



IMF's New Fiscal Transparency Code and Evaluation

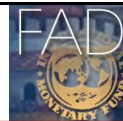
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New Draft Fiscal Transparency Code & Evaluation: Outline of the Presentation



- I. Background and Context**
- II. Revising the Fiscal Transparency Code**
- III. The New Fiscal Transparency Evaluation**
- IV. Next Steps in IMF's Fiscal Transparency Work**

I. Background and Context:

a. Origins of the Global Fiscal Transparency Effort



- **A concerted effort to improve fiscal transparency since the late 1990s**
 - Asian crisis highlighted weakness in public and private financial reporting
 - Also underscored the risks associated with undisclosed linkages between the two
- **New fiscal reporting standards were developed**
 - **General:** IMF's Code & Manual on Fiscal Transparency
 - **Budgeting:** OECD Best Practices for Budget Transparency
 - **Statistics:** EU's ESA 95, IMF's GFSM 2001, & UN's SNA 08
 - **Accounting:** IFAC's International Public Sector Accounting Standards (IPSAS)
- **New tools for monitoring compliance with standards were introduced**
 - **Multilateral:** Fiscal and Data ROSCs, GDDS/SDDS, & PEFA
 - **Regional:** Eurostat, WAEMU & CEMAC harmonization of fiscal reporting
 - **Civil Society:** Open Budget Survey and Index, GIFT Principles

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I. Background and Context:

b. Weaknesses of the Existing Code & ROSC



- **Code & ROSC evaluate clarity of reporting procedures not quality of reports**
 - Code's 4 "Pillars" reinforce focus on formal laws, institutions, and processes
 - i. Clarity of Roles and Responsibility
 - ii. Open Budget Processes
 - iii. Public Availability of Information
 - iv. Assurances of integrity
 - ROSCs pay too little attention to the content of fiscal reports themselves
- **Code & ROSC adopt a "one-size-fits-all" approach to evaluating countries**
 - Do not take into account different levels of institutional capacity
 - Do not provide milestones to full compliance with international standards
 - Make it difficult to benchmark against comparator countries
- **ROSC assessments tended to be exhaustive rather than risk-based**
 - Place equal weight on all elements of the Code
 - Difficult to judge relative seriousness of different fiscal reporting gaps
 - Include a large number of unprioritized recommendations

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II. Revising the Fiscal Transparency Code:

a. Objectives of the Revisions



1. Emphasize the quality and reliability of published information rather than clarity of reporting procedures
2. Update the principles and practices to reflect the lessons of the recent crisis
3. Align the principles and practices with relevant international standards (GFSM 2014, IPSAS, PEFA, OBI, OECD Principles)
4. Provide countries with a set of achievable milestones on the way towards full compliance with international standards

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II. Revising the Fiscal Transparency Code:

b. Timetable for the Revisions



Date	Action
Aug 2012	Board Paper on <i>Fiscal Transparency, Accountability, and Risk</i>
Dec 2012	Public consultation on revisions to Fiscal Transparency Code
Jul 2013	Draft revised Fiscal Transparency Code released for consultation
Jan 2013- Apr 2014	Eight pilot Fiscal Transparency Evaluations based on revised Code
Summer 2014	Publication of final revised Fiscal Transparency Code

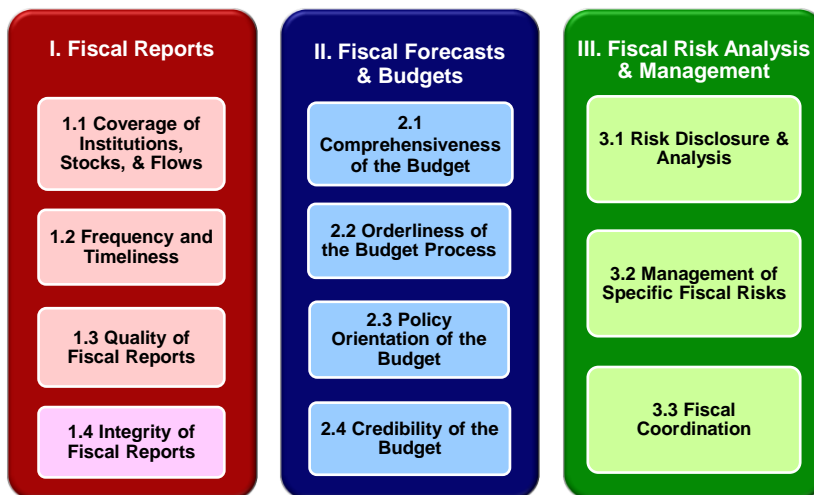
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II. Revising the Fiscal Transparency Code:

c. Architecture of the New Code's 36 Principles



Three Pillars of the Revised Code



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II. Revising the Fiscal Transparency Code:

d. More Graduated Set of Practices



#	DIMENSION	PRINCIPLE	PRACTICES		
			BASIC	GOOD	ADVANCED
I	FISCAL REPORTING	Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance			
1.1	Coverage	<i>Fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its sub-sectors according to international standards</i>			
1.1.1	Coverage of Institutions	Fiscal reports cover all entities engaged in public activity according to international standards.	Fiscal reports consolidate all central government entities.	Fiscal reports consolidate all general government entities and report on each subsector.	Fiscal reports consolidate all public sector entities and report on each subsector.
1.1.3	Coverage of Stocks	Fiscal reports include a balance sheet of public assets, liabilities, and net worth.	Fiscal reports cover all cash, deposits, and debt	Fiscal reports cover all financial assets and liabilities.	Fiscal reports cover all financial and non-financial assets and liabilities, and net worth.
1.1.2	Coverage of Flows	Fiscal reports cover all public revenues, expenditures, and financing.	Fiscal reports cover cash revenues, expenditures and financing.	Fiscal reports cover cash flows and accrued revenues expenditures, and financing.	Fiscal reports cover cash flows ,accrued revenues, expenditures, and financing, and other economic flows.

III. New Fiscal Transparency Evaluation

a. Objectives of the New Evaluation



1. Distinguish between more and less serious deficiencies in countries' fiscal transparency practices
2. Provide countries with a clear picture of where their fiscal reporting practices stand relative to comparator countries and international standards
3. Provide countries with a more targeted and sequenced action plan for addressing the main transparency weaknesses identified

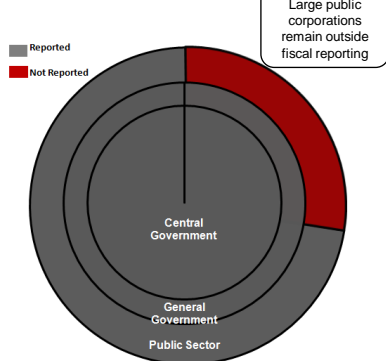
III. New Fiscal Transparency Evaluation:

b. Fiscal Transparency Indicators: Fiscal Reporting

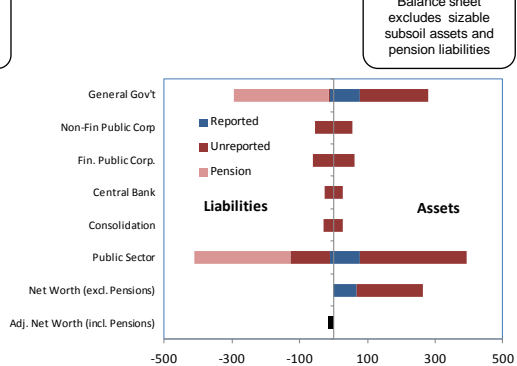


Russia: Coverage of Fiscal Reports

Coverage of Public Sector Entities
(percent of expenditure)



Reporting of Assets and Liabilities
(percent of GDP)

