The Global Initiative on Fiscal Transparency

High-Level Principles on
Fiscal Transparency, Participation, and Accountability:
Expanded Version

The GIFT High-Level Principles are intended to guide policy makers and all other stakeholders in fiscal policy in their efforts to improve fiscal transparency, participation and accountability, and to help promote improvements in the coverage, consistency and coherence of the existing standards and norms for fiscal transparency. The High Level Principles, together with the accompanying preamble, are available at http://fiscaltransparency.net/wp-content/uploads/2012/09/GIFT-High-Level-Principles-2012-08-ENG.pdf

The High Level Principles were the subject of a United Nations General Assembly Resolution in December 2012. UNGA resolution 67/218, which was adopted without a vote, noted the GIFT High Level Principles, and endorsed the principles of transparency, participation and accountability in respect of fiscal policies. The UNGA Resolution is available at http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/67/218

This Expanded Version of the High-Level Principles explains each of the ten Principles in more detail, and provides additional information and sources of guidance for those applying the Principles in practice.

This Expanded Version sets out, for each of the ten Principles:

- Why the Principle is important.
- Definitions of key terms.
- The origins of the Principle.
- How the Principle is reflected in existing international norms and standards.
- Some selected country practices with respect to adhering to the Principle.
- Sources of further information and guidance.

The Expanded Principles is a working draft. Suggestions for additions or improvements – such as additional pertinent examples of good country practices, or further sources of useful guidance material – should be sent to the GIFT Coordination Team at guerrero@fiscaltransparency.net. It should also be noted that some of the normative instruments are currently being revised, including the IMF Code of Good Practices on Fiscal Transparency, the Public Expenditure and Financial Accountability framework, and the IMF Manual on Government Finance Statistics. This will necessitate updating this Expanded Version as these revisions take effect.
**Access to Fiscal Information**

**GIFT Principle One**

*Everyone has the right to seek, receive and impart information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favour of the public availability of fiscal information without discrimination. Exceptions should be limited in nature, clearly set out in the legal framework, and subject to effective challenge through low-cost, independent and timely review mechanisms.*

**Why this is important**
Access to information is a precondition for the public to hold officials and the government as a whole to account for fiscal management. It is also a precondition for meaningful public participation in fiscal policy. The right to fiscal information is an important guarantor of the ability of the public to obtain information in practice.

**What is fiscal policy?**
In everyday terms, fiscal policies are government taxation, borrowing, spending, and the investment and management of public resources. In technical terms, fiscal policies are public policies implemented through the provision of *non-market services*, and the *redistribution* of income and wealth, *financed primarily by taxes* and other compulsory levies on nongovernment sectors.

Fiscal policy covers policy design, policy implementation, and ex post review and evaluation, and incorporates all three of the commonly recognized levels of fiscal management:
1) aggregate fiscal policy, namely the overall level of revenues, spending, the deficit and public debt;  
2) the allocation of resources to sectors, to ministries, departments and agencies, and to programs, in line with policy priorities, and  
3) the efficient and effective delivery of public services.

Fiscal policies and activities are distinct from the regulatory, monetary, and commercial policies and activities of government. There are grey areas that test the boundaries between fiscal and other government activities. For example ‘quasi-fiscal activities’, which are activities that are fiscal in character but that are carried out by non-government sector institutions. For example, when a government directs a public corporation to provide services to the public on non-commercial terms e.g. below the cost of production, and does not subsidise the cost from the government’s budget, this constitutes a quasi-fiscal activity. Quasi-fiscal activities can be conducted by public financial or non-financial corporations, including the Central Bank, and by private sector entities. An example of a private sector quasi-fiscal activity is a ‘Resources for Infrastructure’ contract, in which a private

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1 At present the ten Principles are identical to the wording in the 4 August 2012 version posted on the GIFT web site. We need to check whether that was the exact version referred to in the UNGA Resolution. Two minor changes were made in November 2012 – as shown in square brackets in this version in principles 1 and 7.

2 See the IMF Manual on Fiscal Transparency, 2007, pp. 64-70 for further discussion of quasi-fiscal activities; but note that both the IMF Fiscal Transparency Code, and the Manual, are being revised during 2013.
natural resource company supplies public infrastructure such as roads financed directly by the proceeds the company receives from resource extraction.

The origins of the right to information principle
Article 19 of the International Covenant on Civil and Political Rights (ICCPR) states that everyone has the right to freedom of expression, including the freedom to seek, receive and impart information and ideas of all kinds. This includes all individuals within a state and subject to its jurisdiction, not just citizens. Similar language appears in Article 17 of the African (Banju) Charter on Human and Peoples’ Rights. The Human Rights Committee, which interprets the ICCPR, in September 2011 clarified that the Convention establishes a right to public access to information held by public agencies.

Article 19 applies to all branches of the State (executive, legislative and judicial) and other public or governmental authorities, at whatever level – national, regional or local. Such responsibility may also be incurred by a State party under some circumstances in respect of acts of semi-State entities.³

Article 19 states that this right may be subject to certain restrictions, but these shall only be such as are provided by law and are necessary: (a) For respect of the rights or reputations of others; (b) For the protection of national security or of public order, or of public health or morals.

The ICCPR has been in force since 1976, and as of October 2011 had 74 signatories and 167 parties. It has the force of international treaty law.

The Rio Declaration on Environment and Development, 1992, in Principle 10, states that, at the national level, each individual shall have appropriate access to information concerning the environment that is held by public authorities...States shall facilitate and encourage public awareness and participation by making information widely available. Effective access to judicial and administrative proceedings, including redress and remedy, shall be provided.

The UNECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (the Aarhus Convention) sets out a rights-based approach to access to environmental information, public participation, and binding independent review of decisions on access to environmental information and decisions.

The Inter-Parliamentary Union’s Universal Declaration on Democracy (1997) stipulates that accountability entails a public right of access to information about the activities of government, the right to petition government and to seek redress through impartial administrative and judicial mechanisms.

A right to fiscal information is also suggested by the reciprocal relationship between citizens and government, in which citizens provide resources to and entrust governments with stewardship over public resources, and, in turn, expect to have access to fiscal information.

How is this Principle reflected in existing international norms and standards?
General freedom of information laws apply in over 90 countries (see


3 9 May 2013
http://en.wikipedia.org/wiki/Freedom_of_information_legislation). However, a right to fiscal information has not previously been included in an international instrument on fiscal transparency.

PEFA indicator PI-10 stipulates that the public should have easy access to key fiscal information in budgets, in-year budget execution reports, year-end financial statements, external audit reports, contract awards, and resources available to primary service units. Indicator PI-13 provides for taxpayer access to information on tax liabilities, administrative procedures, and a tax appeals mechanism, while PI-19 requires public access to procurement information, and the existence and functioning of an independent procurement complaints mechanism.

The International Budget Partnership’s Open Budget Survey (OBS) asks whether citizens have the right in law to access government information including budget information, and whether they have access in practice to detailed financial and non-financial information on expenditure programs.\(^4\)

The Inter-Parliamentary Union’s Parliament And Democracy In The Twenty-First Century: A Guide to Good Practice stipulates that the legislature should operate transparently, including proceedings being open to the public; prior public information on the business before parliament; documentation available in relevant languages; availability of user-friendly tools; and legislation on freedom of/access to information.

