
Medium term expenditure frameworks in MENA countries

Olaf Merk
OECD

Working group 3, GfD
7-8 May 2006, Cairo



Roadmap

1. What?
2. Why?
3. What colours do you have?
4. Where do we stand now?
5. Under what conditions?
6. Pitfalls

1. What is a MTEF?

- Integration of policy, planning and budgeting within a medium term perspective.
- Typically: top down resource envelop and bottom up estimate of cost of programs.
- Not only fiscal targets.
- Not necessarily linked to output based budgeting.

2. Why a MTEF?

- Improves budget formulation.
- More efficient resource allocation.
- Reduces uncertainty over time; increases budget stability.

3. What varieties do you have?

- Rolling and periodical frameworks.
- Fixed and flexible frameworks.
- How long is the medium term?

3. What varieties do you have?

<i>Periodical</i>	<i>Rolling</i>
Netherlands, Sweden, US (until 2002)	Canada, Czech Republic, France, Germany, Italy, Mexico, New Zealand, Spain
<i>Fixed</i>	<i>Flexible</i>
Netherlands, Sweden, UK, US (until 2002)	Canada, Czech Republic, France, Germany, Italy, Mexico, New Zealand, Spain

3. What varieties do you have?

Two years	Three years	Four years
Italy United Kingdom	Canada Czech Republic France Germany Spain Sweden	Mexico Netherlands New Zealand US

4. Where do we stand now?

- Small minority of countries has introduced MTEF (Tunisia, pilots in Morocco).
- Some MENA-countries have a two-yearly budget (Bahrain).
- Some have long term fiscal targets (Jordan)
- Several MENA-countries have recently created a macro-fiscal unit to improve prognostication (Egypt, Lebanon, Jordan, Yemen).

5. Under what conditions?

- Budget basics in place (accurate financial information on a detailed level)
- Forecasting capacity (credible estimates on budget item level, feedback by actualized budget last year).
- BUT: some evidence that MTEF can give impetus to building the basics.

5. Other conditions

- **Budget comprehensiveness.**
- **Political commitment**

6. Pitfalls

- Multi-year projections can be perceived as baseline.
- Political attention will not go beyond the medium term (especially for periodical frameworks).

Suggestions for discussion

1. A MTEF loses its value as soon as it cannot be upheld or enforced.
2. It is therefore useless to establish a MTEF if you cannot estimate expenditures and revenues accurately.