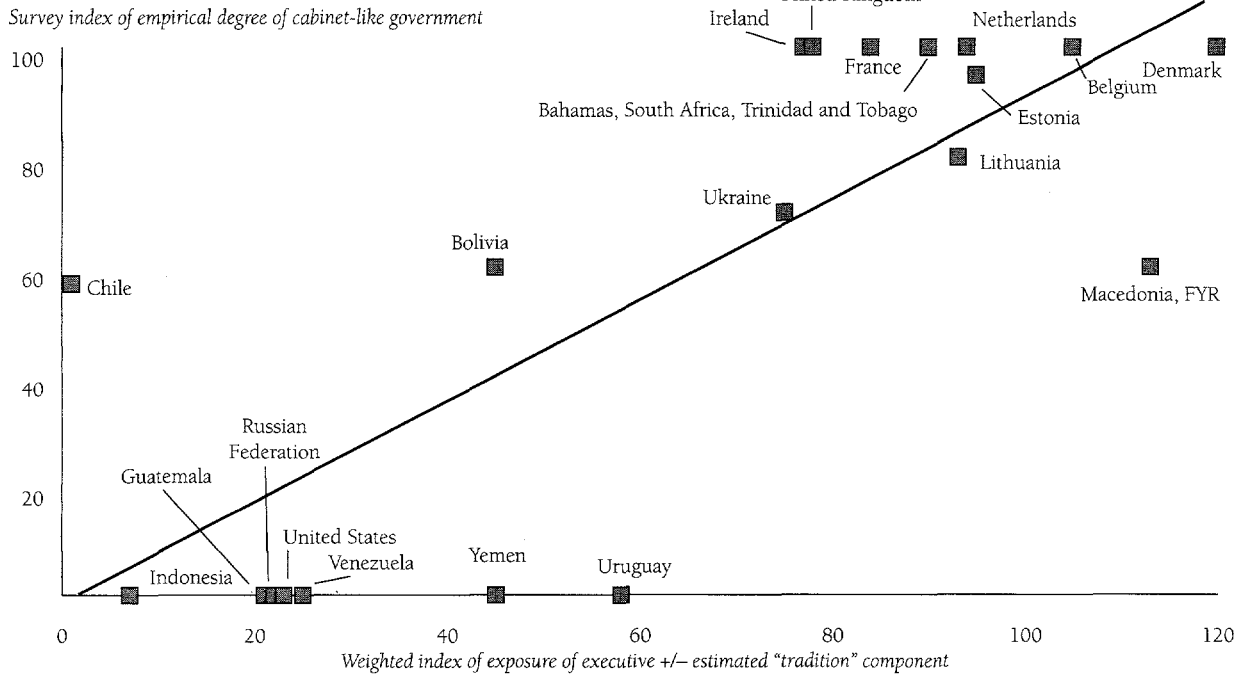
Cabinet government is a rational response to these risks. Figure 5 illustrates the relationship between the degree to which a government is cabinet-like and a composite index of the risks to the executive, including a weighting for cabinet tradition.¹ These indices have not been subjected to any validity tests, and so must be used with caution.

The risk to the government that the budget—the primary basis of its program—will be significantly amended by the legislature motivates the head of government to build a broad-based constituency by structuring a cabinet that will make such challenges less likely. There are four ways in which the risk of radical amendments to budget proposals by the legislature can provide incentive to build a cabinet that appeals to diverse groups in the legislature:

- A legislature that can amend the budget freely.
- A legislature that can delay the budget until its own proposals are accepted.
- A legislature that can reject the budget.
- A legislature that can initiate spending legislation with no constraint.

As in the previous case any risk that a government will be dismissed between elections points to a need for the head of government to build a broad-based constituency by structuring a cabinet that will make such challenges less likely. There are three ways in which the risk of the dismissal of the government can provide incentive to build a cabinet that appeals to diverse groups in the legislature:

- A legislature that can dismiss the government with no corresponding threat that it will be dissolved itself.

Figure 5. Cabinets Exist Where the Risk Is Greatest

Note: The data in Hallerberg and von Hagen refer to the percentage in which government was a one party majority during 1945–90. A reasonable inference can be drawn concerning the categories for this factor in the index.

Source: Manning and Barma 1999; von Hagen 1992; Alesina and others 1996; Chancellery of the Sejm 1997; OECD 1998a; Hallerberg and von Hagen 1997; and World Bank staff estimates and discussion with officials.

- A legislature that can dismiss individual ministers with no corresponding threat that it will be dissolved itself.
- A tradition of coalition governments, which also provides an incentive to minimize the risk of defections.

Broadly speaking, there is a tradeoff between the two threats of significant legislative amendment of the budget and dismissal of the government between elections. This is depicted graphically in figure 6. If the cabinet is a way of protecting government, that means that in extreme cases it cannot be protected (Ukraine) or needs no protection (Chile and Indonesia).²

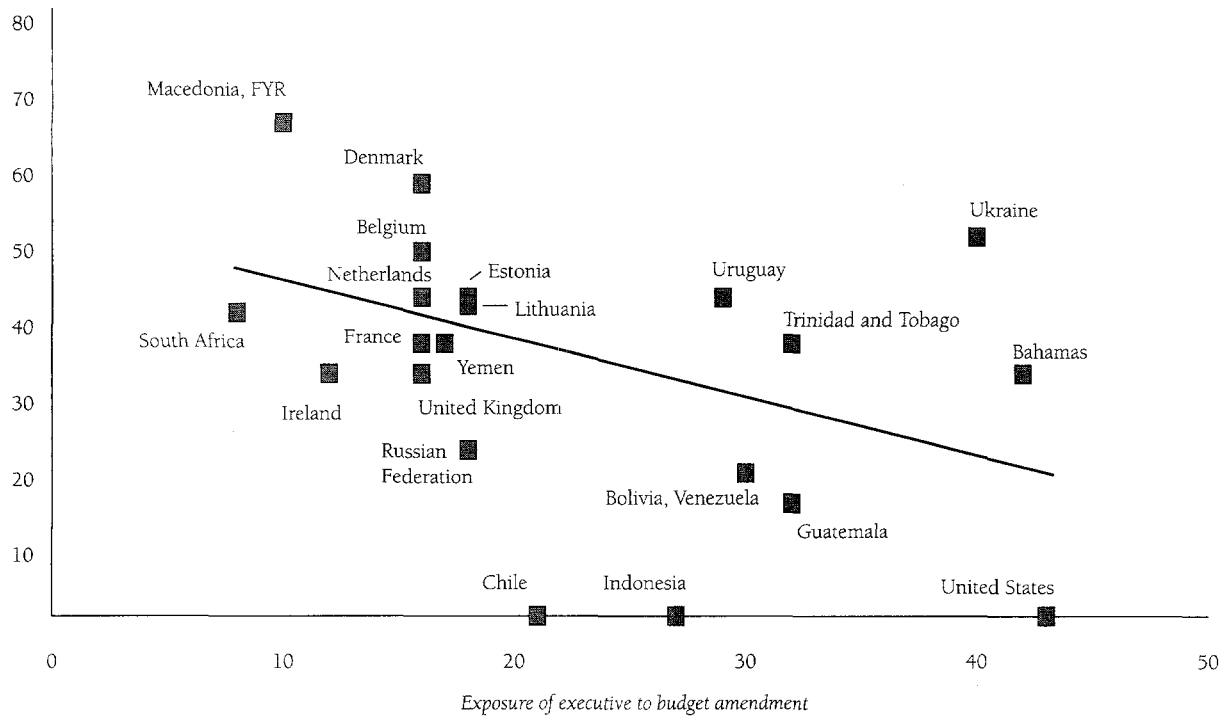
At the left end of the horizontal scale in figure 6 the legislature is constrained legally or constitutionally in amending the budget in any of three ways: it can only accept or reject the budget proposals of the executive and has no right of amendment, it cannot initiate any legislation with spending implications during the year, or it cannot delay passing the budget. At the other end of this scale the legislature is less constrained legally and constitutionally to amend the budget proposals of the executive, in its ability to initiate and pass legislation with spending implications during the year, and to delay passing the budget.³

