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International Monetary Fund - IMF
Regional Technical Assistance Center
Building Macroeconomic Capacity in East Africa

Macroeconomic Trends and Priorities for Sub-Saharan Africa

Workshop on the Role of Macro-Fiscal Units

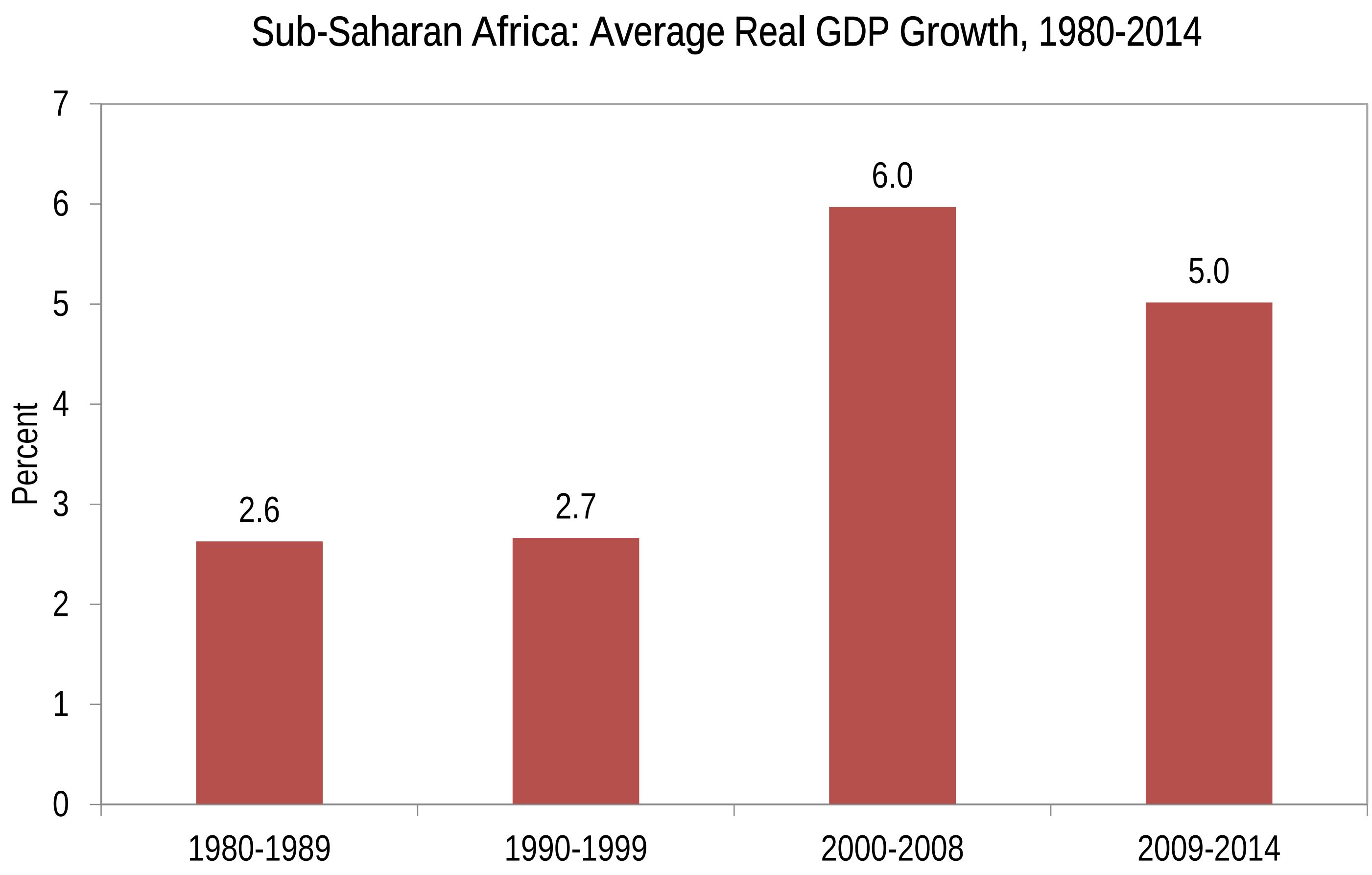
Dar es Salaam, January 8, 2018

European Union
Ministry of Foreign Affairs of the Netherlands
Federal Ministry of Finance
Germany

Outline

1. **Strong growth, the downturn, the modest recovery**
2. Immediate Priorities
   - Addressing debt vulnerabilities
   - Emphasis on revenue mobilization
3. Some critical medium-term challenges

Africa enjoyed a long period of strong growth



Source: IMF, World Economic Outlook database.

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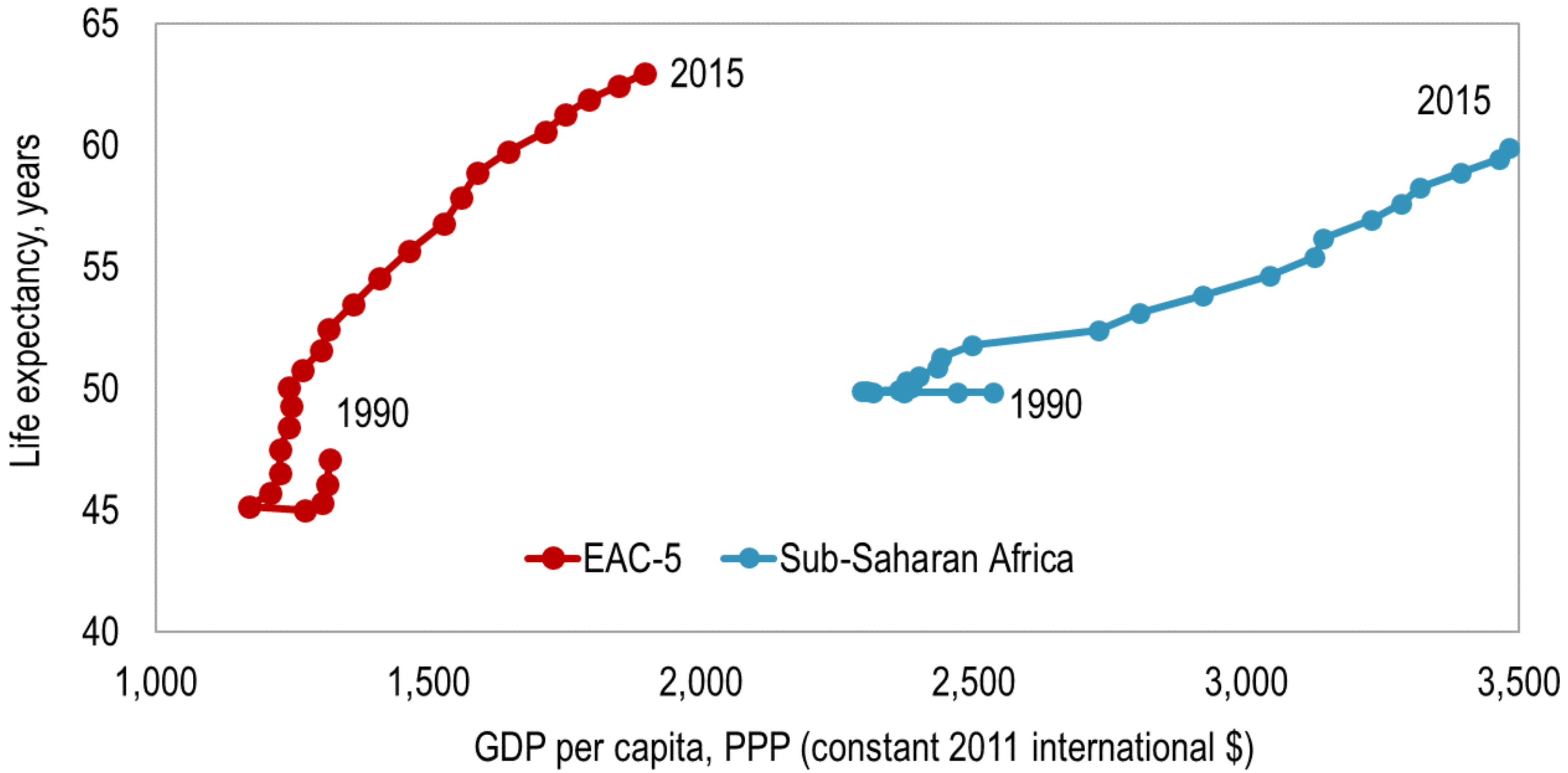
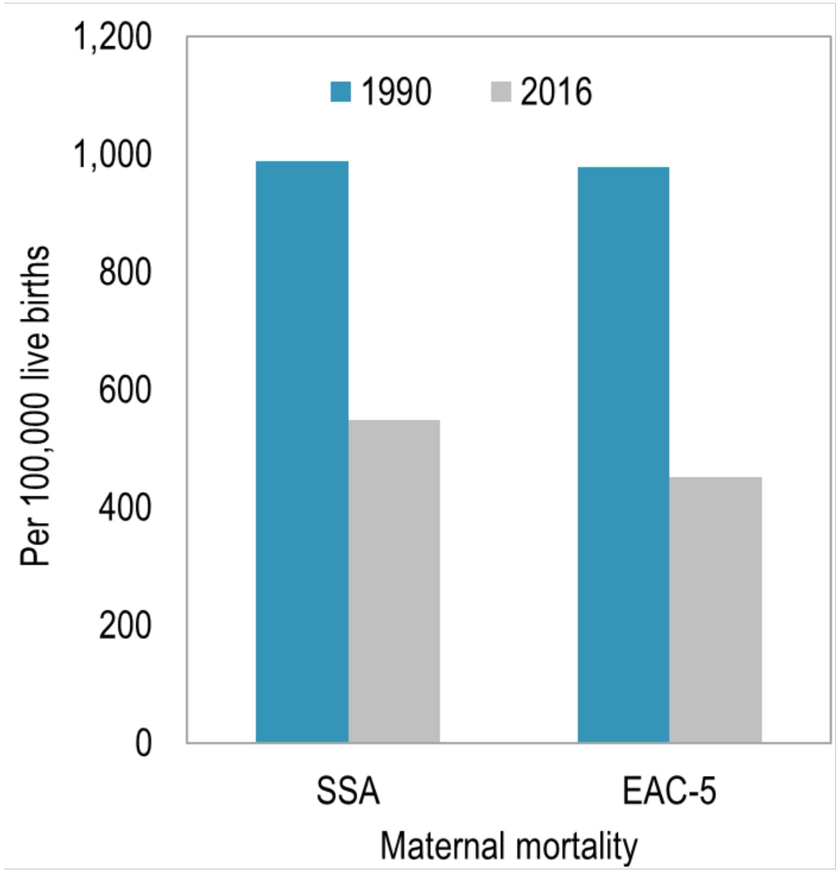
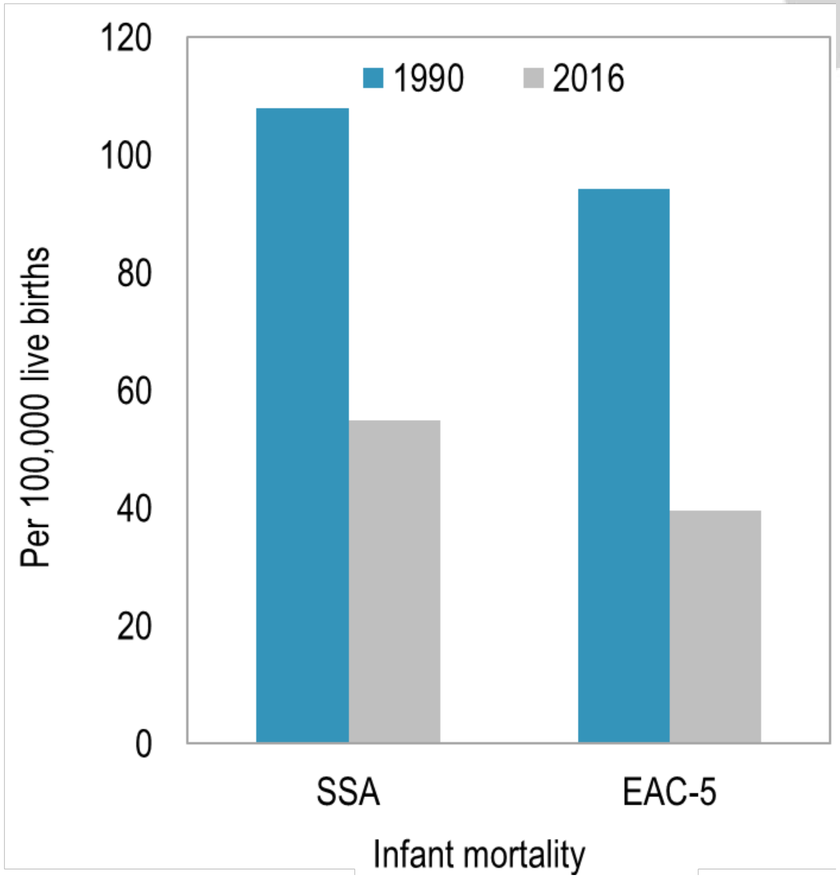
Important progress in human development (I)



EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

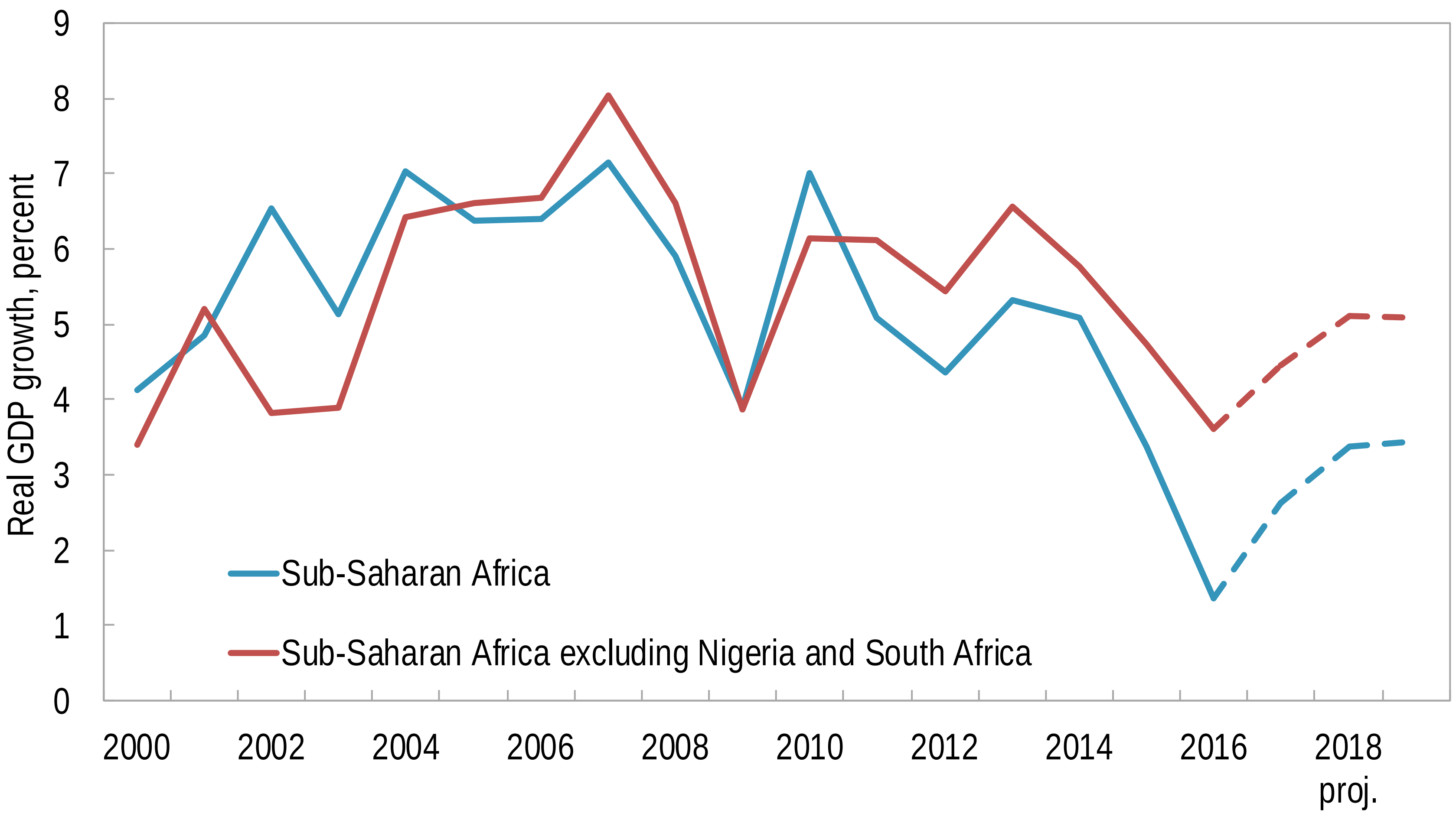
Important progress in human development (II)



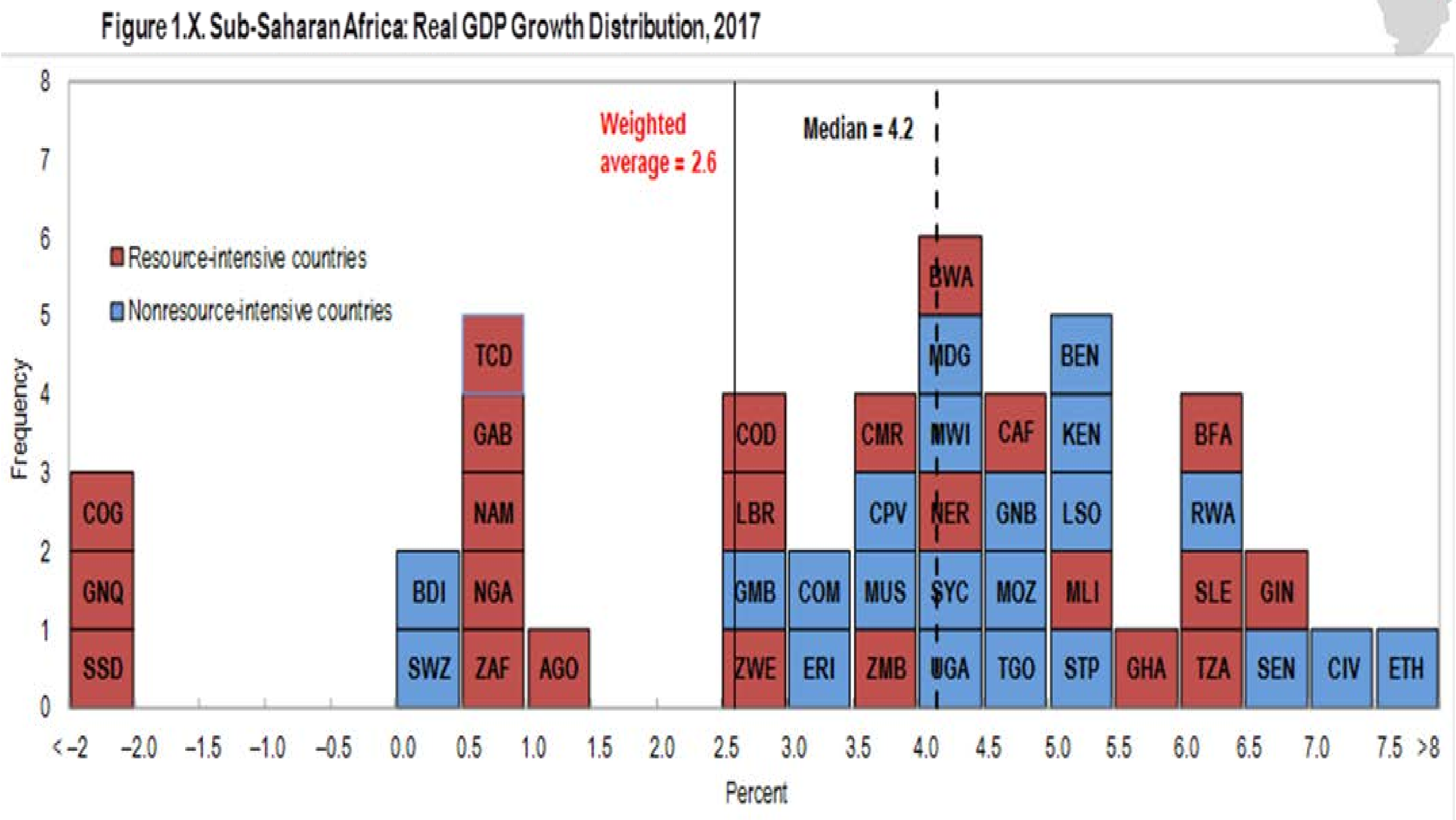


EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

But since 2015 growth has weakened …



Although many countries continue to grow rapidly



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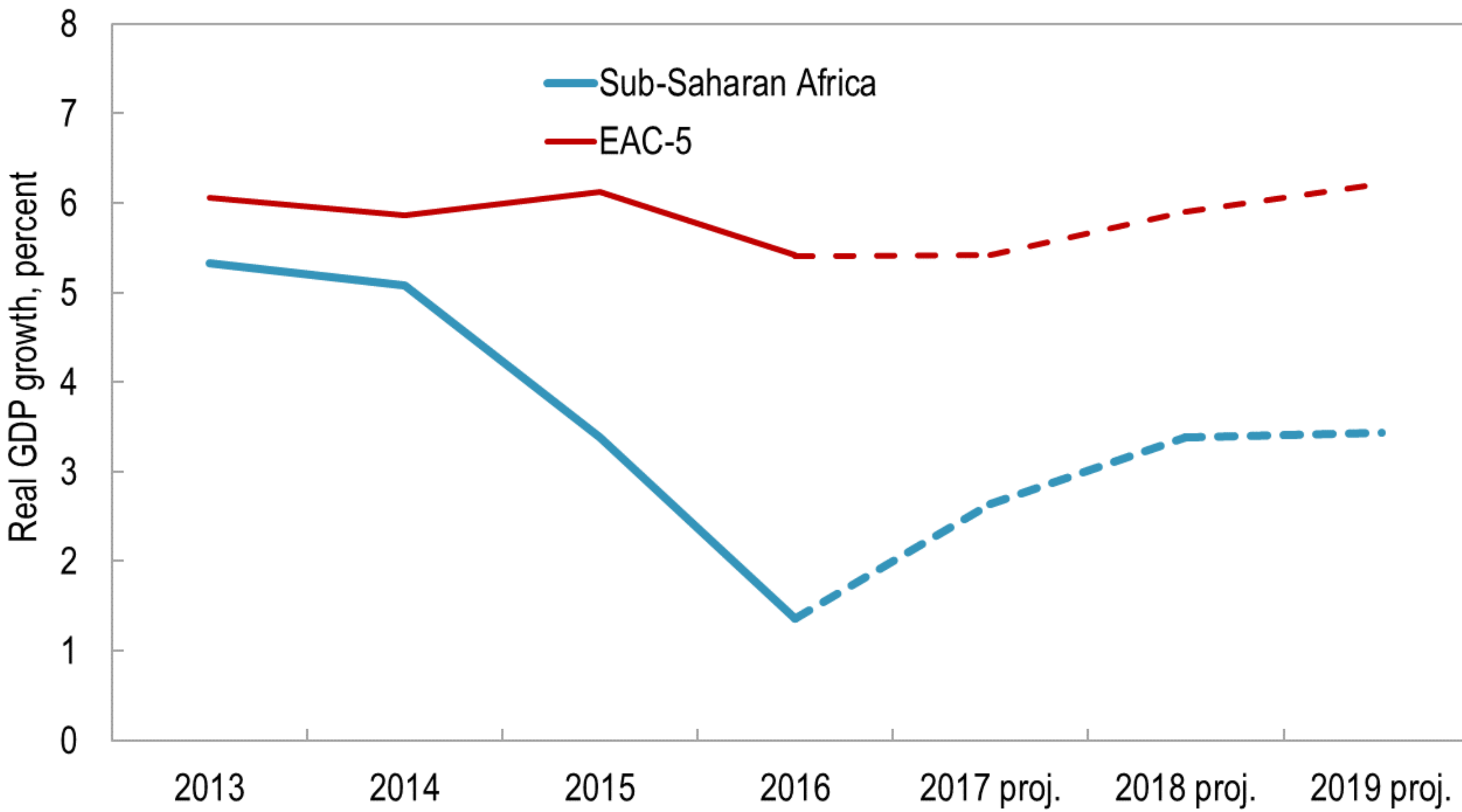
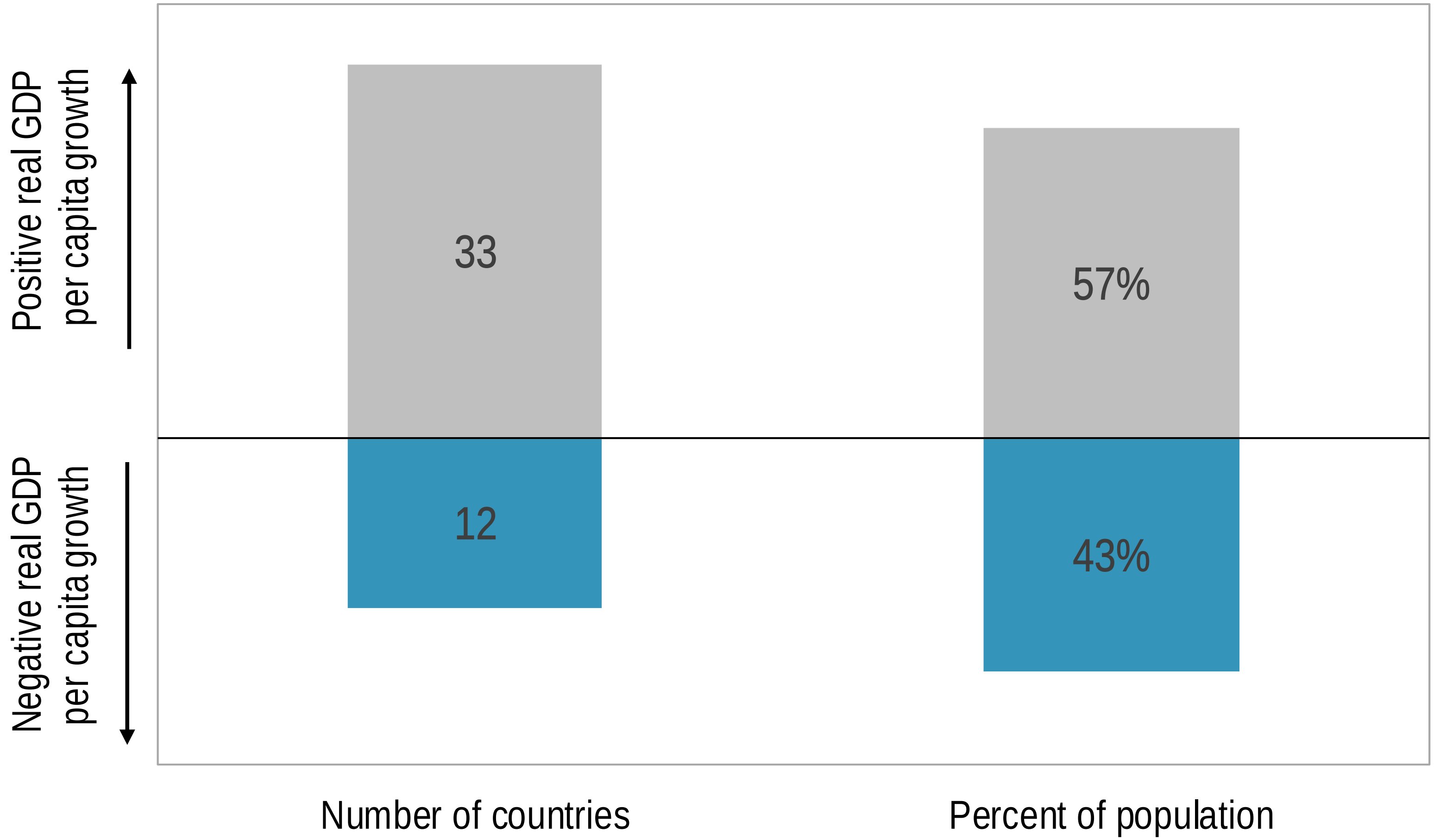
SSA has seen a modest recovery in 2017



