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Bringing new politicians into the budget process

Background

The new Parliament of Sampania started sitting in January 2017 and received its first budget proposal in March 2017. Sampania is in the process of recovering from an El Niño-related drought that saw GDP drop by 14 per cent between 2012 and 2016. Fortunately, the regular rainy season returned in 2016, and GDP growth was a positive 0.4 per cent.

The ruling party, the Able Working Party (AWP), lost its majority in the last election and, as a result, the country is now ruled by a minority-led coalition. For 36 (45 per cent) of the parliamentarians, this was their first time in such a position and they were keen to make sure that money was allocated to their constituencies.

The draft budget for FY17/18, delivered on time to the legislature, had been working within a resource envelope of 6.7 billion Sampanian Kronas (US$740 million), which was agreed to by the revenue authority, taking into consideration a modest GDP growth expectation of 1.7 per cent and the impact of tax breaks for the telecoms companies negotiated by the outgoing government. Parliament identified new revenue sources to support a final approved budget of 7.2 billion Sampanian Kronas (US$788 million), an increase of just over 8 per cent.

Most of the additional 500 000 Sampanian Kronas (USD$63 million) went to uplift the parliamentarian stipend, the hiring of 3 000 new primary school teachers, the pooling of regional development funds, consultations focused on raising awareness of sustainable development goals (SDGs), and a shoe factory located just outside of Titoink, the third-largest city of Sampania and hometown of the minister of defence. After the official passing of the budget, 65 of the parliamentarians accessed their stipends to return to their constituencies and launch the first round of SDG awareness-raising consultations.

According to the public financial management (PFM) law of Sampania, budget hearings should be held for each of the sectors identified in the medium-term growth plan. These took place in March for each of the seven sectors; however, due to miscommunication, only eight out of 71 institutions attended. As opposed to the practice of the previous Parliament, the media were not invited. No minutes were kept, which is contrary to PFM regulations.

It became clear during the first six months of the year that revenue would not meet the 7.2 billion Sampanian Kronas (US$788 million) target and a recast was required. This was completed in December 2017 to the value of 6.7 billion Sampanian Kronas (US$740 million). The recast found that 70 per cent of the uplift had already been allotted and spent by December. This resulted in deep cuts to business-as-usual government goods and services for the second half of the year. This early allotment of the uplift was a legal exercise as the PFM law of Sampania does not specify the treatment of contingent revenue and contingent liabilities.

In the third quarter of the year, project assessment teams began to visit the regions to review the ongoing work in line with the monitoring and evaluation schedule. A full project review was not possible because of the funding constraints over the required transportation and daily subsistence allowance (DSA). They were unable to identify any specific drought-relief activities completed using the regional development funds. The Titoink factory's allotment had been used to fund a feasibility study and a scholarship programme, and to promote the investment opportunity at several European and Asian trade fairs. The Ministry of Education provided an assessment that 2 700 of the new teachers had been hired. Some teaching materials had been received by 900 schools out of which only 200 schools had received adequate materials.

The case

After seven years moving through the ranks of the Ministry of Finance, you were brought in by the Office of the Prime Minister as the director of the Budget Liaison Office in December 2017. The previous director had left to undertake a two-year course in fashion design in Milan and New York, with an emphasis on children's shoe design, which he plans to apply in the role of chief executive officer of the new shoe factory. He departed several months before your appointment and left few handover notes, though there are some files related to the AWP's five-year term of 2011–2016.

The Budget Liaison Office is supposed to act as an independent body for co-ordinating Parliament, the Ministry of Finance and various sectors in preparing for and managing the committee meetings. The previous director was known to have difficulty in maintaining a consistent approach to the technical requirements of the role, and some work will be required to regain the reputation of neutrality, which was part of the original function of the office. You have a staff of seven to help with your task, five of whom joined with the new Parliament and have experienced only one budget cycle.

After your first three months in office, the following matters have landed on your desk:

- The chair of the Parliamentary Accounts Committee (PAC) has privately expressed concern to you that if things continue along the lines of last year's budget, there will be a post-drought recession, the economic stresses of which could eventually lead to civil unrest. He would like you to provide guidance on what activities the PAC could undertake to strengthen its challenge function in guiding effective resource allocation.
- The health, agriculture, education and infrastructure sectors faced year-on-year cuts in real terms as a result of the recast. As part of a political reshuffle, three of these four sectors have new chairs and, in each case, for three of the five members, it is either their first or second year participating in the budget process.
- The chair wants to use this turnover as an opportunity to reset at least part of the process for the remaining years that the current Parliament will be sitting. He would also like your guidance on specific types of information or training that could be provided to MPs, especially the new chairs, to help them understand the budget process and the pros and cons of their spending decisions. He would also like your advice on how to liaise and work with the CSOs.
- In addition to your work with the chair of the PAC, ten AWP parliamentarians have approached the Budget Liaison Office for guidance on participating in the March 2018 budget hearing process. What are the possibilities and challenges of working with these parliamentarians? What might be some ways of maintaining neutrality while also providing advice?

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