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Independent Fiscal Institutions (IFIs) / Parliamentary Budget Office (PBO)

Discussion on Capacity Requirements for IFIs (PBO)

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Outline

- I. Do IFIs/PBOs have clear mandate?**
- II. Capacity for success**
- III. South Africa PBOs v.s. its mandate**
- IV. Discussions**



The goal of IFIs

Enhance fiscal discipline and promote budget transparency and accountability

- Tasks: Economic and fiscal projections; baseline projections; analysis of the executive's budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues. (*OECD Principles for IFIs*)
- Vigilance over public finances mainly by evaluating fiscal policy usually before and during the decision-making process (*Kopits, 2016*).
- **In addition to strategic analysis, some PBOs provide operational support to the members of Parliament.**



Statutes and Structure of Independent Fiscal Institutions (Advanced economies)

	Effective date	Statute	Affiliation	Subnational coverage	Leadership	Staff			Outside support
						< 10	10 to 50	> 50	
United States (CBO)	1975	law	legislature		individual			X	
Netherlands (CPB)	1986	law	executive		individual			X	
Belgium (HCF)	1989	decree	executive	X	collective (24)	X			X
Korea (NABO)	2003	law	legislature		individual			X	
Sweden (FC)	2007	decree	executive		collective (5)	X			X
Canada (PBO)	2008	law	legislature		individual		X		
United Kingdom (OBR)	2010	law	executive		collective (3)		X		X
Australia (PBO)	2011	law	legislature		individual		X		
Ireland (IFAC)	2011	law	none		collective (5)	X			
Portugal (CFP)	2011	law	none	X	collective (5)		X		
Slovakia (CBR)	2012	constitution	none		collective (3)		X		
Finland (FPAO)	2013	law	legislature		individual	X			
France (HCFP)	2013	law	judiciary	X	collective (10)	X			
Italy (UPB)	2014	constitution	legislature		collective (3)		X		
Spain (AIREF)	2014	law	none	X	individual		X		

Source: Kopits 2016, 16



Functions of Independent Fiscal Institutions (Advanced Economies)

	Effective date	Macro-fiscal projections		Macro-fiscal analysis	Policy costings	Fiscal sustainability analysis	Compliance with rules or targets	Advisory role	Election platforms
		Monitoring	Preparation						
United States (CBO)	1975	X		X	X	X			
Netherlands (CPB)	1986		X	X	X	X	X		X
Belgium (HCF)	1989	X				X	X	X	
Korea (NABO)	2003	X			X	X			
Sweden (FC)	2007	X		X		X	X	X	
Canada (PBO)	2008	X			X	X			
United Kingdom (OBF)	2010		X		X	X	X		
Australia (PBO)	2011			X	X	X			X
Ireland (IFAC)	2011	X					X	X	
Portugal (CFP)	2011	X		X		X	X		
Slovakia (CBR)	2012	X			X	X	X		
Finland (FPAO)	2013	X		X		X	X		
France (HCF)	2013	X					X		
Italy (UPB)	2014	X		X		X	X		
Spain (AIREF)	2014	X		X		X	X	X	

Source: Kopits 2016, 18



Capacity for success

- Human and financial capacity
- Analytical capacity
- Coordination capacity
- Communication capacity
- Credibility and Independence



Human and financial capacity

- IFIs/PBOs must be endowed with adequate financial and human resources;
- Clear administrative independence including full control over the office's financial and human resources;
- Full freedom to hire and dismiss staff in accordance with applicable labor laws.



Analytical Capacity

- Policy review and evaluation skills;
- Strong analytical skills and excellent knowledge of modeling and forecasting techniques;
- Should be matched with those of the government—space for flexibility.
- **Enhance technical capacity through:**
 - Building macro-fiscal databases;
 - Developing macro-fiscal modeling tools that create less room for judgments;
 - Employ external expertise—think tanks, universities, etc;
 - Continues capacity building



Coordination Capacity

- Inter-agency consultation and cooperation;
- Unrestricted access to information (access to all possible data sources directly, not via the ministry of finance);
- Network with civil servants, civil society, academia, international and regional organizations, other PBOs;
- Formal and informal communication with civil servants;
- Protocols and templates for information sharing



Communication skills

- Capacity to raise reputational costs of inappropriate macro-fiscal policies
- Political networking
- Presentation skills
- Confidentiality
- Interpersonal skills
- Briefing and report writing skills
- Managing expectations



Credibility Capacity

- Non-partisanship and independence are pre-requisites for a successful IFI/PBO
- In practice, what matters is not *the de jure* but *the de facto* status of the IFI/PBO
- Independence and credibility of IFIs/PBOs depend on other external factors:
 - Political support
 - Financial resources
 - Transparency
 - Media coverage



IMF/WB Diagnostic Tools

- **Fiscal Transparency Code (Evaluation)**
 - Fiscal Reporting, Fiscal Forecasting & Budgeting, Fiscal Risks Analysis & Management, and Resource Revenue Management
- **Public Investment Management Assessment (PIMA)**
 - framework to evaluate the strength of PIM practices
- **The New PPP Fiscal Risk Assessment Model (PFRAM)**
 - Download template and user manual from <http://www.imf.org/external/np/fad/publicinvestment/>



PBO South Africa

One director and 11 staff

- The core function of the Parliamentary Budget Office is to support the implementation of the Money Bills Act by undertaking research and analysis for the four committees on Finance and Appropriations in the National Assembly and National Council of Provinces, including:
 - a) Annually providing reviews and analysis of the documentation tabled in Parliament by the Executive in terms of this Act;
 - b) Providing advice and analysis on proposed amendments to the fiscal framework, the Division of Revenue Bill and money Bills, and on policy proposals with budgetary implications;
 - c) Monitoring and synthesising matters and reports tabled and adopted in a House with budgetary implications, with particular emphasis on reports by other committees;
 - d) Keeping abreast of policy debates and developments in key expenditure and revenue areas;
 - e) Monitoring and reporting on potential unfunded mandates arising out of legislative, policy or budgetary proposals; and
 - f) Undertaking any other work deemed necessary by the Director to support the implementation of this Act. (PBO website)

Discussions

- Are PBOs a vehicle for enhancing fiscal policy credibility? Are they different from IFIs?
- Does their institutional affiliation matter? (Executive v.s. Legislative)
- How to overcome capacity constraints for PBOs?



Thank you!



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