

## Chapter 1

### Gateway to international standards and guidance on budget and fiscal transparency

*There are many international bodies active in the area of budget and fiscal transparency. This chapter introduces the key international bodies and explains how their instruments and resources can be used by budget practitioners and stakeholders.*



## Overview of budget and fiscal transparency: The international landscape

Several international organisations provide official standards on budget and fiscal transparency, and there are a range of other bodies – inter-governmental groups, civil society organisations, professional bodies and others – that provide additional information and guidance. All share a common cause of promoting higher levels of transparency in the financial affairs of government and public bodies; however users of this information can sometimes find it difficult to understand how the different standards and guidance materials fit together and can be used.

In this **Chapter 1** of the Budget Transparency Toolkit, after an initial outline of how the various institutions and instruments complement one another, each of the key instruments is introduced and explained. **Chapter 2** of the Toolkit provides alternative routes to finding the official instruments as they apply in particular areas, along with practical orientations and suggestions about their application.

### *Budget and Fiscal Transparency – the evolution of a concept*

Until the mid-1990s there was no internationally-recognised definition of budget transparency / fiscal transparency and no codification of what it comprised. Prompted by lessons learned from the East Asia financial crisis of the time, the International Monetary Fund (IMF) introduced in 1998 a *Code of Good Practices on Fiscal Transparency*, and in the following year started assessing country practices against the code. The OECD's 2002 *Best Practices in Budget Transparency* focused on the central government budget sector in advanced countries. The Public Sector Committee of International Federation of Accountants initiated the *International Public Sector Accounting Standards (IPSAS)* project in 1996, and by 2002 had issued a core set of accounting standards for the public sector.

Subsequently, the 2002 multi-stakeholder *Extractive Industries Transparency Initiative (EITI)* and the IMF's *Guide on Resource Revenue Transparency* (2005) reflected heightened concern over fiscal transparency in countries dependent on extractive industries. The multi-stakeholder *Public Expenditure and Financial Accountability* (PEFA) reports that commenced in 2005, on the other hand, have been most widely used in lower and middle income countries.

The International Budget Partnership introduced the bi-annual Open Budget Survey in 2006, providing an independent civil society assessment of budget transparency and generating quantitative data on levels and trends in budget transparency.

The global financial crisis from 2008, together with concern about the slow and uneven pace of improvements in fiscal transparency, prompted a re-thinking of the overall approach as well as revisions to many of the instruments. A number of international organisations and other stakeholders formed the Global Initiative for Fiscal Transparency in 2011, which issued a set of High Level Principles on Fiscal Transparency, Participation and Accountability the following year to promote more comprehensive and coherent efforts to extend transparency, as well as a new element of direct public participation in fiscal policy design and implementation.

Over the last few years many of the instruments referred to above have been revised and updated. In particular:

- the **IMF** released a completely restructured Fiscal Transparency Code in 2014 and a new assessment tool, the Fiscal Transparency Evaluation (FTE)
- the **OECD** issued a new set of *Principles of Budgetary Governance* the following year to complement and build upon the 2002 *Best Practices*
- a revised **PEFA** indicator set was released in 2016
- the **IPSAS** standards have been expanded under the independent International Public Sector Accounting Standards Board (IPSASB), which is facilitated by IFAC. They now comprise a comprehensive set of accrual-based standards for the preparation of general purpose financial statements by governments and other public sector entities around the world\*; and
- from 2017 the **IBP's** Open Budget Survey 2017 is completed against a revised set of questions.

Increasingly these instruments recognise the diversity of country contexts by setting graduated standards rather than stipulating a single set of practices. The instruments also, to different degrees, incorporate principles that acknowledge the public's right to participate in deliberation over the design and implementation of fiscal policies, which reflects the increasing importance of putting the public at the centre of the management of public resources. In parallel, the G20 has sought to draw upon the international work on budget and fiscal transparency in order to support other important pillars of good governance, including anti-corruption.

Over time, the terms fiscal and budget transparency have become increasingly broad umbrella terms that subsume a number of dimensions and topics. They cover both the supply side - governments, and increasingly non-state actors also, publishing information - and the demand side - legislatures, civil society, and other stakeholders seeking to use information to hold government actors accountable and to participate more directly in public debate over resource allocation. Fiscal transparency incorporates open budgeting, the delivery of tax-funded public services, public procurement, public infrastructure projects, financial and non-financial reporting, the management of public assets and liabilities, and activities at the boundary of the government sector, such as public corporations and Public Private Partnerships. Finally, the concepts and tools of budget and fiscal transparency are also being applied to subnational governments.

In formal terms, some of these instruments are official international standards (e.g. the IMF Fiscal Transparency Code) or form part of the international law for various countries (e.g. OECD Principles of Budgetary Governance); while others are authoritative guidance instruments, *de facto* standards or internationally-recognised assessment tools. In recent years there has been an explicit attempt by the different institutions responsible for these instruments to achieve more consistency and coherence across them while recognising that they each serve somewhat different purposes. **This Toolkit is a further step to highlight what the various instruments have in common, and helps budget practitioners and users in applying these standards in order to improve budget and fiscal transparency levels.**

\* It should be noted that several countries employ cash rather than accrual accounting for public financial reporting. Of countries employing accrual accounting, nearly all develop national accounting standards and many use international standards such as IPSAS as a reference.

