



# Analyzing Public Management Policy Cycles in the European Commission: Oversight of Budget Control and the Integrated Internal Control Framework

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# **Analyzing Public Management Policy Cycles in the European Commission: Oversight of Budget Control and the Integrated Internal Control Framework<sup>1</sup>**

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## **Abstract**

The European Commission has experienced several public management policy cycles since the mid-1990s, during the Santer, Prodi, and Barroso presidencies. A specific public management issue included on the Barroso Commission's (2004-2008) policy agenda was based on indicators of significant irregularity in budget execution, signalled repeatedly by the European Court of Auditors (ECA) in its annual Declaration of Assurance (DAS). The 'negative DAS' problem led to a declared Barroso Commission strategic objective to achieve a 'positive DAS' by 2009. The approach to a solution to this problem was 'integrated internal control', an international reference point within the accounting and auditing professions. The result was a centrally co-ordinated Commission project aiming to modify management and audit practices within both the Commission and EU Member States. This article reports on the 'positive DAS' and 'integrated internal control' policy cycle and explains its agenda-setting, alternative-specification, and decisional processes.

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## Introduction

Since the debut of the Santer Commission in 1994, the European Commission has been – in observer terms – a site of active ‘public management policy-making’ (Barzelay 2001). Public management policy choices have been primarily directed at planning, financial management, and human resource management within the Commission. In comparison with the Santer Commission, the substantive breadth of public management policy-making was very wide during the Prodi Commission (1999-2004), a period marked by a campaign to ‘Reform the Commission’ under the direct political oversight of Vice President Neil Kinnock. Both the Santer and, especially, the Prodi periods have given rise to a voluminous literature analyzing the political context, choices, and repercussions of public management policy-making within the Commission (see collections by Stevens and Levy 2004 and Bauer 2008).

Public management policy-making continued to feature under the first presidency of José Manuel Barroso (2004-2008). The domain of active public management policy-making was financial management, in that the issues and choices concerned how budget execution was accomplished and overseen. But this classification is slightly misleading. The targets of public management policy-making were not just characteristics of the Commission’s own administrative functioning, as had been the case with the Prodi-Kinnock reforms, but additionally, how the Commission was to interact with the separate Member States in controlling the expenditure of EU funds under shared management arrangements, such as the structural funds. That said, a traditional description of the public management policy issues and choices made under the first Barroso presidency would be that they concerned financial management.

Agenda-setting during this policy cycle gave rise to a declared Commission policy goal for the European Court of Auditors (ECA) to issue its first ever positive Declaration of Assurance (DAS) by 2009. Reflecting on the trajectory of the alternative-specification process, the Commission’s initial policy choice was to endorse a ‘Roadmap Toward an Integrated Internal Control Framework’ (IICF). The conceptual plan reflected in the IICF Roadmap became progressively detailed during the IICF policy cycle’s ‘implementation stage’. The implementation stage of the policy cycle included activities intended to create and sustain coherent Commission negotiating positions during legislation of both the EU financial regulation and the legislative framework for shared (EU-Member State) management of EU structural funds.

The IICF policy cycle is reported here. Data collection for this study included in excess of 30 semi-structured interviews by the authors with key senior officials in the European Commission, the ECA, and the European Parliament (EP), elected members of the EP, and the collation and reviews of published and unpublished documentary sources. The conceptual structure of the narrative report and research argument is derived from the comparative study of public management policy-making (Barzelay 2003, Barzelay and Gallego 2010a). Policy episodes are conceived as including three consecutive phases: pre-decision, decision, and implementation. The pre-decision is analyzed into two concurrent and interacting processes: agenda-setting and alternative-specification (Kingdon 1984). Issues, alternatives, and decisions (pre-and post-implementation) play the role of *explananda*.

The description of the IICF policy cycle episode provides an evidence base to address the following historical research issues. First, why did the Commission's agenda come to include the issue of obtaining a positive DAS? Second, why was the integrated internal control approach developed into a proposal at the same time? Third, why did the IICF proposal gain authorization? The paper also examines aspects of the post-decisional history of the IICF and offers explanations for some of the impediments that were encountered.

This study's research design is congruent with defining principles of the intellectual movement known as 'comparative historical analysis in the social sciences' (Mahoney and Rueschemeyer 2003). Within this movement, explanatory research arguments concern the effects of *combinations* of stable or transitory conditions upon the paths and outcome of episodes instantiating these kinds of processes. Unlike in much variable-centered research studies, the target is not to identify the separate influence of explanatory variables (Ragin 1987, Abbott 1997, Abbott 2001, Hedström 2005). Explanatory research arguments within this study also reflect 'institutional processualism' (Barzelay and Gallego 2006). Text box 1 depicts the theoretical approach and research design in brief terms, with corresponding references to the literature. As indicated there, institutional processualism in political science overlaps with analytical sociology (Hedström and Swedberg 1996, Hedström 2005, Hedström and Bearman 2009) and, to a lesser degree, analytical ethnography (Vaughan 2009). Arguably, these different terms name the same intellectual approach to social inquiry and research (see Rock 1979, Goffman 1983, Abbott 1997, and Becker 1997 on the Chicago School of Sociology).

Specific features of the episode, as well as of the Commission's external and internal contexts, make this study relevant within an expanding comparative literature on public management policy-making (Barzelay and Gallego 2010b). With regard to the episode, the case is notable because the 'policy problem' of reported shortfalls in the legality and regularity of budget execution came to be matched with 'integrated internal control', a contemporary formula for controlling decentralized organizations. Managerialist approaches to organizational governance are normally matched with the policy problems of improved performance rather than more rigorous procedural accountability.

Examining the IICF policy cycle suits an explicitly variation-finding approach (Ragin 1987, McAdam, Tarrow, and Tilly 2001) to the study of public management policy-making, due to the EU's multi-level governance system and relations among coordinate authorities at the EU level. While under article 274 of the EC Treaty, the Commission is accountable for budget execution, in practice 80-85 per cent of the funds are disbursed to final beneficiaries by Member State or third country agencies, giving rise to a complex, decentralized process of managing the execution of the EU budget (Levy 1990, 1994, 2000, Laffan 1997). Key features at the EU level include established prerogatives of the European Parliament (EP) and the European Court of Auditors (ECA). A prerogative of the EP is to examine the execution of the EU budget on an after-the-fact basis, as part of carrying out the annual budget discharge procedure, with the main work carried out by the EP's Committee on Budgetary Control (COCOBU). The fundamental issue is whether the Commission has fulfilled its budget-execution responsibilities in the year under review. The EP's prerogatives

include delaying or withholding the annual budget discharge, and the latter move is thought to require the commissioners to resign *en masse*.