EAC-5: Burundi, Kenya, Rwanda, Tanzania and Uganda

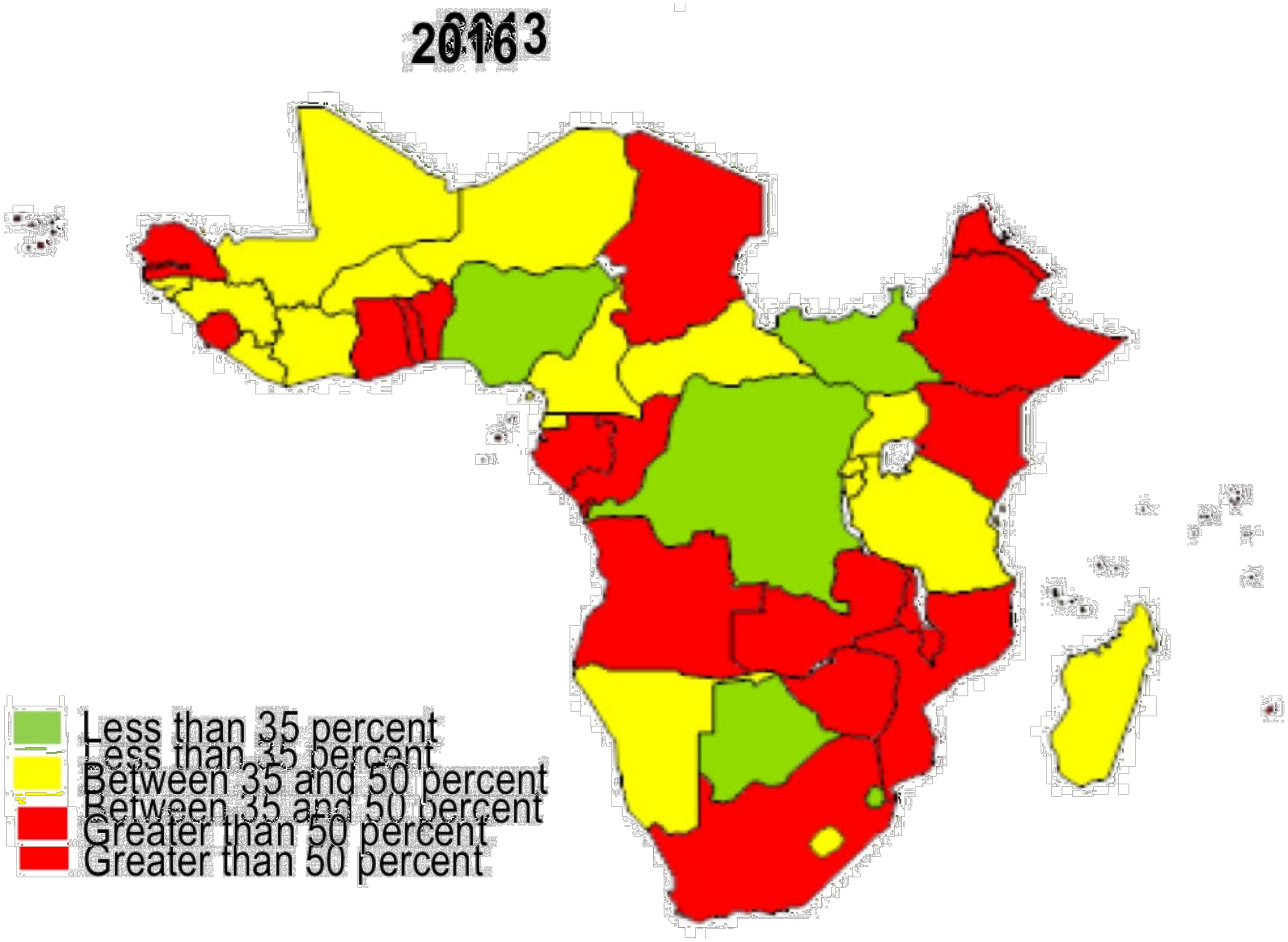
But not sufficient to raise GDP per capita in many countries



Outline

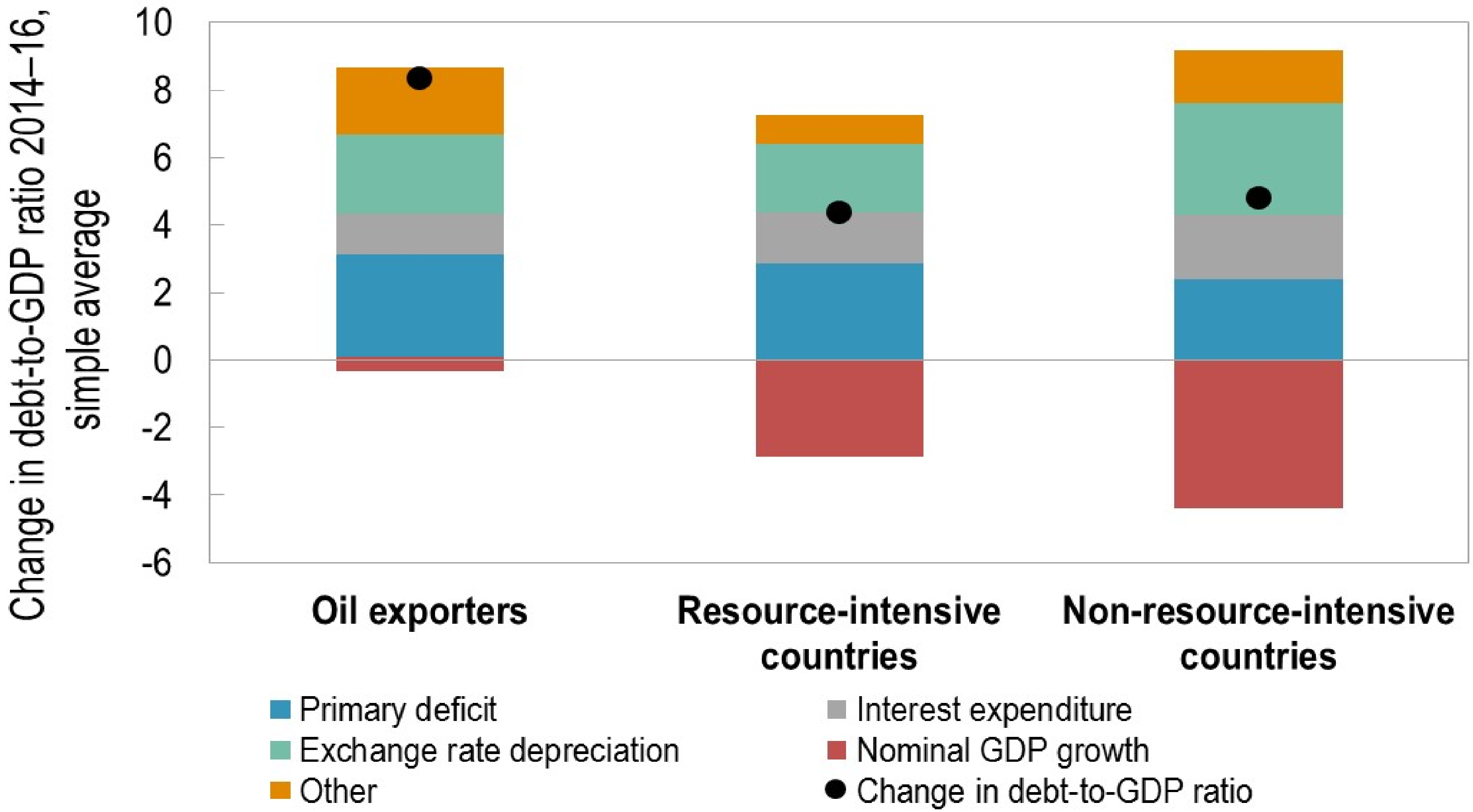
1. Strong growth, the downturn, the modest recovery
2. **Immediate Priorities**
    - **Addressing debt vulnerabilities**
    - **Emphasis on revenue mobilization**
3. Some critical medium-term challenges

