



National Academy for Finance and
Economics
Ministry of Finance

The establishment of agencies The Dutch experience

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listen > reflect > communicate



Speakers

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Historical perspective (1)

Policy implementation in NL: the '80's

- Critical reports Court of Audit:
 - Legality
 - Regularity
- Hardly control over the budget
- Policy mistakes with expensive financial consequences
 - Strengthened / more detailed budget-law
 - Both expenditure and reporting / accounting



Historical perspective (2)

New Public Management (“80”s and “90”s)

- Public sector is just another type of ‘doing business’
- Efficiency and effectiveness
- Cost-conscious and price control

Impact:

- Readable, less technical budgets with policy at the centre
- Deregulation, market based decisions
- Governance models: result oriented
- “*products*” not “*services*”
- Relating (scarce) means with instruments and goals

PERFORMANCE!!!!

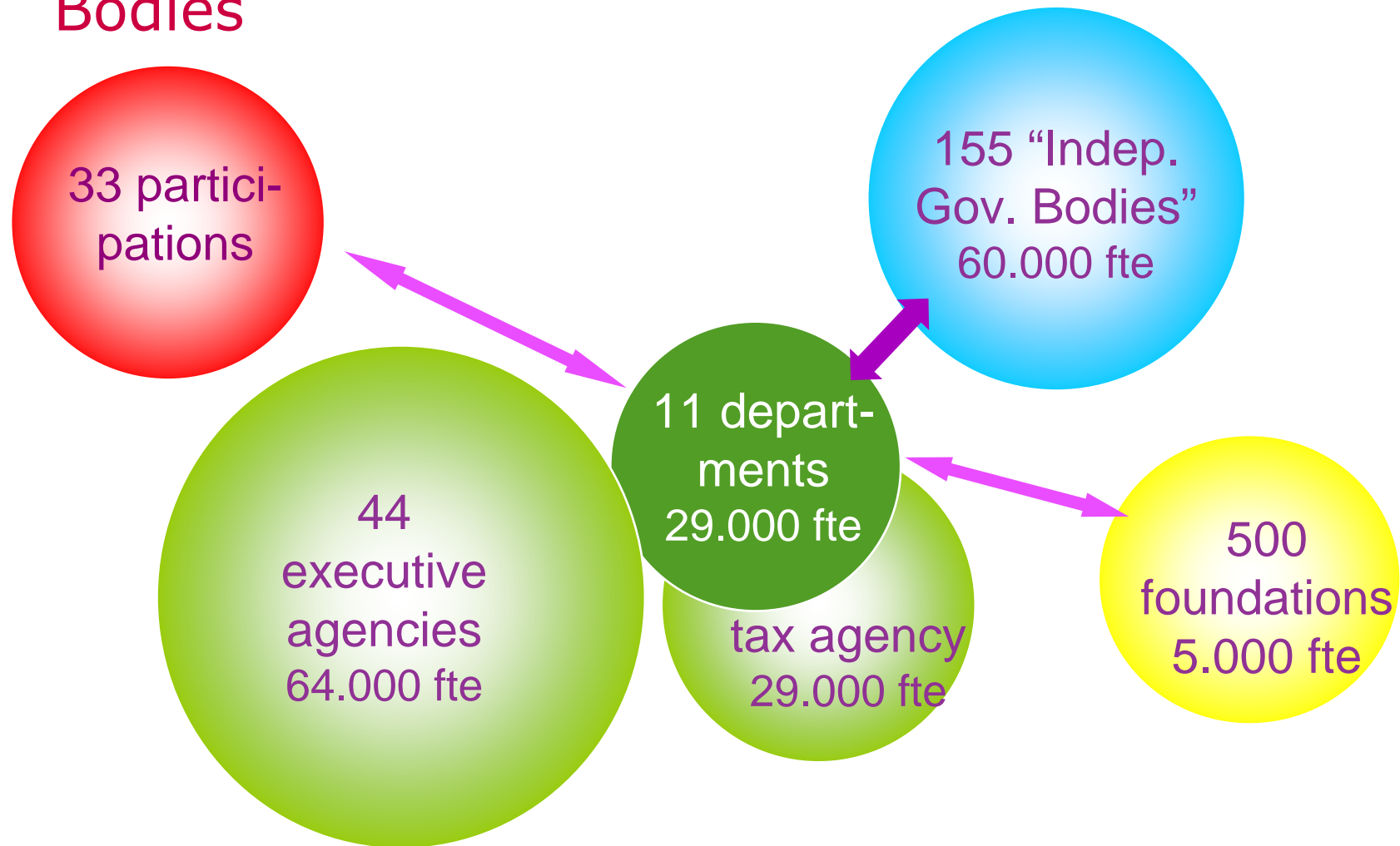


Different types of bodies with public tasks

Public domain			Private domain		
Regular directorate / Division	Entity under direct ministerial responsibility / Executive agency	Entity not under direct ministerial responsibility (IGB: independent governing body)	Public task executed by semi public entity (IGB: independent governing body)	Public task executed by private entity	Former public task
Tax Agency	Infrastructural Agency	Competition Authority	National Bank	Railroad Company	Postal Services
Treasury Agency	Jails Agency	Elections Supervisory Authority	Driving License Agency	Electricity Network Company	Energy Services



Bodies





Independent agencies

Characteristics

- Independent body outside the departmental organisation
- Legal base: individual law, and lately the IGB-framework
- Partly under ministerial responsibility
 - Own budget
 - Own accounting and reporting
 - Independent operational management
- Accrual accounting, not cash-based



Executive agencies

Characteristics

- Separate body within the departmental organization
- Legal base: the "*general budget law*"
- Under full ministerial responsibility
 - Budget
 - Accounting and reporting
 - Operational management
- Accrual accounting, not cash-based
- Separate part in the budget of the department



