The High-Level Principles on Fiscal Transparency, Participation & Accountability

January 2018

International Fiscal Transparency Instruments' Mapping Included
PREFACE TO THE EXPANDED VERSION OF THE GIFT HIGH-LEVEL PRINCIPLES ON FTAP

The Global Initiative for Fiscal Transparency was formed in 2011 as an action network to launch a reinvigorated campaign for improvements in fiscal transparency, by bringing a wider range of stakeholders together around a broadened and stronger set of standards and activities. GIFT’s overall objective is to promote more effective fiscal policies that make a stronger contribution to economic, social and environmental outcomes.

The GIFT High-Level Principles were published in 2012 to guide policy makers and all other stakeholders in their efforts to increase the transparency of taxation and public spending openness, and to help promote improvements in the coverage, consistency and coherence of the existing standards and norms for fiscal transparency. The Principles have played an important role in promoting convergence in standards and in identifying gaps and deficiencies, and continue to be central in framing the activities of the network. For instance, High-Level Principle 10, asserting a citizen right to direct participation in fiscal policy, was the origin of GIFT’s significant on-going work promoting more direct public engagement in the design and implementation of fiscal policies.

The Expanded Version of the High-Level Principles, explains each of the ten Principles in more detail, contains up to date country examples of good practices, and provides additional information and sources of guidance for those applying the Principles in practice. We hope that any policy maker or practitioner interested in implementing the high level principles in their country would see a practical and resourceful benefit from this explained and illustrated version of the principles.

Since 2014, most of the normative instruments of the fiscal transparency global architecture have been revised and updated, including the IMF Code of Good Practices on Fiscal Transparency, OECD instruments, the Public Expenditure and Financial Accountability framework, the International Budget Partnership’s Open Budget Survey and the IMF Manual on Government Finance Statistics. The OECD has also produced the Tool Kit on Budget Transparency. At the same time, many governments have strongly engaged in advancing fiscal transparency and public engagement in fiscal processes. Therefore, this version takes into account these changes and includes new references and practices to illustrate each of the principles.

As is the case in all of GIFT’s work, this document is a collective effort of the network. But it would not have seen the light without the leadership, time and persistence of Murray Petrie, GIFT’s Lead Technical Adviser. Jon Shields and Tim Irwin deserve also special credit for their contributions. Finally, Tarick Gracida, GIFT Technology and Communications Coordinator, was in charge of designing and producing this friendly and accessible version that the reader has before them.

The Expanded Version of the Principles is intended to be a live document. It aims to provide practical support to champions who want to engage and continue pushing the fiscal transparency, accountability and participation agendas in their countries. The effort would only be worth the time and resources involved if the document is used, and therefore questioned, discussed, enriched, and challenged again. As such, your suggestions for additions, corrections or improvements are therefore a crucial component of this effort. We thank you in advance for joining us in this journey.

Juan Pablo Guerrero

Network Director
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Acronyms

CIPFA  The Chartered Institute of Public Finance and Accountancy
CSO    Civil society organisation
EITI   Extractive Industries Transparency Initiative
FOWG   Fiscal Openness Working Group
FTC    Fiscal Transparency Code (IMF)
IBP    International Budget Partnership
ICT    Information and communications technology
IFAC   International Federation of Accountants
IMF    International Monetary Fund
INTOSAI International Organisation of Supreme Audit Institutions
IPSAS  International Public Sector Accounting Standards
IPSASB International Public Sector Accounting Standards Board
OBI    Open Budget Index
OBS    Open Budget Survey
OECD   Organisation for Economic Cooperation and Development
OGP    Open Government Partnership
PEFA   Public Expenditure and Financial Accountability
SAI    Supreme Audit Institution
SNA    System of National Accounts (United Nations)
TADAT  Tax Administration Diagnostic Tool
I. Introduction

a) The purpose of the Expanded Version

The Global Initiative for Fiscal Transparency was formed in 2011 as an action network to launch a reinvigorated campaign for improvements in fiscal transparency, by bringing a wider range of stakeholders together around a broadened and stronger set of standards and activities.

One of the network’s first initiatives was to review the plethora of international standards and norms on fiscal transparency for comprehensiveness and consistency. This prompted the development in 2012 of the High-Level Principles on Fiscal Transparency, Participation and Accountability, which were ‘...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 purpose of this Expanded Version is to explain the role played by the GIFT High-Level Principles in promoting greater fiscal transparency globally, as well as to set out the relationship between each of the High-Level Principles and the corresponding standards, norms, assessments, and country practices to which they relate.

The Expanded Version should help readers to quickly gain an overview of the current multiplicity of instruments in relation to each other, to find effective entry points to the more detailed sources of information and guidance, and to consider where standards and assessments of practice may need strengthening to better realise the aspirations in the High-Level Principles.

The Expanded Version captures the major changes that have taken place over the last few years to international fiscal transparency standards and assessment tools, given that the main instruments have all been substantially revised since 2013. The completion of this document therefore comes at an opportune time, when the normative architecture seems likely to remain comparatively stable in the short to medium term.