### *Box 1 Overview of Approach and Research Design*

#### **Theoretical approaches**

Comparative historical analysis in the social sciences (Mahoney and Rueschemeyer 2003)

- Case-oriented research style (Ragin 1987, Becker 1997)
- Explanatory research arguments (Booth, Colomb, and Williams 2008)
- Event-centric, narrative, mechanism-based explanations (Lakoff and Johnson 1999, Abbott 2001, McAdam, Tarrow, and Tilly 2001, Hall 2003, Abell 2004, Mayntz 2004, Hedström 2005, Barzelay and Gallego 2010a)

Institutional processualism in political science (Barzelay and Gallego 2006)

- Classic references in policy-making and change (Pressman and Wildavsky 1973, Kingdon 1984, Baumgartner and Jones 1993)
- Classic references in organization science (Cyert and March 1963, Allison 1971, Heclo and Wildavsky 1981, Levitt and March 1996, Pettigrew 1997)
- Developments in analytical sociology (Hedström and Swedberg 1996, McAdam, Tarrow, and Tilly 2001, Abbott 2001, Hedström 2005, Tilly 2006, Hedström and Bearman 2009)
- Developments in analytical ethnography (Goffman 1981, Weick 1993, Feldman and Pentland 2003, Vaughan 2009)

#### **Substantive literature on public management policy-making following the same theoretical approaches**

- Comparative analysis and generalizing research arguments (Barzelay 2003, Barzelay and Gallego 2010b)
- Case studies of episodes within European national administrations and the European Commission (Barzelay and Fuechtner 2003, Gallego 2003, Barzelay and Jacobsen 2009, Corbett 2010, Gallego and Barzelay 2010, Mele 2010)
- Case studies of episodes within national administrations in the rest of the world (Cejudo 2003, Gaetani 2003, Malee 2003, Moynihan 2003, Barzelay and Shvets 2006)

#### **Sources of cross-case variation in the IICF policy cycle episode and context**

- External context of the Commission
  - European Parliament's (EP) institutional requirement to follow the annual budget discharge procedure
  - European Court of Auditors' (ECA) institutional requirement to issue annual Declarations of Assurance
  - Provisions of Community law (e.g. Financial Regulation) and amendment procedures
- Internal context of the Commission
  - Role system within the strategic apex (e.g., Vice President for Administration, Audit, and Anti-Fraud) and the technostructure (e.g., the Central Financial Service part of D.G. BUDG)
  - Divisionalized structure, with parallel decentralization of policy management and budget execution responsibilities to the middle line
- Features of the episode
  - Linked political/policy agenda issues of negative ECA Declarations of Assurance (DAS) and linked vulnerability to outcomes of the annual budget discharge procedure
  - Use of integrated internal control as an approach in alternative-specification
  - Political leadership (Kallas) and executive leadership (Gray) in both pre- and post-decisional phases

The EP's annual budget discharge procedure is linked to the ECA's annual Declaration of Assurance (DAS). Under the EU Treaty, the ECA's auditees include not only the Commission, but also managing authorities and other bodies within the Member States and third countries. The DAS is an audit opinion about the legality and regularity of transaction-level events, such as the awarding of grants and contracts and payment of invoices. The Court's prerogatives include publishing and publicizing reports and opinions stating that the errors in budget execution are material in nature, based on standards and methods that the ECA can set independently of the Commission or other EU institutions. These features of the ECA are interlocked with those of COCOBU, in that the ECA's annual report and DAS serve as a basis for the committee's after-the-fact assessment of EU budget execution. These features of the context of the Commission's episode would appear to be unusual in a comparative perspective; as we will see, they play a role in the explanatory research argument about agenda-setting and other parts of the IICF policy cycle episode.

### **Agenda-Setting: The Episode and its Context**

The negative DAS became an issue for the apex of the Commission in late 2004 and early 2005, during the Barroso College of Commissioners' formation and initial activities, respectively. It had not been an item on the 'formal policy agenda' (Kingdon 1984) of the College of Commissioners before this point. During the Prodi Commission (1999-2004), negative DAS opinions had been a relatively marginal issue for the Commissioner for financial programming and budget, and not an issue for the Commission as a whole.

How this change in the relationship between DAS opinions and the formal policy agenda of the Commission's apex was brought about is usefully described and explained in terms of agenda-setting (Kingdon 1984). This process, like other stages of policy cycles, occurs within an institutional context, including conditions in sub-governments (Baumgartner and Jones 1993). To understand the path-dependent institutional context of the agenda-setting process within what we call the IICF policy cycle episode, the institutional trajectory of the formal budgetary oversight process is outlined below.

The ECA was created in 1975, replacing both the Audit Board of the European Economic Community (EEC) and the Auditor of the European Coal and Steel Community (ECSC). An explicit role was to inform the annual discharge process for the budget conducted by the EP. In the first decade after its formal establishment in 1977, the ECA had difficulty in gaining the attention of either the European Council or the Commission (Laffan 2003).

The ECA gained a higher profile as the end of the 1980s approached, largely as a consequence of increases in the scale and scope of revenue raising and spending. The so-called 'Delors I' financial package, adopted in 1988, prescribed a doubling in the Community's financial resources and its transfers to poorer regions. A side effect was for several more Member States in addition to Germany and the UK to become 'net contributors' to the Community. A 'sound financial management' advocacy coalition, concerned that Community monies should be spent correctly and well, became



politically far more important following agreement to the Delors I financial package (Laffan 2003: 768).

During the 1990s, the ECA's role and prerogatives were strengthened by the adoption of new treaty provisions. The 1992 Maastricht Treaty on the European Union made the ECA a full 'Community institution': just like the Council, Parliament and the Commission in legal identity and status. The same treaty provided that the Court determine 'whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound' (TEU, Article 188c). The stipulation that the ECA audit 'all' revenue and expenditure meant that its remit included the budgets of the three European Communities, the European Development Fund, the Communities' borrowing and lending activity and all satellite bodies established by the Union. The Maastricht Treaty also mandated that the ECA issue a 'Declaration of Assurance' (DAS), concerning the 'reliability of the accounts and the legality and regularity of the underlying transactions' on an annual basis.

With regard to the DAS, a materiality threshold rule of two per cent was adopted unilaterally by the ECA in 1994 based on the international standard for accounting balances in private financial statements (COSO 1991). This materiality standard was adopted even though the audit objects in the DAS were transactions. In this sense, the DAS' standard of materiality had little to do with international standards for accounting and auditing.

Since this time, the ECA has formed part of the wider 'advocacy coalition' for improved financial management in the EU (Laffan 2003). In its role as external auditor via the annual and special reports and the DAS, the ECA has been a consistent critic of both Commission and Member States' management of EU spending programmes (Levy 2000, Groenendijk 2004, Laffan 2003: 769).

There has never been a positive DAS. As the ECA, the Commission and the EP have repeatedly noted, the bulk of errors tend to occur in transactions of programmes that the Commission supervises but does not administer directly.

