

BANGLADESH PARLIAMENT IN THE 21ST CENTURY

Towards Greater Accountability to Parliament

***“Have only the Hats
Changed”?***

**Presentation by
Hon David Butcher**

Offering - Practical Observations

- profession: economist
- union official 3 years
- Member of Parliament 12 years
- 6 of 12 a minister
- 3 years, deputy agriculture, lands & forests
- 3 years, commerce, energy, deputy-finance, postmaster-general, etc.
- consultant 10 years

Clue's to Parliament's role

History contained in the language:

- Bills: king's bills - nobles demanded the right to assent
- Parliament: from the French "Parler" - to chat, or talk
- Speaker: Report decisions to king - hazardous occupation
- Committee of the Whole: in secret - no individual
- Cabinet: informal, before audience, came later

TWO PRINCIPLES:

- Consent (representation) and Transparency - process of continuing innovation to achieve these objectives

Battle for Parliamentary CONSENT

- **Magna Carta** - Link between money and consent
 - Freedom from official extortion
 - Consent of nobles to taxes
- **Bill of Rights 1689** - Link between money and elections
 - Frequent Parliamentary elections
 - Freedom of speech
 - Illegal to raise money without Parliaments assent
- **Reform Act of 1832** - link constituencies and people
 - representation of people not property

The Search for Transparency

1800 - 1950 huge expansion in the roles of government: administration to development

- **loss of parliamentary control:**

- complexity - electricity and telecommunications, "control" required some knowledge (not so true now)
- breadth of functions - growth of the welfare state
- state security, obfuscation - "UK nuclear weapons research" paid for as "other salaries"

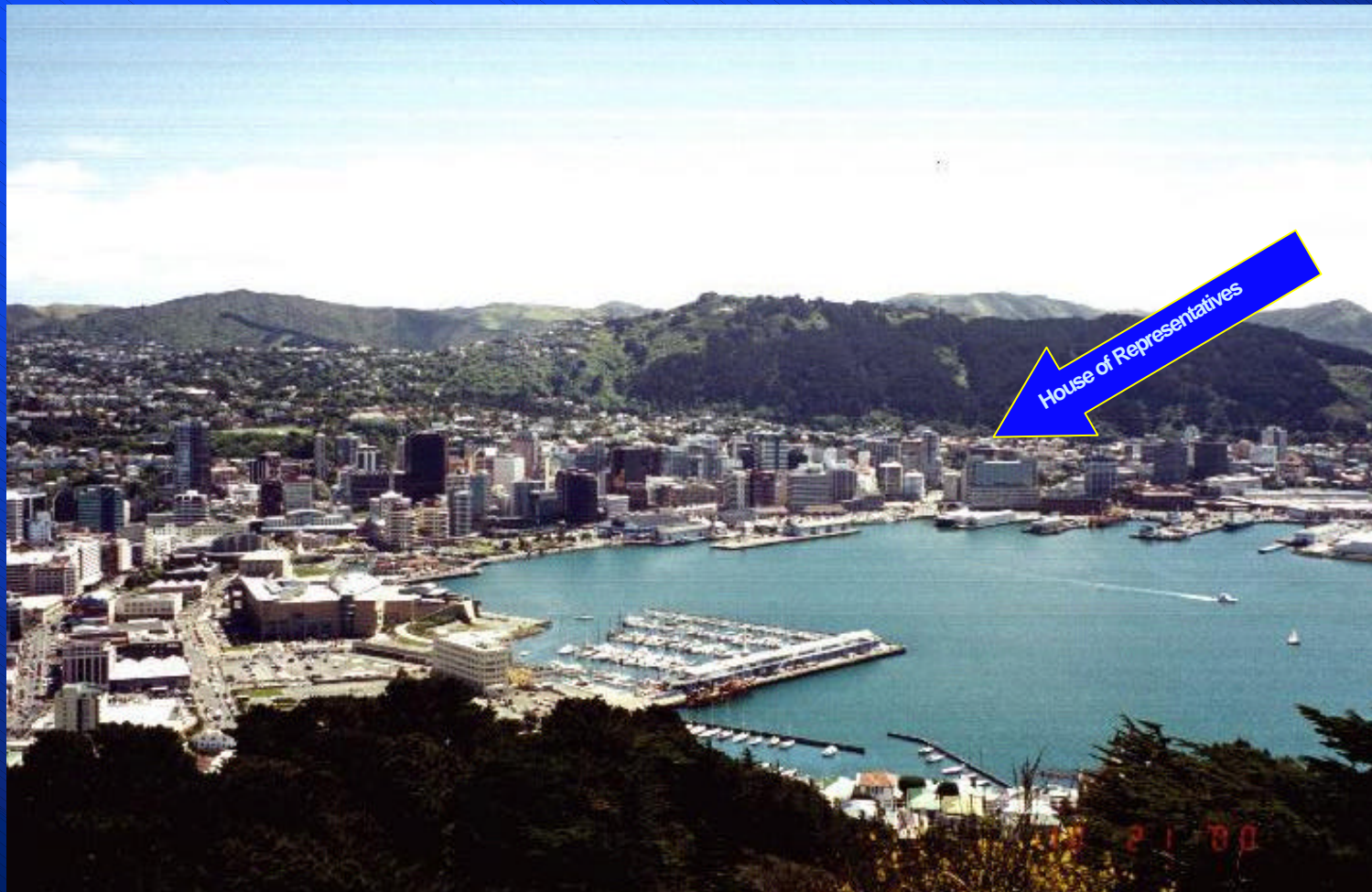
- **result:**

- reduced quality, relevance of debate
- smaller participation in political parties

Problems with Politics

- many countries have experienced trauma in their politics:
 - US - falling participation in elections
 - France - corruption scandals
 - Germany - Kohl crisis
 - Bangladesh - ?
- during the 1970s New Zealanders felt the executive and bureaucracy no longer accountable to parliament
 - public expenditure out of control
 - poor quality service
 - politicians unable to tell what was happening

Wellington New Zealand



1978 Report of the Auditor General*

CAG reported on poor financial management in the New Zealand public service:

- trading organisations
 - cash accounting, capital not valued
 - no means to match expenditure with revenue
- non-trading organisations
 - budgets half way through year; outturn the following year
 - little control by ministers on how money is spent
 - no plain language reports, year to date accounting

i.e. NO TRANSPARENCY = LITTLE CONTROL

(* CAG Research Report)

1979-84 Public Expenditure Committee

CAG Report: - government / owned operated:

- banks, insurance, railway, airline, shipping line, construction company, and the electricity system, post, telephone
- health, education and social welfare;
- commercial forests and farming operations, land development;
- local hospitals, schools, airports, harbours etc;
- energy projects with extensive government subsidies
- core administrative ministries
- QANGOs (statutory boards, agencies etc)
- also many local government owned trading entities -worse

Weak Parliamentary Oversight

expenditure controls - absent

- voters and MP.s interested in OUTCOMES
- information systems "help government ration resources, not measure the value of what produced." - focus INPUTS

ministers and MPs:

- analysis impossible because no statement of objectives,
- no indicators of efficiency or effectiveness of expenditure.

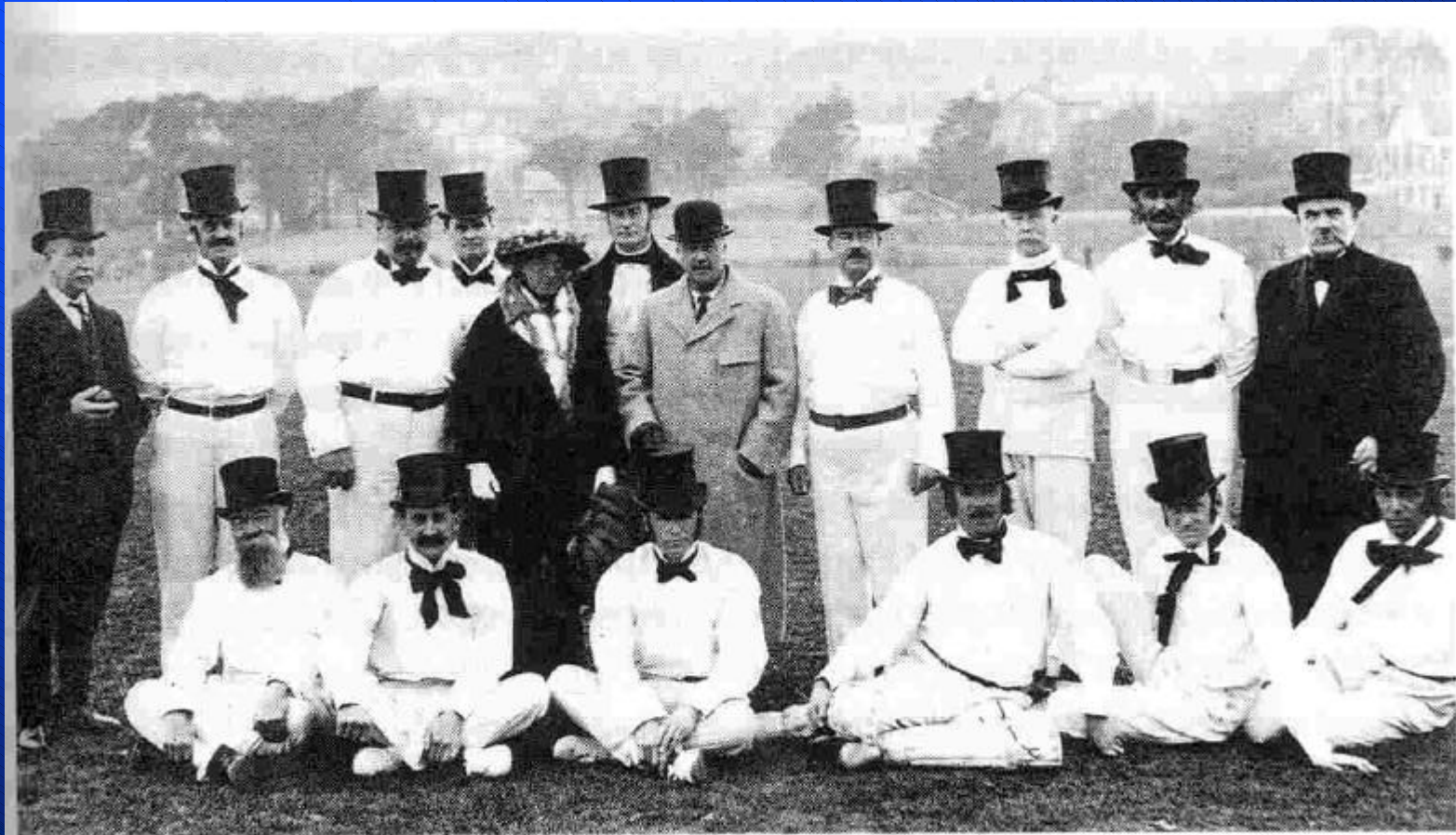
select committees ineffective because:

- they reviewed annual reports, budget data and questioned officials, but
- accounting system produced DATA, not INFORMATION
- if good questions asked, no information to answer with

Public Expenditure Committee Review

- 1979 PEC decided to monitor the response of the government, agencies and ministries to 1978 CAG Report.
 - CAG identified its role in reporting on the EFFICIENCY of expenditure as well as the HONESTY,
 - targeted the SYSTEMS not ex-post the disasters
 - PEC met CAG regularly to review progress
 - ante room full of photos of past Accounts Committees
- “I looked at the photos and had to ask is, has anything changed around here, except the hats” - F Shales CAG

In the 21st Century we need more than new hats



Parliamentary cricket match, 1914.

Monitoring Mechanism

Two Sub-Committees

- Trading Departments Sub-Committee
- Non-Trading Departments Sub-Committee
- Focused on the SYSTEMIC problems

Both Committees had:

- Opposition Chairperson
- Government Majority

Result

- Each agency reported on reforms every six months
- Agreed that if reports not unanimous dissent recorded

Reaction of the Public Service?

common replies to suggested reforms (yes minister)

- they are impossible
- they will be very difficult
- they will take a long time
- however, e.g. MOW charging for architectural services - once implemented - “would not go backwards”

reactions to the committee's work?