## The G20

The **G20** was initiated in 1999 as a forum of the 20 largest economies in the world, to lead action on key issues for global economic co-operation and good governance. G20 countries are: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union. International bodies such as the IMF, OECD and World Bank are also invited to attend G20 summits. The G20 draws upon expertise from its members and international organisations to spearhead progress in areas such as infrastructure, open data and anti-corruption.

The **G20 Anti-Corruption Action Plan 2017-18** (adopted in September 2016 under China's Presidency of the G20) notes that "Government spending is vitally important to our economies and can be vulnerable to corruption," and that "transparency is key to deterring and uncovering corruption." The G20 therefore aims to promote greater transparency in budget processes and public contracting, including through greater citizen engagement, use of open data and improved coordination among international organisations. The **Anti-Corruption Working Group (ACWG)** of G20 is responsible for driving forward and implementing this agenda, encouraging a deeper understanding of how budget transparency can support, and be integrated within, broader anti-corruption frameworks.

Other relevant G20 instruments are:

- **G20 Anti-corruption Open Data Principles (2014)** which form the foundation for access to, release and use of open government data to strengthen the fight against corruption. The Principles recognise that open data provides a platform to help expand social participation and enhance co-responsibility in areas such as public procurement, political financing standards, and fiscal and budget transparency.
- **G20 Guiding Principles on Integrity in Public Procurement (2015)** which note that public procurement represents a large share of G20 countries' economies - 13% of GDP on average – and that financial management controls and other safeguards are necessary to ensure integrity and value-for-money.

① **How and why to use?** The G20 instruments are not formal legal standards but represent clear political commitments on behalf of G20 governments, and as such they serve as important channels for co-ordinating international policy. By aligning national policies and strategies with the G20 instruments, countries – whether or not they are members of the G20 – can add momentum to global efforts to improve public governance in critical areas.

Quick link: <http://g20.org>

## Global Initiative for Fiscal Transparency (GIFT)

The **Global Initiative for Fiscal Transparency (GIFT)** was founded in 2011 as a multi-stakeholder action network to advance fiscal transparency, participation, and accountability in countries around the world. GIFT's founding Lead Stewards are the World Bank, the IMF, the International Budget Partnership (IBP), and the Departments/Secretaries of budget of the governments of Brazil and the Philippines. The International Federation of Accountants subsequently joined as a sixth Lead Steward in 2014. Two dozen other official, civil society organisations and donor agencies are stewards of GIFT, including the OECD (see [www.fiscaltransparency.net](http://www.fiscaltransparency.net) for further details). Since, 2013, GIFT is hosted at IBP and funded by the World Bank, the William & Flora Hewlett Foundation and the Omidyar Network.

The basic motivation for establishing GIFT was that the overall state of budget transparency around the world is poor: Measured against the Open Budget Index, the national budgets of 77 countries - home to half the world's population - were at that time failing to meet basic standards of budget transparency. While there had been some progress in increasing fiscal transparency, it was uneven and slow, and would take a generation to achieve significant and sustainable improvement in many countries. The Global Financial Crisis had also revealed basic weaknesses in fiscal transparency, and prompted a fundamental re-thinking of the approach (see for instance the 2012 IMF paper, *Fiscal Transparency, Accountability, and Risk*).

GIFT was formed to bring about a step-increase in government openness by bringing multiple stakeholders together to address the challenges in a new and more co-ordinated manner. It has four main work streams: strengthening incentives; advancing global norms; technical assistance and capacity building; and harnessing new technologies.

One of the network's first actions was to develop a new set of ***High Level Principles of Fiscal Transparency, Participation and Accountability***. As illustrated in the figure below, these are designed to sit above the existing set of international standards, norms, and assessment instruments, to promote increased coherence across those instruments, and to promote the development of new instruments where there are gaps.

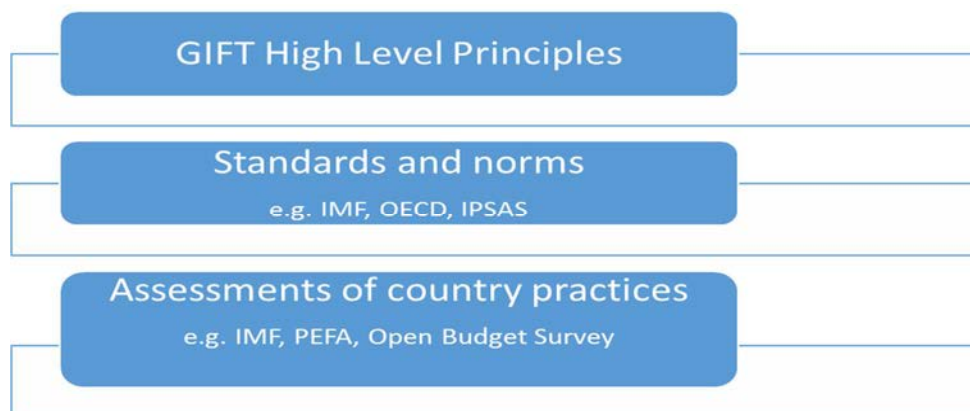
The GIFT High Level Principles were endorsed by the United Nations General Assembly (UNGA) in 2012, which encouraged member states to 'intensify efforts to enhance transparency, participation and accountability in fiscal policies, including through the consideration of the principles set out by GIFT.'