The institutional context of the agenda-setting process of the IICF policy cycle includes the European Parliament and, especially, its Committee on Budgetary Control (COCOBU). The formal remit of the committee has included: (1) the closure, presenting and auditing of the accounts and balance sheets of the Union, its institutions and any bodies financed by it; (2) relations with the Court of Auditors and consideration of its reports; (3) consideration of fraud and irregularities in the implementation of the budget of the Union, along with measures aiming at preventing and prosecuting such cases; and (4) recommendations on budgetary discharge to be taken by Parliament. COCOBU prepares the annual budget discharge motion for its parent body. The motion adopted by the EP has repeatedly called upon the Commission to take action on numerous general and specific aspects of its financial management (Levy, 1990, 1996, 2000, Cini 2008). By 2004, a specific prerogative was to hold hearings with candidates nominated by the incoming Commission president for the College of Commissioners, when their portfolios related to COCOBU's remit.

*The Episode: Changes in the Commission's Internal Context in Forming the Barroso Commission.* Following his selection as incoming Commission president in June 2004, José Manuel Barroso carried out the political task of allocating an unprecedentedly large College of 27 Commissioners, due to EU enlargement. Barroso nominated Siim Kallas, the presumptive commissioner from Estonia, to be responsible for the newly configured portfolio covering administration, audit, and anti-fraud.

Kallas' role resembled aspects of the position held by Vice President Neil Kinnock during the Prodi Commission (1999-2004). Specifically, both Kallas and Kinnock before him exercised political responsibility for the Directorate-General of Administration and Personnel (DG ADMIN). Both held the rank of Commission vice-president. However, Kallas' role was different from Kinnock's in other respects. First, Kallas was not responsible for reform of the Commission, which was no longer a portfolio responsibility. Second, Kallas' portfolio included audit and anti-fraud. Kallas was effectively head of the Commission's 'department of catastrophes', as later described by Kallas' deputy head of cabinet (Kristian Schmidt). In the previous Commission, the Commissioner responsible for the Internal Audit Service and the Audit Progress Committee was also responsible for the Directorate-General for Financial Programming and Budget (DG BUDG). DG BUDG's functions included preparing the Commission's accounts. Having the same commissioner carrying political responsibility for both accounting and auditing came to be seen as incompatible with best practice in organizational governance. This anomaly, which had been of concern to members of COCOBU, was eliminated under the Barroso Commission: accounting remained within the portfolio responsibilities of the Commissioner for Financial Programming and Budget, the Lithuanian Commissioner Dalia Grybauskaitė, while Kallas' portfolio responsibilities included auditing.

Although not reflected in Kallas' title, the incoming vice president was also to hold political responsibility on behalf of the Commission for its role in the EP's annual budgetary discharge procedure. Kallas became the Commission's primary political interface with both COCOBU and the ECA. For the budget discharge, Kallas' mainline into the Commission's services was with DG BUDG and, more specifically, the Deputy Director-General, Brian Gray.

According to the investiture procedure, candidates for Commissioner have to undergo parliamentary hearings by the relevant EP committees, in this case COCOBU. When Kallas appeared before the COCOBU hearing in October 2004, he made three points which were taken directly from recent discharge decisions: first, the configuration of the discharge was problematic; second, one of the Barroso Commission's primary goals would be to work towards a positive DAS from the ECA; and finally, the single audit opinion of the ECA of 2004 pointed the way forward. In its letter of recommendation to the President of the EP, the COCOBU noted Kallas' constructive attitude towards the objective of a positive DAS, a long held goal of the Committee.

The achievement of a positive DAS thus became a centerpiece of the Commission's forward agenda, and the specific goal of a positive DAS by 2009 was included among the strategic objectives of the Commission published on 26 January 2005. Barroso put all the available tools and responsibilities at Kallas' disposal with Jean Claude Thébaud, deputy head of the Barroso cabinet, who was given responsibility for the objective.

## Agenda-Setting: Explanatory Research Argument

We now present an explanatory research argument about agenda-setting within the IICF policy cycle. In keeping with earlier work that draws on Kingdon (1984) to frame explanatory research arguments about public management policy cycles, the conceptual role of '*explanandum*' (Abbott 2001) is played by the event condition, 'issue inclusion'. In this explanatory argument, the *explanandum* is inclusion of the 'negative to positive DAS issue' on the policy agenda of the apex of the European Commission.

The most proximate cause of this condition was the 'line' (Goffman 1959) taken by Kallas, first, in his public encounter with COCOBU members and, second, in his relations with his colleagues as they prepared to declare the college's strategic objectives. What explains this 'line of action' (Goffman 1959)? What explains the College's response to it?

Analytical sociology's social mechanism approach to social explanation (Hedström 2005) is introduced here for reasons of accentuating the clarity, compactness, and comparability of the explanatory research argument about the agenda-setting event in the IICF policy cycle episode. The first part of the explanatory argument focuses on one social mechanism, i.e. 'actor-certification' (McAdam, Tarrow, Tilly 2001, Barzelay 2003, Ongaro 2006, Barzelay and Jacobsen 2009, Gallego and Barzelay 2010). Echoing social interactionism (Rock 1979), 'Certification entails the validation of actors, their performances, and their claims by external authorities' (McAdam, Tarrow, and Tilly 2001: 145). Actor-certification admittedly operates in less mysterious ways in non-contentious political scenarios, like the investiture of the Barroso Commission, than in the kind of contentious ones examined by McAdam, Tarrow, and Tilly in their impressive work, *Dynamics of Contention*.

In this case, the actor-certification mechanism was activated by Barroso's nomination of Kallas as vice president of the Commission and his inclusion of the internal auditing function and the EP's annual budget discharge among Kallas' portfolio responsibilities. This action validated Kallas as an actor, so that when he met with COCOBU as part of the investiture process, he could be seen as speaking for both himself and for the incoming Commission president. The investiture process, including COCOBU's response to Kallas' intimation of a commitment to achieving a positive DAS, can also be viewed in terms of actor-certification. In this case, COCOBU's validation of Kallas as an actor as well as of his performance in raising the DAS issue came from COCOBU as a 'co-ordinate authority' (Lindblom 1965). Certified by both the Commission president and by the EP as a co-ordinate authority, with his performance on the DAS issue specifically validated, Kallas was owed some deference by Commission colleagues when he advocated inclusion of the positive DAS on the formal agenda of the Commission as part of the established process of declaring strategic objectives. Seen in this way, the actor-certification process exhibited some familiar patterns in executive politics under conditions of inter-institutional checks and balances (Hecl 1977, Heyman 1987).

The idea of actor certification presupposes that the same part of an event (e.g. an action, occurrence, or condition) can play roles as both cause and consequence within a given explanatory research argument. This is consistent with this study's theoretical approach, including its commitment to a case-oriented research style (Ragin 1987, Abbott 1997, Abbott 2001, Hall 2003) and, closely related, narrative explanation (Abell 2004). It is also consistent with the 'social interactionist' (Rock 1979) or 'relational' (McAdam, Tarrow and Tilly 2001) approach to social theorizing that has been reflected in differing ways in analytical sociology (Hedström and Bearman 2009) and analytical ethnography (Vaughan 2009).