- genuine enthusiasm (frustrated reformers)
- obfuscation (cautious bureaucrats)
- send the lance-corporals (mandarins about to retire)
- snow job (mandarins some time from retirement)

Getting Taken Seriously

significant breakthroughs?

- MOW
 - charging for service ended unnecessary repeat work
- two officials driving financial management reforms
 - fired for inaction and obfuscation
- two lance corporals
 - poured out their hearts to the committee
 - comments reported verbatim - bureaucratic explosion
- Good staff analysed paper mountain
 - picked out the embarrassing details

1984 Election

- occurred in the middle of a currency crisis
- key members of the PEC became senior ministers
- new senior ministers fully aware of the problems
- Treasury and Reserve Bank detailed similar conclusions in briefings to new government
- official briefings PUBLISHED for the first time
- post election SUMMIT CONFERENCE to gather support

i.e. TRANSPARENCY USED TO BUILD CONSENSUS

Economic Management - Treasury 1984

- “most departments had no clearly defined goals or management plan.
- few effective control mechanisms to review performance of departments in meeting their required outputs.
- little freedom to change the way departments operated to meet their goals, especially in staffing matters.
- too much emphasis was placed on control of inputs.
- there were no effective review mechanisms for dealing with poor performance by senior management.”

Piecemeal Reform 1984 -1985

- all trading activities subjected to tax
- financial return the basis for all new trading investment
- concessional funding for trading activities reduced
- introduction of cost recovery targets for public service
- system of performance agreements pioneered
- performance indicators enhanced
- many privileges and handicaps removed from trading departments

Doing the Job Properly

1984-1985 realisation that the problems could not be overcome in current framework:

- during previous 20 years NZ \$5,000 million into the departmental trading activities
- assets valued at +\$20 billion, employ 60,000 staff
- net after-tax cash return to the tax-payer: ZERO!!
- difference: current return - normal commercial return greater than entire health or education spending
- costs of poor return are clear, benefits less clear.

1986 - 94 six new laws (two different governments)

SOE Act 1986

4 Key Principles

- SOE managers have clear commercial objective - to prevent inconsistent objectives from being pursued.
- SOE boards of directors have the authority to make the decisions necessary to meet their objectives.
- Management performance closely monitored against the objectives achieved.
- An improved system of managerial rewards and sanctions would provide better incentives

Operational Framework for SOEs

SOEs therefore:

- compete as normal business,
- managers do all pricing and marketing,
- ministers (MPs) keep out of detailed management
- performance objectives negotiated with ministers,
- boards from the private sector.
- loans from government repaid, from private bank,
- SOEs pay tax and dividends

Transparent Interface-

- statement of corporate intent
 - a rolling set of planned objectives
 - proposed by soe, negotiated, and approved or amended by minister
- regular reports
 - annual (within 3 months), half yearly (within 2 months), business plan - presented 31 march.
 - Covering: capital employed, cash flow, operations

Parliament surrendered detail in order to
get control of the fundamentals

E.g. Corporatisation NZ Post

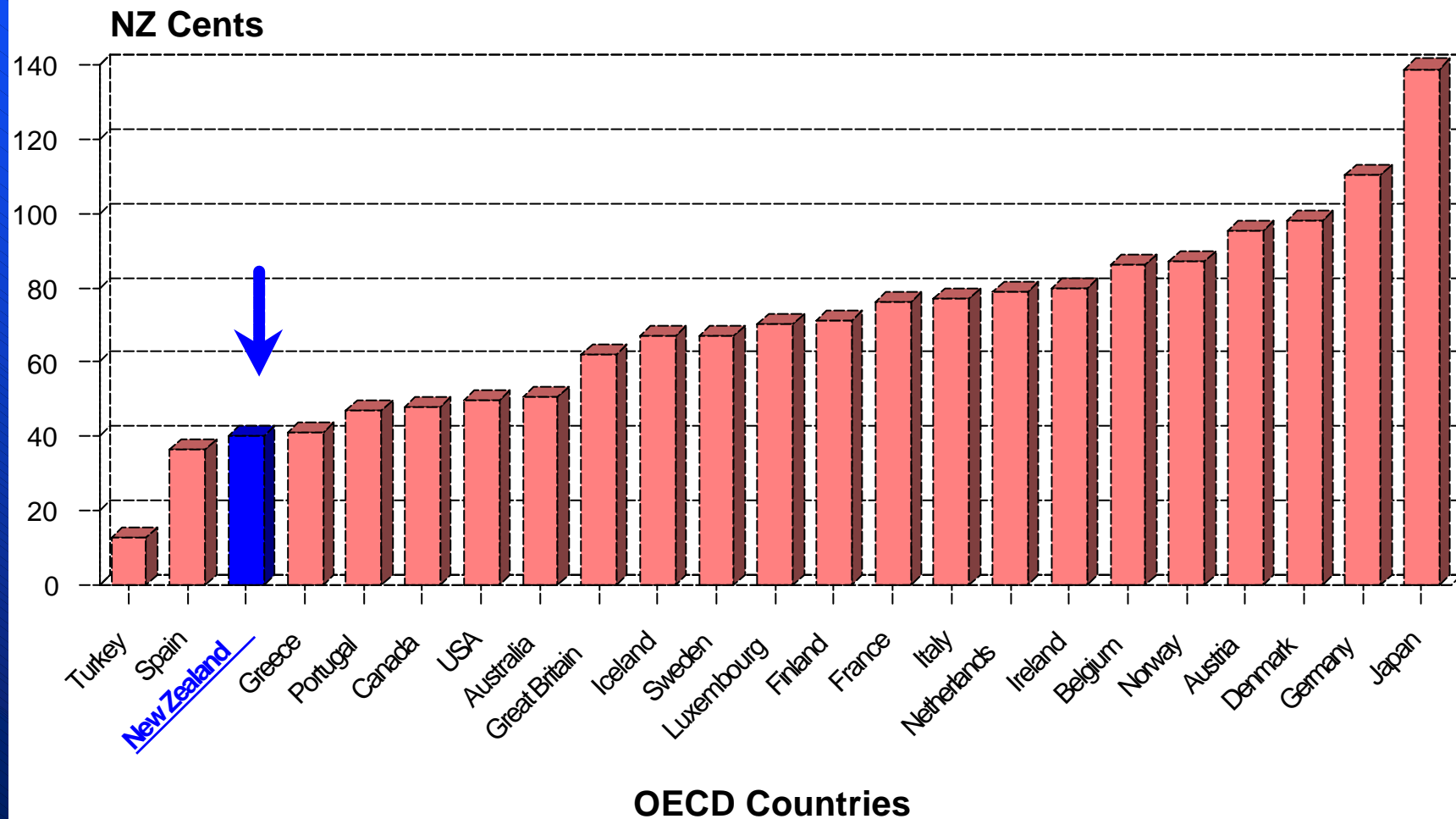
The focus of a Government department is different from a commercial operation.