The vertical scale of figure 6 shows government's exposure to dismissal between elections, from none to low at the bottom to high at the top. Government is relatively weakly protected when the legislature is less constrained legally, constitutionally, and in practice in its ability to dismiss the executive—either as a government or by dismissing individual ministers—and a tradition of coalition governments provides a constant risk of defection. Government is more strongly protected when the legislature has no constitutional right to dismiss the executive or to dismiss individual members of the government and there is a tradition of single party government—a proxy measure of the ability of political parties to impose punishments on members of the legislature for voting against party intentions.

Figure 7 presents a stylized representation of the tradeoffs included in balancing power of the legislative and executive branches, distinguishing how parliamentary and presidential systems achieved this in different ways. The territory of parliamentary systems is delineated by several arrangements:

Figure 6. Tradeoffs Between Risks of Dismissal and Risks of Budget Amendments

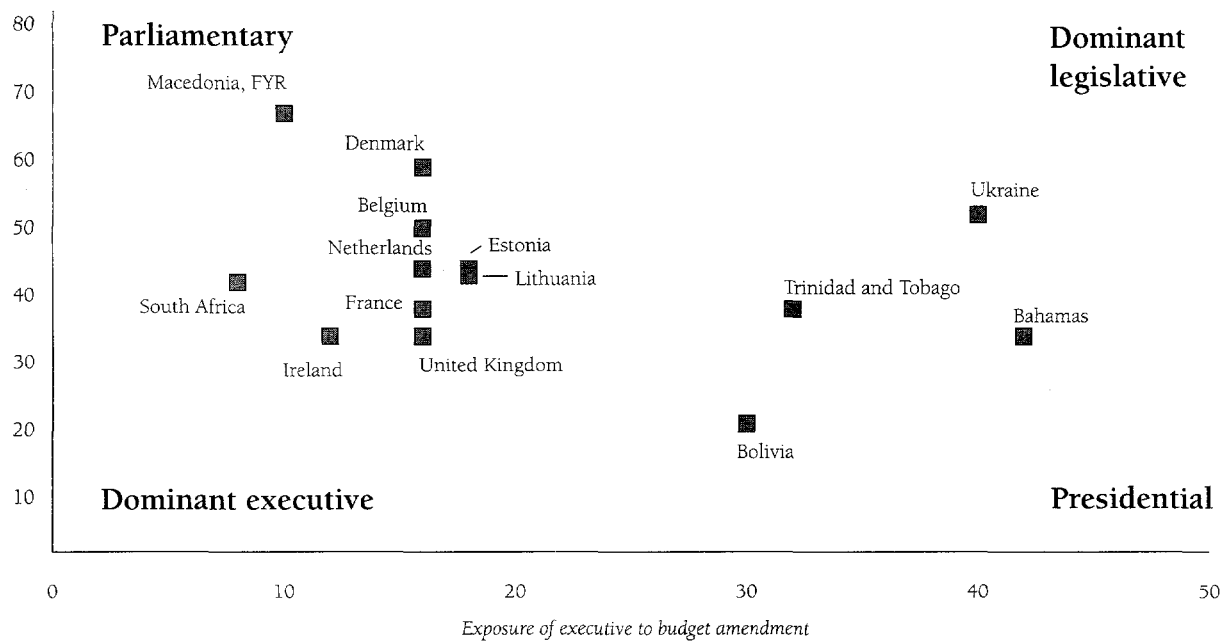
Exposure of executive to dismissal



Source: Manning and Barma 1999.

Figure 7. Overlap of Parliamentary and Presidential Systems

Exposure of executive to dismissal



Source: Manning and Barma 1999.

- The legislature is restricted in amending the executive's budget proposal.
- The legislature cannot force a shutdown in the executive by delaying passage of the budget.
- The legislature cannot pass its own budget—the proposal must come from the executive.
- The legislature cannot be fully constrained from dismissing the government.
- The legislature cannot be fully constrained from dismissing government ministers.

The territory of presidential systems is bound differently because:

- The legislature may or may not be bound to limits on budget increases or deficits but will be able to pass a budget that the executive does not approve of—even if an executive veto requires a two-thirds majority of the legislature to overturn.
- The legislature cannot be completely constrained from passing legislation that has spending implications.
- The legislature cannot easily dismiss the government.
- The legislature cannot easily dismiss individual ministers.

Figure 7 also shows those setting where the executive-legislative balance is unusually weighted in one direction or the other. Cabinets tend to exist in parliamentary systems, but the existence of cabinet government is an empirical point and does not flow automatically from the constitution.

The terms *collegiate*, *team*, and *hierarchical* applied to cabinets refer to the degree to which the head of government consistently considers the views of other ministers. Collegiate cabinets are characterized by a high degree of interchange between the head of government and ministers before decisions are taken, often because of party coalitions. In team cabinets long experience in governing together has resulted in a common approach, requiring less negotiations within the cabinet. In hierarchical cabinets ministers are noticeably dependent on the head of government.⁴ Hierarchical cabinets are associated with governments that have a low exposure to the risk of dismissal or the undermining of their program in the budget process—the United Kingdom is the classic example.⁵ However, personalities do matter, and strong heads of government can produce hierarchical cabinets in other contexts.