The inclusion of the negative DAS issue on the Commission's agenda is only partly explained in terms of actor-certification in our account. Another social mechanism at work in agenda-setting was 'attribution of threat' (McAdam, Tarrow, and Tilly 2001). The attribution of threat mechanism was not difficult to activate, because COCOBU had added power at this time through the investiture procedure. This is by no means a formality, with the Portuguese candidate Commissioner having been rejected in 1999, the Italian nominee Buttiglione in 2004. Furthermore, COCOBU's deliberations would predictably reflect external audit opinions issued by the ECA, not least the Court's 11 negative successive DASs since 1994. The possibility that a budget discharge motion would be delayed or even denied by the EP was inherently threatening to incoming members of the Barroso Commission. This developing explanatory argument about agenda-setting, keyed to the social mechanisms of actor-certification and threat attribution, would be even more satisfying if seen in explicit relation to concepts used to analyze institutional conditions that influence public management (and other domains of) policy-making. We refer here to Baumgartner and Jones' (1994) concept of a partial equilibrium situation. Under their analysis, a partial equilibrium situation is one where the direction of policy choice is broadly consistent over time because of continuity in properties of three analytically-defined and intersecting conditions: a policy subsystem, an issue image, and a domain structure. In applying this analytical approach, these conditions describe the situation in the observer-defined domain of 'overseeing EU budget execution'. A partial equilibrium situation can be seen to have been holding since the mid-1990s. Since that time, the policy subsystem for oversight of EU budget control had included two establishments, COCOBU and the ECA, as well as two interlinked routine activities, the annual budget discharge and the annual DAS. Intertwined with this stable institutional condition has been a similarly stable symbolic one: the issue image has been that control over executing major parts of the EU budget has been unacceptably loose, so damaging the interests of the 'net contributors' among EU Member States and, in a more diffuse way, fuelling Euroscepticism.

The conditions conceived as a partial equilibrium situation within the domain of overseeing EU budget control play the role of a causal factor in our explanatory research argument about inclusion of the negative DAS issue on the agenda of the apex of the Commission. This partial equilibrium situation formed the 'scene' (Goffman 1959) that Kallas entered after being nominated to serve as a Commissioner with political responsibility for the Commission's relations with the Parliament during the annual discharge procedure. The scene was an important factor giving rise to Kallas' 'line of action' (Goffman 1959). The causal relationship between the 'scene' – reflecting the intersecting conditions of policy subsystem, issue image, and domain structure – and the College's inclusion of a positive DAS among its political

objectives can be conceptualized in terms of activating the social mechanism of attribution of threat, as previously discussed (thereby bringing together the mechanism-centric explanatory idiom of analytic sociology with the social interactionist and dramaturgical idiom of Erving Goffman).

A logical question to raise in this kind of historical analysis is about timing: why hadn't the 'negative DAS' issue been included on the policy agenda of the Commission's apex before the advent of the Barroso commission? Building on the analysis presented above, one factor of considerable significance is a seemingly modest alteration of the partial equilibrium situation within the oversight of EU budget control policy domain, introduced with Kallas' nomination. The specific modification was to detach portfolio responsibility for interfacing with COCOBU during the annual budget procedure from the prodigious realm of financial programming and budget. In a way, configuring Kallas' role to include this responsibility placed his office within the same policy subsystem – overseeing EU budget control – along with COCOBU and the ECA, notwithstanding Kallas' institutional loyalty to the Commission. Given this novel institutional position, it's not at all surprising that Kallas' approach to COCOBU was to appropriate the latter's concerns and agendas, more so than under previous Colleges of Commissioners.

It is equally understandable that the issue of the 'negative DAS' hadn't been on the policy agenda before the 2004-2005 transition at the Commission's apex. The issue image of loose budget control did not begin to crystallize until the late 1980s. As we have said, the Maastricht treaty of 1992 provided for the annual DAS, the first of which appeared in 1994 and this gave the EP some additional leverage in pressurizing the Commission. The Santer Commission was fortunate in this regard however, because it was unreasonable to expect a positive result within the first few years of the DAS exercise. As for the Prodi Commission (1999-2004), the issue on the agenda was 'Reform of the Commission', a much wider issue, and one dedicated to getting the Commission's own house in order (Metcalf 2000), not with changing the way in which transactions were performed within Member States. In analytic terms, the 'negative DAS' was not even on the 'systemic agenda' (Kingdon 1994) at the outset of the Santer period, while 'agenda congestion' explains why at the outset of the Prodi period the issue remained on the systemic but not on the formal policy agenda of the Commission. By the Barroso period, the 'negative DAS' issue was still on the systematic agenda (and there were now 11 successive negative DASs to explain away), while the agenda congestion effect of the Prodi period had dissipated.

A stone left unturned in this argument is why the Kallas role came to be configured as it did in 2004. A contingent reason was that portfolios had to be configured to accommodate an influx of commissioners following enlargement in 2003. A more systemic explanation is suggested by sociological literature on trends in world-level norms of organizational governance, especially Power (2007). Power argues that spreading world norms of organizational governance have put pressure on specific organizations to 'turn themselves inside out', so that control practices within particular organizations come to be put on display in a wider scene. Such trends in organizational governance arguably came to be mirrored in the Commission during the Prodi period, not least in the form of formalized Commission-wide internal control standards but also in the disclosure of 'annual activity reports' by each Directorate-General, together with a synthesis report disclosed by the Secretariat General.

Arguably, the configuration of the Kallas role was due to an explanatory logic of institutional isomorphism – a line of sociological analysis that deserves attention, overcoming possible reservations about the explanatory argument about agenda-setting developed here, which combines a more traditional political science institutional argument with social interactionism and analytic sociology.

### **Specifying and Choosing the Policy: The Episode**

In analytical terms, the ‘alternative-specification’ (Kingdon 1994) event in this policy cycle was the source of the policy proposal to elaborate and follow an integrated internal control framework that would cover the execution of the entire EU budget, whether under direct or shared management. The outcome of the alternative specification event was a singular proposal, called a Roadmap toward an Integrated Internal Control Framework. As the Roadmap became an authoritative decision without any law-making, the decision-making stage of the policy cycle was uneventful (unlike in episodes of public management policymaking where lawmaking was part of the decisional stage: see, Gaetani 2003, Moynihan 2003, Corbett 2010, and Gallego and Barzelay 2010). This section focuses on both the alternative-specification and decision-making parts of the pre-implementation stage of what we have referred to as the IICF policy cycle episode.

*The Episode: Embodying the IICF Policy Concept.* Brian Gray was tasked by Kallas’ cabinet with drawing up a draft that could open the discussions on an IICF (it was not yet the IICF). Gray’s principal job title was Deputy Director-General of DG BUDG, and he occupied the related role of accountant of the Commission. Gray sat astride two directorates within DG BUDG, neither of which planned expenditure or allocated resources: one was for budget execution, which included units for accounting and treasury management, while the other was the Central Financial Service, which included units for standardizing financial procedures and control systems and for coordinating the budget discharge. Gray’s main reporting channel was through the DG BUDG Director-General to the Commissioner for Financial Programming and Budget, Dalia Grybauskaitė. But an effect of Kallas’ portfolio responsibilities was to introduce a deviation from this ‘scalar chain’ (Morgan 1986) feature of the Commission’s organizational design: specifically, Gray reported through the DG BUDG Director-General to Kallas on matters pertaining to the budget discharge procedure. For this reason, it was part of the normal course of business to relate directly to Kallas’ cabinet.