In addition to information on fiscal transparency standards and norms, the Expanded Version contains information on country practices - cross-country data mainly from the Open Budget Survey, references to good practice in selected countries, and links to published reports assessing country practices. Together with the sources of further information and guidance, readers can use the Expanded Version as a starting point for further investigation into the full range of issues relating to fiscal transparency, public participation or accountability.

Readers interested in further overview information on fiscal transparency standards should also refer to the 2017 OECD Budget Transparency Toolkit: http://www.oecd.org/gov/budgeting/budget-transparency-toolkit.htm. The Toolkit, which was designed with the participation of the GIFT Network, provides an alternative way of navigating to the various global fiscal transparency institutions, standards, and guidance materials, by using a structure – developed by the OECD – based around five key institutional or sectoral areas.
The Toolkit and this Expanded Version of the GIFT High-Level Principles are complementary. They use different organizing frameworks to cover a similar body of international fiscal transparency instruments.

A distinct contribution of this document is to place the international architecture of fiscal transparency instruments in the context of the GIFT High-Level Principles that are increasingly being used to promote greater coherence and comprehensiveness across instruments. Through disseminating information on the background to and objectives of the High-Level Principles and their role in identifying gaps and promoting coherence, the aim is to promote the further strengthening of fiscal transparency instruments and their more effective implementation.

One particular area where this Expanded Version should prove helpful is with respect to the growing interest in public participation in fiscal policy, which is being described as ‘the next frontier in fiscal transparency’. The first generation of international fiscal transparency reforms focused on the public disclosure of fiscal information. Experience has shown, however, that disclosure is a necessary but not a sufficient condition for accountability. Attention is now increasingly moving to translating disclosure into more effective accountability by means of greater public engagement on fiscal management.

High-Level Principle 10 was the first international fiscal transparency norm to assert that citizens have a right to direct public participation in the design and implementation of fiscal policies. Given the scarcity of relevant international instruments, GIFT embarked on a multi-year work program to document country practices, understand the factors driving participation reforms, develop new instruments to guide and to measure country practices, and release a dedicated Guide on Public Participation. Readers interested in this burgeoning field should find the section in this document on High-Level Principle 10 particularly helpful.

In summary, then, the intention is that the Expanded Version will help to stimulate more effective efforts to promote greater accountability for taxation and public spending, strengthen incentives on governments to manage public resources more openly, and contribute to better economic, social and environmental outcomes.

b) The structure of the Expanded Version

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

For each of the ten Principles the document sets out:

- Why the Principle is important.
- As necessary, definitions of key terms.
- How the Principle is reflected in existing international norms and standards.
- Selected country practices with respect to adhering to the Principle.
- Sources of further information and guidance.

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1 Participation is the next transparency frontier for OGP by Krafchik and Guerrero, at http://www.fiscaltransparency.net/blog/
This document also contains a glossary of common terms.

The *Expanded Version* will be updated regularly. Suggestions for additions or improvements – such as additional examples of good country practices, further sources of useful guidance material, or new reports on assessments of country practices – should be sent to the GIFT Coordination Team at info@fiscaltransparency.net

For regular monthly updates on developments in fiscal transparency and public participation, subscribe to GIFT’s Newsletter: http://www.fiscaltransparency.net/news/
II. The formation of GIFT and the role of the High-Level Principles

The Global Initiative for Fiscal Transparency was formed in 2011 following the Global Financial Crisis (GFC). Its formation, initiated by the World Bank, the International Budget Partnership, the International Monetary Fund, and the governments of Brazil and Philippines, reflected a sense of urgency that the GFC had revealed fundamental weaknesses in the state of fiscal transparency and a lack of accountability for the management of public finances, particularly in advanced economies.²

GIFT’s founders were also concerned by the ongoing failures in the governance of fiscal policy that continued to see opportunities squandered for economic and social development globally. For instance, the International Budget Partnership concluded: ‘Yet the Open Budget Survey 2012 finds that the state of budget transparency and accountability is generally dismal. Only a minority of governments publish significant budget information. Fewer still provide appropriate mechanisms for public participation, and independent oversight institutions frequently lack appropriate resources and leverage. A large number of countries have made no changes, or made only a few changes, to their budget systems in recent years and continue to provide insufficient information. Some countries are even headed in the wrong direction; their systems have become more closed.’³

GIFT’s formation was intended to launch a reinvigorated campaign for improvements in fiscal transparency by bringing a wider range of stakeholders together around a broadened and stronger set of standards and activities.⁴ The goal was to connect country governments with international and national CSOs and with institutions providing technical assistance and support to Public Financial Management reform (the IMF and the World Bank). GIFT was created as an action network i.e. a forum for these different organizations to find and share solutions to challenges in fiscal transparency in order to ‘make things happen’.

Figure 1 illustrates GIFT’s Theory of Change.

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² “Understanding of governments’ underlying fiscal position and the risks to that position remains inadequate. This was demonstrated by the emergence of previously unreported fiscal deficits and debts and the crystallization of large, mainly implicit, government liabilities to the financial sector during the current crisis…A revitalized fiscal transparency effort is needed to address the shortcomings in standards and practices revealed by the crisis and guard against a resurgence of fiscal opacity in the face of growing pressures on government finances’ ‘Fiscal Transparency, Accountability, and Risk’, IMF, August 7, 2012.