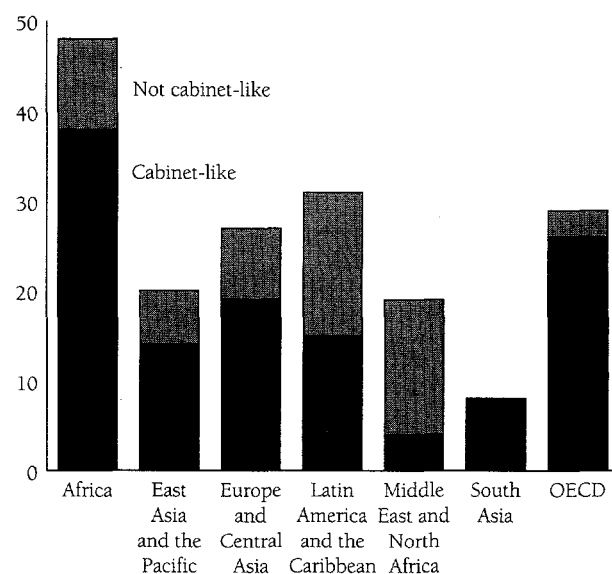
Based on the very limited evidence available, hierarchical cabinets are associated with more cabinet committees but not more ministers. The suggestion that parliamentary governments are becoming more hierarchical is associated with the increasing number of cabinet committees.⁶

Cabinet Is a Popular Form of Government, and Pressures for Collective Decisionmaking Are Growing

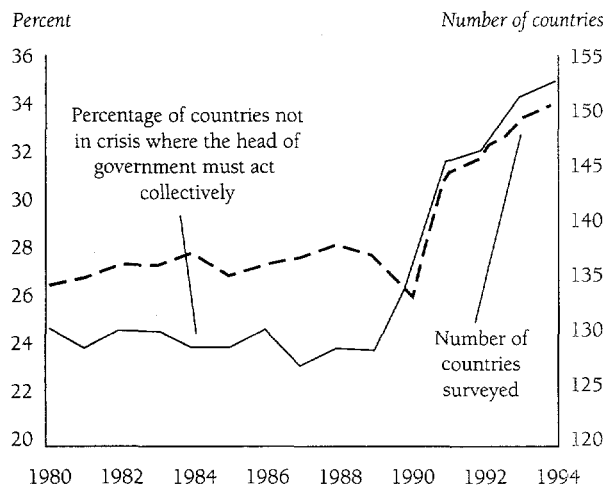
Overall, of 182 countries surveyed, experts assessed that 80 had governments that are strongly cabinet-like, 44 had governments that are somewhat cabinet-like, and the remaining 58 had governments that are not cabinet-like (figure 8 shows the distribution by region; the criteria defining cabinet government were those described in box 1).

There is some historical evidence that heads of government are increasingly constrained to heed the advice of their ministerial colleagues. A review of trends in 157 states with populations larger than 500,000 for which data are available in the Polity III dataset (see Jagers and Gurr 1996) suggests that 6 states were in crisis in 1994.⁷ Of the remaining 151

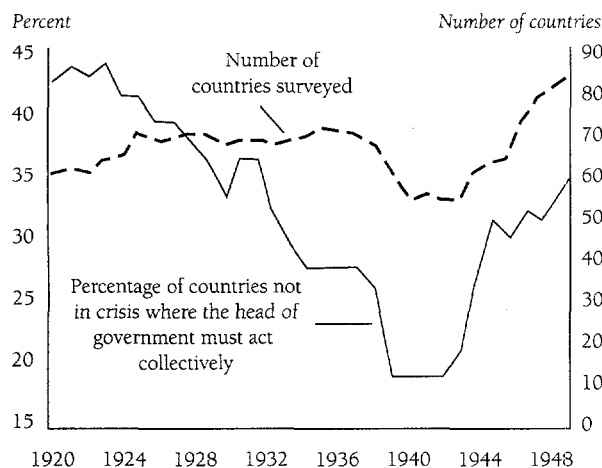
Figure 8. Cabinet Government Incidence by Region



Source: Manning and Barma 1999.

Figure 9. Trends in Collective Government, 1980–94

Source: Developed from Jagers and Gurr 1996.

Figure 10. Pre- and Post-Second World War Trends in Collective Government, 1920–50

Source: Developed from Jagers and Gurr 1996.

states, 53 have political and institutional arrangements in which the head of government is formally dependent on a council, cabinet, or junta and has some significant restrictions on freedom to act (figure 9).⁸ These 53 countries coincide significantly with those identified as strongly cabinet-like in the World Bank survey, suggesting that the historical trends that lie behind these figures indicate a genuine growth in cabinet government.⁹

The increase in pressure toward more collective government that this implies is unparalleled since the period of European reconstruction following the Second World War (figure 10).

Notes

1. Details of the surveys are provided in Manning and Barma (1999). Some points concerning this index: The literature on budget preparation constraints is vast, but the most directly relevant are Alesina and Perotti 1994, 1996; Alesina and others 1996; Allan 1994; Axelrod 1995; Bertsch, Clark, and Wood 1991; Garamfalvi and Allan 1996; Hallerberg and von Hagen 1997; Heclö and Wildavsky 1981; Laver and Shepsle 1994, 1996; Linz and Shepsle 1994; Loewenberg and Patterson 1979; Premchand 1996; Savoie 1996; Shepsle 1979; von Hagen 1992; von Hagen and Harden 1995; Wagner 1890; Wildavsky 1992. The general thrust of the literature suggests that consensus has shifted from Wagner's Law, which postulated that increases in public expenditure were inevitable given the increasing responsibilities of government, toward an increasing recognition that institutional arrangements determine budgetary outcomes. Von Hagen provides an excellent summary of this general movement (Wagner 1890; von Hagen 1992).

Quantitative fiscal rules are not covered in the index primarily because they tend to bind the executive but also because there is some evidence that the constraints that they imply are more illusory than real and predispose government toward varieties of creative accounting exercises. Again acknowledgment is due to Bill Allan at the International Monetary Fund for his guidance on this point. See also Alesina and Perotti (1996) on this point.

I am grateful to David Shand and Bill Allan at the International Monetary Fund for their assistance in developing this index.

Although the electoral system is not a binding constraint on the legislature, the persistence of coalition governments—associated with a larger number of effective parties in government and proportional representation electoral systems—is taken as a proxy for the ability of political parties to impose credible punishments on members of the legislature. This is on the basis that defection is easier if there are a larger number of effective parties in the legislature. See Lijphart (1994) and Hallerberg and von Hagen (1997, table 1 on p.29) for a review of the empirical evidence.

2. In Ukraine the threat to government of dismissal by the legislature clearly exists under the Constitution (1996). In practice, however, since the introduction of the constitution, this threat has been overshadowed by the propensity of the president to dismiss government.

3. The relationship between the executive and the legislature is explored extensively in literature. In a very useful summary, the Organisation for Economic Co-operation and Development's Support for Improvement in Governance and Management in Central and Eastern European Countries (SIGMA 1997) points out that:

Much of the Council of Ministers' power stems from the fact that it has an exclusive right to present the budget to Parliament . . . Since no minister can go to parliament independently to seek funds, all are bound to the collective judgement of their colleagues . . . (in considering) the extent of parliament's power to amend the budget (in) the only example of its kind, the United States Congress has virtually unlimited powers in budgeting. Frequently it discards entirely the draft budget submitted by the President and, taking advantage of its own extensive research resources, compiles a quite different budget. At the opposite extreme, in some countries within the Westminster tradition, the parliament is forced to approve the budget without amendment or else defeat the government and cause an election.

A more equitable balance is found in most EU member states where parliaments are allowed to reduce or increase spending and taxes by voting amendments, but only within strict limits such as, for example, that the deficit may not exceed the target proposed by the government.

Moon and others (World Bank 1998a) laid out the range of options with clarity in the advice provided to the Russian Federation concerning the draft budget code:

A basic choice lies between a system as operated in the U.S., in which the legislature is expected to play a major role each year in formulation of both strategy and detail of the budget, as against most other developed country systems . . . As a matter of practice and tradition, however, most developed country budget systems do not envisage involvement of the legislature in reformulation of the budget in the detail observed in the U.S. system. No budget system is entirely stable in its relative position between these options . . .