Gray had extensive experience in both the Commission and the ECA: from 1978 to 1991, as an auditor in the ECA examining the external aid programmes of the European Union and the European Agriculture Guidance and Guarantee Fund (EAGGF) Guarantee; from 1992 to 1999 as a head of unit in DG AGRI, drafting legislative proposals aimed at improving controls over agricultural expenditure, clearance of accounts, and the setting up of what was called its Integrated Administrative Control System (IACS); and as director of resources in DG REGIO from 1999 to 2003, responsible for introducing the administrative reform and for chairing the structural funds’ management committee. With this background, Gray had thought that while internal controls had become effective for spending

programmes operated entirely by the Commission, they had not been strengthened sufficiently for programmes under shared management.

The issue of effective internal control systems had been on the specialized agenda of the budget-related committees of the Council and Parliament, as well as the ECA, for many years. In 2002, the EP called upon the ECA for a feasibility report on a so-called 'single audit model' of internal control, in which each level of control would build on the preceding one, so simultaneously enhancing audit quality and reducing the audit burden (European Parliament, 2002, para 48). The issue of internal control and the idea of a 'single audit model' gained momentum in 2004, the final year of the Prodi Commission. In October 2004, the Council's Budget Committee meeting was positive towards the single audit idea. The UK committed itself to continue the debate under its upcoming presidency in the second half of 2005 (see Tallberg, 2003 and 2006 on the Council's agenda setting role). One of the main subjects in the ECA's annual report published in November 2004 was an 'integrated internal control framework'. In early 2005, the European Council noted 'with great interest the Court's [of Auditors] proposal for the development of a Community internal control framework' in its recommendation to the EP on the discharge of the 2003 budget' (quoted in European Commission 2005c).

The EP had asked ECA to issue an opinion on the feasibility of a single audit model. Opinion 2/2004 was published in March 2004. It criticized existing arrangements and laid down general principles for a system 'based around a chain structure where controls are undertaken, recorded and reported to a common standard, allowing reliance to be placed on them by all participants', where there was a balance between the costs and benefits of control in order to find tolerable risk levels which could vary between budgetary areas (ECA 2004). In the next month, the EP's discharge resolution called on the European institutions to give the political momentum required to develop a comprehensive control and audit framework (European Parliament 2005).

*The Episode: Iterating the Policy Alternative and its Rhetoric.* Gray began to devise a 'roadmap'. A detailed White Paper would normally have been published, but the Commission opted for a new quicker vehicle, the term having external currency in the context of the Bush roadmap for peace in the Middle East.

When the first draft of the Roadmap was completed in May 2005, DG BUDG circulated and discussed it with other parts of the Commission as well as with the Council, Parliament, and the ECA. It was hoped that the ECA would come to endorse the roadmap in a public way. However, the ECA rejected the idea of participating actively in this way (interviews with ECA officials, May 2008). As put by respondents to interview for this study, the ECA said that it would 'come in five years and see whether your system is successful in reducing the error rates'. In this context, the alternative being developed took on the name of the solution, rather than the declared objective or 'problem' to which it was 'attached' (March and Olsen 1989). Specifically, the title of the original draft changed from 'Roadmap towards a Positive Statement of Assurance', to 'Roadmap to an Integrated Internal Control Framework'. The Roadmap stated 'if it can be shown that the control framework which [the ECA in its 2/2004 opinion] recommends is in place, and functions effectively, the Court would have a basis for the assurance it seeks' (European Commission 2005a).

Some of the Roadmap dealt with funds under direct management by the Commission (actions to improve aspects of the Commission's existing internal control practices including annual activity reports and assurance statements of Directors-General and the synthesis report written by the Secretariat-General). Other parts related to the role of the resource directors, the standardization of error risk management in the underlying transactions (common methodologies and strategies for risk assessment, defining categories of errors), and the achievement of a balance between costs and benefits of controls, and control requirements and risks. Further, in line with ECA opinion 2/2004 'when new policies are formulated, the level of risk which is acceptable during their implementation should be defined and agreed with the legislative authority' (European Commission 2005a: 6).

Other parts of the Roadmap focused on Commission-Member State shared management. For structural funds, there was a need to improve primary controls, risk analysis, the report and assessment of error rates, and to certify the amounts claimed from the Commission, where 'Member States have yet to demonstrate that the controls in place are effective in limiting the risk of error' (European Commission, 2005a: 8). While the diversity of schemes and the multiplicity of implementing bodies prevented the Commission providing precise rules for supervision and controls, concrete proposals included activating 'contracts of confidence', non-binding agreements between the Commission and the Member States specifying the audit strategy, providing *ex-ante* disclosure statements and *ex-post* declarations of assurance at Member State level, annual statements and declarations at operational level, and requesting that supreme audit institutions exercise oversight over the control frameworks. More or less simultaneously, the discharge report for the financial year 2003 from the EP contained another call for Member States' financial control systems to be reviewed and for failings to be remedied. Member States should be encouraged to manage EU funds as 'their own' through a more rigorous application of the suspension of payments and financial corrections. The need to adapt the regulatory framework proposed for the 2007-2013 financial perspective to include the elements requested by the EP such as the annual audits of each paying authority, *ex ante* disclosure statements and *ex post* declarations of assurance at Member State level, were thus recognized, and the Roadmap foresaw the presentation of a report in October 2005 exploring a protocol for annual declarations by the Member States.

The College approved the 'Commission Communication on a Roadmap to an Integrated Internal Control Framework' on June 15, 2005. It identified targets to be addressed but postponed for further documents the specifics of weaknesses and gaps in the control systems, the actions required to fix them and the corresponding timetables for implementation. It asked the ECA to adapt its DAS methodology to make it more compatible with the IICF. These measures did not need new legislation, but adjustments were proposed to the financial regulation and its implementing rules.

### **Alternative-Specification and Choice: Explanatory Research Argument**

Under standard analytical procedures, the *explanandum* of an alternative-specification event is one or more policy proposals, while that of a decision-making event is a policy choice. For purposes of this section, the 'conceptual role' of policy proposal is



played by the Roadmap as drafted by Brian Gray, while that of a policy choice is the Commission Communication on June 15.

The iterative drafting of the proposal was effectively the same as a series of actions by Brian Gray himself. The initial validation of Gray as an actor within this policy cycle resulted from his being asked by a Commission political authority, Kallas, to propose measures that would help achieve a positive DAS. A key to this initial validation was Kallas having become a super-ordinate authority for Gray as a consequence of two combined conditions: the pre-existing (and continuing) organization design of DG BUDG to include 'service' responsibilities for the budget discharge, on the one hand, and the grouping of portfolio responsibilities within Kallas' 'department for catastrophes', on the other.