- New Zealand Post is now a company.
- Separation of powers: Board (commercial) and Government (shareholder and policy),
- Shares held: Ministers of Finance and SOEs,
- SOE Act controls the accountability requirements.
- Postal Services Act for regulatory aspects- all legal barriers to competition now gone.

Critical Success Factors

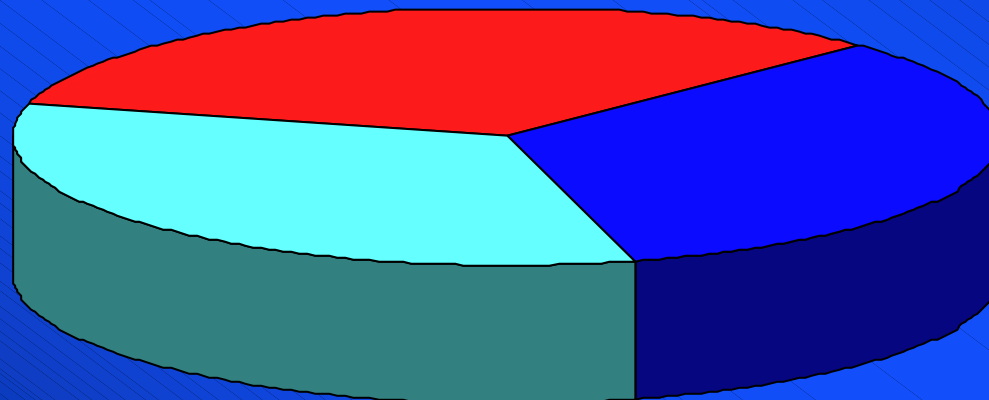
- clear objectives set:
 - managers accountable for people, levels of service,
 - social service requirements funded by government.
- ability to take risks and be held to account:
 - application of commercial disciplines:
 - work like a normal commercial company;
- reward staff for performance (like private enterprise)
 - no longer public servants
- management:
 - infusion of skilled private sector people

Post SOE International Prices



Where is the Post Office Now?

New Zealand Post
SOE under 1986 Act



Post Bank
(sold to ANZ)

Telecom New Zealand
(sold now listed NZ
and NY Stock Exchanges)

State Sector Act 1988

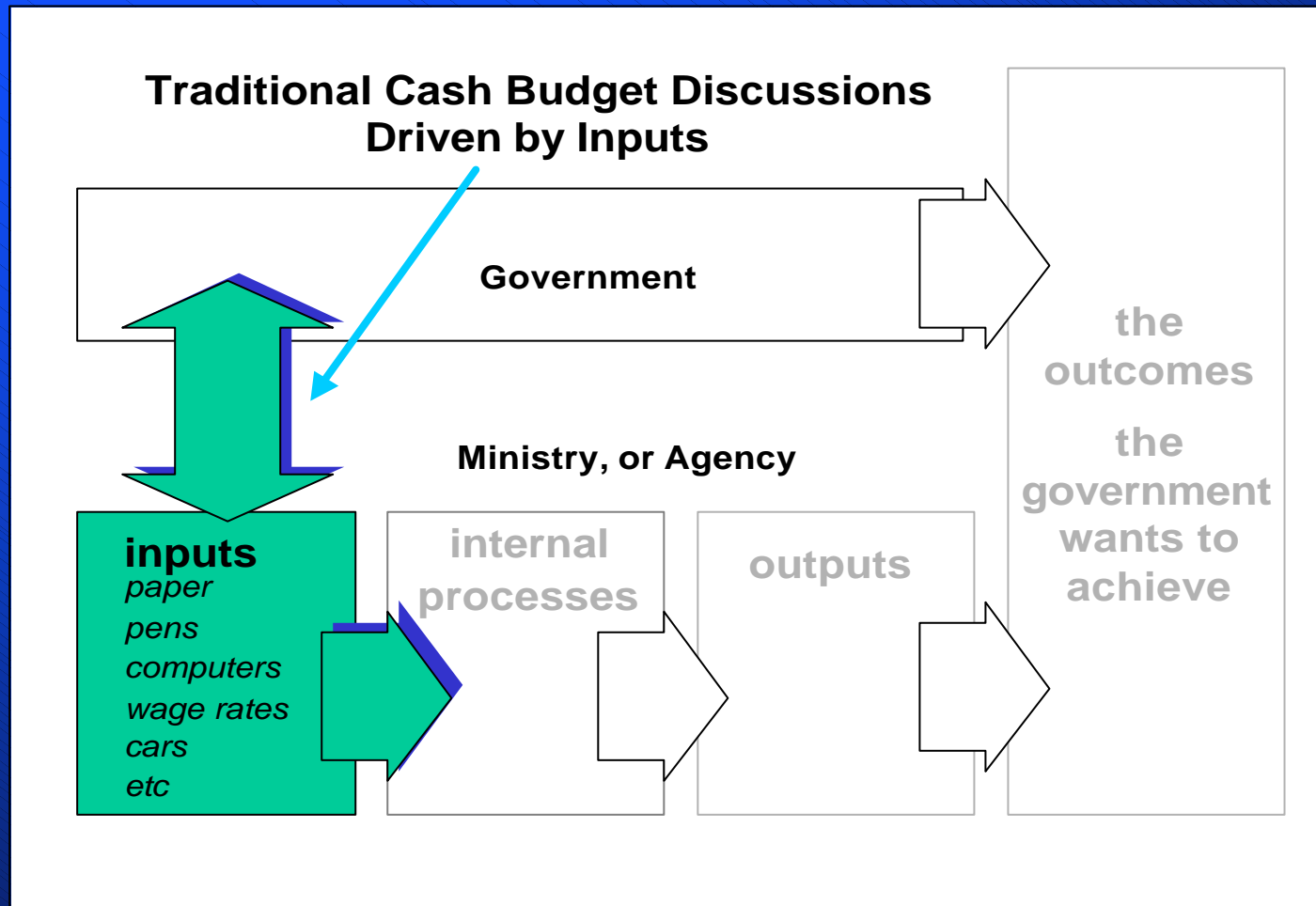
- Ministries had chief executive on 5 year contract, no longer “permanent head”
- each entity its own employing authority
- CE negotiates with workers representatives
- private employment conditions and laws
- enhanced reporting provisions
- public service appeals system removed
- centralised bargaining removed