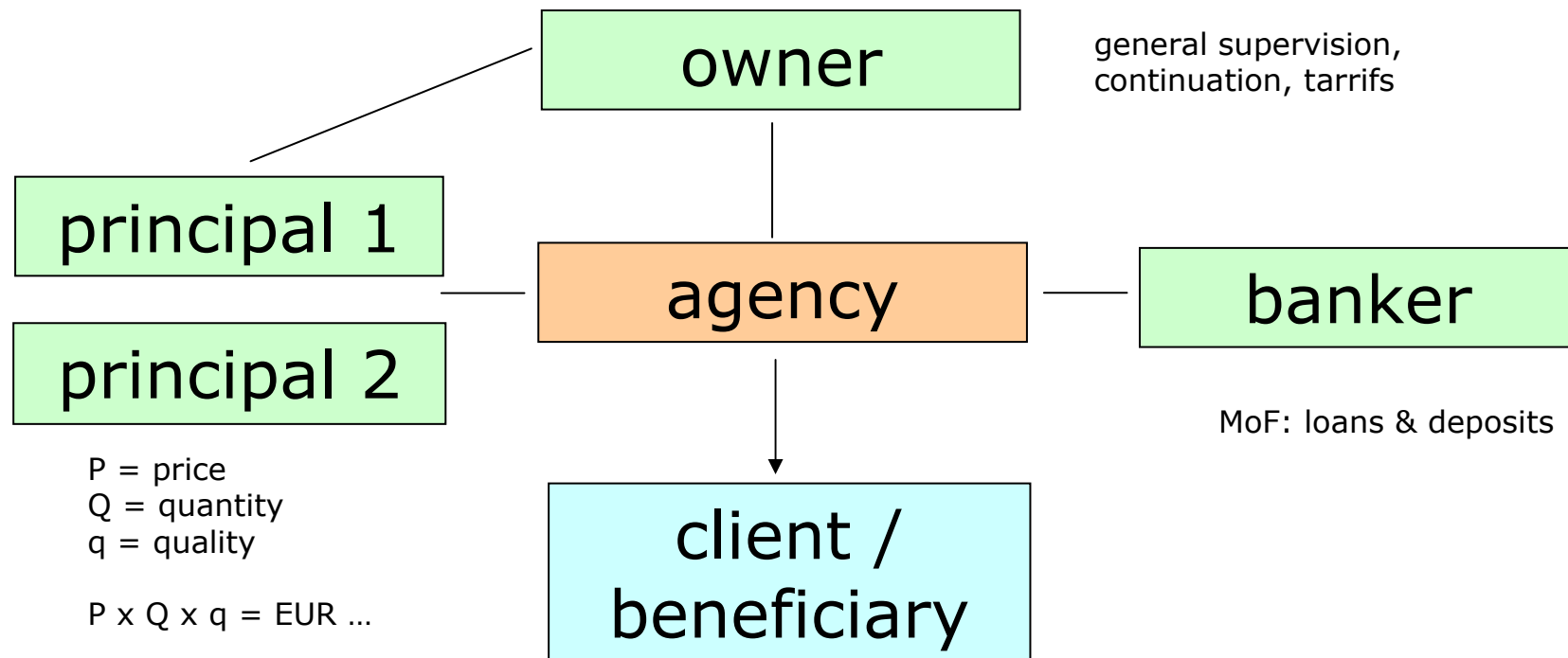
Executive agencies

Requirements

- Specific governance model
- Cost pricing model:
integrated costs, arrangements on:
Q: quantity
P: price
q: quality
- Approved efficiency
in terms of costs and/or quality
at start and structural



Executive agencies





Controlling the agencies

- Budget directorate of the owner
- Ministry of Finance:
 - budget control directorate
 - payment office
 - agencies division
- Auditor
- Court of Auditors
- Parliament



NL Agency

NL Agency is an executive agency under full ministerial responsibility:

- Merger of three executive agencies in 2010
- 1.970 staff (2012), substantial decrease
- 256 million Euro turnover (2011)
- 3.868 million Euro programm support (2011)
- 11 departments and 17 clients outside the national government



NL Agency

- Focussing on sustainability, innovation, international business and cooperation, NL Agency is the contact point for business, knowledge institutions and government bodies.
- NL Agency provides information, advice, financing, networking and regulatory matters.
- www.agentschapnl.nl



NL Agency

NL Agency consists of five thematic divisions:

- NL Energy and Climate Change
- NL EVD International
- NL Innovation
- NL Environment
- NL Patent Office