[www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/67/218&Lang=E](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/67/218&Lang=E)

High Level Principle 10 asserts a public right to direct public participation in the formulation and implementation of fiscal policy. Given the limited guidance on how public entities should engage directly with the public in managing public resources, GIFT embarked on a substantial multi-year work programme to generate greater knowledge about country practices and recent innovations in citizen engagement. GIFT has completed eight country case studies of public participation in fiscal policy, has

developed a set of *Principles of Public Participation in Fiscal Policy*, and will be publishing a Guide to this potentially transformative new field in December 2016.

Requirements for public participation have recently been incorporated in the 2014 IMF Fiscal Transparency Code and in the OECD's Principles of Budgetary Governance 2014, and the 2017 Open Budget Survey includes an expanded section on public participation that fully reflects the GIFT *Participation Principles*. GIFT has also developed an indicator measuring public participation in fiscal policy that is being piloted as a voluntary supplement in a PEFA assessment.



GIFT initiated the establishment of the Fiscal Openness Working Group (FOWG) of the Open Government Partnership at the London OGP Summit in 2013([www.fiscaltransparency.net/fowg/](http://www.fiscaltransparency.net/fowg/)). The FOWG, which is convened by GIFT, supports and promotes the implementation of more ambitious budget and fiscal transparency commitments made by OGP governments. It does this through peer-to-peer learning and exchange of experience between officials; by bringing government officials and civil society budget experts together to discuss transparency and openness reforms in their countries and regions; and by assessing progress in implementing fiscal transparency commitments in OGP Action Plans and commenting on draft Action Plans.

GIFT's work on harnessing new technologies has focused on developing a global tool for publishing budget information in open data format. This has involved working with Open Knowledge to develop a technical platform, with the World Bank's BOOST tool (providing budget data), and with governments including those of Brazil and Mexico to test the tool. In September 2016 Mexico became the first government to publish its budget in open data format, drawing on GIFT support.

GIFT has also published considerable research on the evidence for the causes and effects of fiscal openness, including case studies, meta evaluations, and research on incentives.

## International Budget Partnership (IBP)

The **International Budget Partnership (IBP)** was formed in 1997 to advocate for transparent, inclusive, and accountable government budget processes as a means to improve governance and reduce global poverty. IBP's work is focused on citizens and civil society, and includes: strengthening the skills and knowledge of country-based civil society organisations; researching and monitoring the status of budget transparency, participation, and accountability around the world; engaging with international stakeholders to encourage them to play a greater role in budget issues; and building rigorous evidence to measure governments progress in becoming more open as well as the impact of IBP and its partners to inform more strategic and effective practices.

- Since 2006 IBP has conducted the biannual [Open Budget Survey](#) (OBS), a unique, global, independent, and comparable measure of government practices in budget transparency, participation, and oversight. The **Open Budget Survey 2015** examined 102 countries, and its next iteration (in 2017) will cover 115 countries. This makes the OBS the biggest and most regularly conducted cross-country time series on how openly national/central governments manage public finances. The data are collected through the **Open Budget Survey Questionnaire**, which includes a total of 142 questions and guidelines on three pillars of the accountability system:
  - **Budget transparency:** The public availability, timeliness, and comprehensiveness of eight key budget documents that, according to internationally accepted good practice criteria for public financial management, all countries should publish at different points in the budget process. This section of the survey is used to calculate the **Open Budget Index**, whereby countries are given a score between 0 and 100 and ranked according to their level of budget transparency.
  - **Budget participation:** The opportunities governments are providing to civil society and the general public to engage in the budget process, in order to contribute and influence decisions on how public resources are raised and spent.
  - **Budget oversight:** The role and effectiveness of formal institutions (independent fiscal institutions, legislatures, and supreme audit institutions) to understand, monitor, and influence how public resources are being raised and spent.

Many of the criteria used in the OBS are drawn from those developed by multilateral organisations, such as the IMF's **Code of Good Practices on Fiscal Transparency**, the Public Expenditure and Financial Accountability initiative (PEFA), the OECD's **Best**



## Practices for Fiscal Transparency, and the International Organisation of Supreme Audit Institutions' Lima Declaration of Guidelines of Supreme Audit Precepts.

① How and why to use? The OBS is designed to be easily understood by a broad audience. It provides clear assessment criteria through the indicators/questions and guidelines that are included in the Open Budget Questionnaire, such as a specific and measurable definition of “public availability of information.” In all countries assessed, the OBS questionnaires are completed and reviewed by independent budget experts that are not affiliated to the government, or to any political party. In addition, the OBS questions are evidence-based and require citations and explanatory comments in order for answers to be accepted. This makes the OBS a uniquely independent and unbiased collection of information on the status of fiscal openness around the world. The survey results are publicly available and can therefore be used by anyone who wishes to identify trends, progress, and fall-backs at the national, regional, and global level. Development agencies, civil society organisations, and government officials have used the results to find concrete ways to improve budget transparency. By honing in on specific indicators and graded responses, country-level policy makers can diagnose weaknesses, identify gaps, and develop strategies for making the budget more open.