4. These categorizations and the allocation of countries to them are drawn significantly from Blondel (1995) and Thiébault (1993).

5. However hierarchical the United Kingdom cabinet may be, the line must be drawn somewhere, and Jones

(1987) seeks to do this when, in discussing whether there is a need for a formal prime minister's department in the United Kingdom, he notes that, "Whether the U.K. should establish a formal, structured and bureaucratic Prime Minister's Department is a significant constitutional question . . . Those who advocate such a department seek more than a trifling administrative alteration . . . Those people wish to reshape government to meet the needs of prime ministers who want to intervene in detail in the policy process. Thus the implication of the proposal is to shift responsibility from ministers and the cabinet to the prime minister."

6. See, for example, Thiébault (1993). The United Kingdom has 38 cabinet committees to 7 in Belgium and 14 in the Netherlands.

7. Crisis means that:

- The country is occupied by foreign powers during wartime.
- There is a short-lived attempt at the creation of ethnic, religious, or regional federations.
- There is a collapse of central political authority as a result of internal war.
- The country is occupied by foreign powers during wartime with fundamental changes between pre-war and post-war political structures.
- There is a transition period during which new institutions are planned, legally constituted, and put into effect.
- The situation is unknown.

See Jagers and Gurr (1996) for full details.

7. The criteria that were applied are that the independence of the chief executive is not characterized as pure individual or intermediate (category 1 in the monocratism field) and that in practice the chief executive has more than unlimited, intermediate, or slight to moderate limitations on executive power, but is not subject to another body that has equal or greater authority (categories 1 and 2 in the executive constraint field) (Jagers and Gurr 1996).

8. The 53 countries are: Australia, Austria, Bangladesh, Belarus, Belgium, Bolivia, Botswana, Bulgaria, Cambodia, the Czech Republic, Denmark, Estonia, Fiji, Finland, France, Germany, Greece, Guatemala, Honduras, Hungary, Iceland, India, Ireland, Israel, Italy (Sardinia), Jamaica, Japan, Latvia, Lesotho, Lithuania, Luxembourg, FYR Macedonia, Malaysia, Mauritius, Nepal, the Netherlands, New Zealand, Norway, Pakistan, Papua New Guinea, Poland, Romania, South Africa, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan (China), Thailand, Trinidad and Tobago, Ukraine, and the United Kingdom.

4. Implications for Action

The traditional public sector reform agendas separate the institutional arrangements for government as employer (civil service reform) from those concerned with public expenditure management and budgetary institutions. The institutional arrangements for supporting disciplined cabinet decisionmaking provide a practical point of entry at which the strands come together. More substantively, a new generation of World Bank–supported public sector reform operations are now building institutional support for cabinet as a core component.¹

Credible Policy Drives Public Management

Governments face a challenge of self-restraint on two levels. At the first level they must visibly restrain themselves from pursuing macroeconomic policies that lack credibility. At the second level they must further restrain themselves, within constrained and credible aggregate limits, from erratic policy reversals and from arbitrary decisions about allocation between sectors. These are different concerns. Simply getting the aggregates right does not solve the problem, for example, of overinvestment in urban transport, at the expense of the rural poor, or of poor leadership and erratic policies within the education sector.²

At the first level the mechanisms of restraint matter because investors are deterred by the possibility as well as the reality of poor macroeconomic policies.³ At the second level investors may still be watching—and recent survey evidence suggests strongly that unpredictable changes in laws and policies and unstable governments are major deterrents of investment—but they are now joined by the managers and senior officials who must translate sector policy into operational

results.⁴ Officials in line ministries and publicly funded agencies are all too conscious of the risk of policy reversal within their sectors. Why work late to plan for the school building program if it may never happen? Why pursue corrupt officials in the health supplies department if the minister has no value-for-money principle in mind?

Effective cabinets provide this second level of restraint—the institutional mechanisms by which governments prioritize their policies, guard against sudden and avoidable policy reversals, and place pressure on the sector to deliver value for money. The need for strong institutional mechanisms that offer protection against erratic policy reversals and arbitrary allocations among sectors is at the heart of the public management debate.⁵ Cash rationing is an example of how it is possible to live within sensible aggregate spending totals, while creating an environment in the public sector in which it is quite unreasonable to expect managers to deliver. Ensuring that the large numbers add up to the right totals does nothing for a health agency manager with an uncertain budget or for a senior official in the transport sector who sees no connection between stated government policy and policy implementation.⁶

This point is dramatically illustrated in some emerging research findings from a survey of public officials in eastern Europe. The evidence indicates that the return on improving the perceptions of public officials concerning the credibility of policy is very high. For every additional 100 public officials who do not consider that ministerial or government policies are contradictory and are likely to be arbitrarily overturned, 118 more will share their manager's view and goals, and 37 more will adhere to the basic rules as they will be convinced that personnel and financial management regulations are enforced in the organization (Gokcekus and Mukherjee 1999).

Collier (1996, 1999) explains why this is an area in which external incentives are unlikely to succeed. Either government has institutions that discipline policymaking at the second level, or policies are undisciplined. In the long run external first aid through conditionality on sector policies and expenditure composition is doomed.⁷

Improving Institutional Support for the Cabinet: A New Frontier of Institutional Reform

The World Bank's draft public sector strategy urges that in project design World Bank staff continue to shift their focus from the content of public policy to the way policy is made and implemented. It notes that rather than focusing primarily on providing policy prescriptions, the World Bank needs to focus more on helping countries develop the processes and incentives to design good policies themselves.

Sector investment programs have perhaps pointed most starkly to the need for a workable approach to policymaking institutions. As the seminal description of this approach noted, "the project-by-project and donor-by-donor approach has sharply reduced government ownership of projects, which has proved fatal for the sustainability of many operations. Governments do not feel that they are in control of projects, which are driven and designed by donors and international agencies, according to their own estimations of the problems in the sector" (Harold 1995). The key questions are whether there is a clear determination of sector policy, priorities, and constraints and a clear government statement of sector strategy.

However, a recent review of sector investment programs noted that leadership of sector reform approaches was "focused on a small group of individuals within the key sector ministry" and that "the leadership of a committed core of government staff may be necessary in many circumstances but will not be sufficient for political sustainability" (Jones 1997). A supplementary review of sector investment programs noted that they did not include any references to the role of the cabinet or council of ministers in negotiations or discussions of the choice of priorities or emphasize ownership of the program at this level.⁸ A review of

board-approved World Bank operations from July 1990 to September 1998 confirms that just 2 of 2,170 projects had a significant focus on core policymaking institutions. A parallel World Bank review of economic and sector work and country assistance strategies over the same period noted that 2 of 1,841 projects had significant references to institutional arrangements for policymaking at the center of government. However, in 1997 and 1998 technical assistance was provided to central agencies and cabinet offices in four countries to improve institutional support for disciplined decision-making in the cabinet:⁹

- The Gambia: diagnostic workshop for cabinet ministers and the president.
- Malawi: workshop for senior staff on cabinet support and budget reform (a project proposal is now under consideration).
- Lithuania: long-term technical assistance and a workshop series.
- Ukraine: workshops for senior staff assessing options for restructuring the cabinet office (a World Bank public administration reform loan now under development emphasizes support for the cabinet).