Debt burdens have increased in SSA…



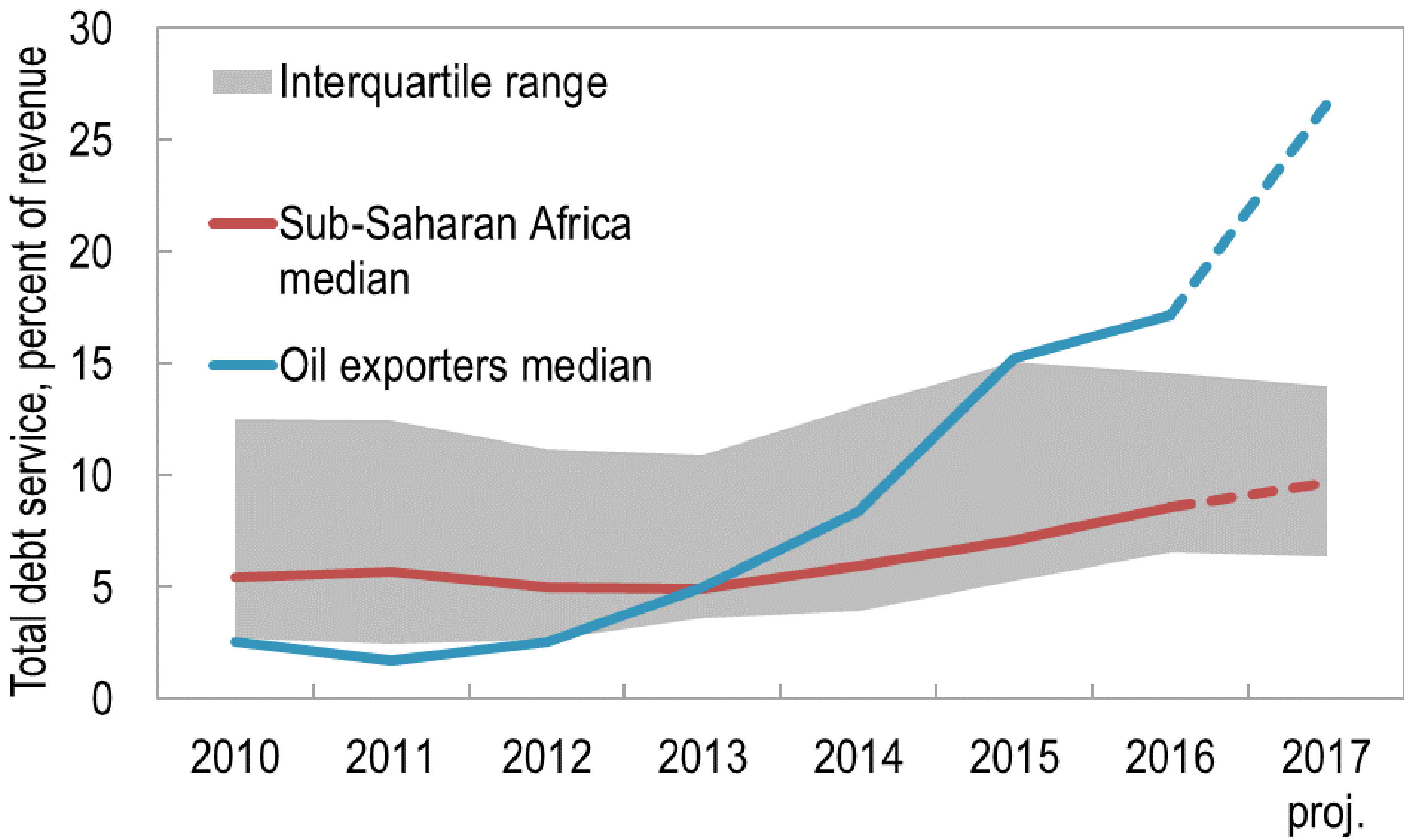
Source: REO, October 2017

Debt accumulation driven by large fiscal deficits and depreciation



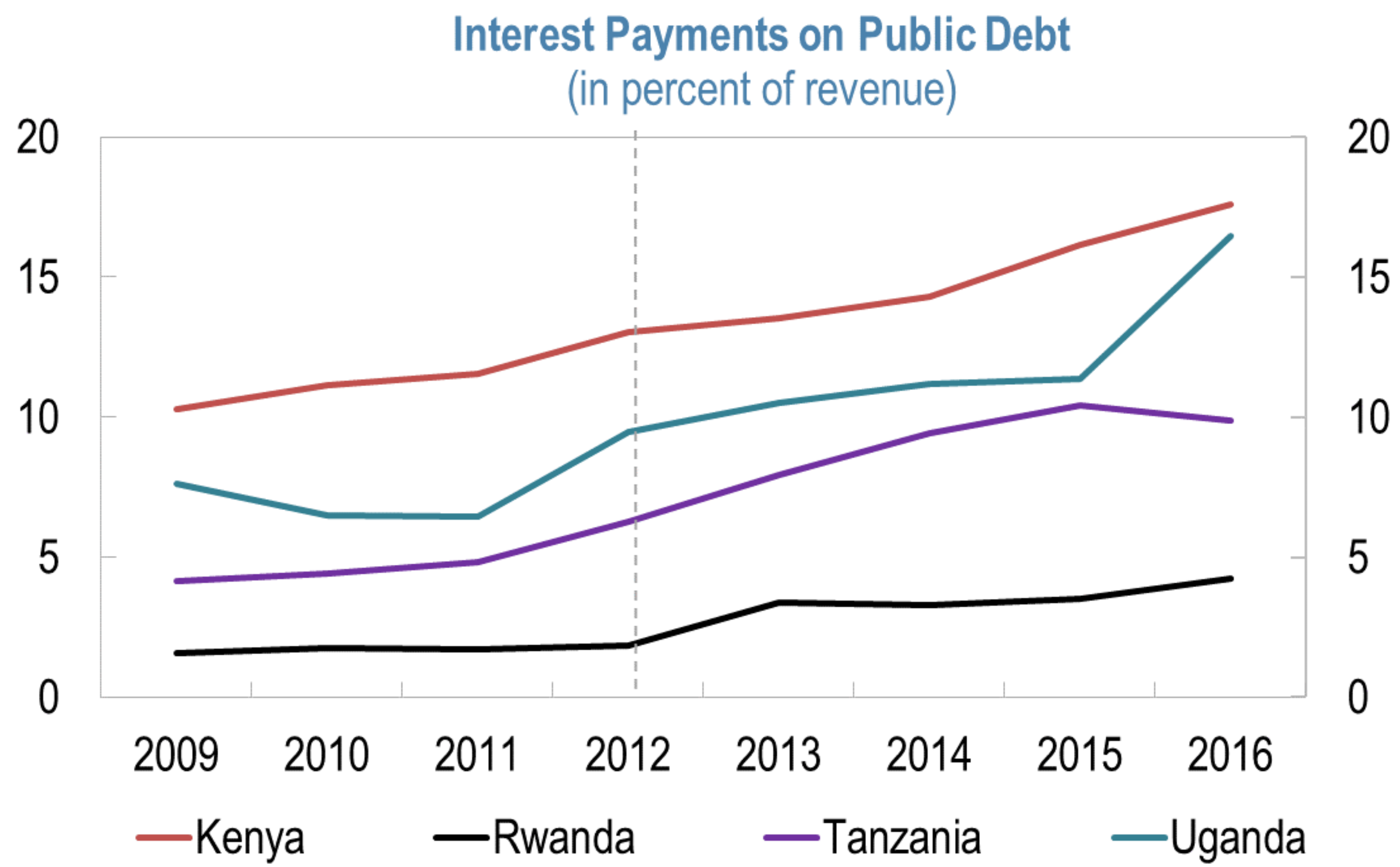
Addressing debt vulnerabilities Emphasis on revenue mobilization Fostering economic diversification

Debt service costs have increased



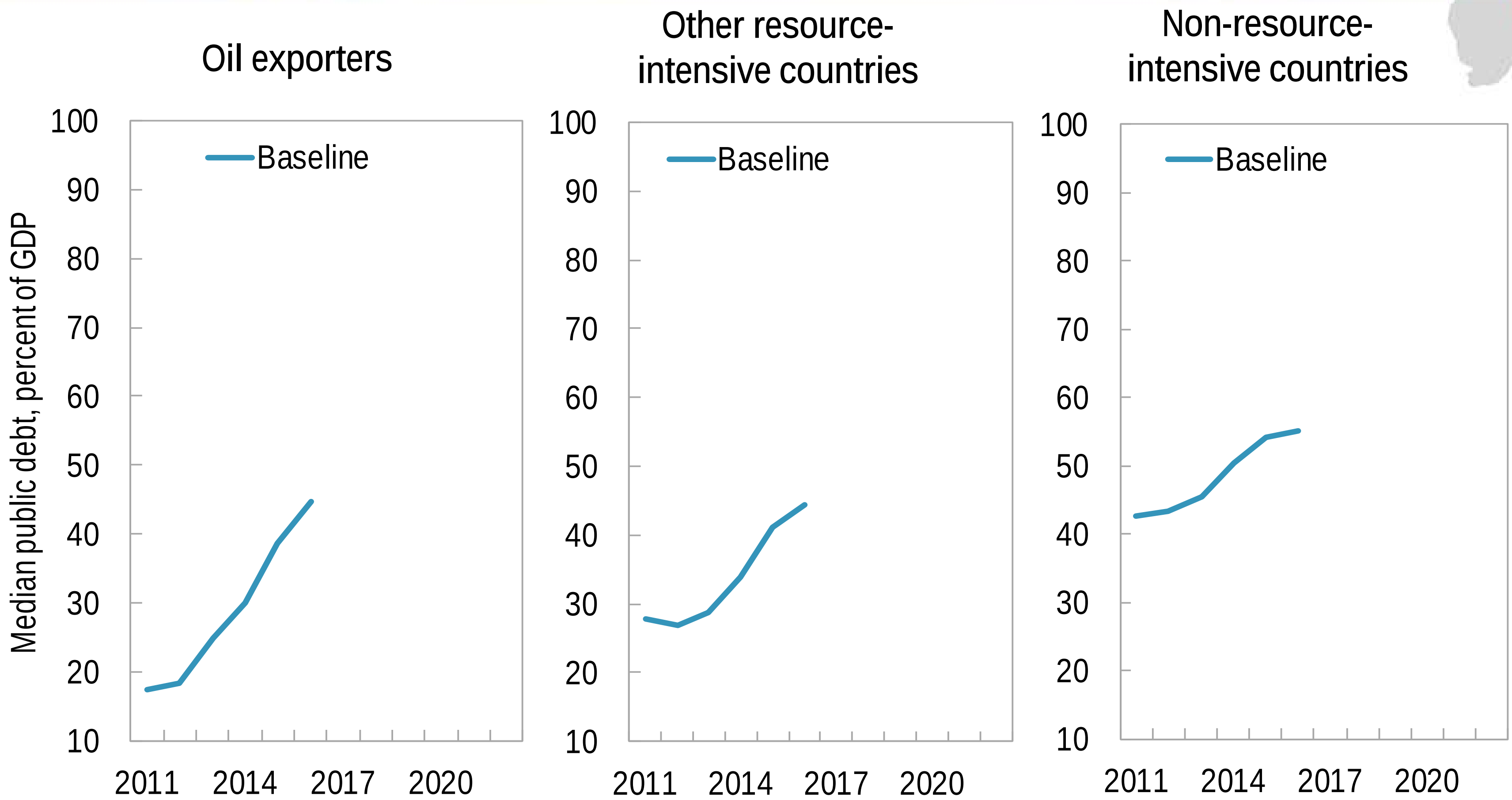
Addressing debt vulnerabilities Emphasis on revenue mobilization Fostering economic diversification

Also in the EAC



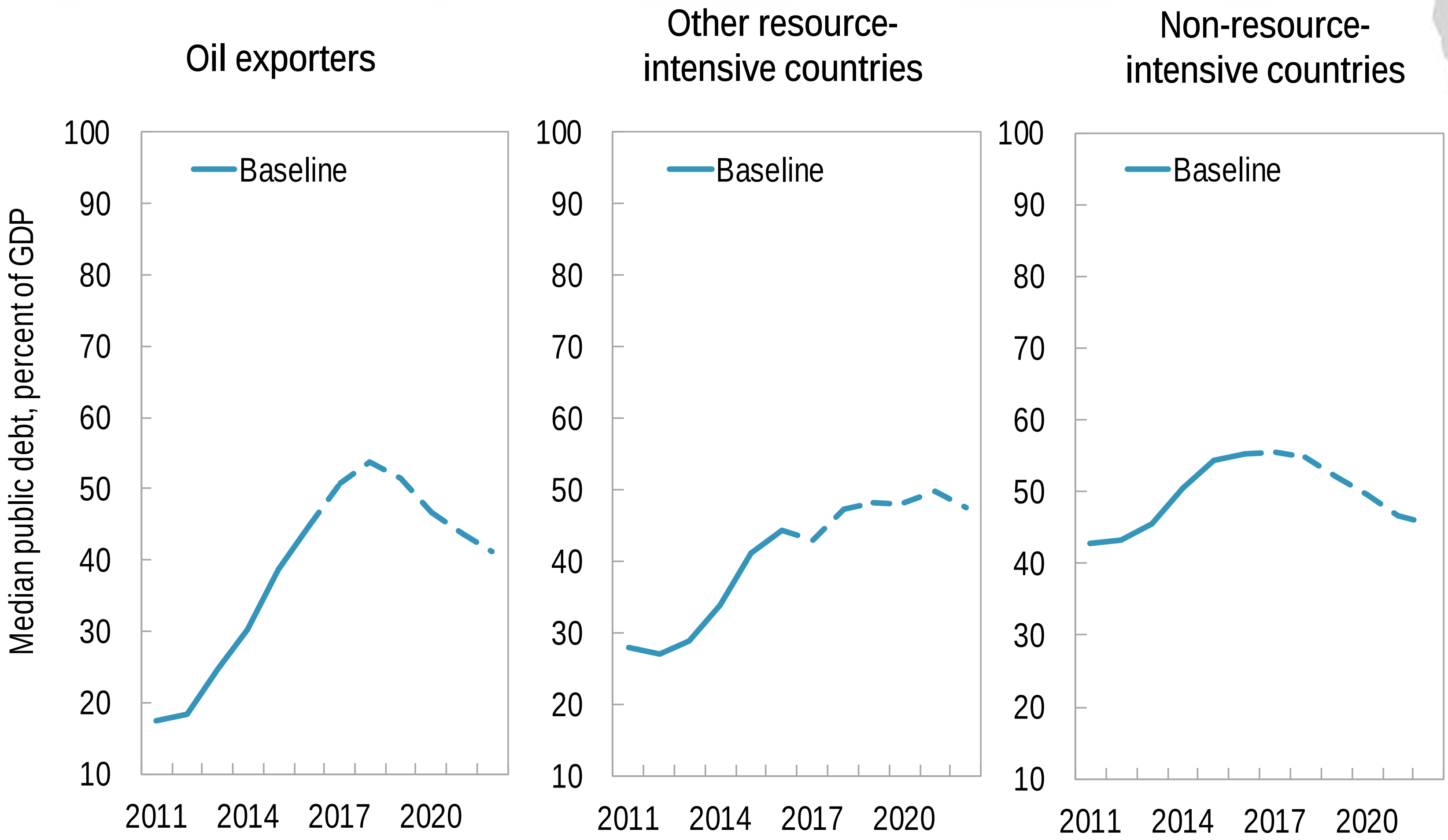
Addressing debt vulnerabilities Emphasis on revenue mobilization Fostering economic diversification

Fiscal consolidation plans need to be implemented



Addressing debt vulnerabilities Emphasis on revenue mobilization Fostering economic diversification

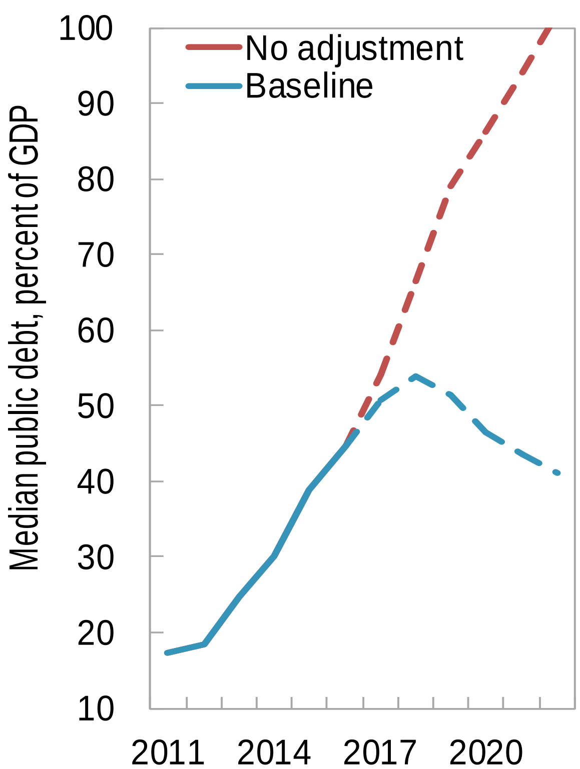
Fiscal consolidation plans need to be implemented



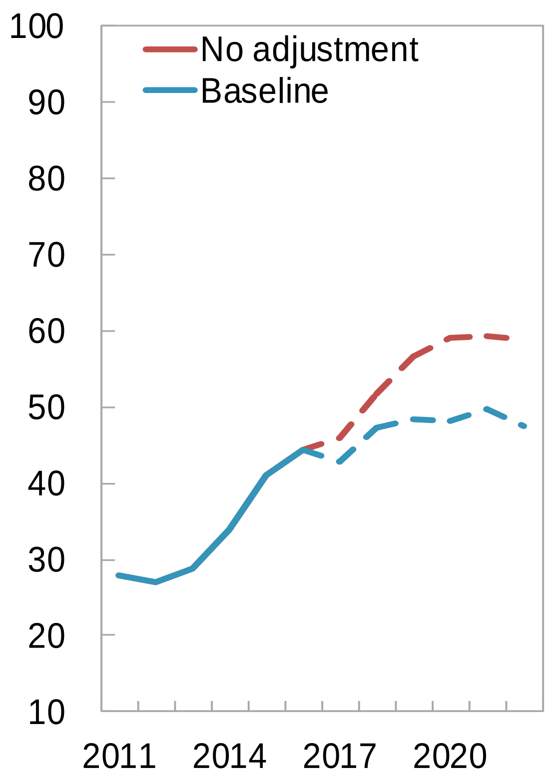
Addressing debt vulnerabilities Emphasis on revenue mobilization Fostering economic diversification