Arguably, the validation of Gray's *performances* in the course of the alternative-specification process was significant as well. Such validation came from Kallas' cabinet (not least his deputy head of cabinet, Kristian Schmidt). It was due to qualities of the performance, such as the apparent speed with which Gray produced an initial discussion draft of what came to be called the Roadmap, as well as his effectiveness in consulting interested parties. A cumulative consequence of the validation of Gray's performances was that he became a 'spokesperson' (Latour 1996) for the IICF idea and, its initial artifact, the Roadmap.

How Gray was able to follow this line of action, with considerable effect, owes much to 'initial conditions,' including his direct experience in earlier roles within spending directorates-general when he had applied an integrated approach to internal control to designing management systems for budget execution. In other words, through 'direct learning' (Levitt and March 1988), Gray had experiential knowledge of 'design exemplars' (Schön 1983) of integrated internal control within the Commission, as well as being fully conversant with international 'reference points' (Power 2007) for this approach within the accounting and auditing professions, such as COSO's 'Internal Control – Integrated Approach'.

Limitations of this developing explanatory argument can be readily identified. For reasons of space, only two of these are discussed briefly. First, the argument selects only a single social mechanism of the relevant spectrum found in works of analytical sociology. Another social mechanism is 'opportunity attribution' (McAdam, Tarrow, and Tilly 2001: 46), which is a key idea in conceptions of policy entrepreneurship (Kingdon 1984). Gray's pace of work as well as the specific content of the Roadmap can be seen as resulting from his attribution of an opportunity to (a) spread the kind of internal control practices he knew from direct experience around other parts of the Commission that had not been exposed to them, as well as to (b) set in motion an initiative to apply the integrated internal control approach to executing EU budgets under shared management with Member States. These intentions can be read off his occupational trajectory and professional identity (and they have been confirmed in interviews for this project). The activation of the opportunity attribution mechanism came from (a) the agenda-setting event, discussed earlier, (b) indications of strong interest in the idea of integrated internal control coming from the Commission's co-ordinate authorities, and (c) Kallas' actions certifying him as an actor within the Commission.

Second, the argument is silent on the role played by ‘integrated internal control’ as an international reference point for organizational governance. The content of this reference point and an analysis of how it came to be established are both discussed in Power (2007, pp. 34-65). The argument’s silence on this point makes it weak in relation to accounts of public management reform, such as Sahlin-Andersson (2001) that follow the new institutionalism in organizational sociology. Sahlin-Andersson’s application of this approach has been questioned because it doesn’t look for cross-case variety and doesn’t distinguish between agenda-setting and alternative-specification processes (Barzelay and Gallego 2006). That said, if one reads Power (2007) in relation to the alternative-specification event in the IICF policy cycle, one has to qualify one’s agreement with an argument that ignores the influence of international reference points, like COSO, on alternative specification in this case.

An explanation for the adoption of the Roadmap as a policy choice can be stated briefly, in terms of analytical sociology – and, more narrowly, organization theory. The alternative-specification process was one of problemistic search (Cyert and March 1963), with the mechanism of ‘satisficing’ explaining choice; this scenario is often observed in public management policy-making (Barzelay and Shvets 1996, Gallego and Barzelay 2010). An attraction of this explanation, like that of the garbage can model (March and Olsen 1979), is that it implies a strong agnosticism about whether the Roadmap embodied anything close to a ‘detailed solution’ (Cross 2008) to the ‘problem’ of achieving a positive DAS from the ECA.

### **The Implementation Stage: The Episode**

*The Gap Assessment.* The Commission services carried out a ‘gap assessment’ to see what was preventing the achievement of a positive DAS. Some Commission services felt that existing controls were not being actively promoted, and that if these were explained, much of the internal control ‘problem’ would go away. The intention was to force the DGs to add the gap assessment to their AARs the following year (interview with Commission official, May 2008). The assessment began on 19 April 2005, when a questionnaire was issued by DG BUDG to all DGs with programmes greater than € 100 million. The DGs were to provide a self-assessment of their controls in the light of opinion 2/2004 and identify where it could reinforce control systems.

The delivery of the gap assessment document had to be done by the end of July to have it ready for a planned September meeting of the Member States, ECA and EP. The CFS issued templates identifying five categories: two in shared management (structural funds and agriculture), one in external relations, and two in centrally managed programmes. The exercise was piloted by the Mosselmans’ unit in the Central Financial Service, drafting templates, asking for contributions, making the follow-up and eventually negotiating the summary documents with the DGs in a sort of contradictory procedure. The DGs submitted their responses at the end of May, at which point summary documents were prepared by the CFS on the basis of the results of the questionnaires and bilateral consultations. The final synthesis document contained a description of the key control activities in use by the Commission (ex ante and ex post controls, supervision and sanctions), an overview of the controls in place, the challenges, and how these challenges related to the legislation.

For the planned Panel of Experts meeting, working groups were set up to obtain additional comfort from external bodies (on national declarations, integration of the internal control framework into the legal bases), Commission-wide coherence and common benchmarks (ex post audits, costs of controls), evidence to the Court that the framework was adequate, and the availability of the scope, strategies and results of audits (European Commission 2005b).

The gap assessment had an uneven impact on the DGs. DG AGRI, DG REGIO and DG EMPLOY already had their own internal assessments in anticipation of preparing the multiannual frameworks for 2007-2013. In DG REGIO for instance, the process of preparing the legislation for 2007-2013 had been underway since 2004, including a gap assessment to identify weaknesses in the existing regulatory framework and how it could be strengthened.

*Revealing Conflict about Specifics.* The inter-institutional dialogue from July to November 2005 tried to fulfill the expectation created by the Roadmap of involving all the actors. ECOFIN announced on 12 July 2005 that a Panel of Experts from all Member States would meet in September 2005 to examine issues raised in the Roadmap. To help prepare and focus this discussion, issues taken from the Roadmap, gap assessment, and from specific recommendations of the EP (like the issue of the national declarations) were explored in six papers prepared by DG BUDG and finalized on 31 July 2005. These focused respectively on the definition, scope and timing of management declarations and audit certificates at national level, national declarations, the new financial regulation and other legal issues, control strategies and sampling methods, the sharing of the costs and benefits of controls including the definition of error rates, and finally, the creation of a common data base of audits carried out.

When the first draft of the Roadmap was completed in May 2005, DG BUDG sought guidance from the ECA. However, the ECA rejected the idea of participating actively in this way. As an alternative strategy, Gray asked the Commission services to meet their counterparts in the ECA in informal consultations. These took place once the Roadmap was published in June 2005 (from July to September 2005). It was intended that the services would present the results they were getting from their own gap assessments to the ECA, and that their ECA counterparts would comment on them unofficially.

