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Governmental accounting reforms at a time of crisis: the Italian governmental accounting harmonization

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Abstract

Purpose – Acknowledging fiscal crises as critical junctures for policy makers, this paper investigates how the recent fiscal crisis has affected the paradigmatic approach to the design of an ongoing governmental accounting (GA) reform.

Design/methodology/approach – This paper analyses the Italian GA harmonization as a peculiar instance of an ongoing GA reform at the crisis outbreak. A longitudinal narrative analysis of official documents is complemented with semi-structured interviews with key policy makers and participant observations.

Findings – The fiscal crisis is found to play an indirect role in the Italian GA reform, which, promoting centralization of competencies in the fields of GA, determines the intensification of the approach adopted before the crisis outbreak.

Research limitations/implications – This paper extends the knowledge on the nature of post-crisis reforms by highlighting how fiscal crises can work as catalysts for paradigmatic approaches to ongoing GA reforms. This paper analyses the designing of a GA reform, whereas the long-term adaptations and outcomes of the reform are not taken into consideration.

Practical implications – The tight link between GA and financial management issues featuring the current paradigmatic approaches to reforms suggests the need to design GA reforms consistently with fiscal and financial management policies.

Originality/value – Whereas the extant literature on the nature of post-crisis reforms analyses the latter as responses to the former, this paper enlarges the knowledge on the topic by focusing on a peculiar instance of a GA reform that was ongoing at the crisis outbreak.

Keywords Governmental accounting reforms, Fiscal crises, Narrative analysis, Italian governmental accounting harmonization

Paper type Research paper

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Introduction

When the media started providing a plethora of alarming news stories about public deficits and sovereign debts in 2009, the critical situation affecting the public finances of several countries became self-evident. Started as a US financial shock in 2007, the crisis soon spread all over the world, affecting the real economy and turning into a fiscal crisis, particularly in the eurozone. Public finances were not only in danger but also under scrutiny, urging decisions from policy makers (Cohen *et al.*, 2015; Hodges and Lapsley, 2016).

It is not surprising that the fiscal crisis has been interpreted as a problem concerning governmental accounting (GA) and public financial management (Bailey *et al.*, 2014; Bisogno and Cuadrado-Ballesteros, 2019). With the need to make urgent decisions, the debate on the relationship between crises and GA reforms has experienced an upsurge in the last years (Bergmann, 2014; Hyndman and McKillop, 2019).

For at least two decades before the outbreak of the crisis, the debate on GA reforms was dominated by the New Public Management (NPM) paradigmatic approach (Steccolini, 2019). Nevertheless, the implementation of such reforms has been shaped differently by contextual differences and has delivered unintended effects (Anessi-Pessina *et al.*, 2008). While the post-NPM paradigms of public management and GA reforms were evolving path dependently and as a reaction to NPM "failures", the fiscal crisis may have played a role in shaping the design and implementation of those reforms (Peters *et al.*, 2011; Ongaro, 2013).

Borrowing from historical institutionalism (Thelen, 1999), the fiscal crisis has been dealt with as a critical juncture for policy makers – considering its deep and long-run consequences – which provides an opportunity for a reflection on paradigmatic approaches to GA reforms (Heald and Hodges, 2015; Kasperskaya and Xifré, 2019). Whereas the assertion "reforms follow crises" may seem tautological – change is obviously needed when the current policies are not working (Drazen and Easterly, 2001) – the features and the actual implementation of post-crisis reforms are matters of debate (Bracci *et al.*, 2015; Oulasvirta and Bailey, 2016).

Furthermore, there is still scant knowledge on the relationship between fiscal crises and the design of GA reforms that are ongoing at the time when a crisis occurs. Does a fiscal crisis affect the paradigmatic approach to the design of an ongoing GA reform? If so, does it reinforce the paradigmatic approach adopted until then or does it instead promote a deviation from it? This paper addresses this research gap by focusing on the recent fiscal crisis (just fiscal crisis hereafter) as a critical juncture for policy makers.

A relevant empirical setting is provided by the Italian GA harmonization, which represents an instance of a GA reform of which the design covered the periods both before and after the outbreak of the fiscal crisis.

This paper addresses the following research questions:

(1) Did the fiscal crisis affect the paradigmatic approach to the design of the ongoing Italian GA reform?

(2) If so, did the fiscal crisis promote an intensification of the paradigmatic approach adopted until then or rather a deviation from it?

A longitudinal narrative analysis is performed on official documents concerning the Italian GA harmonization, issued from 2001 to 2014. Paradigmatic approaches to GA reforms are conceptualized and analysed through the narratological concepts provided by Pollitt (2013) and investigated in the documents. Semi-structured interviews with key policy makers and participant observation complement the former.

The next section introduces the NPM and post-NPM paradigmatic approaches to GA reforms, highlighting the key tools respectively promoted by them. Then, the literature on the relationship between crises and reforms is reviewed with an eye on the fiscal crisis and the current approaches to GA reforms. The fourth section reports the research design. The findings are discussed and conclusions are drawn.

Paradigms of governmental accounting reforms: from NPM to post-NPM

The term NPM denotes both a theoretical stance supporting the management of the public sector according to business principles and the specific concepts and practices into which that general position translates (Pollitt and Dan, 2011). Accordingly, managerial logics and instruments typical of the private realm allow efficiency to be improved in the public sector. The specific concepts and practices that are promoted by NPM-inspired reforms include downsizing, outsourcing and the rearrangement of intragovernmental relationships towards the creation of smaller and quasi-autonomous units (Hyndman and Lapsley, 2016).

