

ROLE OF THE PBO IN THE BUDGET CYCLE AND FISCAL OVERSIGHT - Talking Notes for Mr M F Kateshi, Zambia

1. The PBO of Zambia was established in 2015 with support from the European Union.
2. Role of PBO in the Budget Cycle is inextricably linked to the budget oversight function of Parliament. This is because PBOs are specifically created to assist the Legislature perform the budget oversight function. The role is to primarily provide relevant information that may be required by parliamentarians.
3. Depending on the budgeting system in place, some of the information that Members may demand from the PBO in the Zambia may be information that is readily available in other jurisdictions. For example, the format of the estimates of revenue and expenditures makes such a difference. The absence of pre - budget engagements between the Legislature and the Ministry of Finance also places a responsibility on the PBO to provide the missing information.
4. **Article 63 (2) of the Constitution** provides for the National Assembly to oversee the performance of executive functions by:
 - a) ensuring equity in the distribution of national resources amongst the people of Zambia;
 - b) appropriating funds for expenditure by State organs, State institutions, provincial administration, local authorities and other bodies;
 - c) scrutinising public expenditure, including defence, constitutional and special expenditure; and
 - d) approving public debt before it is contracted.
5. **Article 198 of the Constitution** - Guiding principles of public finance include the following:
 - a) transparency and accountability in the development or formulation of macro-economic frameworks, socioeconomic plans and the budget;
 - b) promotion of a public finance system that ensures that—
 - (i) the burden of taxation is shared fairly;
 - (ii) revenue raised nationally is shared equitably among the different levels of government; and
 - (iii) expenditure promotes the equitable development of the country;
 - c) sustainable public borrowing to ensure inter-generational equity; and

d) prudent and responsible use of public resources.

6. **Adopted procedures** within a Parliament have a bearing on the **role of the PBO** in the budget cycle and fiscal oversight-

- Mid Term Policy Statements and other pre-budget engagements, Kenya, South Africa, Tanzania
- Consideration of budget estimates by sector committees - Uganda and Kenya
- Determination of Money Bills - Kenya

FORMULATION STAGE

Draft MTEF is submitted to Parliament as part of the consultations but it is not a requirement that it is adopted by Parliament - **PBO analyses the draft MTEF**

APPROVAL STAGE

- a) Constitutional (Article 202) requirement for the Minister of Finance to table estimates of revenue and expenditure, and for Parliament to approve:
 - Non-election year not less than 90 days before the commencement of the financial year
 - Election, within 90 days following the swearing-in of the elected President
- b) Budget Estimates are referred to the Expanded Budget Committee. **PBO provides secretarial services to the Committee, and also presents its analytical brief to the Committee**
- c) The PBO uses the MTEF as a basis for analysing the annual budget
 - How this speaks to the annual budget- Zambia one of those countries where the MTEF and annual budget are not fully integrated
 - Whether there is consistency in the macro-economic objectives, priority sectors, annual budget estimates and the base-year estimates of the MTEF
 - NDP, MTEF, Annual Budget linkages
 - Fiscal path in the medium term- consolidation, expansionary, deficit levels
- d) PBO works within the legal mandate of Parliament on the budget - no amendments to the total sums but can reallocate funds

IMPLEMENTATION STAGE

1. Supplementary Estimates
2. Excess Expenditure - the Presidential Warrant is submitted to Budget Committee for approval
3. **Public Finance Act** provides for the Minister of Finance to submit to Parliament mid-year budget performance reports - *the PBO has been instrumental in ensuring that the Executive is compliant*
4. First Quarter Budget Performance by the Budget Committee
5. Spot checks by Portfolio Committees

PBO has been supporting the studies of the committees by engaging external consultants

AUDIT/EVALUATION STAGE

1. Financial Report of the Republic
2. Reports of the Auditor General
 - *On accounts of the Republic*
 - *State-owned Companies and other Statutory Entities*
 - *Local Government Accounts*
 - *Performance Audits*
3. Studies by portfolio committees

Likewise, the PBO has been supporting respective committees in scrutinising these reports by engaging external consultants

4. Annual reports of ministries and other statutory corporations are submitted to Parliament - *PBO potential functional area*

SOME INNOVATION

PBO has taken advantage of the existing structure of the National Assembly to enhance its support to the Committees-use of the Constituency Office Staff as budget data collectors for budget and PFM oversight. We have 156 constituency offices in all districts - building the capacity of the staff