**Country Practices**

An index of the quality of the legal environment for general Freedom of Information laws in 89 countries, based on 61 indicators, is available at http://www.freedominfo.org/2011/09/serbia-tops-new-foi-ratings-germany-lowest-ranked/ The 61 indicators are in seven categories: right of access; scope; requesting procedures; exceptions and refusals; appeals; sanctions and protections; and promotional measures. The findings show a significant variation in the quality of the legal framework, with scores ranging from 37 (Germany) to 135 (Serbia) out of a maximum of 150. More recent laws protect the right to know more strongly; of the 20 countries with scores above 100, eleven adopted their laws since 2005.

A growing number of countries have established an Ombudsman/Office of Public Protector/Information Commissioner with authority to investigate individual public complaints about denial of access to official information. Sweden is the country with the longest tradition of an independent Ombudsman.

Published PEFA assessment reports on individual countries are available at http://www.pefa.org/

Access Information Europe and the Centre for Law and Democracy, in collaboration with the International Budget Partnership, coordinated an initiative in 2010-11 to monitor the right of access to budget information in practice – the Ask Your Government! 6 Question Campaign. A network of civil society organisations submitted 480 requests for budget information in 80 countries. In response to over half of the requests, no information at all was provided – in spite of the fact that requesters made multiple resubmissions of the questions and made other efforts to elicit a response. Only 12 countries complied with Right To Information standards.

\(^4\) These questions were removed from the 2012 OBS.
An IBP Research Note investigated the prevalence of legislation requiring fiscal transparency, and public participation in the budget process. About half of the 125 countries surveyed incorporated some mention of budget transparency in their laws. 14 countries provide very extensive coverage of budget transparency matters in their legislation. However, the inclusion of detailed transparency clauses in budget laws does not necessarily result in better practice; just as the lack of such laws or provisions does not inhibit good practice.

The Open Budget Survey 2010 found:

- In only 21 out of 94 countries do citizens have the right in law, and generally in practice, to access government information including budget information. The most common rating was ‘d’ (30 countries) where either the right to information including budget information is not codified, or it is frequently or always impossible in practice to obtain access.
- In only 18 and 12 countries respectively, out of 94 countries, can citizens in practice obtain on request detailed financial and non-financial information respectively about individual budget programs. The most common rating was ‘d’ (40 and 42 countries respectively) where in practice no highly disaggregated financial or non-financial information respectively is available.

Sources of further technical guidance

The GIFT Phase 2 Report for the Advancing Global Norms Working Group, Defining the Technical Content of Global Norms: Towards a New Global Architecture, 2 December 2011 (Appendix 1 and Appendix 2), contains a summary of Official International Instruments, and Civil Society International Instruments that contain provisions on citizens’ right to information:

http://fiscaltransparency.net/

The UN Human Rights Committee has published an explanatory note on Article 19:


The IMF Fiscal Transparency Manual (pp. 85-90) on commitment to the publication of fiscal information:


The IMF’s Special Data Dissemination Standard: http://dsbb.imf.org/Pages/SDDS/Overview.aspx


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5 de Renzio and Kroth, 2011.
GIFT Principle Two

Governments should publish clear and measureable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from plans.

Why this is important
A fundamental premise of good management in any part of the public or private sector is the need for those in authority to state clearly and openly to their stakeholders what they intend to achieve, and to report progress and results.

What is aggregate fiscal policy?
Aggregate fiscal policy refers to the overall level of revenues, spending, the deficit and public debt. Aggregate fiscal policy contrasts with the second and third levels of fiscal policy - allocation of resources to sectors and policy priorities (level 2), and delivery of public services (level 3).

How is this Principle reflected in existing international norms and standards?
The IMF’s Code of Good Practices on Fiscal Transparency stipulates that Budget preparation should be guided by well-defined macroeconomic and fiscal policy objectives (2.1). The annual budget should be prepared and presented within a comprehensive medium-term macroeconomic and fiscal policy framework, with fiscal targets and any fiscal rules clearly stated and explained. It should also include an assessment of fiscal sustainability.

The OECD Best Practices for Budget Transparency provides that the government should explicitly state, in a Pre-Budget Report, it’s long-term economic and fiscal policy objectives and the government’s economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years (1.2). The annual budget should include a medium-term perspective illustrating how revenue and expenditure will develop during, at least, the two years beyond the next fiscal year (1.1).

The Open Budget Questionnaire 2012 asked whether the Executive’s Budget Proposal or any supporting budget documentation explains how the proposed budget is linked to government’s stated policy goals, and whether the Pre-Budget Statement sets out a clear macroeconomic and fiscal framework and describe the government’s policies and priorities for the upcoming budget.

The IMF’s Summary of Good Fiscal Transparency Practices for Resource Revenue Management stipulates that the government’s budget should include a clear policy statement on the rate of exploitation of natural resources and the management of resource revenues, referring to the government’s overall fiscal and economic objectives, including long-term fiscal sustainability.

Country Practices
The Open Budget Survey 2010 found:

- In only 19 out of 94 countries does the executive publish a pre-budget statement that contains extensive explanation of the macroeconomic and fiscal framework including both narrative and quantitative estimates. The most common rating was ‘d’ (65 countries) where either there is no explanation or the executive does not publish a pre-budget statement.
- In only 16 out of 94 countries does the pre-budget statement contain an extensive explanation of the government’s budget policies and priorities, including both a narrative
discussion and quantitative estimates. The most common rating was ‘d’ (65 countries) where either there is no explanation or the executive does not publish a pre-budget statement.

In the European Union, the Stability and Growth Pact (SGP) is a fiscal rule-based framework for the coordination of national fiscal policies amongst EU member countries.  

In Germany the Law on Budgetary Principles requires multiyear financial planning by all levels of government. Similarly in Brazil the Fiscal Responsibility Law requires a multiyear framework for all levels of government. A number of countries have integrated a medium term budget framework into both the budget process and the budget documents, including Brazil, Chile, Hong Kong SAR, the Netherlands and Slovenia.

In South Africa, a Medium-Term Budget Policy Statement is presented to parliament up to four months before budget day. It contains the macroeconomic assumptions, proposed interprovincial allocations, the expected functional classification of expenditure, and the expected split between capital and current spending.

Amongst countries reliant on natural resources, Colombia has a medium term fiscal framework that informs the annual budget process, while Botswana, Chile, and Indonesia have set medium and long term priorities for natural resource exploitation.

Sources of further technical guidance


GIFT Principle Three

The public should be presented with high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, and public assets and liabilities. The presentation of fiscal information in budgets, fiscal reports, financial statements, and National Accounts should be an obligation of government, meet internationally-recognized standards, and should be consistent across the different types of reports or include an explanation and reconciliation of differences. Assurances are required of the integrity of fiscal data and information.