As accounting systems depend on the reasons why accounts are held, it is not surprising to observe that paradigmatic approaches to public management reforms promote the adoption of specific accounting content, that is, key tools able to support the philosophy underlying each paradigm (Almqvist *et al.*, 2013). Typical NPM-like accounting innovations are the progressive introduction into the public sector of forms of accruals, managerial control systems and performance measurement and management systems as well as an increased focus on external reporting (Liguori *et al.*, 2016).

Though NPM principles have dominated the design of public management reforms in the last decades, their implementation has delivered less than promised and deviated much more than expected, often suggesting that NPM's proponents are overconfident and unable to anticipate negative side or reverse effects. On the one hand, contextual divergencies in cultural patterns, historical background and structural elements have contributed to making the implementation of NPM reforms rather uneven and deviating from the initial precepts (Hyndman *et al.*, 2014). On the other hand, the typical NPM delegation of regulation has resulted in public institutional fragmentation and incoherent policy making within countries. Giving managers autonomy in exchange for better accountability has produced several problems in terms of policy coordination and financial control, with the unforeseen effect of removing some aspects of public expenditure from central scrutiny (Ezzamel *et al.*, 2004). Moreover, the accounting systems and tools promoted by the NPM philosophy, placing a greater focus on individual managers' goals, have undermined the attainment of both long-term and whole organizations' goals (Anessi-Pessina *et al.*, 2008). Not least, besides the theoretical and practical criticism surrounding the accruals myth in GA (Bruno and Lapsley, 2018), there is still widespread disagreement regarding the practice and understanding of accrual financial statements and budgets among OECD countries' governments (Moretti, 2016).

Hence, different approaches have developed path dependently from previously implemented reforms and as corrective policies for the unintended shortcomings of NPM-inspired reforms, thus bringing to light novel and different paradigms of public management and GA reforms (Pollitt and Bouckaert, 2017). Accordingly, two post-NPM paradigmatic approaches have arisen. First, the governance approach – also labelled as New Public Governance – proposes a focal shift towards the governance of more complex structures, which increasingly entail the participation of a wide range of social actors in both designing and implementing public policies (Osborne, 2010). Secondly, the Neo-Weberian State (NWS) emerges as a paradigm that revisits the Weberian model of public administration in a post-NPM fashion (Lynn, 2008). It melds the key traits of the Weberian model of PA (reaffirmation of the role of the state and of representative democracy, merit selection and impersonality of civil servants, hierarchy, career advancement, legality and rationality) with "neo" elements that advocate greater openness and transparency, citizens' consultation and involvement and the professionalization of public services (Hartley *et al.*, 2013).

Coherently, different tendencies in GA are detectable. The key accounting tools promoted by post-NPM GA reforms are:

(1) the consolidation of governments' financial reports, labelled whole of government accounting (WGA), which, attempting to respond to the policy fragmentation inherited from past reforms (Almqvist *et al.*, 2013), puts government finances into a single and whole picture. This provides a broader view of disaggregated units, enhancing fiscal responsibility and transparency both for system control and for public accountability (Grossi *et al.*, 2009; Santis *et al.*, 2018);

(2) social and sustainability reporting, aimed at (re)gaining trust from citizens and addressing stakeholders' changing information needs (Farneti and Guthrie, 2009);

(3) the coupling of financial accounting with national statistics to enable financial information to support governments' assessment of their impact on the nation (Heald and Hodges, 2015; Dabbicco, 2018).

The clear-cut separation between the two approaches and the related accounting tools has an illustrative aim in this section, whereas the practical distinction between them must be taken with caution. Some accounting tools are promoted under both paradigmatic approaches, though with different emphases and to support different purposes. This is the case of accrual accounting, which is not the key to post-NPM approaches to GA reforms but represents an implicit ingredient to realize both the consolidation of governments' financial reports and the latter's connection to national accounting (Grossi *et al.*, 2009; Dabbicco, 2018). Second, the juxtaposition between the two paradigmatic approaches should not be read in temporal terms but rather regarding the different assumptions and contents proposed. Indeed, though the post-NPM has evolved from the NPM approach, the latter continues to inspire the current approaches to GA reforms (Hyndman and Lapsley, 2016), as discussed in the next section.

Governmental accounting reforms in times of crisis

The relationship between crises and policy reforms has been the object of a lasting debate, mainly focused on the role of crises as catalysts of change (Keeler, 1993; Kingdon, 1995). As such, crises have been dealt with as "focusing events", that is, evocative events that symbolize and amplify the "malperformance" in a given policy area (Alink *et al.*, 2001). Nevertheless, as Drazen and Easterly (2001) argue, stating that "reforms follow crises" is merely tautological since policy change is clearly necessary when the current policies are no longer working. Instead, what remains to be debated is the type of reform that follows a given type of crisis as well as the way in which this occurs.

The 2008 global crisis, which has had financial, economic and fiscal resonance, has reinvigorated scholars' attention to the topic, seeking to shed more light on a multifaceted issue (Hyndman and McKillop, 2019). In this respect, the increasing contributions to both the policy change and the crisis management literature have been helpful to public administration and public management scholars as well as to policy makers (Lodge and Hood, 2012; Christensen *et al.*, 2016). The discussion has been developed around themes such as the nature of post-crisis reforms and the type of changes instilled (Peters *et al.*, 2011; Kickert *et al.*, 2015), the conditions for conducting changes (Boin *et al.*, 2009; Nohrstedt and Weible, 2010) and the mechanisms linking external shocks to the implemented changes (Heikkila and Gerlak, 2013; Nohrstedt, 2013).