Public Finance Act 1989

- Underlying principles:
 - Clear specification of objectives
 - Freedom to allocate resources to best use
 - Accountability
 - Effective Assessment of performance
 - Sufficient information to assess performance
- accrual accounting

Main feature: the shift from INPUT based
Budget to OUTPUT budget

Traditional Input Budget



Inputs Annual Budget: Environment*

Tells us about:

- Personnel costs, operating costs etc
- "Expended" only available 12 months after budget
- (Note large over expenditure)

useless for analysis or
Parliamentary Debate

**Table 5. Ministry for the Environment
Appropriations**

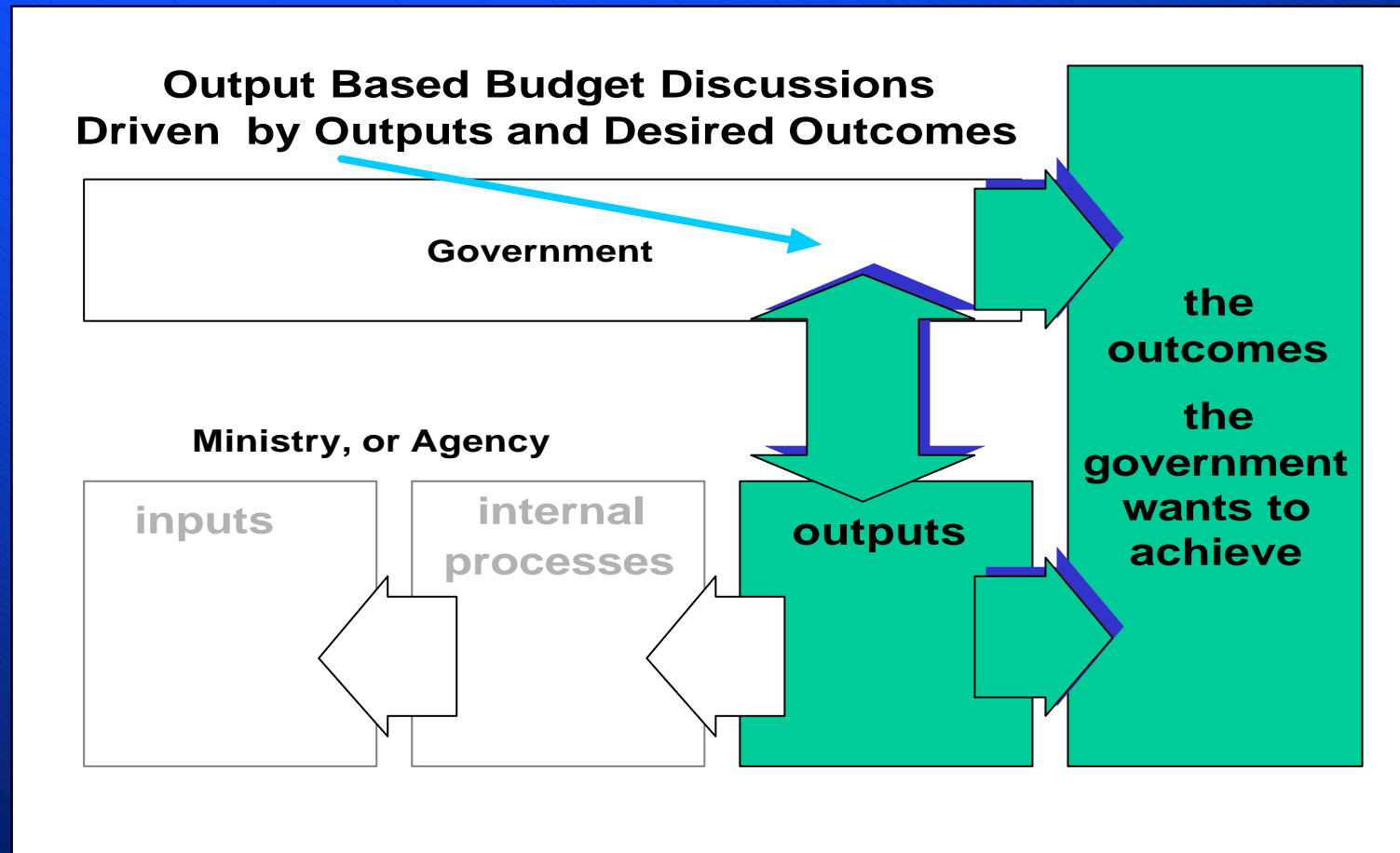
(In thousands of New Zealand dollars)

	1987/88	1986/87	
		Voted	Expended
Personnel	2,160	551	625
Operating costs	1,755	384	524
Capital	700	124	39
Grants	44	—	—
Transfers (goods and services tax)	462	84	60
Total	5,121	1,143	1,248

Source: Estimates of the Expenditure of the Government of New Zealand for the year ended 31 March 1988.