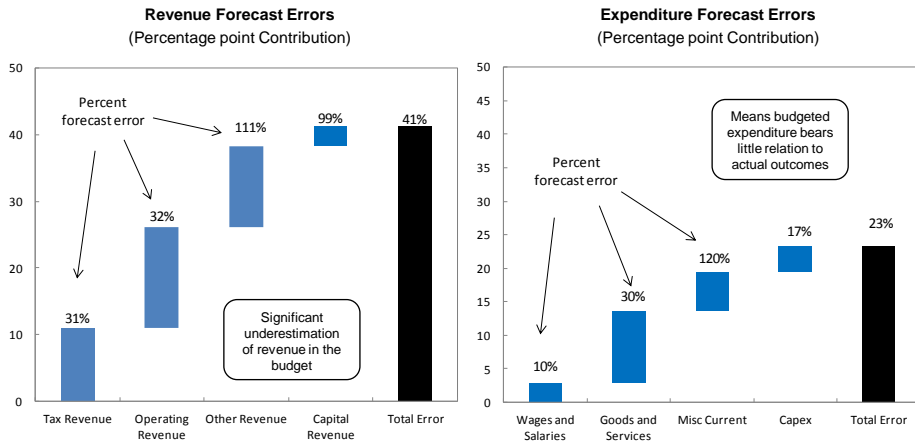


III. New Fiscal Transparency Evaluation:

c. Fiscal Transparency Indicators: Fiscal Forecasting and Budgeting



Bolivia: Source of Budget Forecast Errors

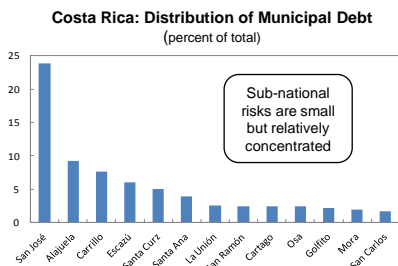
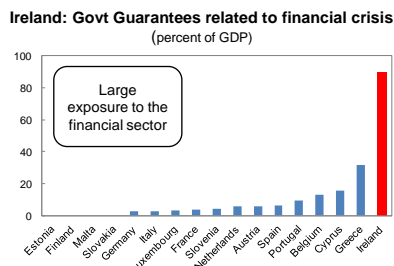
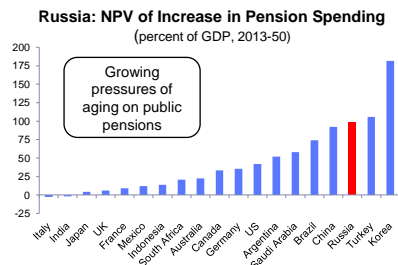
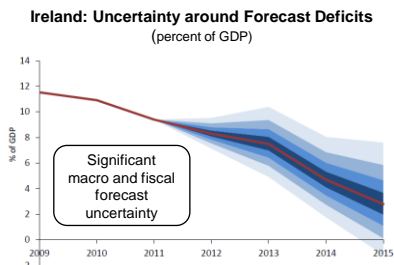


III. New Fiscal Transparency Evaluation:

d. Fiscal Transparency Indicators: Fiscal Risk Analysis and Management



Selected Countries: Fiscal Risk Indicators



III. New Fiscal Transparency Evaluation: e. Targeted Recommendations



Russia: Summary Assessment of Fiscal Reporting

PRINCIPLE		ASSESSMENT	IMPORTANCE	REC
1.1	Coverage of Institutions	Good: Fiscal reports consolidate all general government units	High: Public corporations with expenditure of 28% of GDP in 2012 outside consolidated fiscal reports	1
1.2	Coverage of Stocks	Good: Fiscal reports cover all conventional financial and non-financial assets and liabilities	High: Subsoil assets of 200% of GDP and pensions liabilities of 285% of GDP not included in balance sheets.	2,3
1.3	Coverage of Flows	Good: Fiscal reports cover cash and accrued revenues and expenditures	Medium: Non-recognized non-recoverable claims of 0.4% of GDP reduce reliability of the fiscal balances	3
1.4	Tax Expenditures	Basic: There is annual disclosure of revenue loss due to some tax reliefs subsidies	Medium: Estimated 1-2% of GDP in annual revenue foregone due to tax expenditures.	4
2.1	Frequency of In-year Fiscal Reports	Advanced: Cash-based budget execution reports are published on a monthly basis	Low: Monthly fiscal reports are published within 30 days	
2.2	Timeliness of Annual Financial Statements	Advanced: Annual financial statements are published in a timely manner	Low: Annual reports are published within 5 months of the end of the financial year	
3.1	Classification	Good: Fiscal reports include an administrative, economic and functional, classifications comparable with international standards	Medium: Inconsistent classifications of some transactions lead to different levels of the fiscal balances	
3.2	

III. New Fiscal Transparency Evaluation: f. Sequenced Action Plan



Ireland Fiscal Transparency Action Plan

Action	2013	2014	2015	2016	2017
1. Expand Institutional Coverage of Budgets, Statistics, and Accounts					
a. Present all gross revenues and expenditures of central government entities in budget documentation		Incorporate NPRF into budget documentation	Incorporate Non-Commercial Semi-State Bodies into budget documentation	Incorporate all central government entities in budget documentation	Integrate non-commercial semi-state bodies into departmental votes
b. Combine Finance and Appropriation Accounts into a consolidated Central Government Financial Statement	Combine the information in the notes to the Appropriation Accounts to produce a summary report	Combine Finance and Appropriation Accounts into a partial Central Government Financial Statement based on existing accounting policies	Incorporate SIF and NPRF into partial Central Government Financial Statement	Incorporate Non-Commercial Semi-State Bodies into consolidated provisional Central Government Financial Statement	Prepare comprehensive consolidated Central Government Financial Statement for audit by C&AG
c. Provide an overview of the gross revenues and expenditures of the general government and its subsectors	Reconcile gross revenues and expenditures of Exchequer and general government in budget	Provide summary of gross revenues and expenditures of central government in budget	Provide summary of gross revenues and expenditures of central, local, and general government in budget	Publish quarterly statistics on gross revenues and expenditures of central, local, and general government sectors	Publish monthly statistics on gross revenues and expenditures of central, local, and general government sectors



IV. Next Steps in IMF's Fiscal Transparency Work

DATE	ACTION
Ongoing	Rollout of Fiscal Transparency Evaluations
Summer 2014	Release of revised Fiscal Transparency Code
Winter 2014-15	Draft Fiscal Transparency Manual for consultation
Spring 2015	Consultation on Draft Natural Resource Transparency Guide
Summer 2015	Publication of final Fiscal Transparency Manual
Autumn 2015	Publication of final Natural Resource Transparency Guide