The approaches to after-crisis reforms have been categorized into either the conservative or the reformist approach (Boin *et al.*, 2009; Kasperskaya and Xifré, 2019). In the former case, crises prevent radical policy changes, therefore reinforcing the policy paths previously followed. Accordingly, a conservatist post-crisis reform is aimed at defending the status quo. On the contrary, the reformist approach emerges when policy makers exploit the sense of urgency instilled by the crisis to change the political support for a given policy alternative substantially and thus to realize changes in that field that would hardly have been achieved in the absence of the crisis itself (Pollitt, 2010; Oulasvirta and Bailey, 2016).

Focusing on the financial management and GA fields of policy making, the debate on post-crisis paradigmatic approaches is controversial. On the one hand, some scholars contend that the emergence of the fiscal crisis led to an intensification of the neo-liberal assumptions underlying the NPM paradigm (Bracci *et al.*, 2015). Indeed, despite the criticisms and local variations, NPM is still the principal subject of the current debate on public management reforms. It not only represents the prevailing theoretical framework of reference for studies in public sector accounting research (Steccolini, 2019) but has also inspired the design of some current GA reforms (Hyndman and Lapsley, 2016). On the other hand, other authors argue that moments of severe crises – such as the recent fiscal one – usually lead to a long period of paradigmatic vacuum that precedes the affirmation of newer models of public management (Coen and Roberts, 2012; Khodachek and Timoshenko, 2018). Accordingly, one could expect post-crisis GA reforms to follow different paths from those traced by the NPM paradigm.

The extant literature analyses GA reforms – and the paradigmatic approaches that they have adopted – as responses to the fiscal crisis. Interpreted as a problem concerning GA and public financial management (Bailey *et al.*, 2014; Bisogno and Cuadrado-Ballesteros, 2019), the fiscal crisis emerges as a critical juncture that by definition precedes any GA reform, whereby the latter can be aimed either at reinforcing the pre-existing trend or at substantially altering it. Nevertheless, the literature pays scant attention to the role that the fiscal crisis may have played in the ongoing GA reforms, that is, in those instances in which the designing of the GA reform was already in progress at the outbreak of the crisis.

Research design

The context

The empirical setting chosen is the Italian GA harmonization as a relevant instance of a GA reform for which the design stage was ongoing at the outbreak of the crisis. Territorial organizations in Italy include national, regional and local governments (LGs) – the latter including municipalities, provinces and metropolitan cities. Public management reforms in Italy date back to the 1990s, when the rearrangement of intergovernmental relationships, together with the managerial tools introduced into entities at all levels of government, confirmed clear absorption of NPM principles (Anessi-Pessina *et al.*, 2008). Coherently, NPM inspired changes on the financial management side too, relying on the shift towards greater financial autonomy of regions and LGs through the introduction of local taxes and the progressive reduction of intergovernmental grants – as sanctioned by Constitutional Law (CL) no. 3 in 2001 (Mussari and Giordano, 2013). As for GA, forms of accrual-based reporting were adopted only by LGs as a mere formal enlargement of the financial reporting area, since neither mandatory double-entry book-keeping nor an alteration of the commitment basis of budgets was required. Indeed, the informative content of central and regional governments' budget system remained input-oriented in general, confirming that the reforms in those years were strongly dominated by a legalistic approach (Reginato *et al.*, 2011). Despite the massive reforms that followed one another throughout the 1990s, their implementation not only has been characterized by the absence of a common framework for the whole of the Italian public administration but also has been judged to be rather unsuccessful (ManesRossi *et al.*, 2019).

Furthermore, the typical NPM drive for decentralization coincided with the launch of the European Monetary Union (EMU). The constraints on public finances imposed by the European Stability and Growth Pact led the countries belonging to the EMU to adopt a set of rules for better coordination of their financial relationships. Those rules – known as the Domestic Stability Pacts (DSPc) – aimed at controlling the budget balances and stock of debt of central governments and at the same time guaranteeing that all the governmental bodies playing a role in the management of public finance did not engage in opportunistic behaviours. For Italy, this meant that, though the European rules on budget deficits and public debt refer to central governments, compliance depends on the behaviour of all levels of government. Unfortunately, the DSPs have not managed to ensure the alignment of the fiscal behaviour of regional governments and LGs with the national commitments, especially considering that LGs are entrusted with the debt-issuing power.

Hence, the matter of governmental budgeting and accounting has become intricately linked to the management of fiscal relationships among Italian governmental tiers and, consequently, to the EU authorities. The NPM-inspired reforms in the financial management field were not associated with a coherent adjustment of GA systems both to enable coherent programming of public policies and to gain a global picture of the country's financial position. The low level of engagement of regional governments and LGs in the public finance planning, the lack of direct evidence on the connections among the budget objectives at the European level and those assigned to the regional and local ones and the absence of common budget schemes and accounting principles and systems among governmental bodies at all levels all became urgent issues.

Accounting harmonization among Italian governmental entities has been felt to be so relevant as to be a constitutional requirement. Though the harmonization was launched by CL no. 3 in 2001, its design stage only started eight years later, with the new GA systems and rules in force from the financial year 2015. This long journey featured three milestones. First, the 2001 constitutional reform, addressing the need to ensure the consistency of fiscal choices at all governmental levels with the achievement of macroeconomic objectives for the whole country, launched the GA harmonization as a necessary step to accomplish the former. Ruling on the intergovernmental competencies that normative provision identified the harmonization of public budgets as a legislative power shared among central and regional governments. Despite the constitutional requirement, several years passed before the approval of the consequent legislation necessary to implement the harmonization provision. In fact, the issue was reinvigorated – this being the second milestone – by the enactment of Law no. 42 in 2009, which reintroduced GA harmonization as a requirement to allow and facilitate the accomplishment and monitoring of the fiscal federalism project. Thirdly, a constitutional amendment in 2012, introducing the balanced budget principle, entailed the corollary shift of the legislative power in the field of GA to the sole central government.