Why this is important
At the core of fiscal transparency is the requirement for the public to be presented with high quality fiscal information to facilitate public understanding and participation, and to use to judge the government’s performance and hold it to account. High quality information is information that has various attributes, such as (but not limited to) being comprehensive, regular, timely, reliable, useful and accessible. It also includes issues around open data standards (open licensing, and the usability of data).

What is the difference between budgets, fiscal reports, financial statements, and National Accounts?
A budget is an ex ante (forward-looking) statement of how a government proposes to raise revenues, spend resources, and finance its operations in the coming year.

Fiscal reports are government reports on actual (historical) revenues, spending and financing. They may cover the whole government in aggregate, and/or individual government entities or sectors. They may be within-year reports, or reports that cover the previous year(s).

Financial Statements are annual reports compiled from accounting data after year end. They can be cash or accrual or some variant thereof, and may cover the whole government or an individual government entity. Accrual financial statements include a Statement of Financial Performance, a Statement of Financial Position (Balance Sheet), and a Statement of Cash Flows.

National accounts measure the economic activity of a nation. National accounts measure output, expenditure, and income by economic sector (households, corporations, government) in an economy. They are derived from accounting data and statistical series. Statistics on the government sector in the national accounts are referred to as government finance statistics (or fiscal statistics), and focus on the analysis of the impact of government on the rest of the economy for the purpose of macroeconomic analysis and decision making. In contrast, financial statements focus on the finances of the government (or of an individual government unit) as an entity, not its impact on the economy.

What are assurances of integrity of fiscal data?
Assurances of the integrity of fiscal data and information include both internal mechanisms within the executive, and mechanisms that are independent of the executive. Internal mechanisms include high quality and appropriately applied accounting standards; the internal control environment and internal audit; routine data reconciliation processes; and technical macroeconomic and fiscal forecasting quality procedures. Independent assurances of integrity include, in addition to effective auditing by the Supreme Audit Institution, procedures for exposing macroeconomic and fiscal data and forecasts to external expert scrutiny; technical independence of the national statistics agency;
assurances of the integrity of monitoring and evaluation activities; and independent data verification processes such as the Extractive Industries Transparency Initiative.

**How is this Principle reflected in existing international norms and standards?**
The IMF’s *Code of Good Practices on Fiscal Transparency* 2007 contains detailed specification of information that should be presented to the legislature and public. This includes past, current, and forecast fiscal information; information on public debt, significant non-debt liabilities, natural resource assets and financial assets; and details of fiscal risks. Specific international standard classifications of expenditures and the fiscal balance are referred to, and these are defined in the IMF’s *Government Finance Statistics Manual 2001*. The IMF Code includes a provision on the need for audited final accounts to include reconciliation with the approved budget. It also covers a number of assurances of data integrity, and stipulates that the timely publication of fiscal information should be a legal obligation of government. Note the IMF Code is being revised in 2013.

The *OECD Best Practices for Budget Transparency* sets out detailed requirements for the information to be published in a Pre-Budget Report, the Budget, monthly reports, a Mid-Year Report, the Year-End Report, a Pre-Election Report, and a Long Term Report. A summary of relevant accounting policies should accompany all reports, including disclosure of any deviations from generally accepted accounting practices. The same accounting policies should be used for all fiscal reports. The Best Practices also include provisions designed to provide assurance of data integrity, and requirements for information on assets, liabilities, and contingent liabilities.

The *Open Budget Survey* contains detailed questions on the past, current and forecast fiscal information included in the budget documents. It also contains similarly detailed questions about fiscal reporting during the year and end of year reporting.


*The Public Sector Debt Statistics: Guide for Compilers and Users 2011*, published by the Inter-Agency Task Force on Finance Statistics, provides guidance on the concepts, definitions, and classifications of public sector debt statistics; the sources and techniques for compiling these data; and some analytical tools that may be used to analyse these statistics.

*International Public Sector Accounting Standards (IPSAS)*, set by the International Public Sector Accounting Standards Board (IPSASB), apply to the financial statements of national and sub-national governments, and other public sector bodies, apart from Government Business Entities. Since 1997, the IPSASB has developed and issued a suite of 32 accrual standards. The IPSASB encourages public sector entities to adopt the accrual basis of accounting—which will improve financial management and increase transparency, resulting in a more comprehensive and accurate view of an entity’s financial position and financial performance. The accrual standards contain, where appropriate, transitional provisions to provide some time for entities to attain full compliance with the requirements. The IPSASB has also developed Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*, which provides assistance for governments as they transition to accrual accounting.
For countries moving toward full accrual accounting the IPSASB has developed a cash basis standard. Governments that report on a cash-basis do not account for significant liabilities, such as pensions and debt obligations, and assets, such as operational property, plant and equipment, and investments. The cash basis standard includes a set of encouraged disclosures on elements such as assets and liabilities, assistance received from external parties and NGOs, controlled entities, and joint ventures. These disclosures provide highly useful information for decision-making and accountability purposes and are particularly appropriate for entities that are on the road to adoption of the accrual basis.

INTOSAI International Auditing Standards (ISSAI) state the basic prerequisites for the proper functioning and professional conduct of Supreme Audit Institutions and the fundamental principles in auditing of public entities.

The Declaration on Good Public Financial Governance in Africa, issued by African ministers of finance and economy in March 2011, contains provisions relating to fiscal transparency, including technical commitments covering taxation, budgeting, and the management of aid, assets, and liabilities, as well as strengthening oversight institutions. See http://www.cabrisbo.org/en/programmes/goodfinancialgovernance

PEFA indicator PI-6 contains nine specific elements on which the budget should contain information, and an indicator related to oversight of aggregate fiscal risk. Indicators PI-24 and PI-25 measure the quality and timeliness of in-year budget reports and annual financial statements respectively. PEFA also contains indicators relating to the integrity of fiscal data, such as effectiveness of measures for taxpayer registration and for tax assessment and collection; internal controls; accounts reconciliations; and internal audit.

The IMF’s Special Data Dissemination Standard requires subscribing countries to disseminate advance release calendars for macroeconomic data including fiscal data, and to release data to all interested parties simultaneously. The monitorable elements of the SDDS for data access, integrity, and quality emphasize transparency in the compilation and dissemination of statistics.

The IMF’s Summary of Good Fiscal Transparency Practices for Resource Revenue Management contains detailed requirements for the information that should be published on resource-related revenues, spending, the fiscal balance, and natural and financial assets in the approximately 50 countries that are dependent on natural resources.

The multi-donor International Aid Transparency Initiative (IATI) contains a set of standards that the providers of Official Development Assistance should follow to make information on ODA more accessible and understandable both in donor and recipient countries. See http://www.aidtransparency.net/ which also contains data on donor practices against the standard.

Country Practices

The Open Budget Index assigns countries covered by the OBS a transparency score on a 100-point scale using 92 questions from the Survey — these questions focus specifically on whether the government provides the public with timely access to comprehensive information contained in eight key budget documents.