**Quick link:** [www.internationalbudget.org/publications/open-budget-survey-2017-guide-questionnaire-english/](http://www.internationalbudget.org/publications/open-budget-survey-2017-guide-questionnaire-english/)

**Explore** the Open Budget Survey results here: <http://survey.internationalbudget.org/>

IBP also produces guides and [research](#) that expand on some of the elements assessed in the Open Budget Survey, most notably:

- [The Power of Making It Simple](#) provides step-by-step guidance to governments on producing a Citizens Budget and includes suggestions on how to meet challenges that often arise in the process. This is complemented by a dedicated section of the IBP's website which provides resources on how to develop a Citizens Budget, a wealth of examples, and some considerations on the importance of this document for showing a government's institutionalised commitment to ensure citizens have a firm understanding of the many ways the budget affects their lives.

**Quick link:** [www.internationalbudget.org/opening-budgets/citizens-budgets/](http://www.internationalbudget.org/opening-budgets/citizens-budgets/)

- **Guide to Transparency in Government Budget Reports:** This guide responds to the questions of “why are budget reports important?” and “what should they include?” It supports governments in their efforts to meet international standards of good practice on budget transparency by explaining what key reports and documents they should be producing and making available throughout the budget process, what information should be in those reports, and providing examples of model documents from other countries. The guide covers each of the eight key budget documents: the Pre-Budget Statement, the Executive’s Budget Proposal, the Citizens Budget, the Enacted Budget, In-Year Reports, the Mid-Year Review, the Year-End Report, and the Audit Report.

**Quick link:** [www.internationalbudget.org/publications/guide-to-transparency-in-government-budget-reports-why-are-budget-reports-important-and-what-should-they-include/](http://www.internationalbudget.org/publications/guide-to-transparency-in-government-budget-reports-why-are-budget-reports-important-and-what-should-they-include/)

## International Federation of Accountants (IFAC) and the International Public Sector Accounting Standards Board (IPSASB)

The [International Federation of Accountants \(IFAC\)](#) is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. Founded in 1977, IFAC is composed of more than 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.

Together with its member organisation, the Chartered Institute of Public Finance and Accountancy (CIPFA), IFAC has developed the [International Framework: Good Governance in the Public Sector](#) (2014), to encourage more effective public sector governance. The Framework specifically emphasises that strong financial management, and the financial discipline it engenders, are essential for the implementation of public sector policies as they facilitate strategic resource allocation, efficient service delivery, greater accountability, and better outcomes for all citizens.

To catalyse collaboration and stronger public financial management globally, IFAC launched the [Accountability. Now. initiative](#), which strives for higher standards of public sector information around the world. It challenges governments to recognise the importance of working toward financial reporting that meets international accrual-based standards known as [IPSAS](#). Its goal is to support governments around the world in making better decisions and becoming more transparent and accountable. Enhanced public financial accounting and reporting is essential to addressing the problems highlighted by global economic and fiscal crises. It informs government policy and helps to make public services - and economies - more sustainable and resilient over the long term.

Additionally, IFAC has developed the following resources, relevant for the activities discussed in this Toolkit:

- [From Bolt-on to Built-in Managing Risk as an Integral Part of Managing an Organisation](#) (2015) positions risk management and internal control as it was originally intended - as a highly relevant and useful process that supports organisational decision making and long-term success.
- [Principles for Effective Business Reporting Processes](#) (2013) presents 11 key principles along with practical implementation guidance to help professional accountants in business, and their organisations, evaluate and improve their business reporting processes and generate higher-quality financial information.

- [\*Evaluating and Improving Internal Control in Organisations\*](#) (2012) guides professional accountants in business and organisations in continuously evaluating and improving internal control, ensuring it plays an integral role in their governance and risk management systems.

IFAC also supports four independent standard-setting boards, among them, the [\*\*International Public Sector Accounting Standards Board \(IPSASB\)\*\*](#), which develops IPSAS, accrual-based standards used for the preparation of general purpose financial statements by governments and other public sector entities around the world. Through these standards, the IPSASB aims to enhance the quality, consistency and transparency of public sector financial reporting worldwide. It also issues guidance, facilitates the exchange of information among accountants and others who work in the public sector, and promotes the acceptance of, and international convergence to, IPSAS.

The IPSASB has a single strategic objective: Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSAS by:

1. Developing high-quality public sector financial reporting standards;
2. Developing other publications for the public sector; and
3. Raising awareness of IPSAS and the benefits of their adoption.

As of December 1, 2016 the IPSASB had issued 39 IPSAS (four withdrawn or in the process of being withdrawn), an IPSAS for the cash basis of accounting, and three Recommended Practice Guidelines dealing with the broader aspects of financial reporting outside the financial statements. In late 2014 the IPSASB published the first global public sector Conceptual Framework.

Established in 2015, the [\*\*Public Interest Committee\*\*](#) (PIC) of IPSASB provides oversight of IPSASB's standard-setting activities and ensures that those activities are in the public interest. The PIC is currently composed of representatives from the International Monetary Fund, International Organisation of Supreme Audit Institutions (INTOSAI), Organisation for Economic Co-operation and Development (OECD), and the World Bank Group. The PIC provides recommendations on:

- The IPSASB's terms of reference;
- The arrangements for nomination and appointment of IPSASB members; and
- The procedures and processes for developing the IPSASB's strategy, work plan, and IPSAS.