Therefore, the Italian GA harmonization offers the opportunity to observe the relationship between the fiscal crisis and a GA reform of which the design stage covered the periods before and after the crisis outbreak. Furthermore, Italy is among those countries that were most severely hit by the crisis, paving the way to appreciating the crisis's role in a context in which it has been tremendously concerning (Di Mascio *et al.*, 2013).

Data and methods

For this study, three different research methods were used. First, a longitudinal narrative analysis was applied to written official documents on the Italian GA harmonization. The units of analysis are all normative provisions composing the legal framework of the Italian GA harmonization, as indicated in the guidelines published by the ARCONET Commission (see below) [1]. In total, five documents were analysed, published over the period from 2009 to 2014, with a total of 255 pages (Appendix 1). Narrative analysis consists of a "family of methods for interpreting texts that have in common a storied form" (Reissman, 2008, p. 11). According to Bal and Van Boheemen (2009), texts are essential components of narratives and refer to the "finite, structured whole composed of language signs" (p. 5). Narrative texts do not merely provide a narration of events, whereas narratological concepts can be applied to extrapolate further meaning from them. Despite the potential to apply these methods to every field of social science (Reissman, 2008), they are gaining increasing interest in the study of public management changes (Pollitt, 2013). Hence, this paper adopted the narrative analysis method to study the paradigmatic approaches to the Italian GA reforms. As a form of textual analysis, the narrative approach permitted it to deal with Italian official documents as they were part of a unique story and thus to shed light on the past–present relationships inherent to the reform under discussion, enabling similarities and differences between pre-crisis and post-crisis narratives to be detected. To extrapolate and interpret such meanings from the data sources, four narratological concepts proposed by Pollitt (2013) were adapted, namely:

(1) *Scope*: referring to the extent to which the Italian governments are covered by each document.

(2) *Dominant theme(s)*: denoting how each document characterizes its dominant focus.

(3) *Proffered solution(s)*: meaning the accounting content proposed in each document.

(4) *Key assumption(s)*: indicating whether there is an underlying assumption in each document.

Performing the documental analysis with these narratological concepts allowed the study to deal with the assumptions underlying the planned change, understanding the GA reform content and explaining how the accounting tools introduced are deemed to provide a solution to the identified problems. The focus on the dominant theme and the scope of documents analysed additionally enabled it to frame the GA provisions in the broader set of public management reforms that they supposedly support as well as considering the governmental level(s) that they address. Building on the differences between NPM and post-NPM highlighted by the literature review above, those approaches to GA reforms were framed under the lenses of the four narratological concepts adopted in the paper (Appendix 2), thus constituting the analytical framework guiding the documental analysis. Accordingly, each document was entirely and repeatedly read by the authors. The meaning of each document was extrapolated by interpreting the association of its elements with the analytical framework (Yin, 2017).

Aware of the reliability limitations of narrative analysis, semi-structured interviews complemented the former. They were administered to three members of the Commission for the Accounting Harmonization of Italian Subnational Governments (ARCONET). The Commission was established within the Ministry of Economics and Finance (MEF) in 2011 and is entrusted with promoting the harmonization of the budget, accounting and financial reporting systems of Italian subnational governments. The President of the Commission is an MEF top manager, and the other members are appointed by the State General Accountant following the proposal of the major stakeholders involved in the harmonization process (the MEF, Ministry of the Interior, National Institute of Statistics, National Association of Italian Municipalities, Union of Italian Provinces, Presidency of the Council of Ministers, Court of Audit, Conference of Presidents of the Regions and Autonomous Provinces of Trento and Bolzano, National Accounting Body, National Council of Professional Accountants, National Banking Association, National Association of Managerial and Fiscal Software Producers) [2].

The participant observation of the ARCONET meetings by one of the authors allowed the identification of the key actors, who are elite subjects who were highly placed in the research situation, to gain feedback on the narrative analysis (Gubrium and Holstein, 2001). Semi-structured interviews were carried out in September 2020 and used to follow up on the results from the narrative analysis and to gain further insights into whether and how the fiscal crisis has affected ARCONET's work on the GA reform design. The interviews were structured to focus on the dominant themes and key assumptions regarding the Italian GA harmonization, asking which aspects have mostly been emphasized and which results have primarily been pursued by the Commission. Further questions addressed the impact of the fiscal crisis.

Administering semi-structured interviews enabled the authors to collect information on predetermined and standardized questions referring to such key topics, at the same time allowing experienced respondents to digress and enrich their answers with wider insights. The interviews were recorded and transcribed in an interview report, which was in turn subjected to cyclical reading by the authors to link and add evidence to that gathered from documentary sources. Considering the political sensitiveness of the topic, as well as the circumstance that the harmonization project is still ongoing, the interviewees were reported anonymously. A number was assigned to each respondent and answers are reported by referring to the respondent's number (R1, R2 or R3).

The combination of multiple methods and the narrative analysis performed by three authors at different times allowed mutual confirmation of the data and findings to be achieved, that is, both method and researcher triangulation (Lune and Berg, 2016).