In the 2012 OBS, of the 100 countries assessed:

- 26 countries provide scant or no budget information, with scores of 20 or less. Twenty-one countries even fail to publish the Executive’s Budget Proposal, the essential document that describes the government’s proposed budget policies.
- Another 15 countries provide only minimal budget information, with scores between 21 and 40.
- Where countries do publish the Executive’s Budget Proposals, the documents provide, on average, less than three-fifths of the desired information.
- Only 20 countries provide detailed information on extra-budgetary funds in the Executive’s Budget Proposal, while 47 do not publish any information on these.
- Very little information can be found in budget documents on expenditure arrears, quasi-fiscal activities, tax expenditures, and important sources of fiscal risks like contingent and future liabilities. Most governments also do not disclose adequate information on their holdings of financial and nonfinancial assets. The average subscores for the coverage of all of these items are well below 40.

Higher-income and more democratic countries tend to have higher OBI scores; oil-dependent autocracies tend to have lower OBI scores. Nonetheless, aid-dependent countries such as Afghanistan, hydrocarbon revenue-dependent countries such as Mexico, countries in the Middle East and sub-Saharan Africa such as Jordan and South Africa and Uganda, all have relatively transparent budget systems, scoring significantly better on the OBI than their peers.

The Open Budget Survey was also carried out in 2006, 2008, and 2010. Among the 40 countries for which there are comparable data since 2006, progress has been significant and widespread. The average OBI score for these countries increased from 47 in the 2006 Survey to 57 in the 2012 Survey, with nearly all regions of the world showing improvements. Increases were largest for countries with the lowest scores: among the countries with OBI scores of 40 or less in 2006, the average score jumped 16 points (64 per cent) by 2012; among countries with scores between 41 and 60 in 2006, the average score rose almost 20 per cent, and among those with scores above 60 in 2006, the average score increased by just two per cent.

Notable advances in budget transparency have been achieved by Honduras (whose OBI score rose from 11 in 2010 to 53 in 2012), Afghanistan (whose OBI score jumped from 8 in 2008 to 59 in 2012), and the countries of Francophone West Africa (whose scores doubled, on average, from 2010 to 2012, albeit from a low base).

In contrast, four countries significantly decreased the amount of budget information published in the 2012 OBI: Egypt (from a score of 49 to 13), Zambia (36 to 4), Sri Lanka (67 to 46) and Serbia (54 to 39).
With respect to the broader coverage of fiscal reporting, a number of Latin American countries, including Brazil, Colombia, Costa Rica, Honduras, Panama, Peru and Uruguay, publish data for the nonfinancial public sector which consolidates the general government with all nonfinancial public corporations. A handful of advanced countries including Australia, Iceland, and the UK publish fiscal statistics covering the entire public sector, which consolidate the general government with all nonfinancial and financial public corporations (including the central bank).

Countries that are widely considered to have transparent frameworks for the management of natural resource revenues include Norway, Botswana and Chile, and, in a challenging post-conflict environment, Timor Leste.

In terms of legal commitments to budget transparency, a growing number of countries have incorporated extensive provisions requiring fiscal transparency in their budget laws. These countries include Australia, Brazil, Ecuador, Liberia, New Zealand, Nigeria, Peru, Poland, Rwanda, Sierra Leone, South Africa, Turkey, Ukraine, and the United Kingdom.

Published assessments of fiscal transparency laws and practices (fiscal ROSCs) against the requirements in the IMF Fiscal Transparency Code for over 90 countries are available at http://www.imf.org/external/np/fad/trans/index.htm

Published PEFA assessment reports on individual countries are available at http://www.pefa.org/


The OECD’s Budget Practices and Procedures Database 2007 contains details of practices in 97 countries, spanning the whole budget cycle.

The European Commission publishes a report on Public Finances in the European Monetary Union, which provides information and data on fiscal performance in EMU member countries. See http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-4_en.pdf

The IMF paper, ‘Fiscal Transparency, Accountability and Risk’, 2012, contains information on country practices with respect to reporting of financial and non-financial assets, and frequency and timeliness of in-year fiscal reporting.

With respect to the IMF’s SDDS, as at April 2013, 68 countries had subscribed - see http://dsbb.imf.org/pages/sdds/countrylist.aspx Subscription carries a commitment by a subscribing member to observe the standard and to provide certain information, for posting on the IMF’s web site, about its practices in disseminating economic and financial data. Country data is posted on the Dissemination Standards Bulletin Board http://dsbb.imf.org/Default.aspx

Sources of further technical guidance

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6 Reports on the Observance of Standards and Codes.

The International Budget Partnership’s Open Budget Survey, including detailed assessments of 100 countries and summary information: http://internationalbudget.org/what-we-do/open-budget-survey/

International Public Sector Accounting Standards and related material is available on the web site of the International Public Sector Accounting Standards Board (IPSASB): http://www.ifac.org/public-sector


The International Aid Transparency Initiative: http://www.aidtransparency.net/


The OECD’s Guidelines on Corporate Governance of State-Owned Enterprises: www.oecd.org/corporate
GIFT Principle Four

Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavour to assess and disclose the anticipated and actual social, economic and environmental outcomes.

Why this is important
Government budgets and reports have traditionally focused on inputs e.g. how much is spent on salaries, travel, electricity, and so on. It is not possible for anyone to know from this information what the government has produced – in terms of goods and services - with the resources entrusted to it, let alone whether it has achieved any results. Transparency, participation and accountability require governments to state what they are using resources (inputs) to produce, and what results they are achieving in terms of outcomes of concern to the public e.g. reduction of poverty, higher economic growth, improved protection of the environment, and so on.

What are outputs and outcomes?
As defined here, outputs are the goods and services produced by government agencies e.g. schooling, health services, incarceration of prisoners, and investments in mitigation of greenhouse gas production. Outcomes are the results achieved as a result of delivering outputs, such as improvement in student test scores, reduced maternal mortality, lower crime, and reductions in greenhouse gas emissions. Outcomes as defined here are also referred to as impacts.

How is this Principle reflected in existing international norms and standards?
Existing fiscal transparency instruments focus on financial data, with limited specific coverage also of social impacts. No existing fiscal transparency norm or standard specifically covers publication of information on the environmental impacts of fiscal policies.

The Rio Declaration on Environment and Development, 1992, in Principle 17, states that environmental impact assessment, as a national instrument, shall be undertaken for proposed activities – by either government or non-government entities - that are likely to have a significant adverse impact on the environment and are subject to a decision of a competent national authority.

The Open Budget Questionnaire 2012 contains questions on nonfinancial data and performance indicators associated with budget proposals, and on reporting of performance information (Q. 50-54).

The OECD Best Practices for Budget Transparency provides that non-financial performance data, including performance targets, should be presented for expenditure programmes where practicable.

The IMF’s Code of Good Practices on Fiscal Transparency stipulates that results achieved relative to the objectives of major budget programs should be presented to the legislature annually.

The IMF’s Summary of Good Fiscal Transparency Practices for Resource Revenue Management stipulates that the investment policies for assets accumulated through resource revenue savings should be clearly stated.
PEFA indicator PI-23 assesses the availability of information on the resources (inputs) actually received by front-line service delivery units (primary schools and primary health clinics). These inputs are a precondition for these entities actually delivering outputs, and are therefore an earlier part of the results chain. The indicator does not assess whether the information is publicly available.