The Consultative Advisory Group (CAG) is an integral and important part of the IPSASB's formal process of consultation. Representatives of CAG member organisations provide advice on:

- The IPSASB's strategy, work program and agenda, including project priorities;
- IPSASB's projects, including views on key technical issues or matters that may impede the adoption or effective implementation of IPSAS<sup>TM</sup>; and
- Other matters of relevance to the standard-setting activities of the IPSASB.

The CAG's first meeting was in Toronto in June 2016.

## International Monetary Fund (IMF)

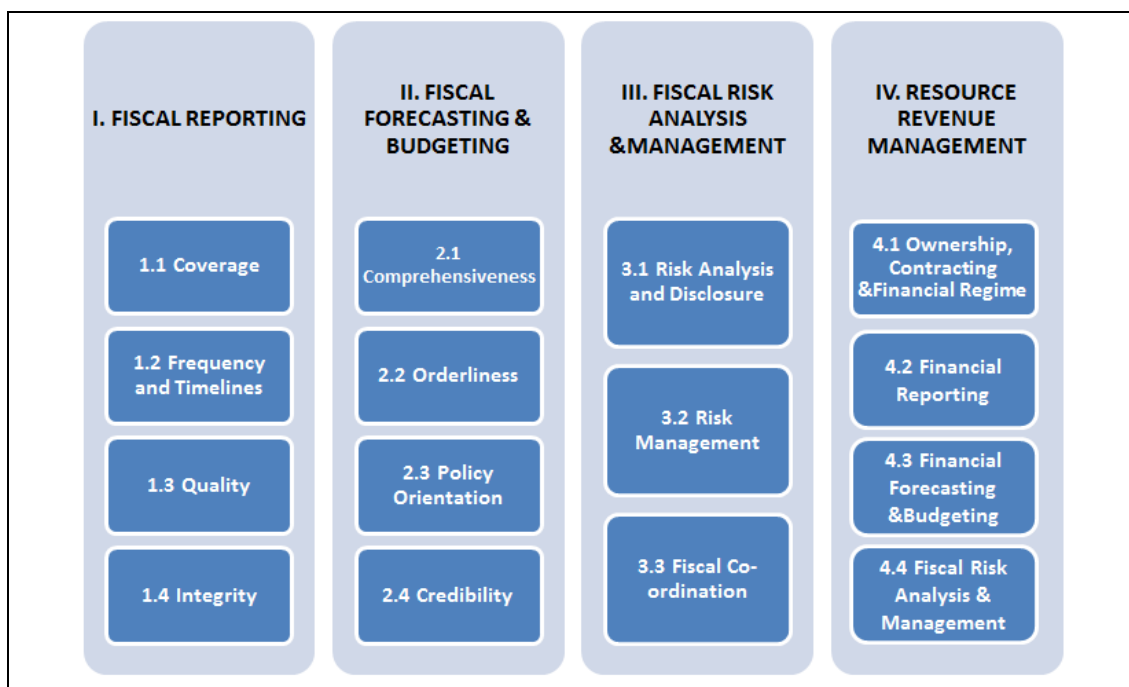
The **International Monetary Fund (IMF)** was founded in 1944 and currently has a membership of 189 countries. The IMF's mandate is to *i)* ensure the stability of the international financial system and promote sustainable growth by reviewing national, regional and global economic and financial developments through policy dialogue known as surveillance; *ii)* provide financial assistance to countries with balance of payments needs; and *iii)* support capacity building in member countries through technical assistance and training, including in the fiscal area.

### *How does the IMF promote fiscal transparency?*

The IMF's **Fiscal Transparency Code (FTC)**, part of the [\*IMF's Fiscal Transparency Initiative\*](#), is the global standard for disclosure of information about public finances. The FTC provides a set of principles to improve fiscal transparency and accountability, to support policymaking, enhance fiscal management and strengthen policy dialogue. The FTC was first adopted in 1998 and has been twice revised in 2007 and 2014.<sup>1</sup> The 2014 FTC comprises a set of principles built around four “pillars” (see figure below) that reflect the IMF's focus on macro-critical issues:

- **Pillar 1: Fiscal Reporting**, to offer relevant, comprehensive, timely, and reliable information on the government's financial position and performance.
- **Pillar II: Fiscal Forecasting and Budgeting**, to provide a clear statement of the government's budgetary objectives and policy intentions, together with comprehensive, timely, and credible projections of the evolution of public finances.
- **Pillar III: Fiscal Risk Analysis and Management**, to ensure that risks to the public finances are disclosed, analysed, and managed, and that fiscal decision-making across the public sector is effectively coordinated.
- **Pillar IV: Resource Revenue Management**, to provide a transparent framework for the ownership, contracting, taxation, and utilisation of natural resource endowments.<sup>2</sup>

### Four Pillars of the IMF Fiscal Transparency Code



The FTC was developed in a participatory manner, with review by main partners in the transparency community, including international and civil society organisations. It reflects recent advances in international standards, and emphasises the quality of published information, the importance of fiscal risks, while taking account of different levels of country capacity. For each transparency principle, the FTC differentiates between basic, good, and advanced practices to provide countries with clear milestones toward full compliance with the FTC and ensure its applicability to the full range of IMF member countries.