Findings

Findings from documental sources

Though GA harmonization is claimed in the 2001 constitutional amendment, Law 42/2009 represents the first document composing the related legal framework. Differently from the 1990s' enactments, CL 3/2001 facilitates a shift towards a multilevel approach to GA reform as it addresses the redefinition of intragovernmental competencies. It was issued as a direct enactment of CL with a self-evident governmental multilevel scope. Ruling on fiscal federalism, it necessarily covers the relationships between entities at all levels of government. This document is characterized by a dominant focus on the theme of public finance coordination, promoting the abandonment of the historical expenditure criterion for greater fiscal autonomy of regions and LGs. The GA harmonization emerges as an accounting solution to "ensure the drawing of budgets of Municipalities, Provinces, Metropolitan Cities and Regions on the grounds of predetermined and uniform criteria (. . .) consistent with those regulating the State budget" (article 2). The same document states that the budget accounts – which are entries and expenses – of all territorial governments must allow a check on the compliance with the European Stability Pact. The important assumption underlying this document relies on conceiving all Italian governments as being entrusted with the responsibility to manage their finances autonomously and at the same time contributing to the achievement of the national public finance objectives set at the European level.

Following the general introduction to GA harmonization, two provisions were issued on the accounting and public finance principles for the implementation of the fiscal federalism. The former is Law 196/2009, which addresses the central level of government, putting great emphasis on themes such as the transparency and controllability of public finance. The solutions presented in the document relate to the cycles and tools of financial planning and accounting. Accordingly, the accounting content proposed in the document consists of the following (Title VI):

(1) a three-year-based budget, disclosing the parliamentary voting units for entries (determined on the basis of the typologies of entries) and, separately for each Ministry, those for expenditures (represented by programmes, which are aggregates of expenditure aimed at achieving homogeneous results in terms of products or services). Each programme is implemented by a single administrative responsibility centre and is linked to the second level of the classification of the functions of government (COFOG) nomenclature to ensure a connection with national accounting data [3];

(2) a financial statement composed of a document highlighting the financial results (*Conto del Bilancio*, related to the budget) and a statement on the financial and equity

assets and liabilities with the changes that occurred during the year (*Conto del Patrimonio*);

(3) the introduction of accrual accounting – alongside commitment-based accounting – through the adoption of an integrated system of accounting records to enhance the quality and transparency of public finance data [4].

The main assumption underlying this document is that the extent to which public finance can be monitored depends on the quality of GA data and systems. As stated by article 1, "Public administrations contribute to the pursuit of national public finance objectives based on the principles of public budgets' harmonization and coordination of public finance and share the consequent responsibilities". In a subsequent amendment to this law (Law 39/2011), such an underlying assumption is enriched with a direct reference to the national commitment to public finance criteria set at the European level. GA harmonization is deemed to support the coordination of national finances, which is in turn fundamental to meeting the European requirements.

The second provision following Law 42/2009 is Legislative Decree 118/2011, which instead covers the regional governments and LGs. Its focus recalls the themes of transparency of public accounts and control of public finance. The accounting content proposed in this document is a well-specified framework, which is common not only to all the governmental bodies covered here but also to the central governments ones (Titles I and III). Specifically, the proposed accounting tools are:

(1) a common set of general and applied accounting principles;

(2) a common set of accounting documents (see above);

(3) a consolidated financial statement, the structure of which shall be shared with subsidiaries and controlled companies;

(4) the introduction of accrual accounting alongside the commitment-based form to enlarge the informative scope of accounting systems;

(5) an integrated chart of accounts – that is, a shared list of those accounting voices to be used to draw up the required financial documents – designed in such a way as to link financial and accrual data and to "allow the consolidation and monitoring of public accounts, as well as the link of these latter with the European System of national Accounts (ESA)" (article 4);

(6) a common system of indicators – labelled "Plan of indicators and expected results of the budget" – referring to the programmes or other aggregates of the budget.

Two relevant assumptions emerge from this document. First, the "regional [and local] finance contribute [together with the State] to the achievement of the convergence and stability objectives derived from the EU membership, and operate in accordance with the constraints deriving from it at national level" (art. 36). Hence, the common budget schemes – highlighting the purpose of expenses – "ensure a greater transparency of information regarding the process of allocation of public resources to sectoral public policies, and allow the comparability of budgets data in line with the economic and functional classifications identified by the EU regulations on national accounts" (article 12).

A further document analysed is the Prime Minister's Decree dated 28 December 2011. Covering the regional governments and LGs, this document develops around the theme of the implementation process of the reform, acknowledging the challenges involved in extending the relevant accounting changes to the entirety of Italian territorial governments. The solution proposed in this document is a period of experimentation, and it provides details of the object and modalities. The assumption underlying this document is that, though the accounting tools proposed by the GA reform are theoretically conceived as appropriate, a period of experimentation by part of the territorial governments allows them to be tested practically in such a way as to identify possible shortcomings and opportunities for improvement.

The last provision composing the GA harmonization framework is Legislative Decree 126/2014. As it introduces supplementary and corrective changes to Legislative Decree 118/2011, it not only addresses the regional governments and LGs but also presents the same dominant focus, proffered solutions and underlying assumption of the latter.