**Country Practices**

The 2012 OBI found there is very limited information provided in budget documents on either the outputs or the outcomes of government action, both planned and achieved. On average, only about half of the countries included any nonfinancial performance targets and indicators in the Executive’s Budget Proposal; and less than one in four include such information in their Year-End Report.

The Open Budget Survey 2010 found that only five out of 94 countries scored either an ‘a’ or ‘b’ on all eight questions relating to the quality of information on the links between budgets and policy goals, including the quality of non-financial data and performance indicators. These countries were Chile, France, New Zealand, South Africa, and South Korea.

Published PEFA assessment reports on individual countries are available at [http://www.pefa.org/](http://www.pefa.org/)

With respect to countries reliant on natural resources, Norway provides an example of advanced practice in asset management of an oil fund.

**Sources of further technical guidance**


The Governance of Fiscal Policy

GIFT Principle Five

All financial transactions of the public sector should have their basis in law. Laws, regulations and administrative procedures regulating public financial management should be available to the public, and their implementation should be subject to independent review.

Why this is important
The ‘rule of law’ is as fundamental to management of the public finances as it is to all dimensions of governance. Transparency and accountability require that all financial transactions take place according to the requirements of a legal framework, rather than according to the convenience or whim of those currently holding public office.

What is the public sector?
The public sector is defined here as in the UN System of National Accounts. It includes all entities that are either owned or controlled by government, and comprises the general government – central government and state and local governments - and nonfinancial and financial public corporations (including the central bank).

The overall scope of GIFT covers both fiscal policy implemented by government institutions (the government sector), and transparency of all publicly-owned and controlled assets and liabilities. This includes ownership information on entities used for non-fiscal policy purposes, such as the non-government public sector i.e. nonfinancial and financial public corporations (in everyday language, state-owned enterprises, state-owned banks, and other public financial institutions including the central bank).

Relationships between the government sector and the private sector are covered in principle 6, while relationships within the public sector are covered in principle 7 i.e. between government and nonfinancial and financial public corporations.

What does independent review mean?
Independent review includes a range of mechanisms for subjecting decisions on the implementation of fiscal policies to a review by persons independent of the original decision maker. This ranges from review within the agency concerned; to advisory review by a complaints body such as an Ombudsman; to auditing of financial transactions and procedures by the SAI (covered in Principle 9); to low-cost review by an Administrative Tribunal (e.g. a Tax Tribunal or a Social Security Tribunal); and ultimately to judicial review by the Courts.

How is this Principle reflected in existing international norms and standards?
The International Monetary Fund’s Code of Good Practices on Fiscal Transparency contains the following provisions relating to this Principle:
There should be a clear and open legal, regulatory and administrative framework for fiscal management:
• The collection, commitment, and use of public funds should be governed by comprehensive budget, tax, and other public finance laws, regulations, and administrative procedures.
• Laws and regulations related to the collection of tax and nontax revenues, and the criteria guiding administrative discretion in their application, should be accessible, clear, and understandable.
• Appeals of tax or non-tax obligations should be considered in a timely manner.
• Government liability and asset management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.
• Government activities and finances should be internally audited, and audit procedures should be open to review.
• The national revenue administration should be legally protected from political direction, ensure taxpayers’ rights, and report regularly to the public on its activities.

The IMF’s *Summary of Good Fiscal Transparency Practices for Resource Revenue Management* stipulates that the government’s ownership of resources in the ground should be clearly established in law, as should the power to grant rights to exploit these resources, and fiscal authority over resource-related revenue and borrowing.

The multi-agency *Public Expenditure and Financial Accountability (PEFA)* performance measurement framework contains an indicator (indicator PI-13) relating to transparency of taxpayer obligations and liabilities. The three dimensions covered by the indicator are: 1) clarity and comprehensiveness of tax liabilities; 2) taxpayer access to information on tax liabilities and administrative procedures; and 3) existence and functioning of a tax appeals mechanism.


The *Arusha Declaration* of the World Customs Organisation stipulates that customs laws, regulations, procedures and administrative guidelines should be made public, be easily accessible and applied in a uniform and consistent manner; and that appeal and administrative review mechanisms should be established to provide a mechanism for clients to challenge or seek review of Customs decisions.

The definition of the public sector, and its sub-components is covered in detail in the IMF’s *Government Finance Statistics Manual 2001*, which is an international standard for reporting fiscal statistics.

*Country Practices*
South Africa’s legal framework for public financial management – the Public Financial Management Act 1999 – is generally regarded as a high quality and comprehensive example of a modern budget law.

Korea’s legal framework for taxation, including independent review mechanisms, was described in the IMF Fiscal ROSC as being comprehensive.

Published PEFA assessment reports on individual countries are available at [http://www.pefa.org/](http://www.pefa.org/)
Sources of further technical guidance


GIFT Principle Six

The Government sector should be clearly defined and identified for the purposes of reporting, transparency, and accountability, and government financial relationships with the private sector should be disclosed, conducted in an open manner, and follow clear rules and procedures.

Why this is important
The fiscal functions of government involve the use of coercive powers of taxation and redistribution. The government needs to be organised in a way that makes it clear which institutions are exercising these powers. It is particularly important that the government sector is clearly defined, and that the boundary between government and the private sector is clear. Murky or unclear relationships between government and the private sector are often associated with inappropriate or corrupt behaviour. They also provide a poor basis for decision-making, and make it harder to hold public officials to account against a clear set of expectations.

What is the government sector?
The central government is defined as all government units that are agencies or instruments of the central authority of a country and that are covered by or financed through the budget or extra-budgetary funds at that level. The government sector does not include the commercial or monetary activities of government, which are defined as part of the (non-government) public sector.

How is this Principle reflected in existing international norms and standards?

The IMF’s Code of Good Practices on Fiscal Transparency stipulates that:

- Government relationships with the private sector should be conducted in an open manner, following clear rules and procedures.
- Contractual arrangements between the government and public or private entities, including resource companies and operators of government concessions, should be clear and publicly accessible.
- Government liability and asset management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.
- Procurement regulations, meeting international standards, should be accessible and observed in practice.
- Purchases and sales of public assets should be undertaken in an open manner, and major transactions should be separately identified.

The IMF’s Summary of Good Fiscal Transparency Practices for Resource Revenue Management stipulates that:

- The government’s policy framework and legal basis for taxation or production-sharing agreements with resource companies should be presented to the public clearly and comprehensively.
- Government involvement in the resource sector through equity participation should be fully disclosed and the implications explained to the public.
• Reports on government receipts of company resource revenue payments should be published.

The multi-stakeholder Extractive Industries Transparency Initiative contains detailed requirements to publish audited and reconciled data on company payments to government and government receipts from companies.

The Dodd-Frank Wall Street Reform Act (USA) requires all oil, gas and mining companies listed on US stock exchanges to disclose the payments they make to individual governments globally for natural resources.

Transparency and accountability in government procurement is covered in OECD instruments including the Recommendation on Enhancing Integrity in Public Procurement. It is also covered by the Construction Sector Transparency Initiative (CoST), which is a country centred multi-stakeholder initiative designed to promote transparency and accountability in publicly financed construction; and by PEFA indicator PI-19.