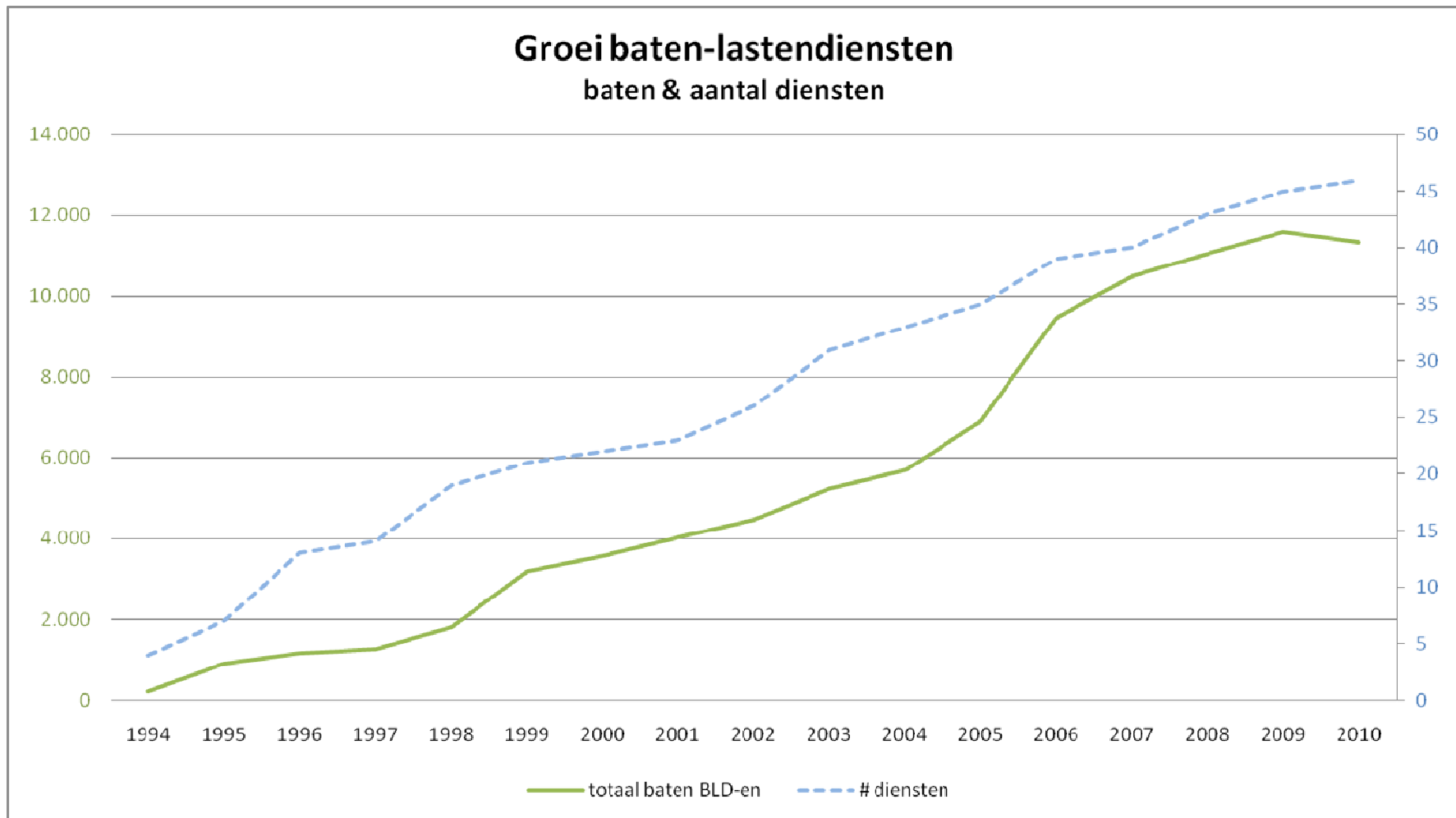


NL Agency

- Planned merger with CBI Agency in 2014
- CBI Agency: promotion imports from developing countries
- Planned merger with Agriculture Agency in 2015
- Agriculture Agency: (EU)subsidies/licenses/control
- Combined: 2.500 staff and 400-450 mln Euro turnover
- Agency evaluation sets the framework



Executive agency evaluation





Executive agency evaluation





Executive agency evaluation

Opdrachtgevers bij 1 dept (20)

CBI
BPR
DHC
PARESTO
DVD
DJI
IND
JUSTIS
NFI
AID
DICTU
PD
AT
NA
IWI
NEA
NVI
Lindenhorst
ALmata
IVW

Opdrachtgevers Bij 2-3 dept (11)

KLPD
DRZ
CJIB
GDI
DLG
VWA
DUO
KNMI
RWS
CIBG

Opdrachtgevers bij > 3 dept (13)

DPC
RGD
4FM
CAS
Logius
P-Direkt
WeMij
DTO
RVOB
Agentschap NL
Agentschap SZW
RIVM
CBG
DR



Executive agency evaluation

Spending	# agencies	Spending	% of total spendings of agencies
Less than 50 million	19	554.582	5%
50 to 500 million	21	3.745.619	33%
More than 500 million	4	6.917.345	62%



Executive agency evaluation

Supervision	# fte	total # fte in supervision	% fte on agencies	# agencies
AZ	0	11	4%	1
BuZa	1	70	0%	1
BZK	7	109	6%	9
DEF	8	323	2%	3
EL&I	15	149	10%	8
FIN	1	31	3%	2
I&M	11	176	6%	4
OCW	6	39	15%	2
SZW	7	114	6%	2
V&J	2	44	5%	6
VWS	3	75	4%	6
Totaal	60	1227	5%	44



Agency evaluation results

General conclusion:

Creation of executive agencies contributed to a more efficient government

But...



Agency evaluation results

- Governance structure must improve
- Accrual accounting is not always necessary
- Level of autonomy in operational management has to be clear for all actors

And some questions aroused:

- Must we always have output-financing?
- How do we measure efficiency effective?



Agency evaluation recommendation 9

Minimum turnover of 50 million a year

- Many small agencies
- Not efficient to have stand alone operation for every small agency

Is a new requirement in the new legislation (effective from 1-1-2013)



Agency evaluation, implications for NL Agency

Minimum turnover of 50 million a year

- Merger with CBI Agency
- Turnover NL Agency is 256 million Euro (2012)
- Turnover after mergers will be 400 million Euro (2015)



Agency evaluation recommendation 10

- Two different types of agencies: accrual based and cash based
- Accrual based only with investment level of more than 5%
 - Not all agencies get added value from using accrual accounting
 - Only a few agencies need loaning-facility for investments

Is a new requirement in the new legislation (effective from 1-1-2013)



Agency evaluation, implications for NL Agency

Accrual based or cash based agency?