Fiscal consolidation plans need to be implemented

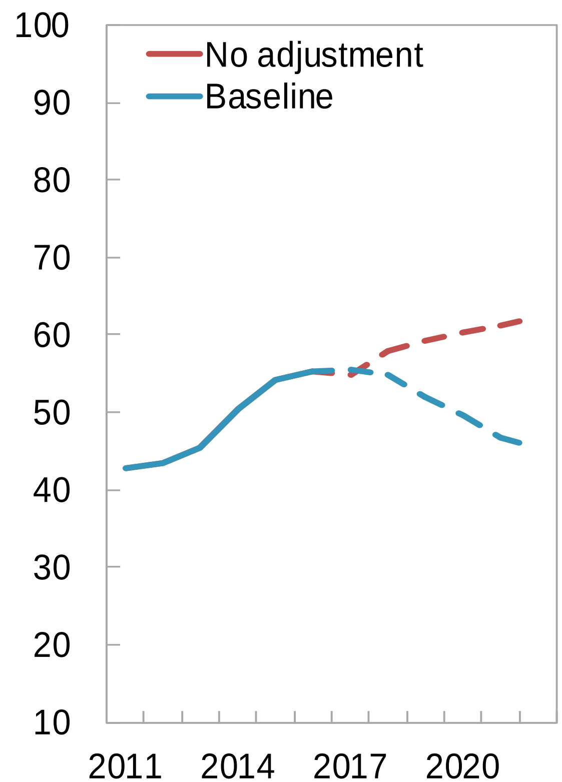
Oil exporters



Other resource-intensive countries



Non-resource-intensive countries

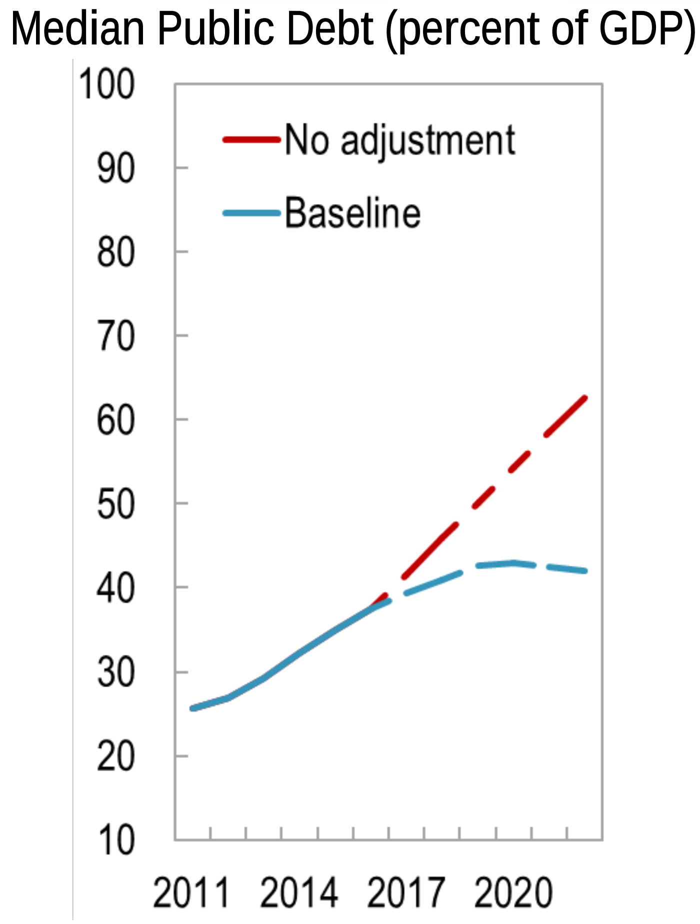


Addressing debt vulnerabilities

Emphasis on revenue mobilization

Fostering economic diversification

The same picture emerges in the EAC



EAC-4: Kenya, Rwanda, Tanzania and Uganda

Best-laid plans may go astray

- Fiscal risks
  - General macroeconomic risks
  - Specific risks, e.g., contingent liabilities
  - Structural or institutional risks

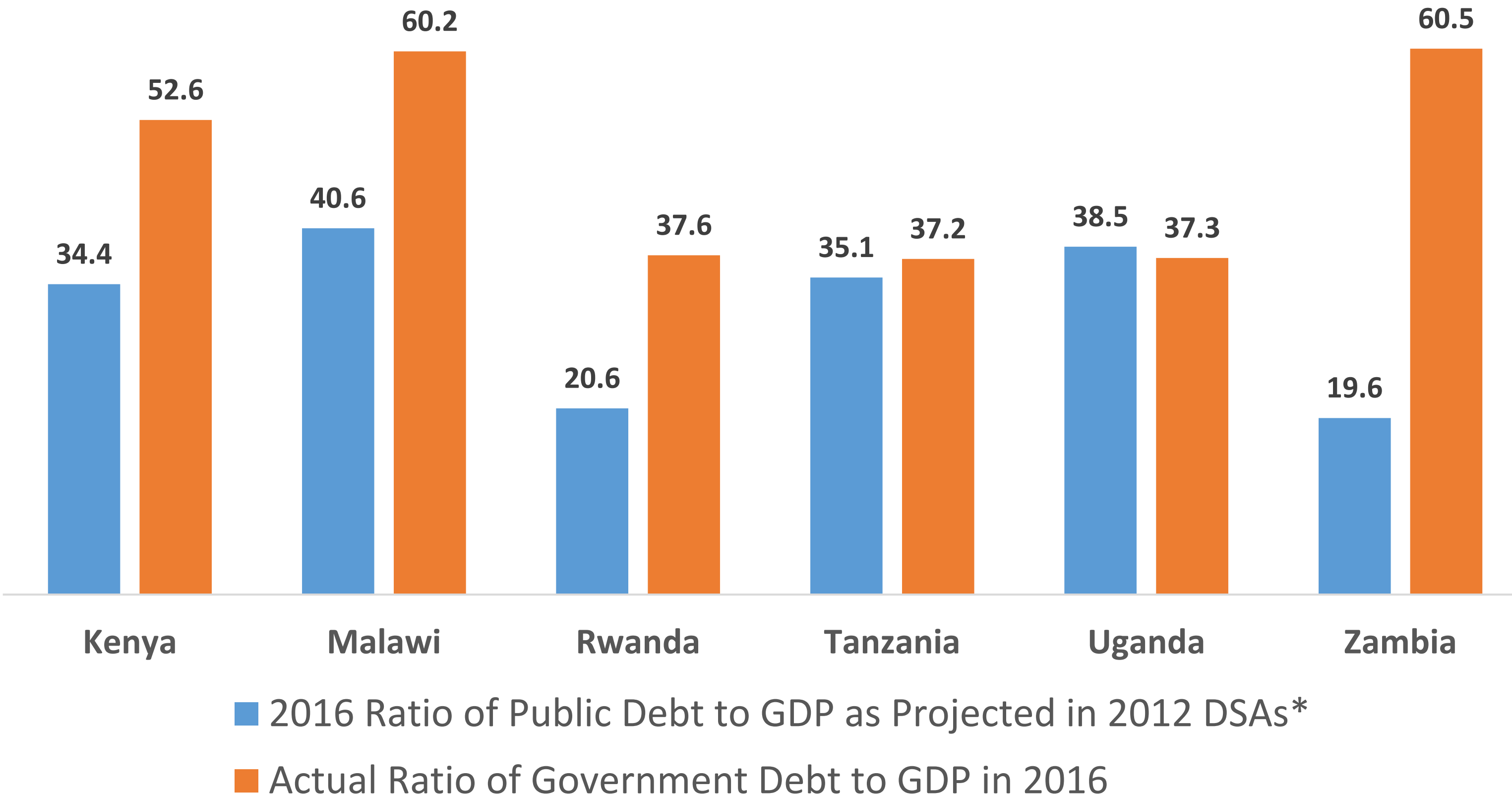
Deficit drift and bias

Deficit drift occurs when deficits are higher than expected in the medium term.

Deficit drift can reflect:

- A failure to anticipate fiscal risks.
- The political cycle (temptation to spend more/reduce taxes ahead of elections).
- Politicians' strong preference for spending in the present.
- The last two are factors behind "deficit bias", i.e., a tendency to have deficits higher than desirable from a sustainability perspective

Deficit Drift



Source: REO October 2017 and DSA reports for 2012
* Initial ratio was adjusted for countries with rebased GDP series

Addressing debt vulnerabilities

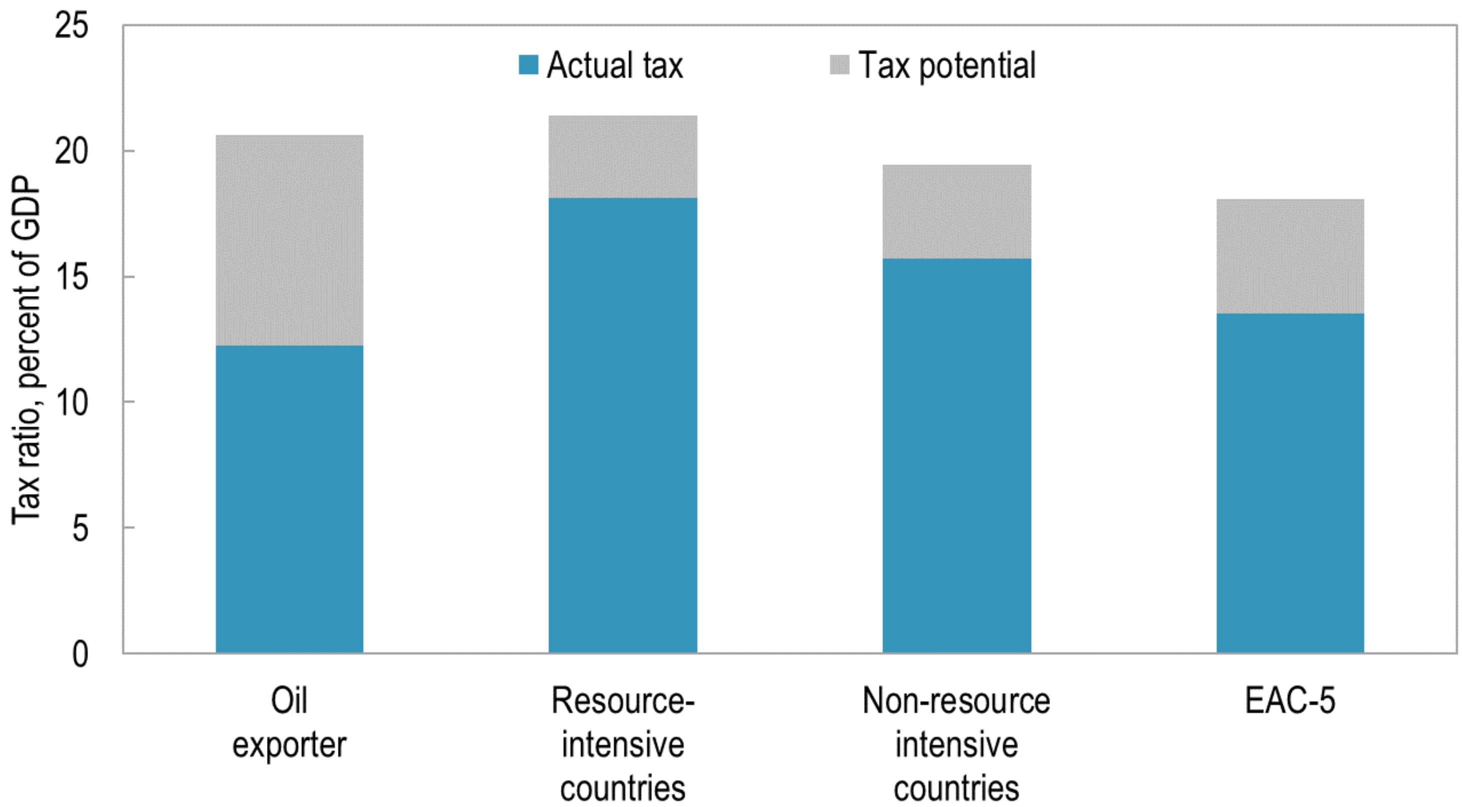
Top priority in many SSA countries

Will require, in many countries, reducing fiscal deficits

Easier and timely in fast-growing countries, who don’t need fiscal stimulus

Mobilizing more revenue and spending more efficiently way to go

Significant potential for raising revenues



EAC-5: Uganda, Kenya, Rwanda, Tanzania and Burundi

Addressing debt vulnerabilities **Emphasis on revenue mobilization** Fostering economic diversification