Country Practices
The small number of countries that publish a full balance sheet of government (i.e. including all financial and non-financial assets) according to IPSAS accrual standards have systematically applied tests of ownership and control in defining the reporting entity and rigorously classified entities as belonging to the government or non-government sector. These countries include New Zealand, Iceland, Australia, and Switzerland.

Chile provides a good example of transparency and accountability with respect to Public Private Partnerships, with a clear institutional framework, transparency of contingent liabilities, disclosure of the net present value of the minimum and maximum revenue guarantee payments, and disclosure of the present value of future payments to concession firms for the next twenty five years.7

Published PEFA assessment reports on individual countries are available at http://www.pefa.org/

Sources of further technical guidance


Extractive Industries Transparency Initiative: http://eiti.org/

Construction Sector Transparency Initiative: http://www.constructiontransparency.org/the_initiative.cfm

7 See p. 29, the IMF Fiscal Transparency Manual.
GIFT Principle Seven

Roles and responsibilities for revenue raising, incurring liabilities, consuming resources, investing, and managing public resources should be clearly assigned in legislation between the three branches of government (the legislature, the executive and the judiciary), between national and each sub-national level of government, between the government sector and the rest of the public sector, and within the government sector itself.

Why this is important
The effective and efficient governance of fiscal policy requires everyone to be clear about who is responsible for doing what, and who is accountable to whom. Contested, unclear or unintentionally overlapping mandates, and gaps in mandates, reduce transparency, act as a barrier to meaningful public participation, and make it harder to hold public officials to account. Roles and responsibilities at this level are typically set out in a Constitution and/or in an organic Budget Law.

How is this Principle reflected in existing international norms and standards?
The first of the four principles in the IMF’s Code of Good Practices on Fiscal Transparency is ‘Clarity of Roles and Responsibilities’, and contains a number of detailed provisions:

- The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.
- The structure and functions of government should be clear.
- The fiscal powers of the executive, legislative, and judicial branches of government should be well defined.
- The responsibilities of different levels of government, and the relationships between them, should be clearly specified.
- Relationships between the government and public corporations should be based on clear arrangements.
- There should be clear mechanisms for the coordination and management of budgetary and extra-budgetary activities within the overall fiscal policy framework.

In Section Four on the Strength of the Legislature, the Open Budget Survey of the International Budget Partnership covers the clarity of roles between the executive and the legislature with respect to supplementary budgets during the year; authority to spend unforeseen revenues during the year; the legislature’s authority to amend the executive’s budget proposal; the spending of monies from contingency funds; and authority for the executive to transfer funds between appropriation heads during the year.

The IMF’s Summary of Good Fiscal Transparency Practices for Resource Revenue Management also contains provisions on clarity of roles and responsibilities, including:

- Definition of the fiscal role of national resource companies vis-à-vis the resource sector ministry and the finance ministry.
- Separation of policy, regulatory and social obligations.
• Transparency of quasi-fiscal activities.
• Definition of arrangements to share resource revenues between central and subnational governments.

The first dimension of indicator PI-8 in the PEFA performance measurement framework is whether there are transparent and rules based systems in the horizontal allocation among subnational governments of unconditional and conditional transfers from central government.

Country Practices
Examples of the definition of the structure of government for many countries can be found in the IMF’s annual Government Finance Statistics Yearbook.

An example of good practice in defining the boundaries of government is the application of the European System of Accounts 1995 (ESA 1995) in EU countries.

Colombia and Mozambique provide examples of good practice in clarity of inter-governmental fiscal relations (see the respective Fiscal ROSCs).

Transparency and accountability of non-financial public corporations (SOEs) is facilitated by SOEs operating on a fully commercial basis, with the cost of non-commercial activities being compensated from the government’s budget. The UK and New Zealand provide two examples of advanced practice in this regard. Some other countries have made considerable progress in funding non-commercial obligations of SOEs from the government budget, including France, Chile, Honduras and Brazil.

Published PEFA assessment reports on individual countries are available at http://www.pefa.org/

Sources of further technical guidance
The IMF Fiscal Transparency Manual:

IMF’s Government Finance Statistics Manual 2001:


The IMF’s published assessments of fiscal transparency in individual countries against the Fiscal Transparency Code, referred to as Fiscal ROSCs, are available at:


GIFT Principle Eight

The authority to raise taxes and incur expenditure on behalf of the public should be vested in the legislature. No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation. The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.

Why this is important
The legislature is the key institution vested with the authority to hold the executive to account for its stewardship of public resources. The requirement that the executive obtain legislative approval before imposing any tax or compulsory levy ensures the opportunity for public scrutiny and public input, and clear assignment of responsibility. This applies despite the wide variation across countries in the Legislature’s authority to amend the budget submitted by the executive e.g. Westminster Parliamentary democracies compared to Congressional systems based on a separation of powers.

To effectively hold the executive to account for the conduct of fiscal policy, the legislature requires clear authority (often in a Constitution), together with sufficient time, information, and financial and non-financial resources. The legislature needs to be organized in ways that facilitate the effective discharge of its mandate. If the legislature is to enjoy public confidence, trust and legitimacy, it must also operate in a transparent, participatory and accountable manner.

What is the difference between a tax and a fee?
The difference between a tax and a fee is that a tax must be compulsory; be for public purposes; and be enforceable by law. On the other hand, a fee should bear a proper relation to the cost of providing a service.

How is this Principle reflected in existing international norms and standards?
Current international fiscal transparency norms focus mainly on the fiscal information to be provided to the legislature, and less on the legislature’s authority, resources, organisation, and mode of operation.

With respect to the information available to the legislature, the IMF’s Code of Good Practices on Fiscal Transparency sets out in detail what information the annual budget documents presented to the legislature should contain. It also contains requirements for in-year and end of year fiscal reports to the legislature, and for the national audit body to report to the legislature.

The Open Budget Index also contains detailed provisions on the information to be provided to the legislature in the annual budget documents.

In addition, the Open Budget Index 2012 goes beyond information provision to ask whether the legislature:

- Has internal capacity to conduct budget analyses or access to independent research capacity for such analyses.
- Formally debates the overall budget policy prior to the tabling of the Executive’s Budget Proposal.
- Receives the budget at least 3 months before the start of the year.
• Has Committees that hold public hearings on the individual budgets of central government administrative units in which testimony from the executive branch is heard.
• Has a Committee that scrutinizes audit reports.
• Releases to the public a report that tracks actions taken by the executive in response to audit reports.

Indicator PI-27 in the PEFA performance measurement framework contains four dimensions covering the legislature’s scrutiny of the annual budget law:

- The scope of the legislature’s scrutiny.
- The extent to which the legislature’s procedures are well-established and respected.
- The adequacy of time for the legislature to provide a response to budget proposals (both to the detailed estimates of expenditure and, where applicable, to proposals on the macro-fiscal aggregates).
- Rules for in-year amendments to the budget without ex-ante approval by the legislature.