⁴ GIFTs founding Lead Stewards were the International Monetary Fund, the World Bank, the International Budget Partnership, the Federal Secretary of Budget and Planning of Brazil and the Department of Budget and Management of the Philippines. The International Federation of Accountants, and the Ministry of Finance and Public Credit of Mexico, have since been admitted as Lead Stewards. There is a wider group of Stewards, numbering 37 as at January 2018, including 13 budget-related government institutions, 12 national or regional CSOs, 5 international CSOs, 3 multilateral organisations, 3 private foundations, and 1 international development institution. See http://www.fiscaltransparency.net/about/
Based on this theory of change, GIFT’s work program has focused on four areas:

- Promoting convergence between, and increased coverage and coherence of international standards and norms on fiscal transparency, incorporating the rights of access to information and of direct public participation.
- Creating a forum to share experiences and good practices between CSOs, governments, experts, International Financial Institutions, and non-state funders.
- Strengthening incentives for reform by supplying research, evidence, and practical advice.
- Helping take advantage of technological advances to improve the accessibility and dissemination of budget and fiscal data, and to facilitate and leverage users’ feedback.

With respect to the norms workstream, one of GIFT’s first activities was to review the plethora of international standards and norms on fiscal transparency for comprehensiveness and consistency. The assessment found that, while the range of consensus had grown, significant gaps and inconsistencies remained.5

This prompted the development in 2012 of the GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability, which were intended to promote coherence and convergence across standards over time. The draft Principles were the subject of deliberation and discussion across the multi-stakeholder network, involving international standard-setters, national ministries of finance and related agencies from countries at different levels of development, and a range of international and national civil society organisations.

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As such, the Principles reflect a shared set of norms that all GIFT’s stakeholders are committed to. They both frame and anchor the operationalization of the Principles in standards and norms, and instruments that assess practices.

As the preamble to the Principles stated, they were: ‘...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 are reproduced in Box 1. Principles 1-4 cover public access to fiscal information, while principles 5-10 concern the governance of fiscal policy.
Box 1: The GiFT High-Level Principles on Fiscal Transparency, Participation and Accountability

**Principle 1:** 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 favor 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 challenge through low-cost, independent and timely review mechanisms.

**Principle 2:** Governments should publish clear and measurable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from plans.

**Principle 3:** 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.

**Principle 4:** Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavor to assess and disclose the anticipated and actual social, economic and environmental outcomes.

**Principle 5:** 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.

**Principle 6:** 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.

**Principle 7:** Roles and responsibilities for raising revenues, 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.

**Principle 8:** 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.

**Principle 9:** 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 raising and commitment of public funds. It should operate in an independent, accountable and transparent manner.

**Principle 10:** 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.

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6 The Principles, together with the accompanying preamble, are reproduced in Annex 1. They are also available at http://www.fiscaltransparency.net/ft_principles/#toggle-id-1
The Principles are at a level of generality that can be applied across all countries, irrespective of constitutional arrangements, type or structure of government, variety of organisational arrangements and relationships, or level of development or capacity. They focus on functions rather than prescribing specific institutional forms. The standards, norms and assessment instruments above which the Principles sit are where graduated approaches are increasingly being developed to recognize diversity in country circumstances.

The High-Level Principles were the subject of a United Nations General Assembly Resolution in December 2012, sponsored by GIFT’s founding Lead Stewards: the Governments of Brazil and the Philippines, the International Monetary Fund, the World Bank, and the International Budget Partnership. UNGA Resolution 67/218 endorsed the GIFT Principles of fiscal transparency, participation and accountability and encouraged efforts by states and the UN system to help build state capacity for fiscal openness.

Box 2 contains the text of the Resolution, which represents an important endorsement by the international community of the GIFT Principles and of the intensified efforts to increase the development impacts of government taxation and spending.7

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**Box 2: UNGA Resolution 67/218: Promoting transparency, participation and accountability in fiscal policies**

The General Assembly,

Recalling its resolution 66/209 of 22 December 2011 and its previous resolutions on public administration and development,

Recalling also the United Nations Millennium Declaration,

Acknowledging that fiscal policies have a critical impact on economic, social and environmental outcomes in all countries at all levels of development,

Emphasizing the need to improve the quality, efficiency and effectiveness of fiscal policies,

Recognizing the critical role that transparency, participation and accountability in fiscal policies can play in pursuit of financial stability, poverty reduction, equitable economic growth and the achievement of sustainable development,

Recognizing also that transparency, participation and accountability in fiscal policies should be promoted in a manner that is consistent with diverse country circumstances and national legislation,


2. Encourages Member States to intensify efforts to enhance transparency, participation and accountability in fiscal policies, including through the consideration of the principles set out by the Initiative, on a voluntary basis;

3. Also encourages Member States, in this regard, to promote discussions on advancing the common goal of transparent, participatory and accountable management of fiscal policies;

4. Invites Member States and relevant United Nations institutions to promote cooperation and information-sharing among all stakeholders to assist Member States in building capacity and exchanging experiences with regard to transparency, participation and accountability in fiscal policies.

