

Transliteration - Michael Maley - Financing of Elections

Amidst all the complexities that we encounter when we try to do budgeting and planning for elections, it's sometimes easy to lose sight of the fact that what we're trying to do is quite simple. We are trying to figure out what we are going to do; we are trying to figure out what resources we're going to need to do it, what each of those resources will cost, and the grand total. That's what it's all about, and it's not that different from planning anything else - from planning your home budget, from planning a child's wedding, all those sorts of activities are similar.

You cannot prepare a budget unless you have a plan: you need to know what you are doing. You don't have to know exactly what you are doing, because often you can't. One of the mistakes that I've seen made from time to time in different places, and particularly when elections are being run in a country for the first time, or they're moving to free elections for the first time, is for people to say we can't really start planning until we know every element of what the election will be like as prescribed in the law. People sit around waiting for the law to be passed, and then and only then do they start doing planning. And you lose a lot of time by waiting for everything else to drop into place before you start planning yourself. One of the most important opportunities you have is actually to start with what you know, to make plausible assumptions, sensible assumptions, about the things you don't know, and then put together a plan based on all that, which you can change at a later date as the details coming down from the political level become clearer. But if you don't start planning until every detail is delivered to you by the parliament you are losing your greatest asset, which is time. So to start that planning early and be prepared to make assumptions, make guesses, and proceed from them, is a really important thing to do.

Eventually you need to know exactly what you going to do, but you don't always get there through a nice straight line process, you often have to deal with uncertainty in the early stages and hope for things to get better.

Having said that, the better you understand what you going to be able to do, the better your chance of making a persuasive case to the Parliament, to the government and ultimately to the community, for the funding you need. And we saw in the role-play that we've just done how difficult that can be if there are points of detail that you can't really explain when the time comes and people start asking you hard questions. And it's really I think important also to be able to tie your explanations back to the benefit that is going to be given to the community by going down a particular route. So if you want to argue for, say, biometrics, you need to be very clear what's the reason you're trying to do that: how are the voters, the individual members of the community, the political parties, the candidates, going to be better off because you choose this particular option rather than some other way? I've often seen what I thought were cases where EMBs went for technology without

asking that question, but because they wanted to be seen to be cutting edge organisations, or their governments wanted to be seen to be up with the newest technology and the like, but that's not an electoral explanation and it's not an electoral justification. So it's very important to be really clear in your mind what it is you are trying to achieve in the big picture sense. If you get the principles right the details become easy, but if you're not quite sure what is the principle that's driving you, why you are trying to get to this end state, then it's much harder to get detail right and you wind up with contradictory arguments.

The other thing that's really worth bearing in mind as a basic notion is that when you are an independent EMB - and that is becoming a more common model around the world - your budget is one of the last opportunities that the politicians and the governments have still to use as a lever to influence how you do your work. As long as they have control over your money, they can influence you. And so the better you are able to justify your plans and your budget, the better you are able to perform your job in an independent way. But you can lose independence if effectively it winds up with the government controlling your money because you haven't been able to make a persuasive enough case for what you want to do.

So those are some basic thoughts; and let me move on to talk a little bit about risk management now. There is a whole risk management industry out there. There are people who would come and do workshops for you on risk management if you give them the opportunity. We live in an imperfect world, circumstances change, things go wrong, even the most experienced people can't anticipate everything that is going to happen. The more experienced you are, the easier it is, but you can still be surprised. So it's always important in any plan to have a backup plan. If your biometrics don't work, what are you going to do? If your biometrics don't work at a polling station on election day, what are they supposed to do?

You can turn risk management into something complicated, but it's really just thinking about a few key points. What might go wrong? How likely is it to go wrong? If something goes wrong like that, is it going to be a big problem or is it going to be a little problem? Is it going to be something that affects you nationwide, or is it just going to be something at one out of ten thousand polling booths? What are you going to do when something goes wrong, what's your "Plan B"? What extra resources might you need to solve the problems as they come along, and where are they going to come from?