Indicator PI-28 contains three dimensions covering legislative scrutiny of external audit reports:

- The timeliness of examination.
- The extent of hearings on key findings undertaken by the legislature.
- The issuance of recommended actions by the legislature and implementation by the executive.

With respect to the time available to the legislature for fiscal policy oversight, the OECD Best Practices for Budget Transparency provides that the government’s draft budget should be submitted to Parliament no less than three months prior to the start of the fiscal year, and the budget should be approved by Parliament prior to the start of the fiscal year. The IMF’s Code of Good Practices on Fiscal Transparency states that adequate time should be allowed for the draft budget to be considered by the legislature.

The OECD Best Practices for Budget Transparency provides that audit reports prepared by the Supreme Audit Institution should be scrutinised by Parliament, and that Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary.

In Parliament And Democracy In The Twenty-First Century: A Guide to Good Practice, the Inter-Parliamentary Union sets out requirements for the effective, transparent, accessible and accountable operation of the legislature. These include:

- Effectiveness: mechanisms to ensure effective parliamentary engagement in the national budget process in all its stages, including the subsequent auditing of accounts; mechanisms and resources to ensure the independence and autonomy of parliament, including parliament’s control of its own budget; systematic procedures for executive accountability; adequate powers and resources for committees; accountability to parliament of non-governmental public bodies and commissions; availability of non-partisan professional staff separate from the main civil service.
- Transparency: proceedings being open to the public; prior public information on the business before parliament; documentation available in relevant languages; availability of
user-friendly tools; the parliament should have its own public relations officers and facilities; and legislation on freedom of/access to information.

- Accessibility: various means for constituents to have access to their elected representatives; effective modes of public participation in pre-legislative scrutiny; right of open consultation for interested parties; public right of petition; systematic grievance procedures; possibility for lobbying, within the limits of agreed legal provisions that ensure transparency.
- Accountability: reporting procedures to inform constituents; standards and enforceable code of conduct; register of outside interests and income; enforceable limits on and transparency in election fundraising and expenditure.

The Legislative Principles for Development Effectiveness 2011, coordinated by the European Parliamentarians with Africa (AWEPA) are intended to elevate the legislative branch of government to ensure domestic accountability. The principles recognize the key role legislatures should play in national strategy development and in budget formulation, approval and implementation. Principle 5 sets out desirable practices with respect to aid modalities, transparency and the budget process, including a requirement that donors provide aid in a manner that allows the executive to put aid on budget, all information on aid must be accessible to and usable by the legislature, and budget calendars must allow enough time for legislative committees to analyse budget proposals. The Principles are available at: www.ipu.org/splz-e/busan11/principles.pdf

Country Practices
The Open Budget Survey 2012 found that the average score for legislative strength is 52 out of 100. Some 31 countries score 67 or better; 20 countries score 33 or less.

Other results from the 2012 OBI were:

- In 70 per cent of the countries surveyed the executive holds very limited consultations or no consultation at all with the legislature during the formulation of the budget.
- Legislatures in 29 countries received the Executive’s Budget Proposal less than six weeks before the beginning of the budget year. In eight of these countries, the budget proposal is either submitted to the legislature only after the start of the fiscal year, or not at all.
- In half of the countries surveyed legislators have to rely on either understaffed research offices or external researchers to inform their deliberations; in another 26, legislatures have no access to any research capacity whatsoever.
- In about half of the countries surveyed, the budget that is approved by the legislature can be transformed by the executive during execution by redistributing resources from ministry to ministry or from item to item, or by allocating additional revenues and contingency funds, all without seeking legislative approval.

Published PEFA assessment reports on individual countries are available at http://www.pefa.org/

The US Congress is widely regarded as the Legislature with the most effective support for the conduct of fiscal policy, in the form of the Congressional Budget Office. Other countries with substantial technical support to legislatures for overseeing the conduct of fiscal policy include Brazil, France, and South Korea. There is a trend towards establishing Parliamentary Budget Offices in OECD countries, for example Australia and Canada have done so in recent years.
Sources of further technical guidance

The International Budget Partnership’s Open Budget Survey 2012 (Section 4 on the strength of the legislature): http://internationalbudget.org/what-we-do/open-budget-survey/


**GIFT Principle Nine**

*The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the use of public funds. It should operate in an independent, accountable and transparent manner.*

**Why this is important**

Independent audit to internationally-recognised auditing standards is widely regarded as fundamental to financial accountability in both the public and private sectors. The Supreme Audit Institution provides assurance that reporting on public finances is reliable and free from material misstatement. It is therefore of utmost importance for a transparent public administration, for ensuring the effective exercise of the legislature’s oversight role, and to build public trust in the integrity of fiscal management.

The principle refers to the use of public funds. This incorporates the fiscal activities of government, including social security funds and other extra-budgetary funds (as defined in Government Finance Statistics), as well as public funds paid to non-government entities.

**What is a Supreme Audit Institution?**

The Supreme Audit Institution (SAI) is the public body of a State which exercises by virtue of law the highest public auditing function of that State, including auditing the public finances of the State. The SAI is referred to as the Court of Accounts in countries with civil law systems, and the Auditor General in legal systems based on the common law. The Supreme Audit Institution may be a part of the judicial branch or part of the legislative branch of government, but should in any case be independent of the executive branch of government.

**How is this Principle reflected in existing international norms and standards?**

The International Organisation of Supreme Audit Institutions (INTOSAI) *Lima Declaration (1977)*, which is considered to be the ‘Magna Carta’ of government auditing, determined the principle of independence for SAs. The *Mexico Declaration on SAI Independence* (2007) defines independence more concretely by recognizing eight pillars (principles) as essential requirements for government auditing:

- The extent of SAI independence should be set out in legislation.
- Appointment or removal of the head of the SAI by a process that ensures independence from the executive, sufficiently long and fixed terms, and immunity from prosecution.
- A sufficiently broad mandate and full discretion in discharge of SAI functions.
- Unrestricted access to information.
- The right and obligation to report at least annually.
- Freedom to decide the content and timing of reports, and to disseminate them.
- The existence of effective follow-up mechanisms on SAI recommendations.
- Financial and managerial/administrative autonomy and the availability of appropriate resources, and the right of direct appeal to the legislature over the SAI budget.

INTOSAI International Auditing Standards (ISSAI) further develop the principles of independence, auditing standards, access to information, and resourcing, while ISSAI 20 sets standards for the transparent and accountable operation of SAs themselves.
The importance of SAI independence and the significance of the LIMA and Mexico Declarations were recognized in UN General Assembly Resolution A/66/209, ‘Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions’, on 22 December 2011. The Resolution recognized:

- That SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence;
- The important role of SAIs in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals, including the Millennium Development Goals.

The importance of the SAI is recognized in all the other key normative instruments:

- **PEFA indicator PI-26** covers the scope and nature of external audit, the timeliness of reports to the legislature, and evidence of follow-up on audit recommendations.
- The IMF’s **Code of Good Practices on Fiscal Transparency** stipulates that public finances should be subject to scrutiny by a national audit body or an equivalent organization that is independent of the executive; and that that body should submit all reports, including its annual report, to the legislature and publish them. Mechanisms should be in place to monitor follow-up actions.
- The **OBS** contains questions on the independence of the SAI, in terms of the process for removal of the head of the SAI from office, its discretion to decide which audits to conduct, and whether an independent body sets its budget.
- The IMF’s **Summary of Good Fiscal Transparency Practices for Resource Revenue Management** requires independent audit of revenue flows between individual natural resource companies and host country governments.