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As indicated in the Introduction, the High-Level Principles were intended to promote increased convergence and coherence across the large number of international fiscal transparency instruments. They were also intended to help identify gaps in standards and norms, and to promote the development of new or enhanced instruments as necessary.

To that extent the High-Level Principles were viewed as sitting at the top of a hierarchy of principles, standards and norms (the second level) and assessments of country practices (the third level) - as illustrated in Figure 2.

![Figure 2: The Hierarchy of Fiscal Transparency Principles, Standards and Assessments](image)

An illustration of how the High-Level Principles have impacted on standards and norms is through considering High-Level Principle 10 on public participation. As noted in the Introduction, a right to direct public participation in fiscal policy design and implementation had not previously been asserted in an international fiscal transparency instrument. There was a lack of guidance on what the principle meant in practice, although the International Budget Partnership led the way when it introduced a section on public participation practices in the 2012 Open Budget Survey.

In 2012 GIFT therefore embarked on a multi-year work program to generate greater knowledge about country practices and innovations in citizen engagement. Outputs produced include country case studies, a set of GIFT Principles of Public Participation in Fiscal Policy, a Guide on Public Participation in Fiscal Policy, and instruments to measure public participation in fiscal policy (see the discussion under High-Level Principle 10 for further details).

Since 2012, elements of public participation have been incorporated in the leading international fiscal transparency instruments: by the IMF, the OECD, the Open Budget Survey (Section 5 of which was redesigned in 2017 to measure performance against the GIFT Participation Principles), the Public Expenditure and Accountability initiative (PEFA), and the new Tax Administration Diagnostic Assessment Tool (TADAT).

More generally, since 2012 the GIFT coordination team has reviewed the consultation drafts of the revised and new fiscal transparency standards as they were being developed, against the High-Level
Principles. The objective has been to promote greater coherence across all the instruments, and to achieve a better reflection of the High-Level Principles e.g. with respect to public participation but also in other respects. Examples include GIFT comments on the draft IMF Fiscal Transparency Code, (including the separate draft of Pillar IV of the Code on Resource Revenue Transparency), on the draft OECD Principles of Budgetary Governance, on the draft participation section of the Open Budget Survey, and on the draft of the revised PEFA.

The independent evaluation of GIFT in 2016 undertook a detailed analysis of the influence of GIFT and the High-Level Principles on the revisions to the main fiscal transparency standards and instruments that took place in the period 2013-2016. The evaluation concluded that ‘GIFT has been highly successful in its work to harmonize norms and standards regarding fiscal transparency and public participation.’

GIFT has also mapped the fiscal transparency commitments made by members of the Open Government Partnership to help identify patterns, promising areas of reform, and areas that might be given more emphasis, and to compare implementation progress across countries. The GIFT coordination team has used the High-Level Principles when reviewing draft OGP National Action Plans and in providing suggestions on how the draft Plans could be strengthened or on commitments to consider for future plans.

Looking ahead, GIFT Stewards have used the High-Level Principles to frame their thinking in formulating the 2018-2021 GIFT Strategic Plan. In this period GIFT will focus on placing the citizen at the centre of fiscal transparency efforts. This will involve supporting citizen efforts to monitor how their taxes are collected and how public money is being spent, and to have a say in the design and implementation of tax and spending policies.

A specific goal is to better link budget information with areas that more directly affect people’s lives. The challenge is that current global standards and norms fall short on encouraging and guiding the publication of detailed and meaningful spending information that public service users and local communities need. In public service delivery, one of the missing links between transparency and participation is granularity: the disclosure of facility-level and transaction-level information. Currently, there is no international norm on the level of detail required for routine disaggregated reporting on the administrative classification of budget information that would make it possible for citizens to see how individual service delivery units – such as schools or health centers – allocate and spend their budgets. We are also talking here about better disclosure practices in terms of reusable data formats, improved quality of online portals/websites, and the ability to cross-reference different types of data.

These activities will help to strengthen implementation of High-Level Principles 3 (publication of high quality fiscal data), 4 (transparency of outputs and of resources entrusted to governments), and 10 (public participation).

In the future, GIFT will address these gaps in an effort to promote budgets, fiscal reports and other documents that are more understandable, readable and detailed. Routine disclosure of the budgets of individual service delivery units could also support much more direct engagement between service users and local communities, on one hand, and the managers of service delivery units.

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9 http://www.fiscaltransparency.net/fowg/
Research to better understand the gap between the information supplied and the users’ needs will be part of this effort. Framed under these considerations, GIFT will continue the work on the disclosure of useful information for citizens, such as procurement, and public service delivery data, following examples and models on granularity that GIFT government stewards and partners are required to report on their budgets at the national level.

