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African Parliamentary Budget Offices (APBOs): Technical Tools for Fiscal Oversight

“THE ROLE OF PBOs IN AFRICAN PARLIAMENTS FISCAL OVERSIGHT:
CONTRIBUTION TO THE AFRICAN DEVELOPMENT AGENDA”

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Outline

- **APBOs mandates**
- **Tools developed by IMF/WB and other International institutions**
 - **Technical tools for assessing the strength of PFM Systems**
 - **Technical tools for analyzing fiscal policy sustainability and risks**
- **The role of APBOs on promoting the use of the tools**



The Role of APBOs

A vehicle for enhancing fiscal policy credibility

- Provide independent, objective and professional advice and analysis to Parliament on matters related to the budget and other money Bills (South Africa PBO)
- Provision of professional services on finance, budget, economics to all the committees of Parliament. Prepare budget projections as well as economic forecasts. Carry out analysis of specific matters such as financial risks posed by government activities or policies to guide parliament (Kenya PBO)
- Supports Parliament and all its Committees: Objective, factual, timely, and independent economic, social, and financial analysis (Uganda PBO)



The Role of APBOs

Achieving their objectives

- **Strong analytical skills and excellent knowledge on PFM and fiscal policy formulation**
- **Develop fiscal oversight frameworks, country specific**
- **Use the current frameworks developed by other similar institutions (independent fiscal institutions)**
- **Use the current frameworks developed by developing partners.**

Fiscal Transparency Evaluation

IMF's principal fiscal transparency diagnostic tool.

- **A systematic analysis of fiscal transparency practices:**
 - Fiscal reporting
 - Fiscal forecasting and budgeting
 - Fiscal risk analysis and management
- **An overview of relative strengths and weaknesses in transparency based on international standards and other countries' practices.**
- **A prioritized and sequenced medium-term action plan for addressing the weaknesses that matter.**

As of March 2017, 21 FTEs have been conducted and 15 of the evaluation reports have been finalized and published: for Albania, Bolivia, Costa Rica, Guatemala, Finland, Ireland, Kenya, Mozambique, the Philippines, Peru, Portugal, Romania, Russia, Tunisia, and United Kingdom.

Public Investment Management Assessment (PIMA)

A diagnostic tool to help countries evaluate the strength of the PIM practices

- *Both level and efficiency of public investment have a large impact on economic growth.*
- *Most efficient public investors get twice the economic dividend from their investment compared to least efficient public investors (IMF findings)*
- **The PIMA framework evaluates 15 institutions that shape public investment decision-making at the three key steps:**
 - Planning** sustainable investment across the public sector
 - Allocating** investment to the right sectors and projects
 - Implementing** project on time and on budget
- *As the end of June 2017, 23 countries have completed PIMA, 11 in Africa (Botswana, Burkina Faso, Cameroon, Côte D'Ivoire, Ghana, Liberia, Madagascar, Mauritius, Mozambique, Toga, Zambia).*

The Public Expenditure and Financial Accountability Framework

A tool for assessing the status of public financial management.

- A standard set of high level PFM indicators and performance report to assess the extent to which a country has the tools to deliver three main budgetary outcomes:
 - aggregate fiscal discipline
 - strategic resource allocation
 - efficient use of resources for service delivery
- PEFA provides more information for evaluating public financial management performance and supports achievement of sustainable development goals.



The Fiscal Risk Management Toolkit

A Framework for Management of Fiscal Risks

- **Governments should understand the scale and sources of their fiscal risks**
- This involves identifying the sources of fiscal risks, quantifying their magnitude and estimating the probability of occurrence
- **The IMF provides several tools for countries to analyse fiscal risks**
 - a. Fiscal Risk Management Framework
 - b. Fiscal Risk Management Toolkit
 - c. Survey of Global Practices
- **IMF Policy Paper 2016 “Analyzing and Managing Fiscal Risks- Best Practices”**

Kenya publish a fiscal risks statement since 2011/12 as part of Budget Policy Statement with significant improvement over the years.

The recent Fiscal Risks Statement published by the UK Office for Budget Responsibility—Fiscal Risks Report, July 2017

Assessing Country Risk—Selected Approaches— Reference Note

- **A recent Technical Note published by the IMF that provides**
 - **A risk assessment toolkit for advanced (AE), emerging (EM), and low-income (LIC) countries**
 - **Approaches used by Fund staff to assess country risk**
 - **Methods for estimating a vulnerability risk index for each sector**
- **PBO can work with governments on assessing their country risks**



Assessing Fiscal Space: An Initial Consistent Set of Considerations

- **FS is a multidimensional concept reflecting whether a government can raise spending or lower taxes without endangering market access and debt sustainability**
- **A framework for IMF staff to assess fiscal space.**
- **Based on a four-stage approach:**
 1. **Setting the stage by looking at the initial state of the economy, to get a preliminary sense of the potential macroeconomic consequences of fiscal action (output gap, uncertainty);**
 2. **Analyzing fiscal space based on a series of indicators of fiscal sustainability under baseline policies and stress tests (DSA);**
 3. **Exploring fiscal space in a dynamic approach by simulating discretionary fiscal policy experiments; and**
 4. **Applying staff judgment to arrive at the final assessment of the degree of fiscal space under the relevant macroeconomic scenario.**
- **Useful to be used by PBOs as an independent evaluator**



The role of APBOs to use the assessment tools

Work with the government to improve public finances

- Inform legislators about the existence of these tools and work with governments to use the existing tools based on country specifics
- Increase accountability of the government by using the product of assessment tools
- If not possible to use the all assessment tools, use part of them to strength PFM systems (self evaluation)
- Require government to analyze fiscal risks
- Create a simple framework to assess fiscal space



Links to the above toolkits

- **Public Investment Management Group**
www.imf.org/publicinvestment
- **Public Expenditure and Financial Accountability**
<https://pefa.org/>
- **IMF's Fiscal Transparency Code 2012**
www.imf.org/external/np/fad/trans/
- **Analyzing and Managing Fiscal Risks-Best Practices**
<http://www.imf.org/external/pp/ppindex.aspx>
- **Assessing Fiscal Space: An Initial Consistent Set of Considerations**
<http://www.imf.org/external/pp/ppindex.aspx>
- **Assessing Country Risk—Selected Approaches—Reference Note**
www.imf.org



Thank you!



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