Outline

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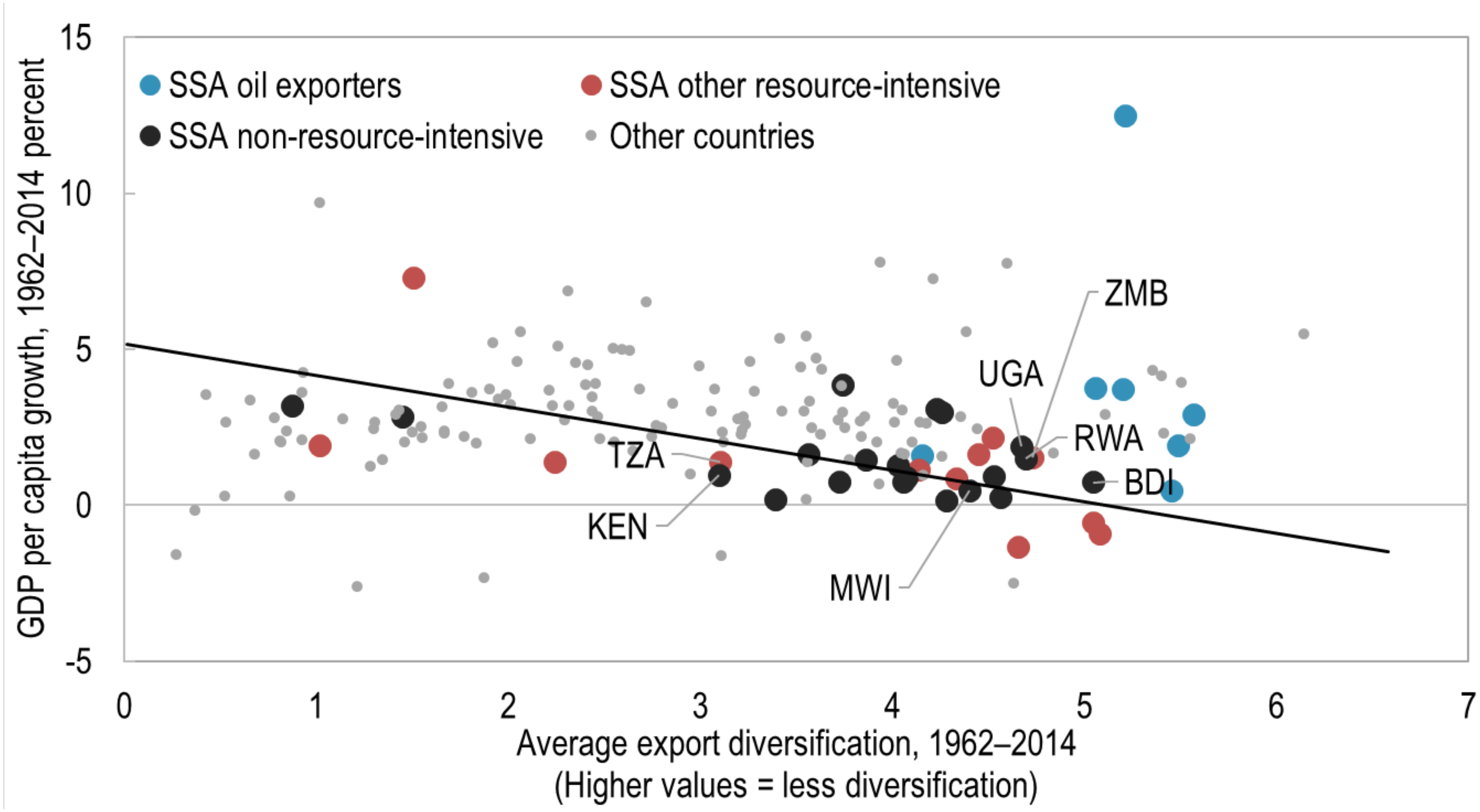
Sustain Growth Through Diversification



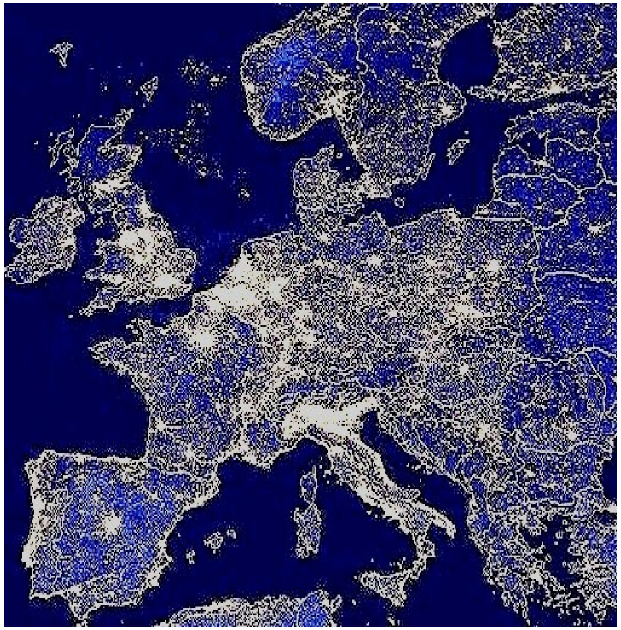
EAC-5: Uganda, Kenya, Rwanda, Tanzania and Burundi

Addressing debt vulnerabilities   Emphasis on revenue mobilization   **Fostering economic diversification**

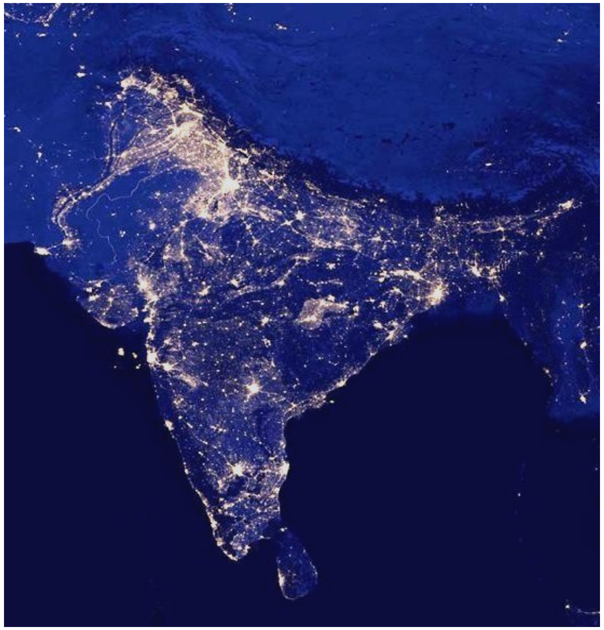
Improve Infrastructure

Electricity Coverage

Europe



India

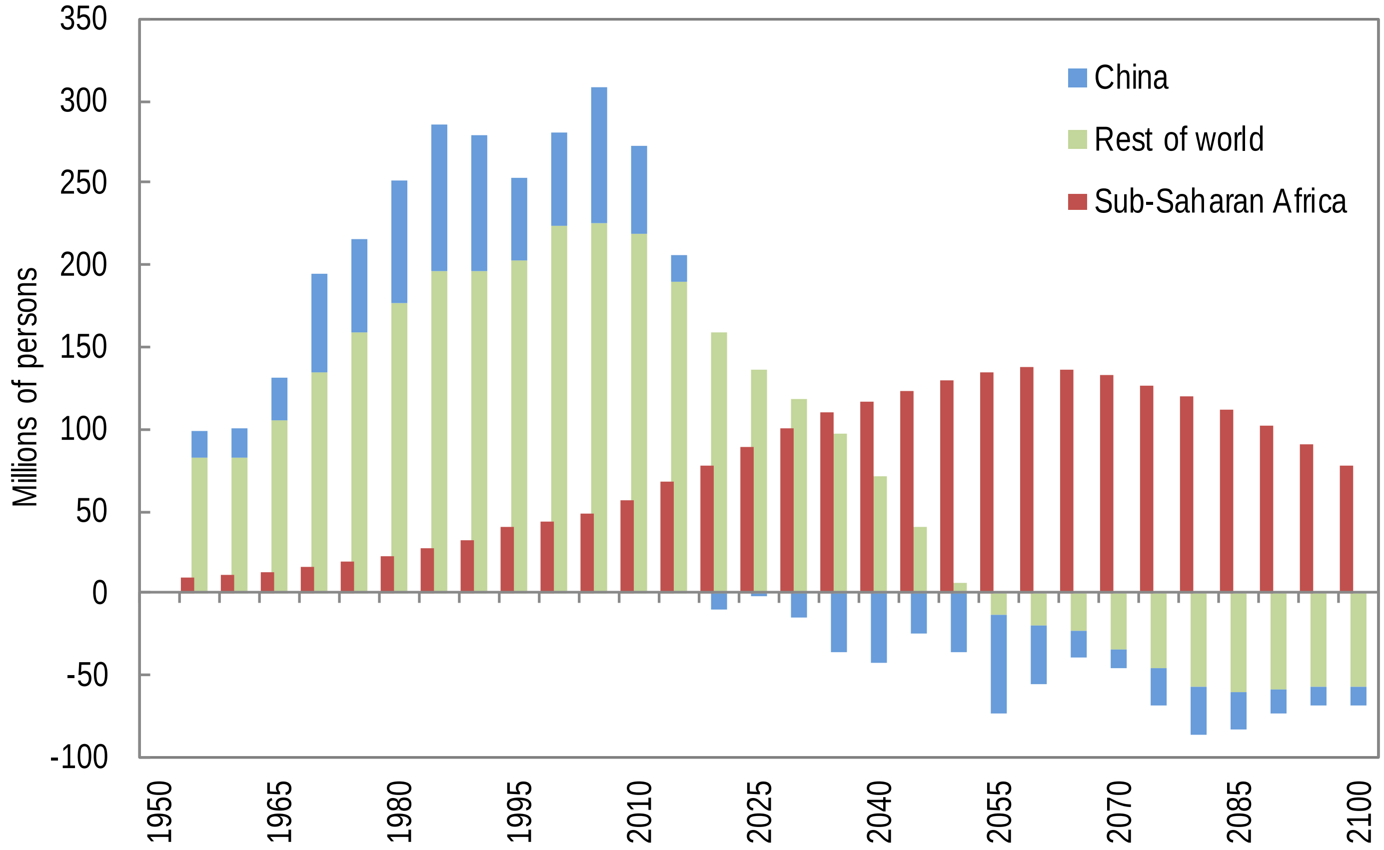


Sub-Saharan Africa

Seize the Demographic Dividend

Challenge or Opportunity?

Change in 15-64 Year Old Population



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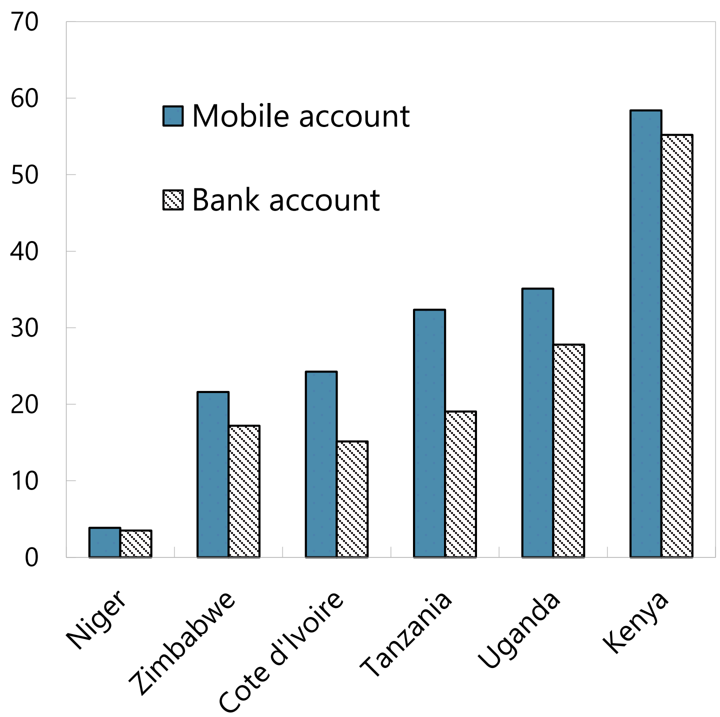
Leapfrog with Technology

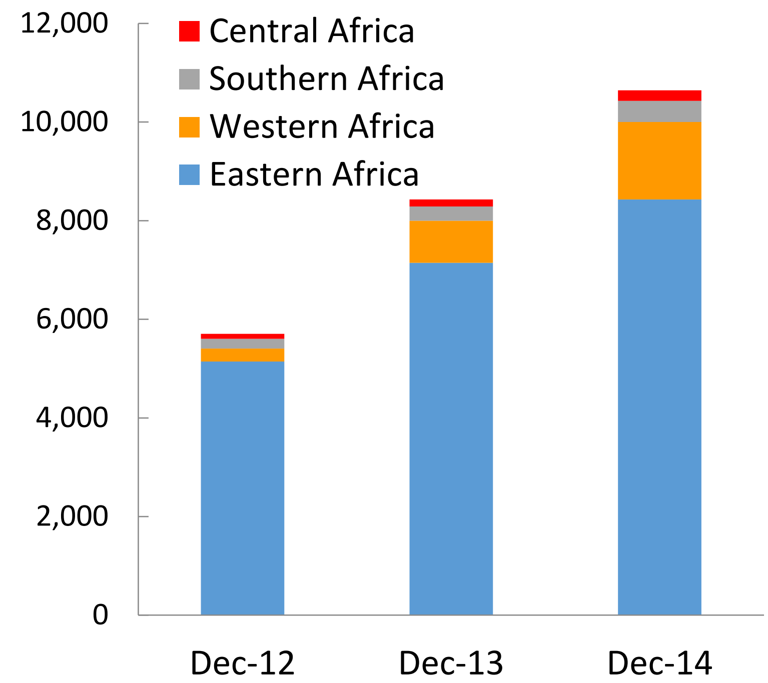
In some countries, mobile accounts now exceed bank accounts

Countries with more mobile accounts than bank accounts
(% age 15+) in Sub-Saharan Africa, 2014



Source: Global Findex, World Bank

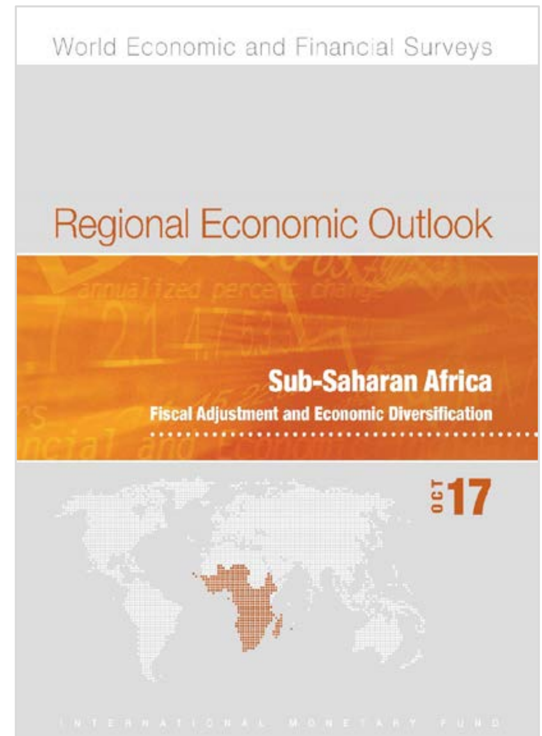
East Africa leads mobile money transactions
Monthly $ million



Source: GSMA Mobile Money

Thank you!