- Depreciation costs are 2% (of total costs)
- 5% is minimum for accrual based accounting
- Accrual based accounting is important for us
 - › Cost efficient
 - › Provides incentives
 - › Accounts receivable
- Depreciation costs will be 10% in 2015 (merger)



Agency evaluation recommendations 2-4

- Better implementation and description of roles
 - Separation of roles
 - Knowledge of governance model must be strengthened
-
- Unclearity of responsibilities
 - Conflict of interests
 - Low level of knowledge actors



Agency evaluation recommendations 2-4

Currently undertaking:

- Masterclass for owners
- Masterclasses for other roles coming up
- Description of responsibilities in new legislation



Agency evaluation, implications for NL Agency

Separation of roles

- **Strict division of roles**
 - › Owner is Secretary General of Ministry EAI
 - › Principals (11 ministries +17 other)
 - › Agency
- **Good co-operation and dialogues**
 - › Agency – owner (price, performance, risk management)
 - › Agency – co-ordinating principal (main principals)
 - › Owner – main principals



Agency evaluation recommendation 1 and 5

- Stronger implementation of supervision at department and ministry of Finance
 - Low number of fte on supervision agencies
 - 1/3 of of government expenses at agencies
 - Many of the (financial) problems and risks at agencies



Agency evaluation recommendation 1 and 5

Currently undertaking:

- Guideline for budget control of departments
- New supervision method at ministry of Finance



Agency evaluation, implications for NL Agency

Supervision

- No big implications expected
- Good knowledge base and experience with agencies in:
 - › The Financial Affairs department of the ministry EAI
 - › The Audit department
 - › The Ministry of Finance



Agency evaluation recommendation

- No separate recommendation in evaluation about cost price model, but
- Currently discussion about how to apply:
 - › Does the New Public management principles work for all agencies?
 - › Output based financing everywhere?
 - › Difference between financing and controlling?
 - › How to implement incentives, financial and non-financial



Agency evaluation, implications for NL Agency

Cost pricing model

- Operational since 1994, experience
- Integrated costs
- Arrangements on quantity and price
- Important topic in mergers



Agency evaluation, implications for NL Agency

- **Cost pricing model**
 - › Description of processes, products and services
 - › Integrated costs, cover costs, transparant, governable

- **Phases cost pricing**
 - › Wage costs per employee (direct)
 - › Material costs per employee (direct)
 - › Indirect wage costs
 - › Price (total costs / billable hours)
 - › Price categories are defined



Agency evaluation, implications for NL Agency

- Cost pricing is important aspect in mergers
- Cost pricing focus items
 - › Billable hours
 - › Number of direct / indirect staff
 - › Material costs
 - › Wage cost calculations
 - › Allocating costs
 - › Number of price categories



Agency evaluation recommendation 6 and 7

- Every 5 years an agency must be evaluated
- Current obligation of efficiency indicators have to be replaced
 - Many changes over the years in policy
 - No 'moment of reflection' takes place
 - Current yearly indicators do not give good information about efficiency
 - Agencies are too specific for standard indicators
 - But necessity of information about efficiency: how to anchor in legislation further?



Agency evaluation recommendation 6 and 7

Currently undertaking:

- 5-year evaluation framework is set
- First 4 evaluations are being executed
- Discussion about yearly reporting on efficiency



Agency evaluation, implications for NL Agency

- Measurable efficiency, present method:

- › Direct / indirect staff
- › Price increase / decrease
- › Number of billable hours per employee
- › Turnover / Financial result
- › Client satisfaction
- › Time needed for payment of bills / handling subsidy applications
- › Number of approved complaints

- New method (decrease budget) under study

- › Measurable efficiency is difficult, examples



Agency evaluation recommendation 8

- Fruitfull decentralization can only be reached when autonomy is clear for and respected by all actors
 - Many times politics want to intervent in operation of agencies
 - Departments do not always have same view on autonomy as agencies
 - Agencies need different levels of autonomy



Agency evaluation, implications for NL Agency

Autonomy, requirements

- Approved audit: continuous
- Financial accountability
- Compliance with EU competition rules