Proposals for similar reforms are now under consideration between the World Bank and Tanzania, Zambia, and Albania.¹⁰

This emerging area of work is well within the Bank's mandate to remain "concerned with the economic causes and effects and [to] refrain from intervening in the country's political affairs" (World Bank 1997a, p. 24).

The Gambia—Cabinet and the Budget Cycle

In 1997, after a two and a half-year post-coup transition period in The Gambia, presidential and parliamentary elections were held under the framework of the democratic constitution adopted through referendum in August 1996. Colonel Yahya Jammeh was elected president and secured a comfortable majority of 33 of 49 seats in the National Assembly.

Under the 1996 constitution the head of state, who is also the head of the ruling party and the government, is directly elected. The other cabinet members are not elected (incompatibility rule) and are individually and collectively answerable to the National Assembly and

to the head of government. The cabinet includes the head of state, the vice president, the attorney general, and secretaries of state. Civil servants who attend cabinet meetings include the cabinet secretary and the secretary general.

The Alliance for Patriotism, Reorientation, and Construction (APRC) and the main opposition party, the United Democratic Party (UDP), do not have well-defined party platforms. Although communication and consultations between secretaries of state do not appear problematic, the decisionmaking process is centralized, and robust discussion of policy proposals between ministers does not appear to be the rule.

Constitutionally, “the Cabinet is responsible for advising the President with respect to the policies of the Government” (Constitution 73.3). Decisions then need to be endorsed by the president after being made in cabinet. In practice, the president does not override formal cabinet decisions. Considerable authority is delegated daily to key secretaries of state—particularly to the sec-

retaries of state in the offices of the president, the secretary general, and the secretary of state for finance. The secretary general, who is the head of the civil service and principal advisor to the president, appoints permanent secretaries, reviews submissions to the cabinet, signs administrative decisions on behalf of the government, and is copied on all correspondence between permanent secretaries.

It is widely considered in The Gambia that the incompatibility rule of the 1996 Constitution has transformed the ministers from politicians into technocrats by preventing them from being both members of Parliament and ministers. Most secretaries of state were high-level civil servants during the pre-coup era, which has raised concerns about conflicting responsibilities. Ministers are allegedly involved in the details of daily departmental administration at the expense of cabinet-level strategizing. As a result there is some risk that the president might bypass the cabinet, believing that public officials have as much to offer as the relevant minister (table 4).

Table 4. Key Concerns with the Institutional Underpinnings of Cabinet in The Gambia

	<i>Setting the major policy priorities of government</i>	<i>Making choices within those priorities</i>
<p>The game must be played</p> <p><i>There are incentives to negotiate</i></p>	<ul style="list-style-type: none"> • Party platforms are unclear and not binding • No competing policy arenas that diminish the authority of cabinet • Prior agreement with donors for automatic budgetary allocation to some sector ministries (for example, health and education) and bilateral off-budget negotiations undermine authority of cabinet 	<ul style="list-style-type: none"> • Some risk that the cabinet can be bypassed by the president, in the belief that public officials have as much to offer as the relevant minister
<p>The game can be played</p> <p><i>The rules are credible and enforceable</i></p>	<ul style="list-style-type: none"> • Proposed rules for budget preparation are not agreed to by the cabinet prior to the cycle, and the absence of any discussion of sectoral envelopes at the cabinet level makes the rules less credible • Actual spending is not reported and the sectoral budgetary allocations are not reliable, making the rules for cabinet decisionmaking hard to enforce 	<ul style="list-style-type: none"> • Cabinet office cannot guarantee that submissions are legal, that they have had adequate interministerial consultation, or that implementation of past decisions has been monitored
<p><i>There is a realistic prospect of agreement</i></p>		<ul style="list-style-type: none"> • Outcome information on the results of implementation not known (except for the public expenditures reviews on health and education, and even that is not yet institutionalized since there is no process linking sectoral allocations to performance reviews by sector ministries or to public expenditure reviews) • Bilateral negotiations with donors constrain cabinet in major prioritization decisions

Most fundamentally, however, the rules of the game that facilitate mutually binding agreements within the cabinet are less than credible in terms of the budgetary process. The absence of any discussion of sectoral budget envelopes at the cabinet level leads to mutual suspicions and uncertainties between ministers that cannot be resolved. Call circulars distributed by the minister of finance to sector ministers provide for a macroeconomic review of performance and set spending ceilings for each department of state. There is no real negotiation between sector ministers and the Finance Department nor full cabinet discussion of these allocations. Equally, there is no process linking sectoral allocations to performance reviews by sector ministries or to public expenditure reviews.

The final budget bill is discussed in the cabinet, but few changes are possible at that stage. The budgetary process does not offer the cabinet the opportunity to agree on the rules of the game before the budget round, and subsequent cash rationing ensures that the promised allocations are rarely delivered, making the budgetary process at the cabinet level unimportant in the eyes of the secretaries of state. In addition, the extensive off-budget funding of activities undermines the significance of budget negotiations, as does the agreement made with donors in 1994 that allocations to the health and education sectors will automatically be increased on a yearly basis.

Organizationally the Cabinet Office is weak. It comprises the cabinet Secretary and two junior staff. It has no capacity to ensure respect for procedures and consultation or to review the legality of cabinet submissions or the implementation of cabinet decisions. On ad hoc requests from the secretary general the legality of submissions is reviewed by the attorney general's chambers, while adherence to procedures and consultation of submissions is reviewed by the secretary general in collaboration with the cabinet secretary. There is no mechanism ensuring that cabinet decisions are actually implemented. Consequently, although cabinet members feel overwhelmed with information, they do not know the status of their previous decisions, the results achieved through those decisions, or the strategic options for the future.

Recently, at a workshop attended by all cabinet members and their chief officers, secretaries of state

and permanent secretaries discussed issues related to the highest level of decisionmaking in The Gambia for the first time since 1994. The secretary general to government, with full endorsement from the cabinet, committed the government to:

- Reforming the budget preparation process so that there is full discussion in the cabinet of initial sector allocations prior to the formal call circular process, thereby diminishing pressures for unrealistic budgeting and subsequent cash rationing.
- Extending the breadth of sectoral public expenditure reviews to increase discussion within the cabinet on sector performance and increase ministerial focus on achievable priorities.
- Improving the implementation tracking capacity of the Cabinet Office, removing at least one justification for ministerial involvement in operational details.

Malawi—Cabinet and the Cabinet Office

Malawi has been under elected government rule for more than five years, with fairly stable political and judicial processes in the country. The Malawi Constitution provides for a cabinet government, serving subject to parliamentary approval, but collective discipline is challenged both by the recent history of single-party and idiosyncratic rule and by the current coalition necessary to maintain a majority in parliament. Two governments have taken office under the current constitution, in closely contested elections that have resulted in a sizeable opposition in parliament. Consequently, the cabinet is engaged in political negotiations and management of relations with parliament.