Similarly, more attention will be paid to direct public engagement over the design and implementation of revenue policies. From its inception, GIFT has defined fiscal transparency as a broader concept than budget transparency. On the revenue side, this basically refers to the right to participate in debates over revenue policies and address publicly and informatively the degree to which tax burdens are progressive and fair.

GIFT will facilitate a conversation between the increasing number of stewards and partners that have been working on tax policies and tax administration issues from different perspectives, in a dialogue that could help identify gaps and complementarities between the different approaches, emphasizing access to information concerning government revenues and direct public engagement, in order to conduct relevant analysis, and addressing the question of inequality.

In sum, the GIFT network will be focusing in the areas that will frame the debate and lead the reforms on transparency in the future: the disclosure of quality fiscal information in formats and ways that are meaningful to the users; the right to public participation in fiscal policies, particularly the design and delivery of public services; and public engagement in the processes through which tax and budget policies reflect public priorities and solve the problems that matter to people.
III. Mapping of current international fiscal transparency instruments

Figure 3 presents a stylized mapping of international fiscal transparency instruments. The aim is to provide a quick overview of all the current instruments and their key features, as well as to provide direct access to the individual web sites for further information.

Figure 3 is organized in three categories according to whether instruments provide for:

- Disclosure of fiscal information
- Public participation in fiscal policy, or
- Oversight of fiscal policy.

These three domains relate to the three key parameters for GIFT as expressed in the High-Level Principles: transparency, participation, and accountability.

Sub-categories of the three domains provide additional information about the nature of instruments, while the zones of intersection between the three domains show instruments that cover two of the three domains, or all three domains.

Figure 3: Mapping current international fiscal transparency instruments
Table 1 narrows down the focus considerably to provide a summary of key elements of just the core international fiscal transparency instruments.

The aim of Table 1 is to assist those in government or other public institutions, or in civil society or international organisations, to decide which of the core standards and assessment instruments might be most appropriate to their circumstances, how to initiate activity, and what the scope and other features of these instruments are.

**Table 1: Key elements of the core international fiscal transparency instruments**

<table>
<thead>
<tr>
<th>Instrument Name</th>
<th>Content</th>
<th>Coverage</th>
<th>Graduated</th>
<th>Assessment of country practices</th>
<th>How assessment initiated</th>
<th>Remarks</th>
</tr>
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<tbody>
<tr>
<td><strong>1. Fiscal Transparency Code</strong>&lt;br&gt;International Monetary Fund 2014</td>
<td>Focus on central govt. (but also covers general govt. and public sector) 36 practices in 3 pillars: (1) Fiscal reporting (2) Fiscal forecasting and budgeting (3) Fiscal risk analysis and management</td>
<td>Covers all 187 IMF member countries</td>
<td>Yes</td>
<td>Fiscal Transparency Evaluation (FTE) by IMF staff. Publication is voluntary, on IMF web site. Detailed staff description, analysis, quantification, diagnosis, recommendations. 19 FTEs on web as at October 2017.</td>
<td>By request of govt.</td>
<td>Pillar IV of Code, on resource revenue transparency, due to be completed [in Q1 2018]. Manual in 2 Volumes explaining the Code due to be published in [Q1 2018].</td>
</tr>
<tr>
<td><strong>2. Open Budget Survey (OBS) and Open Budget Index (OBI)</strong>&lt;br&gt;International Budget Partnership</td>
<td>Central government budget sector. OBI based on availability, content of 8 key documents over the budget cycle. OBS also includes legislative oversight and public participation over the budget cycle.</td>
<td>Country coverage: 2006: 59; 2008: 85; 2010: 94; 2012: 100; 2015: 102; 2017: 115</td>
<td>Yes</td>
<td>4 level ordinal scale</td>
<td>Initiated by civil society</td>
<td>The only quantitative scoring of budget transparency. 2017 OBS expected to be published in January 2018.</td>
</tr>
<tr>
<td><strong>3. Public Expenditure and Financial Accountability</strong></td>
<td>31 dimensions covering central government, with elements covering public sector and sub-national governments.</td>
<td>Implemented both by central</td>
<td>Yes</td>
<td>4 level ordinal scale</td>
<td>Initiated by government, often in consultation with donor community.</td>
<td>By request of govt.</td>
</tr>
<tr>
<td><strong>PEFA</strong> program</td>
<td>Measures 7 pillars of performance, including budgeting, transparency, budget execution, accounting and reporting, external scrutiny and auditing</td>
<td>and sub-national governments</td>
<td>Publication is voluntary, on PEFA web site.</td>
<td>govs. Transparency and accountability are key elements of wider framework.</td>
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<tr>
<td><em>International Public Sector Accounting Standards Board</em> (IPSASB)</td>
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<td></td>
<td>Decision by govt. on whether to adopt IPSAS.</td>
<td></td>
<td></td>
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<tr>
<td>5. <em>OECD Recommendation on Budgetary Governance 2015</em></td>
<td>Ten principles spanning planning, budgeting, execution, auditing, performance, risks, transparency, and public participation.</td>
<td>35 OECD member countries</td>
<td>No</td>
<td>OECD Public Governance Committee monitors implementation and is expected to report after three years.</td>
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<td></td>
<td></td>
<td></td>
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<td>By OECD</td>
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<td></td>
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<td></td>
<td>See also the 2002 OECD Best Practices on Budget Transparency.</td>
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IV. Guide to the individual GIFT High-Level Principles

High-Level 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 be able to take informed decisions regarding basic needs, safety, access to public services and other crucial factors related to wellbeing. It is also crucial for citizens to be able to access information about the public affairs that concern them, and for the public to hold officials and the government as a whole to account for fiscal management. In addition, access to information is 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.