**Country Practices**

In the **Open Budget Index 2012** the average score for SAI strength was 69 out of 100, indicating they are typically reasonably independent and mostly well-staffed. SAIs in only 14 countries received scores suggesting they are weak. The Scandinavian countries and New Zealand receive top marks for all four SAI strength indicators. These indicators are authority to remove the head of supreme audit institution; legal power to audit public finances; financial resources available to the SAI and the authority to determine its own budget; and the availability of skilled audit personnel. Cameroon, Equatorial Guinea, Fiji, Jordan, Mozambique, Myanmar, and Qatar, in contrast, score 0 on at least three of the four indicators.

**Sources of further technical guidance**

International Organisation of Supreme Audit Institutions (INTOSAI):


See also the Open Budget Survey 2012 (Q. 111-123): http://internationalbudget.org/what-we-do/open-budget-survey/


GIFT Principle Ten

*Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.*

Why this is important

Direct participation in fiscal policy is considered to be increasingly important as a means to ensure that those affected by policies and public services have a voice in decisions that affect their lives. Participation enables public authorities to draw on the wide range of relevant information and perspectives distributed throughout society, helping to improve the quality of policy design and implementation. Direct participation can also strengthen legitimacy and trust in government. Participation can therefore strengthen the effectiveness, equity, stability and sustainability of fiscal policies, and enhance the likelihood of positive economic, social and environmental outcomes.

What does direct public participation in fiscal policy mean?

Public participation in the formulation and implementation of fiscal policies can have a number of meanings. Indirect participation refers to citizens electing representatives who make decisions on their behalf in between elections. Direct participation, which is the subject of this Principle, refers to a variety of ways in which citizens and civil society and private sector groups interact directly in public discussion and debate with governments between elections. Examples include public consultation over proposed fiscal policies; public surveys, client satisfaction surveys, and focus groups; on-going consultative panels and sector advisory groups; social verification mechanisms; complaints and review mechanisms; and opportunities for public submissions to legislative committees.

Public participation in fiscal policy includes, in addition to participation in the annual budget cycle, participation also in revenue and expenditure policy decisions, in the design and delivery of public services, and in the design and delivery of public investment projects.

The origins of the participation principle

Article 25 of the *International Covenant on Civil and Political Rights (ICCPR)* states that every citizen shall have the right and the opportunity...without unreasonable restrictions: a) To take part in the conduct of public affairs, directly or through freely chosen representatives.

The *ICCPR* has been in force since 1976, and as of October 2011 had 74 signatories and 167 parties. It has the force of international treaty law.

The *UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters* (Aarhus Convention) sets out a rights-based approach to access to environmental information, public participation, and binding independent review of decisions on access to environmental info and decisions. The Convention contains detailed specification of how public participation is to be effected, and stipulates that states shall provide for early public participation, when all options are open and effective public participation can take place.

The Rio Declaration on Environment and Development, 1992, in Principle 10, states that environmental issues are best handled with participation of all concerned citizens, at the relevant level... each individual shall have ... the opportunity to participate in decision-making processes...

The Inter-Parliamentary Union’s Universal Declaration on Democracy (1997) stipulates that:

- Individual participation in democratic processes and public life at all levels must be regulated fairly and impartially and must avoid any discrimination, as well as the risk of intimidation by State and non-State actors.
- Democratic institutions and processes must also foster decentralised local and regional government and administration, which is a right and a necessity, and which makes it possible to broaden the base of public participation.

How is this Principle reflected in existing international norms and standards?
A right to public participation in fiscal policy has not previously been included in an international instrument on fiscal transparency. Only recently have existing normative instruments begun to incorporate specific elements relating to public participation in fiscal policy.

The Open Budget Survey contains a new and expanded section on Public Engagement in the Budget Process in the 2012 OBS. This covers:

- Engagement of the public by the executive during budget preparation and budget execution.
- The ability of the public to provide testimony to legislative committees on the government’s budget and the budgets of individual agencies.
- Public engagement by the SAI.

The OBS 2012 also covers elements of how the government conducts public participation processes.

The IMF’s Code of Good Practices on Fiscal Transparency stipulates that:

- There should be sufficient time for consultation about proposed laws and regulatory changes and, where feasible, broader policy changes.
- Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions.

The OECD Best Practices for Budget Transparency includes a provision (3.4) that the finance ministry should actively promote an understanding of the budget process by individual citizens and non-governmental organisations.

PEFA indicator PI-19 assesses the existence and operation of a procurement complaints mechanism.

The OECD Best Practices for Budget Transparency stipulates that the Finance Ministry should actively promote an understanding of the budget process by individual citizens and non-governmental organisations.

The Inter-Parliamentary Union’s Parliament And Democracy In The Twenty-First Century: A Guide to Good Practice stipulates that there should be various means for constituents to have access to their elected representatives; effective modes of public participation in pre-legislative scrutiny; right of
open consultation for interested parties; public right of petition; systematic grievance procedures; and possibility for lobbying, within the limits of agreed legal provisions that ensure transparency.

Country Practices
Results from the 2012 Open Budget Survey indicate that most countries currently provide few opportunities for public engagement. Among the 100 countries surveyed in 2012, the average score on the indicators of public participation in the budget process is just 19 out of 100. Only South Korea, with a score of 92, provides extensive opportunities for public participation. Eight countries provide no opportunities for public engagement.

Country Practices
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Only seven out of 125 countries investigated include provisions for citizen participation and engagement in their budget-related legislation: Brazil, Croatia, Ecuador, Finland, Honduras, Nigeria, and the United Kingdom (de Renzio and Kroth, 2011).

Brazil: Brazil is the country with the most detailed legal provisions for participation in the budget process. Its Fiscal Responsibility Law Nr. 101 (2000) explicitly addresses participation as an integral part of transparency.


India: Citizen report cards have been used for cross-state comparisons on access, use, reliability and satisfaction with public services. See ‘Citizen Report Card Surveys: A Note on the Concept and Methodology. Social Development Note, No. 91, World Bank, February 2004.

Sources of further technical guidance

Human Rights Committee, Fifty Seventh session, 1996. General comment No. 25, Article 25: The right to participate in public affairs, voting rights and the right of equal access to public service.

See also questions 114-125 in the 2012 Open Budget Survey on public engagement during the budget process.


The World Bank has a web site on Participation and Civic Engagement that promotes the participation of people and their organizations in policy design, implementation, and monitoring and evaluation. Specific topics include social accountability mechanisms (e.g. citizen report cards); the enabling environment for civic engagement; participatory monitoring and evaluation; and participation at the project, program and policy level. The site includes tools and country examples. http://web.worldbank.org/WEBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0,,contentMDK:20282087~menuPK:1278110~pagePK:148956~piPK:216618~theSitePK:410306,00.html