The online edition of the Regional Economic Outlook for sub-Saharan Africa is available at www.imf.org



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Medium-Term Fiscal Frameworks and Fiscal Objectives: Concepts and Practices

Sami Yläoutinen

Strengthening the Role of Macro-Fiscal Units (MFUs) in Ministries of Finance

JANUARY 8, DAR ES SALAAM, TANZANIA

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Outline of Presentation

I. Definition and Features
II. Why Medium-Term Fiscal Frameworks
III. Medium Term Fiscal Objectives and Rules
IV. Challenges
V. Conclusions

I. Definition

Objective	Instrument	Content
Foundation for fiscal objectives	**Fiscal Rule** or Responsibility Law	Principles of fiscal management Numerical fiscal rule Disclosure requirements
State multi-year fiscal policy targets	Medium-term Fiscal Framework	Multi-year macroeconomic forecast Multi-year fiscal forecast Medium-term fiscal target
Set multi-year spending plans	**Medium-term Budget Framework**	Multi-year expenditure ceiling Multi-year spending allocations Planning margin
Authorize annual expenditure	**Annual Budget**	Detailed expenditure appropriations Other budgetary controls Reconciliation of changes from MTBF
Report actual expenditure	**Final Accounts**	Detailed expenditure outturn Reconciliation of change from Budget Explanation of discrepancies

- **MTFF in a nutshell:**
  - A medium-term **macro-fiscal forecasts**: aggregate level of revenue, expenditure and financing
  - A comprehensive **statement of fiscal policy objectives and targets** consistent with macroeconomic stability and fiscal sustainability

➢ **Embedded within realistic and internally consistent medium term macroeconomic projections.**

➢ **Best practice supplements this with transparent assessment of fiscal risks**

II. Why Medium-Term Approach?

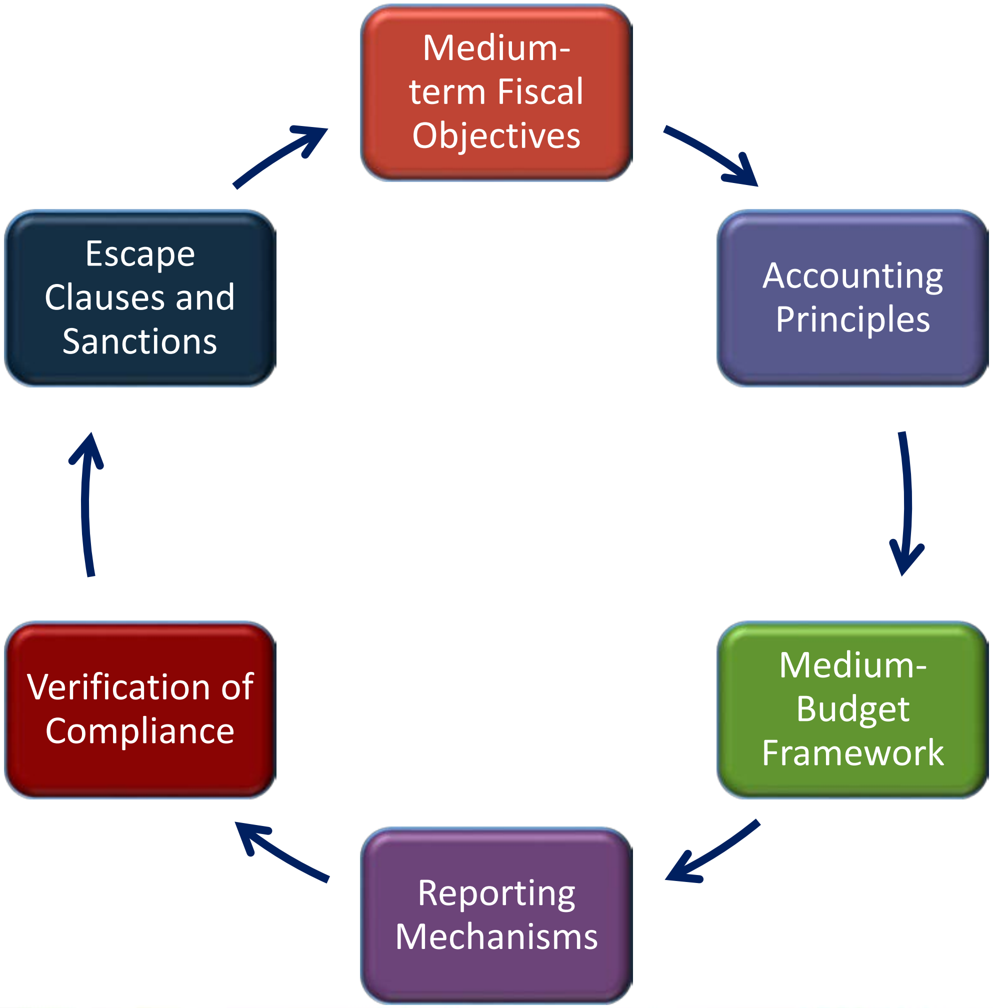
Common Budget Problems

- Unrealistic budgets
  - unaffordable, undeliverable, deferred
- No link to behavior
  - no buy-in, no cash controls, overspending, weak link to policy proposals
- Allocations don't reflect priorities
  - short termism, choices not strategic
- Spending is inefficient
  - low productivity, poor management, corruption, poor planning

II. Why Medium-Term Approach?
How Can It Help?

- Medium term planning does not automatically solve these problems but it can help to provide better
  - Macro-fiscal discipline
  - Transparency and market confidence
  - Strategic allocation of resources
  - Spending efficiency

III. Why Medium-Term Fiscal Objectives?
Part of the overall fiscal framework



III. Why Medium-Term Fiscal Objectives?

Can help with:

- Time-inconsistency problem
- Transparency and market confidence
- Fiscal policy trade-offs

But requires:

- Well developed forecasting
- Broad political commitment
- Balance between firmness and flexibility

Is consistent with political control over fiscal policy

III. Fiscal Objectives and Rules
"The Rules Approach"

What?

- Permanent constraint on fiscal policy, typically defined in terms of an indicator of overall fiscal performance
  - Balance, surplus or deficit
  - Expenditure
  - Debt
  - Revenue

Why?

- Create broad ownership and support
- Institutionalize key fiscal policy priorities

How?

- Irresponsible policies become politically costly
- Annual budget plans can be benchmarked against a numerical indicator

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III. Fiscal Objectives and Rules: "The Rules Approach"
Balance, surplus or deficit

- Good for planning …
- … but more difficult to execute
- Can be pro-cyclical

Golden rule	Cyclically adjusted balance	Average over the cycle	Non resource balance
• Protects investment … • … but does not capture other growth-enhancing expenditure	• Promotes counter-cyclical policy … • … but is ambiguous both ex ante and ex post	• Allows for both automatic and discretionary stimulus … • But cannot be verified until the cycle is closed	• Can help to delink policy from the volatility of resource revenue… • … but can be ambiguous

III. Fiscal Objectives and Rules: "The Rules Approach"
Expenditure

- Operational—targets what the government controls
- Allows counter-cyclical revenue policies …
- … but requires advanced budgeting, accounting and control

Fixed or flexible	Time horizon	Coverage	Inflation adjustment
• Fixed ceilings promote discipline … • … particularly when they apply to outturn … • … but require stable conditions	• Multi-year ceilings create stability and predictability … • … but are subjected to more uncertainty	• Comprehensive ceilings promote aggregate discipline … • … but are subjected to more volatilities	• Real ceilings reduce transparency … • … but protects the room for expenditure during varying inflation

III. Fiscal Objectives and Rules: “The Rules Approach”

Debt

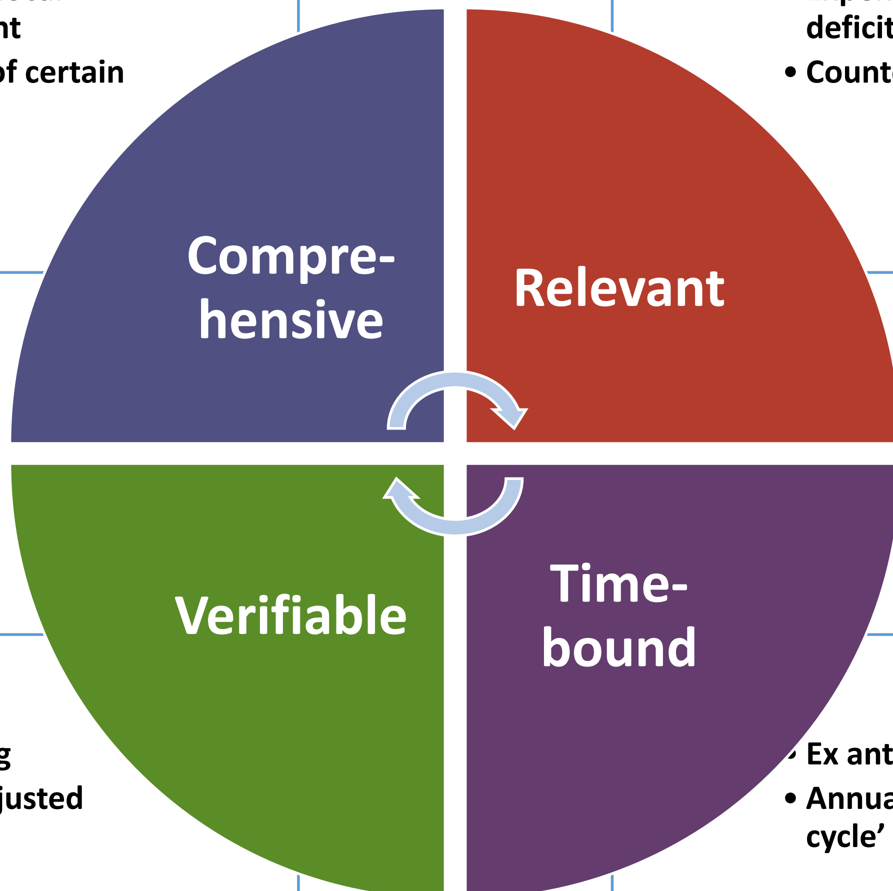
- Relevant indicator for the medium to long term …
- … but difficult to operationalize into the budget process

Gross or net debt	Foreign debt	Central or general government debt
• Gross debt is less open to subjective definitions … • … and not by asset valuation changes … • … but can be reduced by privatization	• Will typically change in the short term for reasons not related to fiscal policy decisions	• General government is a more relevant indicator … • … but can fluctuate in the short term if local governments borrow

III. Fiscal Objectives and Rules: "The Rules Approach"
Choosing an Indicator

- Central or local government
- Exclusion of certain categories

- Expenditure, deficit, debt
- Counter cyclicality



- Outturn lag
- Cyclical adjusted

- Ex ante or ex post
- Annual or 'over the cycle'

III. Fiscal Objectives and Rules: “The Rules Approach” Examples

FISCAL INDICATOR	COUNTRY *TARGET*	EVALUATION CRITERIA					
		Simple	Counter-cyclical	Clear Policy Guide	Medium-term	Verifiable	Coverage
Expenditure Rule	**Finland** *Total Expenditure Ceiling*	✓	✓	✓	✓	✓	✗
Overall Balance	**Mexico** *Zero Balance*	✓	✗	✓	✗	✓	✓
Gross Debt	**Botswana** *Debt ceiling of 45% of GDP*	✓	✗	✗	✓	✗	✓
Golden Rule	**Japan** *Borrowing=Investment*	✓	✗	✓	✗	✓	✗
Balance over Cycle	**United Kingdom** *Current Balance over Cycle*	✓	✓	✗	✓	✗	✓
Structural Balance	**Chile** *1% of GDP Structural Surplus Every Year*	✗	✓	✗	✓	✗	✓
Non-oil Balance	**Timor-Leste** *Non-oil balance set in line with sustainable income*	✗	✓	✗ ✓	✓	✗ ✓	✓
Debt Brake	**Switzerland** *Structural Balance over the Medium-term*	✗	✓	✗	✓	✗	✓

III. Fiscal Objectives and Rules: "The Transparency Approach"
What does it mean?

- The rules approach relies on (permanent) numerical targets
- The transparency approach relies more on
  i. Outlining principles for fiscal policymaking,
  ii. A requirement for the government to set a target for one or more fiscal indicators,
  iii. Arrangements for reporting performance against those targets
- … but it's important to avoid undermining the credibility of the framework by frequent changes
  - Explicit revision clause in place (e.g. targets to be reassessed every four years to reevaluate long-term price assumptions and variations in oil reserve estimates)
- Why transparency approach?
  - Volatility (e.g. resource revenues)
  - Distance from a steady state

III. Fiscal Objectives and Rules: "The Transparency Approach" Examples

Country	Fiscal Principles	Statement Contents	Sample Rules/Objectives
Australia Charter of Budget Honesty (1998)	• Keep debt at prudent levels • Adequate national savings • Moderate cyclical fluctuations • Ensure stable tax system • Regard to future generations	• LT fiscal objectives • ST fiscal targets • Budget priorities • Stabilization measures • Accounting basis	• Balance on ave over cycle • Surpluses over forecast period • No increase in tax burden from 1996-7 levels • Improve net worth over M-LT
New Zealand Public Finance Act (1989)	• Keep debt at prudent levels • Balance operating budget over reasonable period • Maintain adequate net worth • Prudently manage fiscal risks • Ensure stable tax system	• LT fiscal objectives • ST fiscal intentions • S & LT fiscal projections • Assessment of consistency w/ principles	• Operating surplus on ave over cycle • Keep net debt below 40% of GDP & reduce to 30% by early 2020s & 20% over the LT • Net worth rising by early 2020s
United Kingdom Code for Fiscal Stablity (1998)	• Transparency • Stability • Responsibility • Fairness • Efficiency	• LT fiscal objectives • Fiscal rules for Parliament • ST econ & fiscal outlook • LT fiscal projections • Analysis of cyclical impact	• Golden Rule: Balance the current budget over the cycle • Sustainable Investment Rule: Keep debt below 40% of GDP

V. Challenges to effective macro-fiscal frameworks: Data

1. Limited data to build tools and reliable forecasts of GDP, inflation, exchange rates:
   - Sparse historical GDP data needed to build models/tolls and update parameters and forecasts
   - That much more challenging to produce reliable forecasts for the medium term

V. Challenges to effective macro-fiscal frameworks: Skills

2. Limited skills to develop and maintain tools:
   - Various crisis during the 1980s/1990s/2000s (economic/political/social/health) resulting in erosion of skills
   - Seniority and coaching of juniors in Ministries of Finance?