The right to government information is enshrined in laws in over 110 countries. The Universal Declaration of Human Rights states that government-produced information belongs to the general public and must be accessible by anyone who requests it, unless it needs to be classified for reasons of public interest (national security, ongoing investigations processes, privacy, etc.), and there is a legal basis for this classification.

There are limits to the right to fiscal information. The most significant ones are related to the privacy of individuals. If transparency is important for democracy, protection of privacy is crucial for individual liberty and the freedom of thought. The balance between transparency and privacy protection is a complicated matter. In most countries, it is a result of a public debate and a legislative definition that establishes the tradeoff between privacy and publicity on the use of public resources. For instance, the economic compensation of public servants can be public information, but how much such individuals pay in taxes may be protected by confidentiality (although in one or two countries this also is public e.g. Sweden). In another example, while the names of beneficiaries of direct cash transfers are disclosed in Mexico and Brazil, the beneficiaries of similar subsidies have their names concealed in Spain or Germany. In one place, the public interest favors the disclosure of the names of all public resource beneficiaries, while personal data protection prevails as the value that must be protected in other places. In any case, it is important that these limits are clearly set out in the legal framework, to avoid as much as possible discretion in the interpretation and enforcement of the law.

The origins of the right to information principle

The right of citizens to fiscal information is at least as old as the French declaration of the rights of man and citizen, 1789, which stated: ‘All citizens have the right to ascertain, personally or through
their representatives, the necessity of the public tax, to consent to it freely, to know how it is spent, and to determine its amount, basis, mode of collection, and duration.’ (Article 14).

Article 19 of the Universal Declaration of Human Rights and 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 and in other regional conventions, such as Article 13 of the American Convention. 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.

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.

One of the Open Government Partnership’s eligibility criteria is the right to access to information, as it requires member countries to have a law on access to information law, right to information as a constitutional provision, or a draft initiative under consideration. On access to fiscal information, the

OGP requirements also demand the timely publication of essential budget documents, such as the budget proposal and the audit report.

The members of the Organization of American States declared in 2009 that “access to information held by the State, subject to constitutional and legal norms, including those on privacy and confidentiality, is an indispensable condition for citizen participation and promotes effective respect for human rights.” After that, the OAS member States, agreed on a preparation of a Model Inter-American Law on Access to Information to provide States with the legal foundation necessary to guarantee the right to access to information, as well as an Implementation Guide for the Model Law to provide the roadmap necessary to ensure the Law functions in practice (http://www.oas.org/en/sla/dil/access_to_information_model_law.asp). In June 2010, the OAS General Assembly adopted resolution AG/RES 2607 (XL-O/10) (http://www.oas.org/en/sla/dil/docs/AG-RES_2514-2009_eng.pdf) on the Model Law. The Model Inter-American Law and the Guide for its Implementation, incorporate the principles outlined by the Inter-American Court on Human Rights in Claude Reyes v. Chile, as well as the Principles on Access to Information adopted by the Inter-American Juridical Committee. [CJI/RES. 147 (LXXIII-O/08)].

Similarly, the African Union approved a model law for Africa in 2012 (http://www.achpr.org/instruments/access-information).

One important characteristic of these more recent model laws is that they take into consideration the era of internet and new technologies, with the possibility to disclose significant amounts on government information on line. These legislative pieces support the proactive disclosure of government information that is supposed to be very useful for citizens or frequently requested. Among the key classes of information subject to proactive disclosure by a public authority is the description of its organizational structure, functions, duties, locations of its departments and agencies, operating hours, and names its officials; the qualifications and salaries of senior officials; the internal and external oversight, reporting and monitoring mechanisms relevant to the public authority including its strategic plans, corporate governance codes and key performance indicators, including any audit reports; and its budget and its expenditure plans for the current fiscal year, and past years, and any annual reports on the manner in which the budget is executed.

This important feature of access to information laws is less common in legislations approved before the year 2000.

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 111 countries (see the Global Right to Information Rating, by the Centre for Law and Democracy). However, a right to fiscal information has not previously been included in an international instrument on fiscal transparency.

There are two ways to access government information: governments can proactively disclose it, or they can provide access in response to an official information request. A key aspect of the right to information is the rules on the proactive disclosure of information. Fiscal transparency holds a central role in access to information legal regulations, for two reasons: the public nature of budget resources, originated in the taxes paid by the people, and the fact that the sections on proactive disclosure of these laws usually devote special attention to the obligation to publish information about the budget and fiscal resources, without the need of having requests for such information.
That said, although fiscal transparency is a central part of proactive disclosure provisions in many countries, disclosure rules are often spread among many different pieces of legislation, such as procurement laws, public investment, public works and infrastructure regulations, decentralization provisions and budget responsibility laws, which frequently include specific stipulations on proactive disclose of fiscal activities and public funds.