Now as we took away from the budgeting activity we did yesterday, it's good practice to have a contingency in your budget, maybe 10% that's sitting in there that you haven't allocated to anything else, so that if something does go badly wrong and money is the only solution, you have it already there, you don't have to lose more time by getting into a process of arguing for an extra allocation or trying to mobilise donor funding to solve your problem or something like that. But even if you haven't made some sort of contingency fund set aside, in effect then your lowest priority

activity becomes your contingency fund, because you are going to have to cancel some activities you thought you were going to do to throw the money to solve the problem in something that is more urgent. So there are different ways of dealing with this, and of course if you are going to do that you have to find money that hasn't already been spent or committed, which is harder as you get closer to the election, so again a contingency is always a good thing to have. And that really is what you need to think about with risk management: be prepared for trouble, and have a Plan B.

Just talking about classification of costs, that interesting discussion we had on the first day about ongoing costs and election costs and the like. There are so many different classifications that people have come up with over the years that it gets quite confusing. Almost every book that you will find that people have written about election management or election costs will have a slightly different classification. But I think it's important not to get hung up on definitions and arguing about definitions. There is no such thing as "right", "correct" classification or a "wrong" one. There are more or less useful ones, and what's useful to an EMB may be quite different to what's useful for an academic researcher trying to compare things in different countries, and may be different again to what's useful to the finance ministry or to the government. So it's important to go back to that set of questions which were on the slide we saw earlier in the workshop. What are we trying to do when we break down costs, when we classify them? Are we trying to find out why our elections are getting more expensive over time? Are we trying to figure out why elections at the federal level cost more than elections at the local level? (It's usually the other way around actually.) Are we trying to figure out why elections cost a different amount of money in different countries? Again, once you know why you're asking the question, that can tell you how you can most usefully classify your data.

And so that's something to take away and think about in the context of all of your own countries and organisations: about where these classifications come from and what use they are.

So I think I've been trying to emphasise that at the bottom line what we're doing is relatively conceptually simple. So why does it get complicated? And basically the complexity comes from the fact that different countries, different donors, different EMBs all have different rules, and if you are an EMB the way you do your budgeting - whatever we might say about good principles of good budgeting - is primarily going to be driven by what are the budget rules in your country. And they are usually applicable to every government organisation across the board and you have to take them the way you find them, you can't necessarily change them into the way that suits you best, you may have only a limited degree of flexibility to set up your own processes ideally for yourself.

Sometimes for example, and this was true in Australia for a long time, we were required by the government budget process to break down expenditure into broad

categories like staffing, like buildings, like travel, like training, information technology and so on. We were given a figure for each of those for the year; and so people could look across government departments and see who's spending most on training, who's spending least on information technology and the like. Partly governments like that because if they want to cut expenditure in this era of resource constraints, sometimes the easy way to do it is simply to say well every agency has to cut travel by 10%; or we're going to put staff ceilings on every agency and you can't increase your permanent staff by more than 2% this year. So they're not thinking about individual bodies, they want to be able to deal with the entire bureaucracy in the country as a single block and come up with a nice simple way of saving money for the national budget.

But in other situations you may find that you are required to put your budget forward as a series of programs or projects so from an EMB context you may have a budget for voter education, you may have a budget for registration and a budget for election day and all those sorts of things; which sometimes is good for governments too if they are trying to save money but they're prepared to look in more detail at what you doing, because they may well say well okay we've decided we're not going to fund voter education this year, you're not going to get any money for that, so they're thinking about it in terms of an activity or a function rather than a generic category of spending.

And the scheme that is most useful for the finance ministry may not be the one that is most useful for the EMB. So if you're an EMB you may be trying to track your funds not just looking across the spreadsheet in terms of how much you are spending on travel but down the spreadsheet in terms of how you're looking at individual projects or activities or functions, and that makes it a little bit more complicated.

The next point I think that has come out in our discussions and in some of the things we've done is the way that the simplest model of budgeting that people often think about is not necessarily realistic. You like to think that the way it works, as I said right at the beginning, the easy model, is that you think about what you want to do, you figure out what it's going to cost, you ask for the money, you get it, and you spend it.