However, this political engagement has mixed consequences for the cabinet's efficiency with respect to policy development and implementation: on the one hand, the political process and consensus building behind policies are strengthened; on the other hand, ministers have less time to delve into details and implementation. There are no civil servants or technocrats directly assigned to advise and assist ministers and the capacity of the cabinet office to follow through on implementation of cabinet decisions is weak. There is thus a need to develop technical support to the cabi-

net to increase technical competence and improve implementation.

Furthermore, although there is a process involving the preparation of Cabinet papers that lays out policies and provides alternative courses of action and recommendations, many submissions to the cabinet are ill-considered, placed on the cabinet agenda on short notice, and driven through with little serious debate. The consequence is that policies are overextended and actual budgeting is replaced by cash rationing (table 5). Parliamentary approval has seemed almost irrelevant because the eventual decisions must be made by the Ministry of Finance on the basis of cash availability rather than budget estimates. However, beginning in 1998 the parliament has been vocal in demanding explanations for deviations from the approved budget, and the cabinet committee on the budget, in agreement with the International Development Association, is tracking expenditure on core items to ensure that priority expenditure targets are met.

In principle the development of the medium-term expenditure framework allows the cabinet to structure its discussions around a concern for aggregate constraints. The Budget Office is developing indicative sector ceilings as proposed ceilings for ministries and departments that will be submitted to the Finance and Audit Subcommittee of Parliament prior to discussion

by the Cabinet Committee on the Economy and subsequent full cabinet discussion. Estimates will then be prepared and the final budget presented to parliament. However, donors are concerned that the process for developing the sector ceilings is not forcing any significant tradeoffs and that a more radical reallocation is needed, particularly toward the health and education sectors. No immediate steps are planned, however.

Support is provided to the cabinet by the Secretary to the President and Cabinet in the Office of the President. The secretariat provides secretarial support to the cabinet committees (although the technical support for these committees is provided by the relevant ministry). The secretariat has two challenges. First, it has limited capacity and has not developed close enough working relationships with the Ministry of Finance and the sector ministries to head off any conflicts before they reach the cabinet. Second, it is attempting to support the cabinet by adhering to the rules of the game, which seem to be only partly owned by the cabinet itself. The cabinet has not agreed to a clear policy on cabinet submissions and consultation. The vice president has assisted in developing a handbook for ministers, which is still in draft form.

The cabinet secretary and the vice president recognize that the cabinet secretariat must be in a position to ensure that the cabinet receives, without overload,

Table 5. Key Concerns with the Institutional Underpinnings of Cabinet in Malawi

	<i>Setting the major policy priorities of government</i>	<i>Making choices within those priorities</i>
The game must be played <i>There are incentives to negotiate</i>	<ul style="list-style-type: none"> • Party platforms are unclear • Donor impatience with the pace of budgetary reallocation: raises the risk that donors will diminish the authority of the cabinet in seeking to enforce reallocations 	
The game can be played <i>The rules are credible and enforceable</i>	<ul style="list-style-type: none"> • Contracts between the coalition parties are not enforceable • Cash rationing means that promised sectoral budget allocations are not reliably provided, which should be addressed by the medium-term expenditure framework • The cabinet office cannot credibly estimate legislative and cabinet capacity to review proposed legislation 	<ul style="list-style-type: none"> • The Ministry of Finance does not have the capacity to place the burden of proof for policy costings on sector ministries • The cabinet office cannot guarantee that submissions are legal and have had adequate interministerial consultation, that decisions are transmitted to all relevant parties, and that implementation of past decisions is tracked and reported to the cabinet
<i>There is a realistic prospect of agreement</i>		

sufficient information to make individual decisions in the context of cabinet-determined strategic priorities under the medium-term expenditure framework and to make strategic decisions in the context of the aggregate fiscal situation. To do so the secretariat must develop a relationship with the Department of Finance and the spending departments in which it can successfully referee the application of cabinet-agreed rules and mediate among conflicting departments or ministers to avoid disputes leading to unnecessary challenges to those rules. This again reinforces the need for the secretariat to avoid undermining the responsibility and accountability of line departments for reporting on operational issues and the credibility or centrality of the Ministry of Finance in providing reliable budget information. It also argues for the secretariat to be in a position to offer sound confidential advice to the president and vice president on options for strengthening the rules by which the cabinet binds itself to collectively determined decisions.

At a recent workshop attended by all senior officials in the government, the cabinet secretary committed himself to working to obtain cabinet approval of a formal set of responsibilities and authorities for the cabinet office and to convening regular meetings with principal secretaries for wider consultation on forthcoming cabinet agenda items. The secretary also agreed to propose to the cabinet that a special session be structured as a workshop to familiarize ministers with the principles of a medium-term expenditure framework.

Lithuania—Making New Rules Credible and Enforceable

Lithuania has experienced seven years of democratic government since the breakup of the Soviet Union.¹¹ Adopted in 1992 by referendum, Lithuania's Constitution establishes a cabinet form of government with an elected president as the head of state.

The president appoints the prime minister, subject to approval of the Seimas, the Lithuanian parliament. The president also appoints ministers on the recommendation of the prime minister. The prime minister and individual ministers can be removed from office by the president following a majority vote in the Seimas.

In the event that the prime minister is removed, the parliament may be dissolved.

In June 1999 the current "president's government" succeeded the conservative government, which was elected in 1996 against a backdrop of sharp economic decline and a bitter public dispute between the president and the then prime minister. Although the former prime minister retained the backing of the Seimas, he and half his cabinet opted to resign rather than continue governing in the face of the express opposition of the president and a potential split in the conservative party. The new government comprises a nonelected prime minister, supported by the president and several ministers from the former government. New elections are slated for fall 2000.

The current government comprises 14 ministries. Ministers are usually drawn from among elected members of the Seimas. Cabinet meets weekly and decisions are made by majority vote. There is no formal cabinet committee structure, although the government is currently evaluating such proposals.

According to the Constitution and the Law on Government, a newly-elected government must present its program to the Seimas within 15 days of the prime minister's appointment. The Seimas must then adopt or reject the program within 30 days. If the program is rejected twice, it is deemed to be a vote of no confidence and the government must resign.

Following adoption of the government program by the Seimas, the prime minister's office assigns ministerial responsibility for each initiative in the program and directs each ministry to produce implementation plans within 90 days. According to the Law on Government, ministries and other state institutions report on progress toward implementing the government's program and any other initiatives assigned to them by the cabinet.

The budget process begins with the adoption of the budget resolution by the cabinet. The Ministry of Finance then sends the budget instructions, including preliminary allocations, to ministries. Budgets are finalized by September and, following cabinet approval, presented to the Seimas no later than mid-October. The Seimas can amend ministry budgets but must identify the source of offsets if recommending an increase. During the year any changes to ministry budgets that cannot be accommodated by the government's

reserve must be resubmitted in legislation to the Seimas for approval (table 6). Currently the government and the Seimas are embroiled in a debate on whether and how to reflect the government's proposed 1999 budget cuts, which resulted from the sharp drop in revenue.