The right of access to fiscal information is strongly present in the 2015 restructured version of the International Monetary Fund Fiscal Transparency Code. The Code is composed of 36 principles in total and 17 of them are related to proactive fiscal transparency proactive disclosure. In all pillars of the FT-Code, various principles indicate that information should be proactively disclosed to the public: six principles related to fiscal reporting (tax expenditures, in-year fiscal reports, financial statements, revisions to historical statistics, fiscal statistics and annual financial statements), four principles on the fiscal forecasting and budgeting chapter (financial obligations under investments projects, budget documents, objectives and results, implications of budget policies), and seven principles of the fiscal risks’ analysis forecasting and management pillar (main specific risks, guarantee exposure, obligations under public-private-partnerships, fiscal exposure of the financial sector, exploitation of natural resources, exposure to natural disasters, financial condition of subnational governments).

The Organization for Economic Cooperation and Development published in 2002 the Best Practices for Budget Transparency, which define budget transparency as “the full disclosure of all relevant fiscal information in a timely and systematic manner”, and outlines “specific disclosures”, that is various types of information (such as economic assumptions, financial assets and liabilities, and contingent liabilities) which should be included in budget reports. In 2015, the OECD Recommendation of the Council on Budgetary Governance set out ten Budget Principles, presenting an overview of how various aspects of budgeting should inter-connect to form a coherent and effective system. The Principles supplement many elements of the Best Practices, including the principle of transparency, openness and accessibility and by introducing a principle of participative and inclusive budgetary debate.

Finally, the OECD published in 2017 the Budget Transparency Toolkit, which include a section devoted to providing useful budget related documents during the annual cycle and including the right financial information in budget related documents. On publication of budget documents, the OECD recommends that official documents should provide a useful overview of the fiscal activities of the public sector in a regular and timely manner, to inform better scrutiny and decision-making throughout the budget cycle.

The new PEFA framework of 2016 clearly addresses in many of its indicators the questions of public access to public finance information and, in a some of them, the issue of the quality of information. PEFA emphasizes transparency and accountability in terms of access to information, reporting and audit, and dialogue on PFM policies and actions. In 14 of the 31 indicators, the question of the publication of Public Financial Management documents is introduced and consistently, the transparency question is related to better practices. This means that the new PEFA framework provides a very valuable source of information related to fiscal transparency. Pillar 2 on transparency of public finances, Pillar 3 on management of assets and liabilities, Pillar 4 on policy-based fiscal
strategy and budgeting, Pillar 6 on accounting and reporting and Pillar 7 on external scrutiny and audit, all include the importance of pro-actively disclosed information in some of their dimensions.

In sum, the new IMF-Code, PEFA assessment and the OECD toolkit provide a valuable analysis of the fiscal transparency of PFM systems.

The International Budget Partnership’s Open Budget Survey (OBS) 2015 is completely about the right to fiscal information: this is a comprehensive analysis and survey that evaluates whether governments give the public access to budget information and opportunities to participate in the budget process at the national level. The IBP works with civil society partners in 102 countries to collect the data for the Survey. The first Open Budget Survey was released in 2006 and will be conducted biennially. The OBS edition 2015 asks whether citizens have the right in law to access government information including budget information. General question 3 addresses specifically this point. The focus on public access to information, as well as opportunities to participate in budget processes, is what makes the questionnaire unique among assessments of government transparency and accountability.

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 111 countries, based on 61 indicators, is available at [http://www.rti-rating.org/country-data/](http://www.rti-rating.org/country-data/) 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 33 (Austria) to 136 (Mexico) out of a maximum of 150. More recent laws protect the right to know more strongly; of the 20 countries with scores above 100, twelve 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.

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 requesterers made multiple resubmissions of the questions and made other efforts to elicit a response. Only 12 countries complied with Right To Information standards.
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 2015 found:

- In 89 out of 102 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.

Sources of further technical guidance

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


The IMF Fiscal Transparency Manual 2007 (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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12 de Renzio and Kroth, 2011.
13 Results from the 2017 OBS were not available at time of completion of this Guide.
**High-Level Principle Two**

*Governments should publish clear and measurable 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 the intended overall outputs and impacts of their policies, as well as the resources they will consume, and to report on aggregate progress and results. Because aggregate fiscal policy has substantial effects on the national economy immediately, and in the future, including on employment, inflation, growth, resource allocation and debt, it is important that governments are clearly accountable for the impacts of fiscal policy on national welfare.

**What is aggregate fiscal policy?**

Aggregate fiscal policy is the level of fiscal policy that influences the economy at large. Its main dimensions are overall government revenues and spending, the fiscal deficit, and public debt. In the now familiar three-level framework for public financial management, aggregate fiscal policy is level 1, the allocation of resources to sectors and policy priorities is level 2, and the delivery of public services is level 3 (see for instance the desirable fiscal and budgetary outcomes of public financial management identified in the PEFA 2016 Framework (1.2)).