V. Challenges to effective macro-fiscal frameworks: Uncertainty

3. Highly uncertain external conditions:
   - Trading partners' incomes affect demand for exports of goods and services:
     - Commodities, tourism
   - Volatility in international commodity prices:
     - Both imports (e.g. oil) and exports (e.g. metals – despite the recent boom)
   - Dependence on other uncertain external revenues
     - Official grants/loans

V. Challenges to effective macro-fiscal frameworks: Policy inconsistency

Weak strategic decision making leading to deviation in fiscal parameters between budget outlook papers and final budgets

VI. Conclusions

1.MTFF a starting point of macro-fiscal planning

2. Fiscal objectives can be expressed in many different ways, but should be: i) transparent; ii) stable; iii) comprehensive; iv) realistic

3. Choice between rules or transparency approaches depends on country specific factors

4. Creating an efficient macro-fiscal framework is challenging but underlying issues can be gradually addressed

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The Macro-Fiscal Function and its Organizational Arrangements

Ian LIENERT
CONSULTANT

Session 1.2 of the Regional Macro-Fiscal Workshop

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Outline

Part I: Main Components of the Macro-Fiscal Function

Part II: Main Macro-Fiscal Outputs

Part III: Organizational Arrangements for the Macro-fiscal Function

Part I: Main Components of the Macro-Fiscal Function

1. Macroeconomic and fiscal modeling and forecasting, including debt sustainability analysis (DSA)
2. Macro-fiscal policy analysis
3. Fiscal risk analysis
4. Monitoring macroeconomic and fiscal developments

1. Macroeconomic and fiscal modeling and forecasting

- Macroeconomic modeling and forecasting
- Fiscal modeling and forecasting
- Debt sustainability analysis

1a. Macroeconomic modeling and forecasting

- Macroeconomic assumptions and objectives
- Economic growth – GDP and its components
- Inflation: a target or determined?
- “Fixed” variables, for forecasting purposes
    - ✓Exchange rate – nominal or real exchange rate
    - ✓Interest rates
    - ✓Oil / commodity prices

1a. Macroeconomic modeling and forecasting (continued)

Choice of "Model":

1. No model: target key variables, GDP, inflation,..
2. Simple economy-wide model, mainly with accounting identities, e.g. Financial Programming Framework
3. Sophisticated macroeconomic model, with many behavioral equations (and much data!)
4. Special-purpose models: e.g., Applied General Equilibrium models.

1b. Fiscal modeling and forecasting

- Revenue forecasting – many domestic revenues depend on economic variables
- Expenditure forecasting – few expenditures depend on economic variables
- Deficit – under unchanged policies – baseline projections
- Deficit – inclusive of new fiscal policies to attain fiscal balance (and debt) objectives
- Deficit financing – Grants and Borrowing

For the MFU: A combination of <u>technical</u> and <u>analytical</u> work.

1c. Debt sustainability analysis

- Persistent fiscal deficits led to higher and higher debt.
- MFU should examine dynamics of deficits and debt: “Will debt/GDP stabilize or decline in the future?” i.e., reach a sustainable fiscal position
- DMO manages the debt portfolio
- Low-income countries: need to project future grant-financing (unconditional and conditional)

2. Macro-fiscal policy analysis

- MFU analyses the impact of fiscal policy changes that help achieve budgetary objectives
- MFU prepares short-, medium- and long-term scenarios of fiscal position under different assumptions
- MFU proposes changes in fiscal policies based on the analysis

2. Macro-fiscal policy analysis (continued)

- Initially this function is confined to revenue and expenditure policy changes of the central government's annual budget – examining their annual and MT impacts (e.g., over 3 years)
- More sophisticated analyses include:
  - Budgetary impact of off-budget and extrabudgetary activities/agencies, including public entreprises
  - Balance sheet analysis – government assets (as well as liabilities)
  - Impact of fiscal policy changes on economic growth

3. Fiscal risk analysis

Definition: *Fiscal risk is the possibility of short- to medium-term deviations in fiscal variables as compared to what was anticipated in the medium-term fiscal framework or annual budget*

Fiscal Risk Analysis and Management:

- Identifies key fiscal risks, e.g., from assumptions, external shocks, off-budget activities
- Monitors and quantifies (if possible) fiscal risks
- Proposes policy changes to cope with fiscal risks

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4. Monitoring macroeconomic and fiscal developments

Monitoring leads to a view as to whether fiscal policies (or the MT fiscal framework) should be modified.

- Monitoring the macro economy, fiscal policy implementation and budget execution, in order to identify deviations from the forecasts.
- Monitoring fiscal risks
- Preparing analytical reports on recent macroeconomic and fiscal performance and revised perspectives.
- Maintaining an up-to-date database of macro-fiscal developments
- Updating projections at regular intervals.

Part II: Main Macro-Fiscal Outputs

The MFU should prepare various documents (for the Government, Parliament, publication) at key points of the budget cycle, especially:

- Medium-term <u>fiscal strategy</u> statement (MTFSS)
- Medium-term <u>fiscal framework</u> (ideally, for "general government") and <u>budget strategy and framework</u> (for central government) and <u>DSA</u>
- <u>Fiscal risk</u> statement
- In-year <u>fiscal monitoring reports</u>

Budget Cycle	Typical MFU Outputs			
	Monthly or quarterly	*Twice a year*	*Annual*	*Periodic*
Pre-budget review and/or mid-term review Draft annual budget (presentation to legislature)	In-year economic and fiscal reports (developments of revenues, spending, balance, debt)	Updates of the MTFSS Updates of MT budget strategy, objectives, macro-economic and fiscal projections	Medium-term fiscal strategy statement Strategy and policy priorities for annual budget Debt sustainability analysis (DSA) Fiscal risk statement Report on compliance with fiscal rules	Long-term fiscal projections (20-50 years) (optional) Pre- and post-election fiscal updates Ad hoc research

Possible Outline of a MT Fiscal Strategy Statement

PART 1: MEDIUM-TERM MACROECONOMIC FRAMEWORK

- International economic environment
- Macroeconomic policies
- Medium-term macroeconomic projections (extending 3,5 or 10 years).
- Table with key indicators and assumptions.

PART 2: MEDIUM-TERM FISCAL STRATEGY, PROJECTIONS AND POLICIES

- Short- and medium-term fiscal policy priorities
  - Short- and medium-term fiscal targets – and progress in achieving them
  - Tax and non-tax revenue policies
  - Expenditure policies and sector/program priorities
  - New fiscal policy measures – and their quantitative impact
- Medium-term fiscal framework (baseline projections plus impact of new policies)
  - Revenues, expenditures, budget balance, debt
  - Public sector (or Government) assets and liabilities
- Alternative Scenario Projections
- Fiscal Risks (near term)

PART 3: LONG-TERM FISCAL SUSTAINABILITY

- Debt sustainability analysis (gross and net debt)
- Longer-term structural policies and fiscal risks

STATISTICAL AND OTHER APPENDICES

Question: How completely does your MFU perform the 4 functions?

1. Macroeconomic and fiscal modeling and forecasting, including deficit/debt/grant analysis
2. Macro-fiscal policy analysis
3. Fiscal risk analysis
4. Monitoring macroeconomic and fiscal developments

Part III: Organizational Arrangements for the Macro-Fiscal function

1. Where are macro-functions located?
2. Possible internal structure of a MFU
3. Staffing the MFU
4. Need for Coordination

1. Location of macro-fiscal functions

- A MoF's major function is to prepare the MT fiscal strategy and framework, etc.
- Hence, all MFU functions should be inside the MoF.
- However, in practice:
  - Politics may not favor a strong Minister of Finance, e.g., the President diffuses some powers widely
  - Planning Ministries (or equivalent) exist and they perform some, or several, macro-fiscal functions
  - Other ministries/agencies are involved in macro-fiscal functions
- There is no "one-size-fits-all" location for MFUs

Organizational arrangements for MFUs in different countries

"Models" for the Macro-Fiscal Unit	Ministry of Finance (MoF)			Another Ministry		Council, or Agency, under the Executive	Independent Agency	
	Macro Fiscal Unit / Department	**Budget Department**	**Other departments (Tax Policy, Treasury, DMO, etc.)**	**Planning**	**Budget / Economy**		**Agency prepares the official forecasts**	**Fiscal Council assesses the official forecasts**
1. One MoF Department	✔	[ ]	[ ]					[ ]
2. Several MoF Departments	✔	✔	✔					[ ]
3. Two ministries: a. One MoF Department, plus a planning ministry/agency	✔	[ ]	[ ]	✔				
b: One MoF Department, plus a budget or economy ministry	✔	[ ]	[ ]		✔			[ ]
4. Three Ministries/Agencies: a. Three separate ministries	✔	[ ]	[ ]	✔	✔			
b. Three Departments/agencies under the Executive	✔	[ ]	[ ]		✔	✔		[ ]
5. An independent macro-fiscal forecasting agency/council	[✔]	[ ]	[ ]				[✔]	[ ]

Note: A ✔ refers to the location of components of the MFU; The square brackets [ ] indicate that other departments of the MoF or agencies outside the MoF perform tasks that are primarily supplementary to the work of the MFU.

2. Internal structure of a MFU

- There is no "one-size-fits-all" for the organizational and hierarchical structure of the MFU.
- The structure of the MFU reflects the relative importance of the 4 macro-fiscal functions and how they are spread within the MoF and elsewhere
- Initially, the emphasis should be on establishing a MFU structure that can produce a sound MT fiscal strategy and framework

Possible 3-divisional internal structure for the MFU

	Macroeconomic and Fiscal Forecasting Division	Fiscal Policy Division	Structural Fiscal Policy Division
Responsibilities	• Maintain a central database of key macroeconomic and fiscal variables. • **Forecast macroeconomic and fiscal variables.** • Prepare alternative assumptions and policy scenarios affect revenues and expenditures (sensitivity analysis) and the MTFF. • Compare short-term fiscal projections with actual outcomes. • Draft regular reports of macroeconomic and fiscal developments and forecasts • Prepare debt sustainability analyses, in collaboration with the DMO.	• **Prepare fiscal analysis and policy advice.** • Analyze overall revenue and expenditure developments. • Propose "top-down" expenditure ceilings. • Ensure the consistency of MT projections with medium-term fiscal targets. • Propose new policies • Ensure updates of the medium term fiscal strategy and MT fiscal policy objectives. • (if relevant) Ensure that the updated MT fiscal framework is consistent with fiscal rules.	• Provide theoretical and quantitative analysis of specific fiscal policy issues -- those structural or longer-term in nature, e.g. options for tax reforms; the impact of changes in oil prices on the budgetary outlook; role of public investment or PPPs. • **Analyze fiscal risks and prepare the annual fiscal risk statement.** • (in collaboration with the Forecasting Division) Prepare long-term projections, particularly those for assessing the impact of ageing on the budgetary cost of pensions and health care.

3. Staffing, remuneration and skills

- Staff size of MFU depends mainly on:
  - Functions undertaken (small countries are limited)
  - Financing: overall budget of MoF and civil service remuneration
- MFU is a crucial division of the MoF
- Head of MoF should be remunerated as for comparable Directors in MoF (Budget, Treasury—Accountant General, Debt,…) and, ideally, with comparable Directors at the central bank
- Training is needed. Secondment of central bank staff to the MFU/MoF may be considered in some countries

4. Need for Coordination

a) Coordination *within* the MoF
b) Coordination with agencies / ministries *outside* the MOF

4a. Coordination *within* the MoF

Coordination is crucial, especially with:

- ✓Budget Department
- ✓Tax Policy Department / Revenue Authority
- ✓Debt /Aid Management Office(s)
- ✓Treasury – Accountant General's Office

4b. Coordination with agencies / ministries *outside* the MOF

- ✓Ministry of Planning (or equivalent agency), e.g., for macroeconomic and/or investment budget projections
- ✓Ministry of Economy (if it exists)
- ✓National Statistics Office, for macroeconomic data, especially National Accounts
- ✓Central Bank, e.g., for comparing data, assumptions and projections
- ✓Other relevant ministries / agencies whose activities impact on macro-fiscal developments

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