Findings from semi-structured interviews

On the grounds of their direct involvement in ARCONET's works, all the respondents acknowledge the twofold objective stressed in the reform design. On the one hand, the GA harmonization is conceived as a necessary solution to cope with the extant financial management issues, placing great emphasis on the need to manage the fiscal relationships among Italian territorial governments and between the latter and EU institutions. On the other hand, all the respondents explain that the financial management issues involving the country as a whole entailed the need to ensure – and thus to improve – the capability of public managers to monitor the purchase and use of resources appropriately, with particular regard to the payment schedule. As elucidated by R2, "the reform tends to entrust public managers with the responsibility for public resources, acknowledging the time as a further variable to appreciate how they are used for either current expenses or long-term investments. At the same time, territorial entities are no longer conceived as 'islands' but rather as single units composing the entirety of the [Italian] public administration complex" (. . .) "thanks to the adoption of a common accounting language, the advantages that single governmental bodies are supposed to enjoy reflect the whole picture of the national public finance position". In this respect, the respondents report that the GA reform design has not given priority to either of the objectives, rather conceiving them as two sides of the same coin. In the words of R3, "The issue of public finance coordination is a relevant one, though not prevailing in the internal control of public expenses (. . .) the GA reform has arisen by emphasizing the control over and the harmonization of public accounts, which consequently drives the attention towards the internal control that each governmental body exerts on its payment schedule, entailing the possibility to consolidate public accounts". R1 details this point by stating that "the accounting content discussed by the ARCONET Commission – especially the introduction of the modified cash basis of accounting and the three-year-based budget – are all solutions that have been designed with both objectives in mind (. . .) as it [the accounting content of the reform] is instrumental to a better evaluation of public debt, giving a more comprehensive and reliable picture of the whole country's financial position towards EU requirements".

Among the accounting solutions proposed in the reform, the respondents pause on accrual accounting. Compared with the 1990s' reforms, they remark that the adoption of accruals in the GA harmonization is much more substantial than formal as "it is implemented as a mandatory [complementary] basis of accounting and not as a mere set of end-year information derived from cash accounting" (R1). Indeed, R2 argues that "in the GA harmonization design, accruals are a mandatory basis of accounting that adds to the cash accounting and allows the question 'is the territorial entity working to enhance the community's assets in a way to transfer it to future generations? ' to be answered (. . .) Were the accruals not meant as a mandatory basis of accounting, it would not be possible to assess the governmental impact on the community's assets." Nevertheless, R1 explains how the lessons from previous reforms have contributed to promoting an "easier" adoption of accrual accounting in the harmonization design to counterbalance the traditional cultural hostility towards accruals (e.g. the integrated chart of accounts is deemed to guide public accountants to derive accruals easily from cash basis data). Moreover, given the reform focuses, the respondents emphasize that the informational objective pursued by the accrual accounting adoption is related to the interorganizational control. A statement by R3 is clear in this respect: "within the [GA] harmonization design, accrual accounting is not conceived to support internal managerial choices but rather to enable the consolidation of public accounts and thus to control the financial position of the country as a whole". R2 deepens this argument, observing that, by the time the GA harmonization was designed, there was increasing pressure from EU institutions to embark on such a direction, not least towards the possible future adoption of European accounting systems exclusively based on accruals. When designing the accounting content of the Italian GA harmonization, "accrual accounting has been considered instrumental to further harmonization at the European level and thus as a means to let governmental bodies become familiar with accruals both from a technical and from a cultural perspective" (R2).

As for the impact of the fiscal crisis, the respondents agree that it has not affected the design of the accounting content proposed in the GA harmonization as discussed by the ARCONET Commission. At the outbreak of the crisis in 2011, the accounting content proposed by the reform – though not yet implemented – had already been designed to cope with the issue of public finance coordination. Nevertheless, the fiscal crisis has had a dramatic impact on the financial management of governmental bodies. Since 2011, "the fiscal crisis has increasingly worsened the financial position of governmental bodies with particular regard to the slowdown of payments and the consequential worsening of their relationships with all stakeholders" (R1). In this respect, "the fiscal crisis has accentuated the financial malperformance of governmental bodies and shed additional light on the intrinsic criticalities of the accounting systems in place, which were not able to give a comprehensive and reliable picture of the fiscal health of Italian governmental bodies" (R3). Therefore, all the respondents comment that the impact of the fiscal crisis on the financial management of governmental bodies has made the GA reform implementation – that is, the harmonized adoption of those accounting tools provided for by normative provisions – more compelling. The introduction of the balanced budget principle – by means of CL 1/2012 – is maintained by the respondents as the most immediate response to the crisis insofar as it promotes a new conception of "equilibrium" (i.e. the balanced budget) to enhance the rigour in monitoring and assessing the financial performance of the Italian governmental bodies as a whole. Paraphrasing the words of R3, the new concept of equilibrium – relying on the relationship between the resources available and the expense requirements – is tightly linked to the accounting solutions proposed in the GA harmonization design. That is, the balanced budget requirement can be assessed only through the data made available by the accounting systems and tools designed by the reform. Anchoring the GA harmonization to a constitutional requirement clearly makes it compelling and unavoidable. From a merely accounting point of view, the most evident repercussion – though indirect – relies on entrusting the central government with the exclusive legislative power in the field of GA harmonization. As a matter of fact, "this rationale of the 2012 Constitutional amendment was to increase the planning capability of each governmental body (. . .) and this could have not been achieved without the centralization of legislative competencies to ensure the homogeneity of its implementation and that all criticalities could have been managed by a common leader" (R2). In a nutshell, "the impact of the fiscal crisis on the design of the GA reform relies on the promotion of a new concept of equilibrium – that is, the balanced budget principle – the evaluation of which is allowed by the accounting content of the harmonization that had already been designed before the crisis outbreak" (R2).