#### *How and why to use the Code?*

**Fiscal Transparency Evaluations (FTEs)** assess country practices against the FTC (replacing the previous Fiscal ROSCs ([Report on the Observance of Standards and Codes](#))). FTEs provide countries with a comprehensive assessment of their fiscal transparency practices, quantify the fiscal risks that they face, and set out a sequenced and prioritised action plan to meet good transparency practices as set out by the FTC.

FTEs are carried out at the request of countries, and form part of the IMF's ongoing policy dialogue and capacity building efforts. Several FTEs, across a broad spectrum of IMF member countries, have been completed (see <http://www.imf.org/external/np/fad/trans/>).<sup>3</sup>

#### *What are other complementary tools?*

The IMF has also developed other diagnostic tools in the fiscal area to complement the FTC, all of which include questions relating to transparency in their specific fields. IMF staff have worked with other stakeholders to ensure that the standards and guidelines in the area of fiscal transparency are fully aligned, and send a consistent and mutually reinforcing message. These complementary tools include the following:

- **Government Finance Statistics Manual (GFSM), 2014**, the international standard for compiling and disseminating government finance statistics, including for publication in the IMF GFS Yearbook (see [www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf](http://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf)).
- **Public-Private Partnerships Fiscal Risks Assessment Model (PFRAM)**, an analytical tool to assess the potential fiscal costs and risks arising from Public-Private Partnership (PPP) projects (see [www.imf.org/external/np/fad/publicinvestment/index.htm#4](http://www.imf.org/external/np/fad/publicinvestment/index.htm#4)).
- **Public Investment Management Assessment (PIMA)** instrument, which evaluates 15 institutions that shape decision-making at the three key stages of the public investment cycle: *planning* sustainable investment across the public sector; *allocating* investment to the right sectors and projects; and *implementing* projects on time and on budget (see [www.imf.org/external/np/fad/publicinvestment/index.htm#3](http://www.imf.org/external/np/fad/publicinvestment/index.htm#3)).
- **Public Expenditure and Financial Accountability (PEFA)** (jointly with other partners), a tool that helps governments assess public financial management (PFM) practices.
- **Tax Administration Diagnostic Assessment Tool (TADAT)** (jointly with other partners), which is designed to provide an objective assessment of the health of key components of a country's system of tax administration (see [www.tadat.org/overview/overview.html](http://www.tadat.org/overview/overview.html)).

### *What to expect next?*

- Complete Pillar IV of the FTC and submit the full FTC to the IMF Board for approval.
- Finalise a two-volume Fiscal Transparency Manual, which will provide more detailed guidance on the implementation of the Code's principles and practices. Volume I will cover Pillars I, II, and III, and Volume II will focus on Pillar IV.

### Notes

1. Two IMF Board papers explain the ongoing work on fiscal transparency: a 2012 paper on "Fiscal Transparency, Accountability, and Risk"; and a 2014 paper on "Update on the Fiscal Transparency Initiative" (available at [www.imf.org/external/np/fad/trans/](http://www.imf.org/external/np/fad/trans/)).
2. This pillar is still under development. A draft of Pillar IV has already undergone two rounds of public consultation and is being piloted in the field.
3. By November 2016, 19 FTEs have been carried of which 14 are published; about 10 more are in the pipeline.



## Organisation for Economic Co-operation and Development (OECD)

The **Organisation for Economic Co-operation and Development (OECD)** was founded in 1961 to promote “better policies for better lives” in economic development and across a wide range of sectoral areas such as education and health; as well as dealing with tax co-operation, public sector integrity, infrastructure, budgeting and digital government. Key themes and priorities for OECD work are the well-being of citizens, inclusive growth, and trust in government.

In the area of public financial management, the OECD convenes the peer network of **Senior Budget Officials (the SBO)** and its regional sister networks, which discuss best practices and contribute to standard-setting. International standards and guidance materials produced by the OECD include:

- **Best Practices for Budget Transparency (2002):** The Best Practices define budget transparency as “the full disclosure of all relevant fiscal information in a timely and systematic manner”, and take a three-fold approach to the subject. *First*, **seven main budget-related reports** are outlined and described. *Second*, “**specific disclosures**” are outlined – in other words, various types of information (such as economic assumptions, financial assets and liabilities, and contingent liabilities) which should be included in budget reports. *Third*, important issues of **integrity, control and accountability** are outlined, including clear accounting policies, internal control processes, reports from the Supreme Audit Institution, and public and parliamentary scrutiny.

❶ **How and why to use?** The OECD Best Practices are short, clear and concise, while still covering a broad spectrum of good budget transparency practices as identified by OECD countries. Use the Best Practices for an accessible overview of the important issues, and to quickly identify the main “gaps” to be addressed. While some of the practices outlined are still relatively advanced, for the most modern guidance (e.g. on issues such as open data and medium-term budgeting), you should supplement the Best Practices by consulting also the other guidance materials.

**Quick link:** <http://oe.cd/FL>

- **OECD Recommendation on Budgetary Governance (2015):** Budgetary governance covers the processes, laws, institutions and structures in place for formulating and delivering the budget, overseeing its implementation and ensuring its alignment with public goals. The OECD Recommendation of the Council on Budgetary Governance sets out **ten Budget Principles** (see below), presenting an overview of how various aspects of modern budgeting - including fiscal rules, performance budgeting, medium-term frameworks, parliaments and other institutions - should inter-connect to form a coherent and effective system. The Principles “embody and update” many elements of the earlier Best Practices, including by introducing a principle of participative and inclusive budgetary debate.