* Government Reform in New Zealand Scott: Oct '96 P. 54

Output Based Budget



Budget Broken Down into Classes *

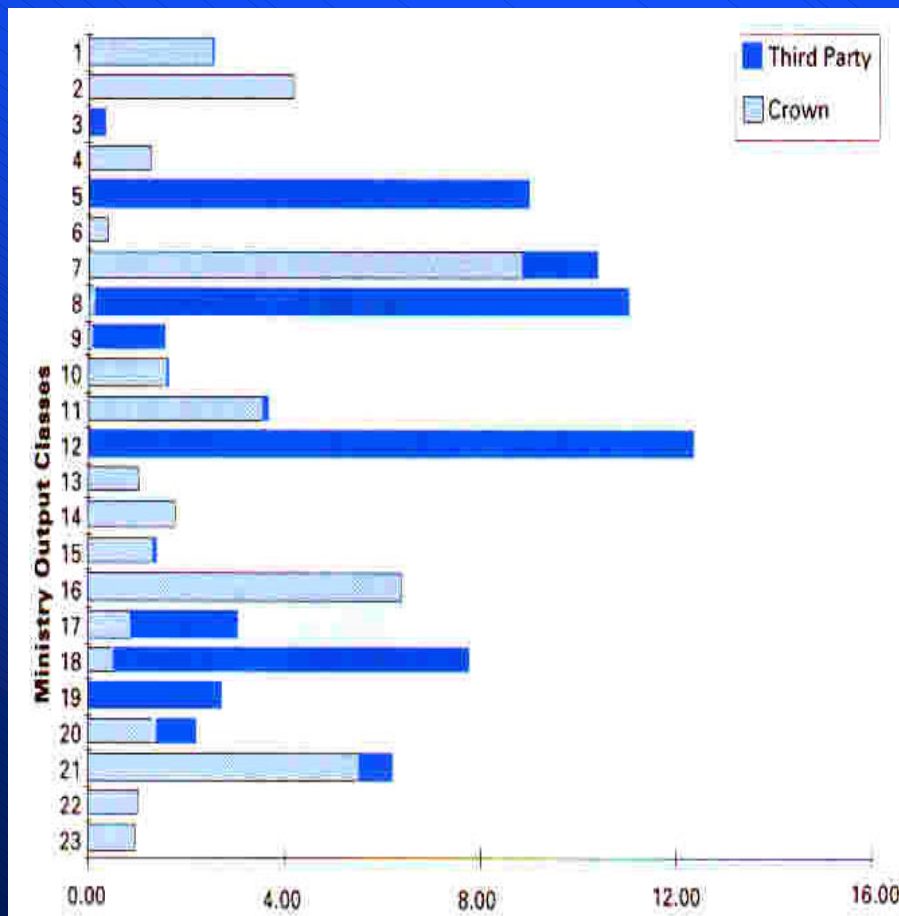
Output Classes:

- ministry activity is classified
- identifiable contributions to the outcomes
- mix of crown and recovery funding
- all overhead costs included

Output Funding revenue (\$M)			
Ministry Output Classes	Crown	Third Party	Total Revenue
	(\$M)	(\$M)	(\$M)
1 Policy Advice Business Environment	2.53	0.02	2.55
2 Policy Advice Competitive Markets and Business Issues	4.19	0.00	4.19
3 Administration of Import Legislation	0.00	0.35	0.35
4 Investigation of Trade Remedies Complaints	1.25	0.00	1.25
5 Registration and Granting of Intellectual Property Rights	0.00	9.02	9.02
6 Industrial Supplies Office	0.39	0.00	0.39
7 Administration of Insolvencies	8.86	1.55	10.41
8 Registration of Statutory Information	0.14	10.93	11.07
9 Public Provision of Registered Information	0.09	1.48	1.57
10 Policy Advice Business Development	1.61	0.05	1.66
11 Policy Advice Communications	3.57	0.12	3.69
12 Management and Enforcement of the Radiocommunications Act 1989	0.00	12.40	12.40
13 Policy Advice Consumer Issues	1.01	0.00	1.01
14 Information and Education Services for Consumers and Traders	1.74	0.00	1.74
15 Administration of Trade Measurement Legislation	1.35	0.06	1.41
16 Policy Advice Energy and Resource Issues	6.38	0.00	6.38
17 Management of the Crown Mineral Estate	0.86	2.21	3.07
18 Administration of Gas and Electricity Regulations	0.51	7.28	7.79
19 Administration of Mining Regulations	0.00	2.75	2.75
20 Energy and Resource Information Services	1.40	0.81	2.21
21 Energy Efficiency and Conservation	5.51	0.70	6.21
22 Policy Advice Tourism	1.03	0.00	1.03
23 Wairakei Tourist Park	0.95	0.00	0.95
Total	43.37	49.73	93.1

* Ministry of commerce Departmental Forecast Oct '96 P. 19

Crown/Cost Recovery Funding*



Graphical illustration of funding sources for a Ministry in 1996

- increases the information available to parliament
- note that some classes are fully funded by cost recovery
- increases accountability of ministry to public

* Ministry of commerce Departmental Forecast Oct '96 P. 19

Example of Output *

OUTPUT class:

- specifies:
 - outcomes
 - performance measures
 - costs
- itemised and described
- officials can be held to account
- every item useful

Box 10. Environmental Hazards Control

Description

Subsidies are provided to regional councils for a combination of measures that reduce community risks from environmental and physical hazards. Control measures may include the implementation of a combination of economic instruments (e.g., compensation for conversion of mining right privileges) with physical remedial or preventive works. Physical measures may include flood protection works, erosion control in high-priority catchments, remedial works for environmentally degraded water bodies, and the cleanup of contaminated sites.

Outcomes

This output class will contribute to

- reduction of Government's liability as insurer;
- protection of communities against environmental and natural hazards; and
- maintenance or enhancement of the nation's international environmental reputation for trade and tourism.

Performance measures

Quantity and timelessness

- Construction of stop banks on the lower Waihou River completed by April 31, 1995.
- Cleanup initiated on the two highest-priority contaminated sites by June 30, 1995.
- First year of a five-year program of soil conservation planting for five high-priority catchments covering 3,000 hectares in Gisborne District completed by November 1, 1994.
- First year of a three-year program for the treatment of five high-priority environmentally degraded water bodies completed by June 30, 1995.
- Construction of one river control works initiated by June 30, 1995.

Quality

- Construction of Waihou Valley Scheme works in accordance with the advice of its Technical Advisory Committee.
- Cleanup of contaminated sites in accordance with recommended remedial measure.
- Remediation measures for environmentally degraded water bodies and land carried out in accordance with and under supervision of water quality scientists and soil conservators.