This exercise produced mixed results: some services had profitable discussion, other services did not go to the ECA, and others went but did not come back with anything useful. The Commission also consulted informally with the Council and the Parliament on the first draft as well as conducting an inter-service consultation. Using his background in internal control, Herman Mosselmans, at that time Head of the Unit of Financial Procedures and Control Systems in the CFS (BUDG.D3), took charge of the technical side of the Roadmap.

At the initiative of the UK presidency, a meeting of COREPER gave its views on 14 September. The principal comments concerned suspicion that the Commission was seeking to water down its responsibilities under article 274 of the EC Treaty which stated that: 'The Commission shall implement the budget ... on its own responsibility and within the limits of the appropriations, having regard to the principles of sound financial management. Member States shall cooperate with the Commission to ensure

that the appropriations are used in accordance with the principles of sound financial management'. There was however much support from the UK, the Netherlands, Denmark and the new Member States on the content and proposals included in the issue papers.

The Panel of Experts met on 21 September. Along with a representative of the British Council presidency, Brian Gray as representative of the Commission co-chaired the conference. Included for discussion were the Court's opinion 2/2004, the EP and Council 2003 discharge recommendations, the Commission's Roadmap communication, DG BUDG's gap assessment, and the six issue papers. Each Member State was invited to send three representatives at senior level, the Commission suggesting one for policy issues representing the Finance Ministry or equivalent, one for operational issues concerning in particular agricultural, structural funds, or national agencies, and one for external audit representing the supreme audit institution (SAI) or other national audit body. Invitations were extended to COCOBU, which nominated MEPs Garriga, Mulder and Wynn, and to the ECA, which sent three staff (European Commission 2005c).

The two days duration did not allow progress on all topics. While supporting the single audit idea, the Panel noted the risk of proliferation of bureaucratic layers and an increase of control costs, an excess of ambition for defining an Action Plan before the end of 2005 and a risk of blurring the distinction between external and internal audit. As in May, the ECA declined to adopt an active role, stating that it could 'not give guidelines or operate in the role of a consultant'. In its intervention as 'independent observer', it pointed out that day-to-day control of the primary control systems was often lacking, argued that tolerable risk of error for the different policy areas should be approved by the budgetary authorities (Council and Parliament) based on a proposal from the Commission (this formula would be later taken up again by the ECA in its opinion 6/2007), and countered the oft-repeated Commission argument that the problems lay at the Member States level, noting they also existed at the Commission level (European Commission 2005c).

The representatives from the EP had their own axes to grind with the ECA, arguing that the annual reports did 'not make it clear why positive opinion is refused', questioning the Court's methodology. They also argued that the ECA 'sectorize' the DAS, to which the ECA replied that this would require significantly more resources, and that the Treaty of Nice already provided the general DAS with specific assessments of each major area. Finally, they threatened to reject the Financial Perspective if no improvements were made to internal control – including progress on the issue of the national declarations. The Commission agreed to propose an inter-institutional dialogue to decide on the principle of national declarations (European Commission 2005c).

Focusing on long-standing technical issues, the Commission raised the need to carry out a cost-benefit analysis of controls, report on the financial impact of the error rates and simplify the regulations. It was in these discussions that the change in terminology away from eliminating errors in the underlying transactions, to risk management of the errors in the underlying transactions arose (interview with Brian Gray, April 2008). Unfortunately for the Commission, the discussions were pre-empted by the issue of national declarations which the majority of the Member States

were opposed to. They argued that a political-level declaration was constitutionally difficult in some countries, risked a reduction in the accountability of the lower administrative level directly managing the funds, and might not be compatible with the Commission's obligations under the Treaty. Terry Wynn MEP restated the case of the EP for national declarations, and Panel members who rejected national declarations presented instead the idea of national summaries, with Member States providing a picture of the controls which informed the existing statements from managing agencies.

It was decided that the UK Presidency should liaise with the next presidencies of Austria and Finland on how to take the work forward. In the meantime, the Council Budgetary Committee (COMBUD) in October would prepare a position on the political issues raised by the Roadmap for the 8 November 2005 ECOFIN summit, undertaking discussions and presenting an initial report proposing the basis of a common understanding between Commission and Member States. ECOFIN duly took up most of the measures contained in the Roadmap, except the idea of the national declarations (European Commission 2005c).

*The IICF Action Plan and its Monitoring.* The Action Plan can be considered as the final iteration of the decision, the inputs to which were the Roadmap, the gap assessment, the September conference and the November ECOFIN conclusions. At this stage, the locus moved away from the political level and toward the technical level, with a concomitant emphasis on the Commission's detailed internal focus. Working closely with Kallas' cabinet, Mosselmann's unit in the CFS drafted the Plan and initiated activities aimed at getting buy-in from the DGs as it was felt the proposals should be owned and agreed by the whole Commission. The Internal Control Coordinators (ICC) network, on which every DG that had an internal control coordinator was represented, played an important role in this, and the CFS had regular meetings with it in order to assuage the services' concerns, viz the possibility of committing themselves to controls that could not be realized and an unsustainable increase in workload. As a result of this groundwork, the approval of the draft of the Action Plan went through smoothly within the Kallas cabinet.

The Action Plan involved the Commission services, the Member States, SAIs, EP and Council. As a Commission communication it was only binding on the Commission itself. It restated the Commission's goal of a positive DAS by 2009, and the 16 actions (to be implemented before the end of 2007), were grouped into four themes: simplification and common control principles, management declarations and audit assurance, sharing of results and the prioritization of cost-benefit, and sector-specific gaps (European Commission 2006: 3). The CFS devised instruments for enforcement, and Mosselman's unit was to monitor implementation.

But the actions were essentially soft measures involving the Commission in studies, estimates, pilot projects, guidance, dialogue, proposals, facilitation, sharing, promotion – the language of activities which were well within the institutional comfort zone (see Levy 2006). The exception was Action 16 – 'Establish common guidelines per policy family' – which, it was noted, 'is mainly an internal Commission measure' (European Commission 2006: 11). Thus, except for the sackcloth and ashes the Commission wished to impose on itself, none of the stakeholders was under the threat of compulsion. There had been sufficient sparring in

the run up to the Action Plan to neutralize such possibilities. For the enforcement within the Commission's own services, the CFS made use of the annual policy cycle, issuing guidelines for the AMPs and AARs in which a better description of the internal control mechanisms of the DGs was required, the services having to specify the internal control systems and their evolution. The CFS was to steer the process every year, writing the guidelines (along with SEC GEN) for the AAR introducing the corresponding feedback from the previous policy cycles.

Between the publication of the Plan in January and June 2006, the Unit moved on to these new tasks. These included first discussions on the annual discharge, a meeting with COMBUD on the Action Plan, the preparation of briefings and presentations for meetings with the Council and the EP, the development of internal control templates (Action 3), preliminary work on the tolerable risk concept (Action 4), contacts and document review for SAIs and receipt of first information on national declarations, discussions on audit principles in the new period legislation for structural actions (Action 1), the launch of reflections on sampling methodologies (leading eventually to Research FP7 audit strategy) (Action 16), and first discussions on audit certification (Action 7).