The government has made public administration reform a high priority and is moving quickly to implement a modern civil service structure and to strengthen planning and accountability systems. Not surprisingly, this is proving to be a challenge. Structures are being put in place, but processes lag, and the capacity of the institutions and staff lag further still. This problem can be seen in the three key areas of priority setting, budget planning, and civil service management.

Despite the promising start on a defined government program adopted by Parliament, the government's ability to set and monitor priorities in a way that meaningfully focuses ministry activity has been limited because:

- Many of the initiatives identified in the program are vaguely defined.
- Ministry-generated priorities tend to push government priorities into the background.
- A fiscal plan, linking economic and revenue forecasts to expenditure scenarios, has not yet been developed.

- Management of the cabinet agenda is weak; it is only set a week in advance.
- Monitoring of actual implementation has been haphazard.

In May 1998 the cabinet approved a program budgeting system. The Ministry of Finance followed with a short set of instructions and charts, but the attempted two-week turnaround for ministries proved impossible. Attempts to introduce a revised version are hampered by the absence of a priority framework to guide allocations and total unfamiliarity with fundamental concepts such as mission statements, program structures, and performance measures.

The government introduced the Civil Service Act early in 1998 but it was not passed until June 1999 and underwent several extensive revisions. This law applies to virtually the entire public sector, including the national and municipal governments, state institutions, the school system, and police. Based on a European model, it differentiates between the permanent public service and political appointees and sets out, in formidable detail, the basic structures and processes underpinning the management of the civil service.

Notwithstanding setbacks, the government deserves credit for pushing ahead with these reforms. Over the next year, the government is considering:

- Introducing a cabinet committee to oversee a priority setting exercise.

Table 6. Key Concerns with the Institutional Underpinnings of Cabinet in Lithuania

	<i>Setting the major policy priorities of government</i>	<i>Making choices within those priorities</i>
The game must be played <i>There are incentives to negotiate</i>		
The game can be played <i>The rules are credible and enforceable</i>	<ul style="list-style-type: none"> • Forecasts of resources are credible but need improvement; in particular, the revenue forecasts are not tied to expenditures • The proposed rules for budget preparation are not fully agreed to by the cabinet prior to the cycle because the budget manual has to be approved • Across-the-board rather than targeted cuts still occur • The chancellery cannot credibly estimate legislative and cabinet capacity to review proposed legislation 	<ul style="list-style-type: none"> • The burden of proof for policy costings cannot be reliably placed on sector ministries because there are no fiscal information standards for individual items and minimal capacity to evaluate ministry costings • The chancellery cannot guarantee that submissions are consistent or of adequate quality; but a cabinet procedures guide is under development
<i>There is a realistic prospect of agreement</i>		

- Developing mechanisms to integrate fiscal and policy planning.
- Implementing a business plan approach to further support its program budgeting initiative.
- Beginning implementation of the Civil Service Act.

Donors are providing extensive technical assistance to facilitate administrative and institutional reform in Lithuania, and there is some consensus that improving the systems that underpin effective cabinet decisionmaking is fundamental to sustained performance improvements. Although the new government remains committed to these reforms, the continuing economic crisis and the short time until the fall 2000 elections suggest that at best moderate progress can be achieved in the near term.

Ukraine—Fundamental Questions About the Feasibility of Cabinet Government

Ukraine's Constitution was adopted in June 1996, and the economy has been in severe fiscal crisis since late 1997. Government is very vulnerable to dismissal between elections (as in Denmark) and its program priorities, as reflected in the budget proposed to the legislature, can be radically amended by the legislature (as in the United States) (see figure 6).

The rational institutional solution to this vulnerable situation is to construct an inclusive collective cabinet that will lock in the various players, thereby protecting the government and its program. However, the organization and functioning of the Apparatus (cabinet office) is at the heart of the reform problem in Ukraine. It has remained firmly a central planning body, preparing draft instructions for deputy prime ministers' signature and issuance to the sector ministers. Cabinet government is relatively new to Ukraine, and the recent history of erratic cash rationing and public sector arrears makes any attempt at strategic decisionmaking a challenge. However, there is little prospect that the cabinet will take a stronger line in reconciling policymaking with budget constraints or that ministers will seek opportunities for efficiency improvements or rationalization within their own sectors as long as the Apparatus limits and undermines their responsibilities.

The president endorsed a general concept for administrative reform in July 1998. A bill revising the

arrangements for the Cabinet of Ministers has been passed several times by the Verkhovna Rada, the Ukrainian parliament, but has been vetoed by the president. A new version has been drafted and will likely be considered by the parliament in late 1999. Previous legislation, which altered the role of the Apparatus, was held up on the grounds that it may have been unconstitutional in limiting the number of ministers in cabinet, as well as by discussion about possible constraints on the president's powers.

The reform challenge for the Apparatus staff is both conceptual and motivated by self-interest. At the general level there is no tradition of collective decisionmaking by the cabinet and there are uncertainties about how this works in practice. Specifically, there is limited understanding of the role of a cabinet office if it steps back from proposing detailed policies. At the same time staff of the Apparatus have enjoyed improved terms and conditions and considerably greater status than their colleagues in the civil service. Any reform of the Apparatus is intrinsically linked to a concern that these rewards will be diminished.

Strict budget limits generally force ministers to negotiate with each other. While in Ukraine there may be an all too pressing recognition that the budget is finite, its exact limits are hard to find. Cash rationing ensures that the International Monetary Fund targets are met, so budget limits are imposed from the outside. However, cash rationing means that agreement on a policy does not mean that it will actually be funded, which destroys any sense of a tradeoff between competing spending propositions. Ministers are more focused on permanent dialogue with the officials who must release cash today than they are on dialogue with each other (table 7).

If decisions are to be binding, ministers must feel involved in all major cabinet decisions, and all major decisions must be routed through the cabinet. For historical reasons, ministers receive instructions from the prime minister and deputy prime ministers. As a consequence ministers are not full and equal members of the cabinet, but rather are the recipients of instructions from others. Ordinance 1276 reverses the arrangements found more generally in democratic countries and clearly undermines any commitments that ministers might have to make collective cabinet decisions.

Table 7. Key Concerns with the Institutional Underpinnings of Cabinet in Ukraine

	<i>Setting the major policy priorities of government</i>	<i>Making choices within those priorities</i>
The game must be played <i>There are incentives to negotiate</i>	<ul style="list-style-type: none"> • Party platforms are unclear and not binding • Cash rationing establishes the treasury as a competing policy arena, diminishing the authority of the cabinet 	
The game can be played <i>The rules are credible and enforceable</i>	<ul style="list-style-type: none"> • Cash rationing means that the promised sectoral budget allocations are not reliably provided • The Apparatus is seen to have a strong separate agenda and informs cabinet of what should happen (with little or no consultation) and without ensuring that policy alternatives are explored 	
<i>There is a realistic prospect of agreement</i>		

The overarching problem is that the institutional underpinning of the cabinet is weak in a situation that demands a strongly collegiate form. As long as the cash rationing continues, Ukraine has, for all intents and purposes, a presidential form of government. However, the uncertain role of the cabinet makes it difficult for the electorate to assign responsibility for the continuing policy failures of government. There is no desire or opportunity to reenter the constitutional debate. If the cabinet is to become a strong body as required by the institutional environment, the Apparatus must be reduced in hierarchical power, returning authority to the cabinet as a collectively accountable political body, and the cash rationing that removes any pressure for cabinet to make hard and binding internal trades must be removed.