Discussion

The longitudinal narrative analysis enabled a comparison of the pre-crisis approaches to the design of Italian GA harmonization with the post-crisis ones, thus investigating the role of the fiscal crisis in this respect. At the dawn of the 2000s, the harmonization of GA and reporting in Italy was so compelling as to become a constitutional requirement for a GA reform. The findings from documental sources reveal the self-evident multilevel scope of the reform. The constitutional amendment that introduces it heralds a shift towards a multilevel approach to GA reforms. Though the normative provisions composing the GA legal framework address specific governmental levels, their narratives reveal consistency in their dominant focus, the accounting content proffered as a solution and the underlying assumptions. Coherently with the drivers of the reform, public financial management themes such as the coordination of public finance and the necessary transparency of public accounts dominate the narratives of all the documents analysed. The results from the interviews add insights into this narratological dimension, recalling that the Italian GA harmonization aims to improve the management of the fiscal relationships among Italian governmental levels and, in turn, with the EU authorities. Hence, the transparency and the coordination of national public accounts were considered as focal in the design of the reform. Nevertheless, the internal control capability of each governmental body has not been neglected, while the reform objectives at the micro-level have turned out to be instrumental to those identified at the macro-level. The findings from both primary and secondary sources suggest that the accounting content proposed by the reform serves those two purposes, considering not only the homogeneous provisions for all governmental levels but also the features of the designed accounting content itself. The three-year-based budget – entrusting the responsibility for each programme to specific administrative centres and allowing a direct connection of each programme to the national accounting data – targets the improvement of the planning capability of governmental bodies, while it also enables governmental financial accounting to be coupled with national statistics. Similarly, differently from previous GA reforms, the introduction of accrual-based accounting is proffered not merely as an enlargement of the GA informative content but rather as a tool for public finance coordination. Mandatorily required to complement and integrate with the information provided by the traditional commitment basis of accounting, it not only enhances the transparency of public accounts – allowing the detection of variations of financial and equity assets and liabilities for each territorial entity – but also enables the government's financial statements to be consolidated as a whole, which becomes particularly burdening with the push for fiscal federalism and the potential shift to EU public sector accounting harmonization. Hence, the results from both the documental analysis and the semi-structured interviews highlight that the fundamental assumption emerging from the narratives of the Italian GA harmonization is that complex structures and relationships – such as those among all the Italian governmental bodies and those between them and the EU institutions – can be managed through the interorganizational integration of information, which necessarily occurs through the integration of GA systems and data. Recalling the analytical framework adopted in this paper (Appendix 2), the findings of this paper suggest that the design of the Italian GA harmonization is well rooted in the NWS approach as a specific paradigm in the post-NPM era (Lynn, 2008).

These findings corroborate the extant literature on paradigmatic approaches to GA reforms. Considering that the Italian GA reforms implemented during the 1990s were primarily inspired by the NPM paradigm, the presence of key NWS traits in the current approach to the reform design shows how the latter has attempted to recover from the unintended effects produced by the former (Liguori *et al.*, 2016). Furthermore, the findings highlight how post-NPM elements can be blended with and complement NPM ones without realizing a clear-cut separation among paradigmatic approaches to GA reforms. Indeed, the interorganizational control theme is developed concurrently with the internal control one, these two respectively representing the dominant focus of post-NPM and NPM paradigmatic approaches. Similarly, though accrual accounting is found to preserve its original "mission" – that is, the assessment of the intergenerational equity in the use of public resources (Pallot, 1991) – from a post-NPM perspective, it is only implicitly deemed to support the internal control of single governmental bodies, whereas it primarily works as a step towards the consolidation of public accounts to enable interorganizational control.

By the time the fiscal crisis reached its peak in 2011, the Italian GA harmonization was an ongoing reform. Though not yet implemented, the key tenets of the reform had already been set out in Law 197/2009 and Legislative Decree 118/2011. At the same time, the Prime Minister's Decree of 28 December 2011, proposing a period of experimentation, suggests that some practical issues were pending before the reform could be implemented homogeneously by all Italian governmental bodies. Despite this, the crisis did not directly emerge in any of the official documents analysed. Instead, the interviews were decisive in tracking down the indirect impact of the fiscal crisis on the design of the ongoing GA reform. The key subjects interviewed unanimously reported that the fiscal crisis has tremendously affected the financial management of Italian governmental bodies, accentuating their malperformance and the interconnections with other European Member States. Though the fiscal crisis had shed light on the well-known criticalities of the extant GA systems, the accounting content proposed by the ongoing reform had already been designed to cope with those financial management issues that had evolved into the fiscal crisis. Nevertheless, the constitutional introduction of the balanced budget principle – as a direct response to the crisis and to the increasingly relevant European requirements – suggests that the worsening of the situation and the sense of urgency instilled by the crisis made the reform's implementation more compelling. Indeed, the assessment of the new concept of "equilibrium" is tied to data that can be obtained through the accounting tools proposed by the reform, so introducing it as a constitutional requirement makes the GA reform implementation not only unavoidable but also promptly extended to all governmental levels. For this to be realized, the legislative power over the harmonization's design has shifted to the exclusive competence of the central government to ensure the homogeneity of the implementation of the reform throughout the governmental levels and thus the possibility of reliably assessing the contribution of each to the achievement of EU fiscal commitments.