But in the real world it tends to be much more iterative. You may be told that there are resource constraints across the government but you don't know how much. So you might put together a bid to the government, and they may come back and say "we're only going to give you 90% of that". Now you then have to go back to your plan and you have to say okay if we've only got 90% of what we were going to spend, can we still do everything we want? Do we cut our travel? Do we cut our training across the board? Or do we cut out whole activities? And then you might go back to the government and say "this is what we're planning, we're not going to do any voter education this year", and they say "oh, we didn't mean that, we still want

voter education, go away and come up with another plan”; and so you wind up like a game of ping-pong with your budget kicking back and forth between yourselves, sometimes at the ministerial level, sometimes at the official level, until finally you come up with some figure that’s agreed and you’re working with. And that’s a pretty typical sort of model in my experience in quite a few situations and quite a few countries, where you have to be prepared to not just have one meeting after which you will get a decision, but go through a process that may take several months to put it all together.

Sometimes they want you to budget from the bottom up as if you had no money at all, and they ask you to justify every item in your budget; other times they will say we will give you what you got last year +5% for inflation, -1% because we expect you to be more efficient through use of information technology and so on, there’s your figure, if you can live with it well and good, if you want to do something big and new you will have to come up with a new policy proposal, such as for biometrics, So there are a lot of different domestic models that can come along with that.

Another thing that is worth bearing in mind is that sometimes if you are pretty sure that you are going to get a 10% cut, you might come up with an original budget which is 110% of what you are hoping to get, knowing that when the cut comes you will sort of cry tears of blood, and then go away and smile outside the meeting because you actually got all the money you wanted. But sometimes finance ministries are on to that, so you have got to be a bit careful when you play that sort of game, because if you overestimate too much, your reputation for financial credibility can be damaged and people might think they know what you are doing.

The penultimate point I would like to make is that we’ve been talking very much about budgeting as a process that goes on between the EMB and the government or the finance ministry; but in fact there is going to be an internal budgeting process within the EMB as well. And that may well mean that each individual area of the areas - the voter education branch, the operations branch or whatever - will also be asked within the EMB to come up with bids for how much they think they’re going to need that year, which will then have to be tested against the external environment. And you often find a situation where you didn’t get as much as you thought you were going to do so you then go into a discussion about what you can manage with; and this is often the situation when you are talking about something like how many polling stations can we afford to have. And if you haven’t started with a benchmark figure of how many polling stations there are going to be in the country, if you ask every individual field office how many they want, sometimes the total is more than you can possibly afford. And you then have a parallel sort of iterative process within the organisation, when you go back and say “sorry, the total of what everyone bid for was far more than we are going to get, so we are going to have to make cuts, go and do some more planning based on reducing the number of polling stations you are going to have in your area by 10%”, or something like that.

So within an EMB there are also going to be budget discussions, budget negotiations going on, and again the better that people understand what they're trying to do and know their work, the more sensible those debates are going to be.

And I think the last point I want to make - we haven't really talked about this but it really flows from what I've just said - is that you need to have some sort of consistent system within the EMB for managing finances. These days it's almost always computerised. If you go to 50 field offices and say to them "give us your budget for the year" and every one of those field offices comes up with a differently structured budget, without guidelines you are never going to be able to put them together into a single figure that you can then take to the government.

So you typically will need to have a spreadsheet design that is consistent across the organisation which asks people to estimate in a systematic way that is comparable across different field offices for example, so that you can sensibly combine those figures into a national total. And very often this will take the form of a full-blooded financial management information system that isn't just used for estimating, but when the budget is passed it will make its way down into the system again and can be used to control expenditure. And in those sorts of circumstances it's always worth bearing in mind that an election is a decentralised operation and therefore spending has to be decentralised. Even if it's only for things like paying polling officials, you will never be able to get polling officials paid on time if the chair of the electoral commission has to sign off on every payment. So inherent in the work we do is the need for having decentralised management of money, so that people out in the field offices can actually spend on the things that they need to spend on to get the election into place. And that means that once the organisation has a budget allocated to it from the government it is then going to have to divide that up into internal buckets of money which the people right through the organisation are delegated to spend. Once you delegate responsibility like that, you need to have tools that you give to the staff to be able to know how much money I'm entitled to spend, how much I've already spent, and how much I have got left in this financial year. So sitting underneath all of what we've been talking about is this need for a quite effective mechanical system that will enable the funds that have come through to be managed efficiently and with control. If you don't have that everyone will spend everything and you'll blow your budget by 200%, and they'll take it out of next year. Okay, I shall hand back to Yvonne. Thank you very much!

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This transcript has been lightly edited to enhance readability and clarity without changing the sense of the points made by the discussant.

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