The Unit underwent a change in leadership in June and despite being under-strength by up to four posts out of 14, was very active from June to October. It prepared briefings and a presentation for the COCOBU workshop on tolerable risk (Action 4) and for discussions in Council of tolerable risk of error (Action 4) in the context of the revision of the Financial Regulation, made contact and held discussions with the Dutch SAI as part of Action 8, developed 'Internal Control Templates' (Action 3) for the presentation of DGs' control strategies, worked closely under Action 7 with the Research DGs on their control strategy, drew up an invitation to tender for framework contracts for support on internal control under Action 9, developed a methodology under Action 10 for the collection of data on costs of control from Commission services and from the Member States, and presented a progress 'scoreboard' on the actions to the Parliament.

*Preparing Legislation for the Next Multi-Annual Framework.* There were two types of enforcement mechanisms for the Member States, the softer being the issue of guidance notes, while the change of the legal basis (mainly the Financial Regulation and its implementing rules) was enforceable by the Commission via the corresponding infringement procedure. Action 1 proposed the simplification of the 2007-2013 legislation as a means to reduce the risk of irregularity. According to members of her cabinet, Commissioner Grybauskaite was a strong and active proponent of rule simplification, which had been endorsed by the Member States at the November 2005 ECOFIN. However, due to the advanced stage of negotiations there was not enough time to introduce many changes in the detailed legislation. Furthermore, the fact that DG AGRI, DG REGIO and DG EMPLOY put forward their own sectoral legislation hindered coordination in the simplification process since the different services did not have common views on control issues.

The IICF led to the construction of monitoring and reporting systems rather than a focus on results, hence success was assured even if the annual outcome of the DAS continued to disappoint. A further series of events confirmed this orientation. For example, the revised Financial Regulation dropped the idea of National Declarations

(despite having been previously agreed in article 44 of the Inter-Institutional Agreement) in favour of national summaries comprising already existing certified declarations. Individual DGs went their own way in improving their control systems, some more actively than others. As a response to the continuing high levels of errors identified in structural spending by the DAS, the Action Plan had singled out this policy area. DG REGIO sought to develop a common control framework with DG EMPLOY, the ECA and the Member State agencies through 2007-2008, but continuing control problems led to a specific Structural Fund Action Plan in February 2008. The re-definition of error was one solution to the negative DAS problem, and was revisited without further progress after the Action Plan was adopted.

Two evaluations of the implementation of the Action Plan were conducted (in 2007 and 2008). The 2008 report used the novelty of a five box 'measure' for completion and impact in each of the four Action Plan themes (see above), estimating that there had been between 80 and 100 per cent completion but only 20 per cent impact, with individual actions ranging between zero and 40 per cent impact (European Commission 2008). Given the very general and permissive nature of the Action Plan, these judgments are opaque to outsiders and much is still promised for the future by their authors. It could hardly be otherwise in the context of the failure to reach the goal of a positive DAS.

### **Commentary on the IICF Policy Cycle's Implementation Stage**

In summary, by the time the Action Plan was agreed, a series of decisions had been taken which had altered the original vision. The key branching points were first, abandoning the goal of a positive DAS by 2009 in favor of constructing an IICF; second, failing to agree on the idea of National Declarations signed off at ministerial level; third, failing to convince the ECA either to alter its audit methodology, error definition or enter into a fundamentally different relationship with the Commission services; and finally, failing to agree on common templates for rule simplification and control systems within the Commission services. These decisions – or failure to make decisions – shaped the process after 2006.

In hindsight, it is not difficult to see why this happened. By conflating the three issues of the positive DAS, the single audit and the problem of the discharge into an inspirational personal manifesto, Kallas set an impossible task. Within the ranks of Commission officials, Brian Gray tried to link the goal of a positive DAS with the single audit idea, but this fell to pieces early on under scrutiny from the ECA and officials elsewhere in the Commission. Seeking to ally itself with the COCOBU, the Commission then lent support to the National Declarations concept, which put it in opposition to a majority of the Member States.

Through a process of mutual actor adjustment at the various sites in the process – the Roadmap, the Action Plan, the gap assessment, Panel of Experts meeting, the negotiation of the financial perspective, the revision of the Financial Regulation – incremental progress did take place on most of these issues. It produced a set of decisions and practices which were not entirely consistent with original aspirations, was at the technical level and driven by unit level Commission officials working with their opposite numbers at the ECA and in the implementing agencies in the Member States.

Despite the shared interest in keeping the wheels on the project, veto player brinkmanship was deployed as a resource. This was most obvious in the case of the threat by the EP to block the financial perspective if it did not get its way on national declarations. The EP used the opportunities it had (hearings for the new Commissioners, the annual discharge process, the negotiations on the financial perspective) flexibly and to good effect, while the Commission made creative use of a variety of legal instruments and through venue shopping (the September 2005 Panel of Experts meeting falls neatly into that category). Supporting those tactics however, was an infrastructure of policy entrepreneurs with the administrative means (in the cabinets, in the CFS and DG BUDG generally, in the service Directorates), to negotiate, incorporate, reframe, implement and transfer knowledge and learning internally and externally. The collectivity of these activities in the gap assessment can be described as capacity building within the Commission. This underlines the importance of ‘grey work’ in the services, so that when something becomes a ‘hot’ topic there is a policy response already waiting.

### **Concluding Remarks**

This case study of the IICF policy cycle in the European Commission (2004-2008) presents an opportunity to extend the developing comparative literature on public management policy-making. It is enabled by having ‘colligated events’ (Abbott 2001) along standard lines (e.g. agenda-setting, alternative-specification, decision-making, implementation); having chosen standard *explananda* (such as issue inclusion as a condition developing during the agenda-setting part of a policy cycle episode), and by having developed an explanatory research argument for such formulated *explananda*, drawing upon the same theoretical ideas as have influenced prior studies of public management policy cycles in different institutional and historical contexts. So enabled, the IICF case study can play several roles in the comparative study of public management policy-making.

First, it allows for an assessment of how relatively stable institutional conditions in the EU have operated as a source of cross-case variation in the formulation of policy issues, the making of policy choices, and the management of change. Relevant institutional conditions relate to the peculiar configuration of Commission responsibilities for EU budget execution and its relationship with EU Member States, specifically in relation to programmes under shared management. Mixed in with these conditions are established ‘partial equilibrium’ conditions of the EU’s oversight of budget control policy domain, which includes the peculiar mix of the ECAs’ DAS and the EP’s prerogatives to delay or deny the Commission a budget discharge.

Second, the case study allows for analyzing ramifications of how executive governments have come to structure their internal organizational relationships and control practices – an issue that has not been examined extensively in the comparative literature. Third, the case study allows for analyzing repercussions of the spread of international norms of organizational governance, management and auditing on executive institutions in the public sector. Finally, the case provides a rationale for more extensive comparative research on the dynamics of implementing public management policy change.



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