### The OECD's 10 Budget Principles



① **How and why to use?** As a formal OECD legal instrument, OECD member countries must adhere to the *Recommendation on Budgetary Governance*; non-OECD countries may also adhere in order to demonstrate their commitment to meeting the Budget Principles. Use the Budget Principles to gain a qualitative, rounded view of the budgeting system and of how it connects with other pillars of modern public governance including integrity, open data, and forging links between budgeting and planning for strategic goals. The Principles are also designed to be of relevance also to budgeting at national, regional and municipal level. Countries may request **OECD Budget Reviews**, carried out using the budget principles, for peer discussion at the SBO and regional networks.

**Quick link:** <http://oe.cd/UA>

**See also:**

- OECD Principles for Independent Fiscal Institutions (2014): Official guidance on the design and governance of independent fiscal councils and parliamentary budget offices. **Quick link:** <http://oe.cd/FN>
- OECD Principles for Public Governance of Public-Private Partnerships (2012): Official guidance on how governments can get value-for-money and manage risk in the design and delivery of PPP-funded projects. **Quick link:** <http://oe.cd/1xT>
- OECD Recommendation on Digital Government Strategies (2014): Official guidance on using digital government approaches, including open data, to promote citizen-driven public policy. **Quick link:** <http://oe.cd/DigGovRev>
- OECD Recommendation on Public Procurement (2015): Official guidance on using public procurement as a strategic tool for achieving efficiency and advancing public policy objectives. **Quick link:** <http://oe.cd/W7>

## Public Expenditure and Financial Accountability (PEFA)

PEFA began in 2001 as a means to harmonise assessment of public financial management (PFM) across the development partner organisations. It was created through a joint initiative by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom.

PEFA was created to provide a standard methodology and reference tool for PFM diagnostic assessments. PEFA was also intended to provide a basis for dialogue on PFM reform strategies and priorities and a pool of information that could contribute more broadly to research and analysis of PFM. Since 2001 PEFA has become the acknowledged standard for PFM assessments. More than 540 PFM assessment reports from 150 countries at national and subnational levels have been completed as of October 1, 2016.

### *How does PEFA work?*

PEFA assesses the strengths and weaknesses of PFM using quantitative indicators based on international good practice to measure performance. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. The PEFA framework includes a report that provides an overview of the PFM system and evidence-based measurement against 31 performance indicators. It also provides an assessment of the implications for overall system performance and desirable public financial management outcomes. It provides a foundation for reform planning, dialogue on strategy and priorities, and progress monitoring.

PEFA is a tool that helps governments achieve sustainable improvements in PFM practices within an integrated, evidence-based assessment across seven pillars of PFM.

### The 7 pillars of PFM performance



PEFA reports outline the economic environment faced by the public sector, examine the nature of policy-based strategy and planning, and analyse how budget decisions are implemented. They assess the implications of strengths and weaknesses in PFM for aggregate fiscal discipline, strategic allocation of resources and efficiency of service delivery.

PEFA examines the controls used by governments to ensure that resources are obtained and used as intended. It emphasises transparency and accountability in terms of access to information, reporting and audit, and dialogue on PFM policies and actions. PEFA considers the institutions, laws, regulations, internal control and standards used by governments in the PFM process. It also examines the results arising from the operation of PFM in key areas such as budget outturns, effectiveness of controls, timeliness of reporting, and implementation of audit findings and recommendations.

**① How and why to use?** Governments use PEFA to obtain a snapshot of their own PFM performance. PEFA offers a common basis for examining PFM performance across national and subnational governments. In addition to governments, the other users of PEFA include civil society organisations and international development institutions. PEFA scores and reports allow all users of the information to gain a quick overview of the strengths and weaknesses of a country's PFM system. Users also see the implications of the overall performance results for the key goals of fiscal discipline, strategic resource allocation, and efficient service delivery and for the seven pillars across the breadth of PFM activities.

The PEFA analysis contributes to dialogue on the need and priorities for PFM reform. It provides momentum for PFM reform and acts as a catalyst for action. It helps governments to identify areas for further analysis and review. It fosters stakeholder co-ordination around a common, well accepted assessment framework.

Most countries that have used PEFA have applied it successively every few years to monitor progress over time and to help refocus and rejuvenate their PFM reform agenda.

*What else does PEFA offer?*

In addition to the methodology and reports, the programme provides guidance for analysis and reporting. The programme provides support, monitoring, and analysis of PEFA assessments. The PEFA Secretariat offers free advice on the use of PEFA as one of many sources of information for examining and improving PFM performance. Detailed guidance for governments, project managers, assessors, and users of PEFA reports is available from the PEFA website: [www.pefa.org](http://www.pefa.org). The website also provides information on more than 540 PEFA reports, and is constantly updated. It allows access to performance scores and other data from all published reports and is a repository for PEFA-related research.

## World Bank Group

Like the IMF, the **World Bank Group** was also established in 1944 as part of the Bretton Woods Agreement. Its mission is to alleviate poverty and promote development around the world through making available financial assistance and providing advice and aid on good governance. The World Bank is committed to promoting fiscal transparency at the global and national levels, recognising its contribution to macroeconomic stability, greater efficiency and equity in fiscal policies and increased public trust in government.