A planned public administration reform loan will enable the World Bank to provide expertise and advice and will encourage reform of the Apparatus through adjustment lending. The loan will assist the government in reforming the Apparatus to modernize its role and enable it to facilitate policy coordination. The policy analysis work in the Apparatus will be relocated within the line ministries. The loan will not address issues of the division of political powers between the Verkhovna Rada, the president, and the government; the fragmentation of political parties; the politicization of ministerial appointments; or the role of the cabinet.

If the institutional arrangements for supporting the cabinet cannot be strengthened, Ukraine must lessen

the need for the cabinet to act collegiately so that a weaker body may take the strain. In principle this could be achieved by reducing the ability of the legislature to dismiss the government, but that involves an implausible constitutional debate, and in practice it is the president who has, to date, been responsible for all government dismissals. The only remaining alternative is to reduce the power of the legislature to radically amend the budget. This could be introduced on a legislative rather than constitutional basis.

Public Sector Reform in Tanzania, Zambia, and Albania

Work to improve the institutional arrangements for cabinet decisionmaking is bringing together different strands of institutional reform. It provides a point of intersection between civil service and public expenditure reform design. Current proposals under consideration between the World Bank and the governments of Tanzania and Zambia include major reform at the center of government.

In both cases proposed projects will also improve awareness across government of the significance of policy as an output. Improved information flows will enhance the ability of the minister of finance to impose a cabinet-agreed fiscal limit and will reduce the end runs to donors that diminish the authority of cabinet. Credible

forecasts of resource availability can be disseminated, thereby generating pressure for consistency in budgeting, which will improve predictability of funding to line agencies. The projects will also allow ministries to assume the burden of proof for costing new policy proposals.

In Tanzania a planned operation will assist in the reconstruction of the center of government and expansion of the capacity for evaluating policy and monitoring implementation. The proposal for Tanzania includes a coordination and monitoring component. In Zambia reforms will strengthen the links between the policy and budget processes and build more rigorous screening for policy proposals to the cabinet.

Strengthening the functioning of the cabinet office will allow it to demonstrate that it:

- Has no separate agenda.
- Can credibly estimate legislative and cabinet capacity to review proposed legislation.
- Can guarantee that submissions are legal and have had adequate interministerial consultation.
- Can guarantee that decisions are transmitted to all relevant parties and that implementation of past decisions is tracked and reported to cabinet.

In Zambia, with donor support, the decisionmaking process was reformed and a strong support group was established in the Cabinet Office. Future project directions will include attention to improving the monitoring of the implementation and impact of cabinet decisions and achieving a better linkage between policy and resources, as the cash budget is replaced by a medium-term expenditure framework.

Proposals under discussion for Albania include a major policy formulation and coordination component. The proposal will support government as it sets its own benchmarks for improvements to the policy process, including measurements of the perceived impact of policy instability. The proposal will provide a practical vehicle for addressing weaknesses in the institutional arrangements for ensuring binding decisionmaking in the cabinet.

Notes

1. This is very significantly connected to the groundbreaking work of Harry Garnett and colleagues in building

the Policy Analysis and Coordination Division in the Cabinet Office in Zambia.

2. Gelb (1998) makes this point well when he summarizes the key distinction between the macroeconomic concerns of government to stabilize the fiscal position and constrain the aggregate expenditure and the strategic concerns to allocate resources in the best fit with political priorities. He notes that macroeconomic stabilization, which he refers to as the first stage in reform, requires a coherent economic team and an elite insulated from short-term pressures by politicians with both vision and a strong political base. However, it "is somewhat paradoxical that the institutional and political approach seen to be necessary for the first steps in reform may well be entirely inappropriate for the subsequent process aimed at the sustainability of reform." He goes on to explain that while "macroeconomic stabilisation is best initiated by a team, or rather by a politician backed by a technical team, with a high level of political power . . . [subsequently] 'rule-based' policies are most likely to produce sustained macroeconomic stability, by preventing politicians within a democracy [from] adopting destabilising [that is, excessively expansionary] macro policies in the effort to win voter support." Put starkly, we need an insulated macroeconomic elite to stabilize the ship but we need a cabinet that works to keep it afloat.

3. See, for example, the survey of investor attitudes to East Africa (World Bank 1995). Potential investors identified the risk of policy reversal as the most significant deterrent to investment.

4. The results from a survey of over 3,600 firms in industrial and developing countries demonstrated that predictability of rulemaking and the possibility of policy reversal because of government instability were major deterrents to investment (World Bank 1997b).

5. British Prime Minister Benjamin Disraeli recognized this well when he made a plea for restraint to the House of Parliament in 1862 that could be repeated in most legislatures today. "I have so often maintained it in this House that I am almost ashamed to repeat it, but unfortunately it is not a principle which has yet entered into public opinion—expenditure depends on policy" (Disraeli quoted in Heclo and Wildavsky 1981).

6. I am grateful to Malcolm Holmes in the Public Sector Group of the World Bank for many of the insights concerning the distinction between these levels of restraint. The issue is well explored in World Bank 1998b.

7. As Schedler, Diamond, and Plattner (1999) phrase it, "Modern democratic constitutionalism requires elected political leaders, the state, and even sovereign citizenry to agree to a complex series of 'self-binding' mechanisms."

8. This supplementary review, undertaken by Elsa Pilichowski of the World Bank Institute, considered the following documents:

- Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR 41.2 million (US\$60 million equivalent) to the Republic of Zambia for an Agricultural Sector Investment Program, March 1995.
- Transport Sector Investment Program, Republic of Benin, Staff Appraisal Report, October 1996.
- Agricultural Sector Investment Program, Zambia, Staff Appraisal Report, March 1995.
- Roads Sector Investment Program, Zambia, Project Information Document, December 1996.
- Agricultural Sector Investment Program, Angola, Project Information Document, December 1995.
- Education Sector Investment Program, Mali, Project Information Document, November 1995.
- Highway Sector Investment Program, Ghana, Staff Appraisal Report, April 1996.

- Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR 27.5 million to the Republic of Benin for an Transport Sector Investment program, October 1996.
- Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR 67.8 million to the Republic of Ghana for a Highway Sector Investment Program, March 1995.

9. This technical assistance has been provided by the Economic Development Institute (now the World Bank Institute) of the World Bank, the Commonwealth Secretariat, the Institute of Public Administration of Canada, the U.S. Agency for International Development, and EU Phare.

10. The country case studies in this chapter have benefited from the comments from the country management teams of Albania, The Gambia, Lithuania, Malawi, Tanzania, Ukraine, and Zambia, including the particularly helpful detailed comments from Ahmad Ahsan, Lilia Burunciuc, Gord Evans, and Harry Garnett.

11. I am grateful to Gord Evans of the Institute of Public Administration of Canada for this insightful case study of Lithuania.

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