Cost

Outputs in this class will be provided for the appropriated sum of \$NZ 4.702 million inclusive of goods and services tax.

- Significant providers.
- Regional councils, with Waikato Regional Council being the major provider with the construction of the Waihou Valley Scheme.

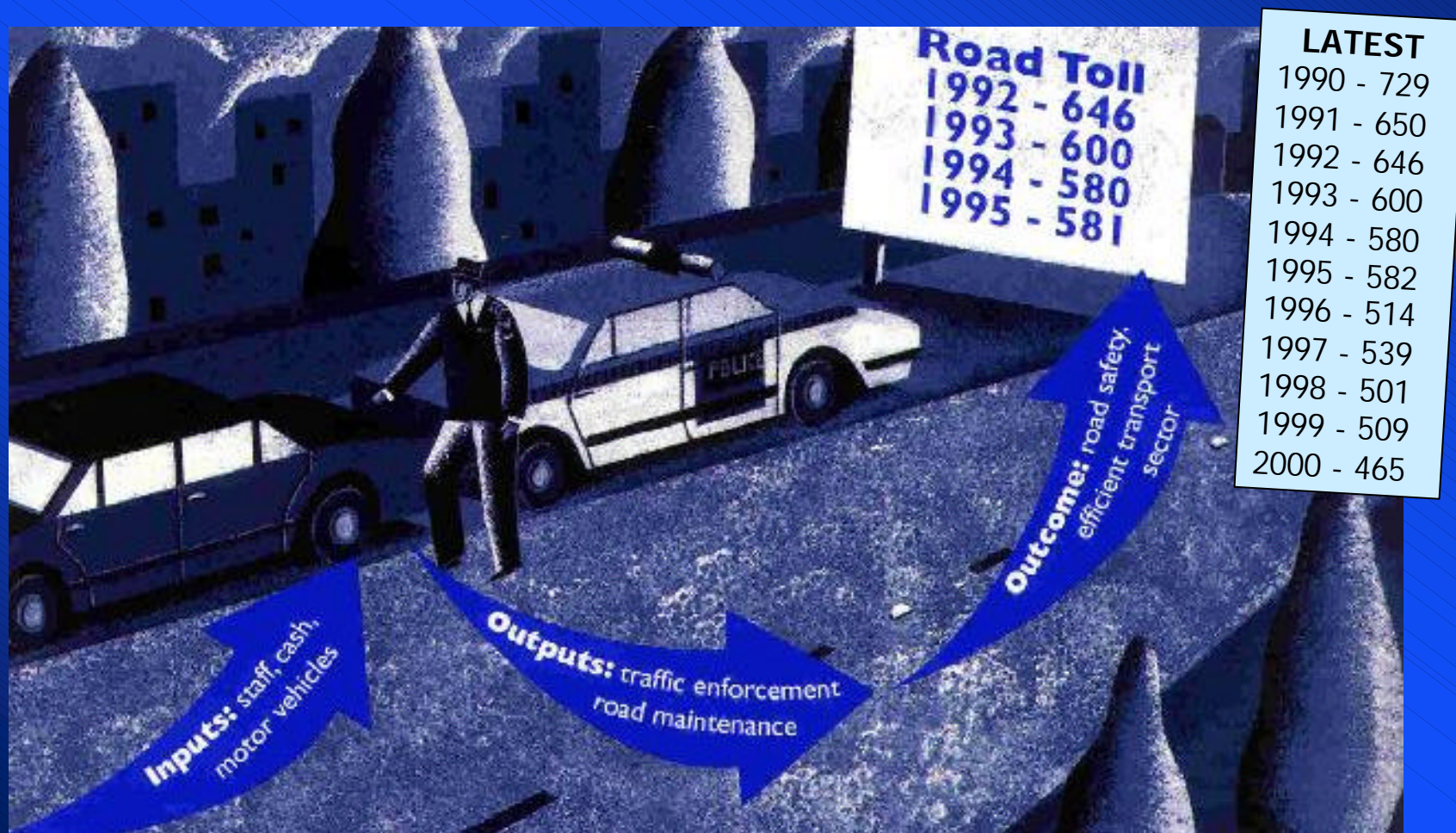
Source: Estimates of Appropriation for the Government of New Zealand for the year ended 30 June 1994.

* Government Reform in New Zealand Scott: Oct '96 P. 53

What does Parliament Control?

- government defines the OUTCOMES it wants,
- agencies define OUTPUTS to achieve outcomes,
- ministers purchase the OUTPUTS
- can purchase from any private or public agency
- Parliament can debate government policy in detail:
 - proposed outcomes
 - output selection
 - management of outputs etc
 - actual outcomes

Practical Example: Road Safety



* Putting it Together, Treasury 1996 P. 14

Reserve Bank Act 1989

Monetary policy:

- Government defines the target, RB is accountable for reaching it, "multiple targets, multiple excuses"
- Governor signs contract (you can fire a person!)
- Parliament can debate the policy, compliance or administration

Prudential Responsibilities

- based on disclosure - TRANSPARENCY
- market commentators, borrowers / lenders have better incentives than officials

Employment Contracts Act '91 (The only law substantially changed)

1991 Law:

- employers and workers negotiate contracts,
- may be assisted, can be unions, no special status
- no compulsory membership of organisations
- same rules in state and private sectors

2000 Law

- Good Faith bargaining
- Stronger role for unions, still no compulsory membership