Through a number of programmes and projects, the World Bank has leveraged international platforms and initiatives to support client governments design and implement fiscal transparency reforms and improve fiscal governance. It has also worked closely with partner institutions to surface and disseminate international good practices with the objective of helping countries better achieve transparency dividends.

### *How does the World Bank promote fiscal transparency?*

**Public Expenditure and Financial Accountability (PEFA) Framework** – The World Bank is one of the key institutional partners of the PEFA framework. One of the International Development Association (IDA) 18 recommendations/proposed actions under the Governance and Institutions pillar is to support at least 10 IDA countries in performing 2<sup>nd</sup> or subsequent PEFA assessments, as part of the broader objective of improving public expenditure, financial management, and procurement.

**BOOST** - Boost promotes the effective use of budget data for improved budgetary decision-making, analysis, transparency, and accountability. The programme strives to make well-classified and highly disaggregated budget data available for policymakers and practitioners within government, researchers, and civil society. The programme assists client governments clean, verify, organise, and disseminate their entire public spending datasets in machine-readable, easily accessible formats. It facilitates the dissemination of country BOOST datasets via *i)* the World Bank's Open Budgets Portal, a one stop shop for budget microdata worldwide, and *ii)* through the development of country-owned web portals. The programme also trains non-state actors, such as CSO representatives and journalists, on how to effectively access and use budget data to improve the policy dialogue around public expenditure.

**Open Contracting** - The Open Contracting programme supports client government adoption of norms, practices, and methodologies for increased disclosure and participation in public contracting. This involves the disclosure of relevant public contracting information, from planning through contract award and implementation, in order to allow for effective monitoring and accountability of how governments are spending taxpayers' money.

**OpenGov Global Solutions Group (GSG)** - The OpenGov GSG has as its objective the enhanced co-ordination of the World Bank's efforts around open government reforms,

which include fiscal transparency practices around disclosure, coverage, content, accessibility, and reusability. This serves to ensure that the World Bank plays a leadership role in defining the growing global agenda around open government initiatives and better addresses growing client demand for such work. It also promotes the research, design, implementation, and evaluation of open government reforms.

***Public Expenditure Reviews (PER)*** - PERs analyse both the level and pattern of a country's public expenditure in order to assess the effectiveness and equity of public spending, as well as to identify bottlenecks and other issues preventing greater spending effectiveness. These annually published World Bank reports are available to the public and are overseen by a wide range of stakeholders, including representatives from civil society.

***Financial Management Information System (FMIS) - Open Budget Data survey*** - This detailed assessment analyses the ways in which FMIS can be used not only for government accounting and budget control, but also to publish reliable open budget data and promote transparency. It identifies indicators around existence, source/reliability, scope, and content to assess the web publishing platforms.

***GIFT Stewardship, OGP, and OGP Fiscal Openness Working Group (FOWG)*** - As a founding lead steward of GIFT, the World Bank is responsible for helping lead the network and working closely with GIFT's Network Director and Coordination Team. The World Bank collaborates with GIFT in supporting fiscal transparency through the OGP's FOWG. Additionally, one of the Governance and Institutions recommendations/proposed actions in IDA18 is to support at least one-third of IDA countries to operationalise reform commitments toward the OGP agenda - including fiscal transparency commitments - in order to strengthen transparent, accountable, participatory, and inclusive governments.



### Other relevant organisations and standards

In addition to the above organisations which deal with the broad aspects of budget transparency, there are some other professional and advocacy organisations that promote the benefits of transparency in their areas.

The **Extractive Industries Transparency Initiative (EITI)** was founded in 2003 to promote integrity in the management of revenues from extractive industries (oil, gas, metals, mineral endowments etc.) as this sector has been vulnerable to systematic corruption in many countries. The EITI standard promotes full transparency regarding all financial flows connected with resource extraction.

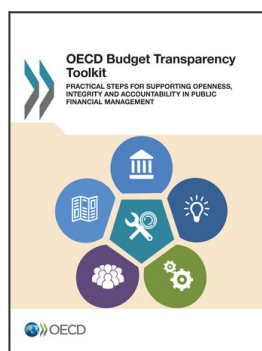
[www.eiti.org](http://www.eiti.org)

**INTOSAI** is the International Organisation of Supreme Audit Institutions (national external audit bodies for government accounts). Founded in 1953, it now has 194 full members and 5 associate members, and it promotes knowledge sharing and standard-setting among the global SAI community. The International Standards of Supreme Audit Institutions (ISSAI) are the professional standards and best practice guidelines promulgated by INTOSAI.

[www.intosai.org](http://www.intosai.org)

**Transparency International** was founded in 1993 to advocate strong and effective anti-corruption practices around the world. Its areas of focus include development of international conventions and norms; highlighting the systematic misappropriation of national wealth by those in leadership; ensuring that elections are held fairly and openly in line with democratic standards; and ensuring that global companies can be held accountable for their actions at home and in other countries.

[www.transparency.org](http://www.transparency.org)



**From:**

## **OECD Budget Transparency Toolkit**

**Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management**

**Access the complete publication at:**

<https://doi.org/10.1787/9789264282070-en>

### **Please cite this chapter as:**

OECD (2017), “Gateway to international standards and guidance on budget and fiscal transparency”, in *OECD Budget Transparency Toolkit: Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264282070-4-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).