These findings provide further evidence on the close link between public financial management and GA in the post-NPM era (Dabbicco, 2018). The fiscal crisis, though representing the result of decades of fiscal imbalances, is revealed to be indirectly tied to the GA reform. Moreover, the centralization of competencies being a key element in the NWS paradigmatic approach (Lynn, 2008), this additionally corroborates the close link between public management and GA reforms. Referring to the literature on the nature of post-crisis reforms, the findings verify the centralizing approach as a recurrent response adopted by governments when facing crises to ensure public leadership for both political and managerial convenience (Peters *et al.*, 2011). Exploiting the sense of urgency instilled by the crisis, the latter affected the ongoing GA reform by changing the institutional rule related to the legislative power in the GA field, highlighting a conservatist approach in this respect. Specifically, the indirect relationship between the fiscal crisis and the intensification of the NWS approach to the Italian GA harmonization provides evidence of a conservative approach towards the nature of a GA reform that was already ongoing at the outbreak of a crisis. Lastly, considering how the post-NPM traits are embedded into the design of the Italian GA reform and the relevance held by the NPM paradigm in the current debates among academics and practitioners (Hyndman and Lapsley, 2016; Steccolini, 2019), the findings also reiterate the crucial role of institutional settings in responding to crises (Kickert, 2012).

Conclusion

EU countries have increasingly interpreted the 2008 global crisis as a GA and public financial management issue, which needs to be addressed by urgent reforms (Cohen *et al.*, 2015; Hodges and Lapsley, 2016). The fiscal crisis has instigated reflections on pre-existing conditions and solicited policy makers. By investigating the relationship between the fiscal crisis and the Italian GA harmonization, this paper contributes to the literature on the nature of post-crisis reforms. Fiscal crises represent a critical juncture (Thelen, 1999), necessarily preceding reforms and providing an opportunity for policy makers to reflect on paradigmatic approaches to GA reforms. Whereas previous studies analyse GA reforms as responses to fiscal crises (Bracci *et al.*, 2015; Heald and Hodges, 2015; Oulasvirta and Bailey, 2016; Kasperskaya and Xifré, 2019), this paper focused on an ongoing GA reform. It highlighted how fiscal crises can determine reflections on paradigmatic approaches to ongoing GA reforms. As long as fiscal crises accentuate the malperformance of public financial management, they provide momentum for strengthening the paradigmatic approach to the design of GA reforms adopted prior to their outbreak. Furthermore, this paper provided evidence of the key traits of GA reforms inspired by the post-NPM paradigmatic approach, revealing how the GA issue is tied to government budgetary policies and national accounting in the post-NPM era. This leads the authors to emphasize, as a practical contribution of this paper, the need to design GA reforms consistently with the objectives of fiscal performance coordination. This is particularly relevant for federal states and for international political and economic organizations such as the EU.

By adopting a qualitative approach, this paper made analogical generalizations (Parker and Northcott, 2016), so its findings can be extended to those instances in which fiscal crises occur during the design process of a GA reform and have similar unsettling effects. Future studies are encouraged to adopt comparative perspectives that, by including observations on instances in which fiscal crises produce varying degrees of severity, may further extend the knowledge on the nature of post-crisis reforms. A limitation is the focus of the paper on the design step of a GA reform process. Thus, investigations into the longer-term implementation as well as the outcomes that the reform will produce were not taken into consideration.

Notes

1. http://www.rgs.mef.gov.it/_Documenti/VERSIONE-I/e-GOVERNME1/ARCONET/Formazione-istituzionale/Modulo_1_-_La_presentazione_della_riforma.pdf
2. The Italian names of the listed institutions are provided here: *Ministero dell'Economia e delle Finanze*, *Ministero dell'Interno*, *Istituto Nazionale di Statistica*, *Associazione Nazionale Comuni Italiani*, *Unione delle Province Italiane*, *Presidenza del Consiglio dei Ministri*, *Corte dei Conti*, *Conferenza dei Presidenti delle Regioni e delle Province Autonome di Trento e Bolzano*, *Organismo Italiano di Contabilità*, *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, *Associazione Bancaria Italiana* and *Assosoftware*.
3. The COFOG is a classification of governmental expenses based on their functions, adopted by several international institutions to allow a homogeneous evaluation of the activities that they provide. Pursuant to EU Regulation no. 549/2013, Member States adopted the COFOG classification within the scope of the European System of Accounts (ESA 2010).
4. This content was added to the document by subsequent amendment with Legislative Decree no. 90/2016.

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Appendix 1

N	Documents	Title/Topic	Pages
1	Law no. 42/2009	On the fiscal federalism	28
2	Law no. 196/ 2009	Law on accounting and finance	87
3	Legislative Decree no. 118/2011	On the harmonization of the accounting systems and budget formats of the Regions, local authorities and their bodies	67
4	DPCM 28 dicembre 2011	On the experimentation of the reform	15
5	Legislative Decree no. 126/2014	Supplementary and corrective provisions to the legislative decree no. 118/2011	58
			255

Table A1.
Documental sources

Appendix 2

	NPM approach	Post-NPM approach
Scope *How much of the Italian governments is covered by the document?*	Single governmental levels	Multiple levels of government
Dominant theme(s) *How does the document characterize its dominant focus?*	Orientation of behaviours towards goal attainment	Transparency to stakeholders/Control and coordination of public finance
Proffered solution(s) *What is the accounting content proposed in the document?*	Accrual-based accounting and reporting, managerial control systems, performance measurement	Consolidated statements, social/ sustainability reporting, connection to national accounting
Key assumption(s) *Is there any underlying assumption in the document?*	Managerial logics to boost efficiency	Interorganizational integration of information to manage complex structures and contexts

Table A2.
The analytical framework: narrative conceptualizations of paradigmatic approaches to GA reforms

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