Fiscal Responsibility Act '94

Aimed at encouraging responsibility through
TRANSPARENCY

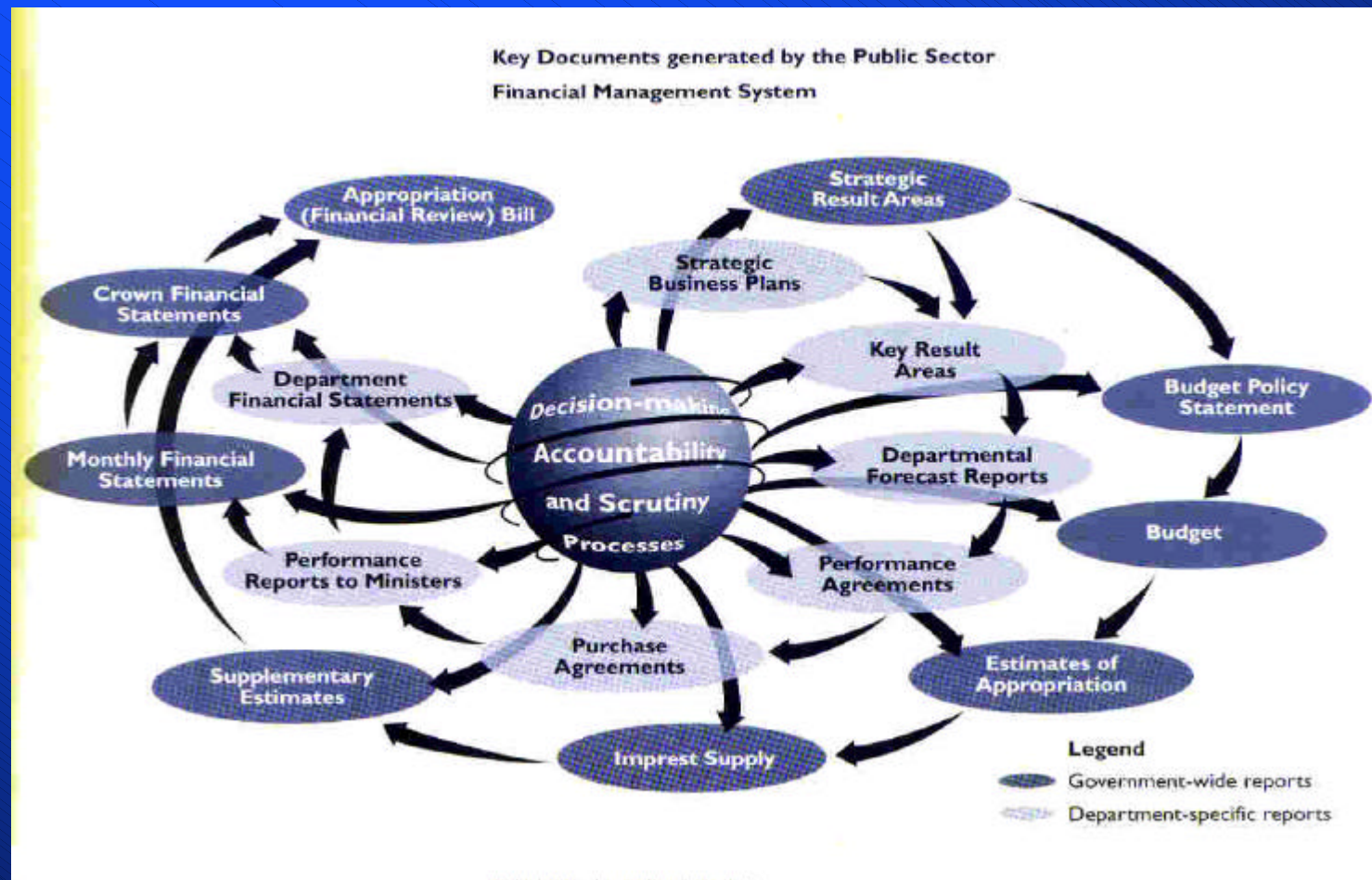
- standards for reporting on forward government expenditure commitments
- requirements in relation to budget reporting in the run up to a general election
- improved parliamentary oversight of government spending decisions
- improved cash management

Align Budget with Government Strategy

Key government strategies defined as KEY RESULT AREAS, in external and domestic policies

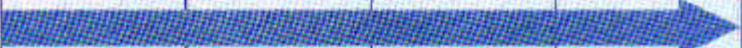
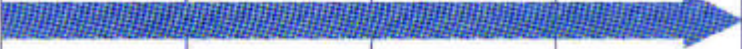
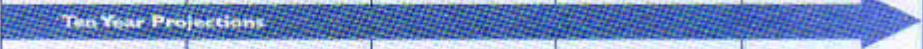
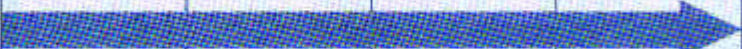
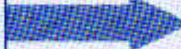
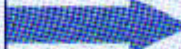


- an attempt to align:
 - strategies
 - policies
 - budgets
 - processes
- disciplines government: define its objectives,
- guide to civil service, speeds decision making

Budget Cycle *



* Putting it Together, Treasury 1996 P. 7

Enhanced Information

Budget Document	Current Year	Forecast Year	Out Year One	Out Year Two	Beyond
Half-year economic and fiscal update ‡(December)					
Budget Policy Statement ‡(February/March)					
Budget Package ‡(May-July)					
• Speech					
• Fiscal Strategy Report					
• Economic and Fiscal Update					
• Estimates of Appropriations					
• Departmental Forecast Reports					
• Appropriation Bill					
Supplementary Estimates of Appropriations ‡(April-June)					

‡Date of published document

* Putting it Together, Treasury 1996 P. 23

Which Hat for Parliament?

role in 21st century similar to 14th:

- ensure the people are getting value for money

to do this job properly need:

- information (not masses of incomprehensible data)

to get information need

- good FMIS
- transparent processes

Parliament Can Lead

- **like NZ PEC the Bangladesh Parliament can lead**
 - minor changes to standing orders - TRANSPARENCY
 - use of simple technology
 - hiring well motivated staff
 - set and demand high standards - CONSENSUS
- **WIN - WIN**
 - alternative career path for ambitious MPs
 - government move money to more urgent uses
 - taxpayers have to pay less
 - positive role for the opposition - bi-partisan approach
 - help current ministers - groom future

Key Thoughts

ordinary people make long term plans e.g. schooling

- given good information, literate or illiterate, people will generally come to sensible decisions
- powerful regulatory tool: publication of information
- transparency of processes transparency used to build consensus
- target the SYSTEMS - ("good people bad system")
- ministers and MPs who surrender ability to "meddle with detail" gain control of the big picture

equivalent of health or education budget at stake

Best wishes to the Bangladesh Parliament

David Butcher & Associates

Wellington

3/2/2001