

Transcription - Harry Neufeld - Seven insights on Financing of Elections

Part 1 Independence and Accountability

Hello. My name is Harry Neufeld and I have been asked by the BRIDGE facilitators to provide you with some of my insights from three-and-a-half decades of dealing with election finances. I think the first thing I want to point out is that there is often a lot of concern raised about the independence of an Election Management Body. My experience is that not all EMBs are financially independent, even though most that I have worked with have been legally independent. There are two sides to the coin of independence. Obviously, there is the whole issue of *legal independence* — the idea that executive government does not control the actions and decisions of the EMB. But the flip side of the coin is *accountability*. My experience is that even in jurisdictions that have full legal and financial independence, there is a requirement for a heightened level of accountability. Most jurisdictions that have the combination of legal and financial independence are required to go through a full financial audit every year. Thank you.

Part 2 Accounting Matters

Hi. It's Harry Neufeld again. One of the other things that I wanted to chat about was that for an EMB that is working through the process of getting a budget pulled together and approved, accounting practices matter. *[smiling]* Accounting is one of those “dark sciences” that only a few people have the stomach to actually go into. But it's very important that the principles behind the accounting practices are understood by the people that are preparing the budget and are going to have to account for the monies once the budget is approved. Generally, my experience is that government monies, and it's almost always the case that an EMB is dealing with the public funds, requires having an accounting practice that involves Standard Objects of expenditure. These are often referred to as STOBs — which doesn't really work as an acronym. My experience is also that standard objects of expenditure don't have a lot of meaning when it comes to defending your budget — or looking in the past, to see what things cost last time. So, in addition to doing a standard object of expenditure budget, there is a requirement to break it out and present it as a budget for discrete activities that are in support of an election or whatever the activities might be in the fiscal year that leads up to an election or follows an election.

Part 3 Ongoing and Event Costs

There is a best practice that has developed with EMBs around the globe that separates out two categories of costs. *Ongoing administration costs* are things like having a headquarters office, core staff, telephones on their desks, desks to sit at, chairs, centralized computer systems and janitorial services — that sort of thing. These are costs that are going to be incurred year after year whether there is an election, or some other electoral event, or not. There is also a necessity to have a separate category for *event funding*. Events might be an election, a by-election, a referendum or a plebiscite, or even something like a redistribution of boundaries for the purposes of changing an electoral map. You'll want to know what this cost last time and frequently when you are defending a budget, it's very important to know that the costs for the last event were “X” and this event is going to cost a bit more because of inflation or a bit less because of reduced requirements. To have a comparison point it is very important when budgets are prepared that they be very clear what an event costs and what the components costs are within an event. Likewise, ongoing costs are going to be pretty much the same from year to year. There may be some growth if there is an expansion of the mandate for the EMB, but they

tend to be the same kind of costs year over year with minor adjustments for inflation and so on.

Part 4 It's accrual world

On the topic of accounting matters, there is the whole issue of dealing with STOBs which probably government accounting will require, being a classification of all expected expenses into standard categories. There is the whole concept of dealing with ongoing funding versus event funding. What is going to be the requirement of the ongoing operation doesn't change very much, whether or not there is an election or any other event. And what the event costs are going to be in the upcoming fiscal year, even if it's in the preparation for an event. It gets tricky because you are going to have projects and sometimes and it's not going to be clear whether the project is for the ongoing operations of the EMB or for a particular event or for multiple events. Like a new computer system might cost millions of dollars, and is it going to be an expense for the election? Is it going to be an expense for multiple elections? This is where a government accounting rules and things like amortization become very important. You need to know these rules before you start creating your budget because the effects of how they are dealt with on things like accrual can cause nasty surprises if you don't know about it.

Part 5 Top Down Bottom Up

I sometimes get asked about what the best budgeting approach is for an EMB. There are people who advocate a *topdown* approach. That is, to figure out what things cost the last time — be it the election, the enumeration or a referendum. You factor in things like inflation, additional requirements in the legislation, an enlarged electorate. You come up with a budget figure relatively quickly that is defended on the basis of “well, it cost us this much last time” and “these are the additional factors which are well justified that are going to increase the costs”. That is one way of doing it. Another is to do what is called *bottom up*. This is far more work and is very necessary if you haven't got a history of accounting for your electoral events and what their costs were. Bottom up really requires that each section of an EMB sit down and work through what they expect the costs will be for each aspect of what delivering an election or any other type of electoral event that is going to cost. Having a defensible budget for their responsibilities, and that is all rolled out by generally the accounting folks in the organization, you get a number — a bottom line number — of what the budgetary needs are for an EMB. Either method will give you this number. Which one is better? I personally think that you need to do both. Senior management should be doing a top down budget exercise; supporting management — middle management and supervisors — should be working from the ground up on figuring out what the real costs are. Then there should be a discussion in the middle about “who's right?” and “which factors were forgotten?” and determine if additional things that were in the *bottom up* exercise were not taken into account in the *top down*, or vice versa. My experience is that doing both ultimately provides the most defensible budget.

Part 6 Dry Run

A budget presentation, to whoever the holders of the purse strings are, is often a very critical component in success — or not success — in getting the budget that is required for an EMB. My experience in having led at some EMBs is that it's a really good idea to do a dry run of the presentation that you are going to do and to involve your management staff in that exercise. Typically, if it's a legislative committee or a treasury board or some other type of tribunal or other organization, they will set out a set format as to what is going to be expected. My experience is that normally you are expected to submit a written

budget with details on all your figures and justification of why you require the budget you have submitted. That's sent into whatever group there is that is going to be doing your review. And a few days or weeks later, you are asked to come in and do a verbal presentation. This verbal presentation is really, really important — and it can make or break whether or not the EMB gets what it is requesting. I suggest that this written budget submission be distributed to all members of management, and then all members of management are expected to meet and go through a dry run where they get to be the people asking the questions. The managers are the ones who are reacting to comments made in the overview. Typically, the leader of the EMB is asked to give a 5, 10 or 15-minute description of the budget request and then it gets opened up for questions which can often run for around 45 minutes (or even as long as 2 hours). That is where it gets really interesting. I've had great experience with allowing managers to "role play" being really, really hard-nosed protectors-of-the-public-purse and asking the hard questions. I've found, as well, that they are inevitably much harder coming from management in the EMB than they are from whoever that makes the decisions ultimately.

Part 7 A Budget is a Plan

Many years ago, I was working in the electoral commission of Guyana when they were going through a particularly challenging set of elections. There was a sign on the wall which I have never forgotten that said "failing to plan is planning to fail". This whole idea of elections being about planning, has been something that has been repeated throughout my career. I believe very much that EMBs are a perfect place to have continuous planning going on and for real culture of planning to be a feature of the organization. A budget, after all, is just another aspect of planning. It's getting to the details of what it's going to take to deliver on goals, objectives and strategies that have been chosen by the organization and what resources are going to be required in order to actually deliver the things that are desired and needed. There is an old adage that "if you don't know where you are going, any road will take you there" and that "if you're too busy to plan, you are not managing – you are just reacting". I believe — very much — that EMBs are ripe for adopting, in a very systematic way, project management methodologies. Now there are many ways of doing project management, but what I think is really important to understand is that something as big as delivering an election is not actually just one project – it is what some call a "portfolio" of interlinked projects. Think about that — and then think about how every project needs a budget.

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

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