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

The IMF Fiscal Transparency Code (‘the Code’) stipulates that the government should ‘state and report on clear and measurable objectives for the public finances’ (principle 2.3.1). This requires the specification of a ‘numerical objective for the main fiscal aggregates’, which should ideally be precise, time-bound, and stable. The Code further specifies that ‘budget documentation and any subsequent updates explain any material changes to the government’s previous fiscal forecasts, distinguishing the fiscal impact of new policy measures from the baseline’ (principle 2.4.3). The Code also stipulates that basic practice on the medium-term budget framework requires budget documentation to include ‘medium-term projections of aggregate revenues, expenditures, and financing,...’ (principle 2.1.3).

Under fiscal risk analysis, the Code prescribes that the government ‘regularly publishes projections of the evolution of the public finances over the long-term’ (principle 3.1.3) and ‘provides a summary report on the main specific risks to its fiscal forecasts’ (principle 3.1.2). The draft Pillar IV of the Code reinforces the supremacy of aggregate fiscal policy objectives by stipulating that resource revenues should be ‘managed through the annual budget in accordance with predefined fiscal policy objectives’ (principle 4.4.1).

The OECD Principles of Good Budgetary Governance recommend that governments commit to ‘pursue a sound and sustainable fiscal policy’ (principle 1b) and consider whether ‘the credibility of such a commitment can be enhanced through clear and verifiable fiscal rules or policy objectives...’(principle 1c). Under the OECD Best Practices for Budget Transparency, the pre-budget

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report should ‘explicitly state the government’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’ (section 1.2). The OECD *Principles of Good Budgetary Governance* also call for governments to closely align budgets with medium-term strategic priorities by ‘developing a stronger medium-term dimension in the budgeting process....’ (principle 2a).

The *Open Budget Survey (OBS 2015)* asked whether the Executive’s Budget Proposal or any supporting budget documentation presented information on ‘how the proposed budget (both new proposals and existing policies) was linked to government’s policy goals’ for the budget year and for a multi-year period (Questions 47 and 48).

*PEFA* Indicator PI-15.2 assesses the extent to which ‘government prepares a fiscal strategy that sets out fiscal objectives for at least the budget year and the two following fiscal years’. It identifies a well-formulated fiscal strategy as one that ‘includes numerical objectives, targets or policy parameters (such as the level of fiscal balance), aggregate central government expenditures or revenues, and changes in the stock of financial assets and liabilities’. *PEFA* Indicator PI-15.3 assesses the extent to which the ‘government makes available—as part of the annual budget documentation submitted to the legislature—an assessment of its achievements against its stated fiscal objectives and targets’. The assessment ‘should also include an explanation of any deviations from the approved objectives and targets as well as proposed corrective actions’.

**Country Practices**

The *Open Budget Survey 2015* (Questions 47 and 48) found that:

- 44 countries out of 102 published estimates in their executive’s budget proposal (with or without a narrative discussion) showing how the proposed budget was linked to all the government’s policy goals for the budget year; and
- 26 countries published such estimates for a multi-year period.

Examples of countries with legally binding fiscal rules include:

- In Austria, an amendment to the federal budget law stipulates that the structural deficit at the federal level (including social insurance) shall not exceed 0.35 percent of GDP.
- In Chile, a structural balance rule in place since 2001 requires government expenditures to be budgeted ex ante in line with structural revenues. Small changes have been made over time to the target structural balance, or its path, and a de facto escape clause accommodates counter-cyclical measures.
- In Norway, the budget balance rule, adopted in 2001, requires the non-oil structural deficit of the central government to equal the long-run real return of the Government Pension Fund (assumed to be 4 percent). Temporary deviations are allowed over the business cycle and in the event of extraordinary changes in the value of the Government Pension Fund.
- In New Zealand, the *Fiscal Responsibility Act* sets out the principles for responsible fiscal management, including rules for the budget and debt. While not itself specifying...

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15 Results from the 2017 OBS were not available at time of completion of this Guide.
quantitative rules, the Act requires the government to set out specific fiscal targets for 3-year and 10-year objectives, typically in percent of GDP.

In the European Union, national fiscal policies are guided by the Stability and Growth Pact (SGP), which is a fiscal rule-based framework. The SGP commits EU governments to country-specific budgetary targets, known as medium-term budgetary objectives.

The OECD International Budget Practices and Procedures Database contains detailed information about fiscal rules, medium-term expenditure targets, and other fiscal objectives in responding countries. The 2007/08 Database covers 97 countries, including 31 OECD members; the 2012 Database covers 34 OECD countries.

Sources of further technical guidance
The OECD Budget Transparency Toolkit 2017 contains topics on the content of a pre-budget statement and the main budget relating to the government’s fiscal strategies, as well as a long-term report and reporting on fiscal risks (section A). It also contains citations of relevant international standards, selected country examples of good practice, and sources of further guidance http://www.oecd.org/gov/budgeting/budget-transparency-toolkit.htm

IMF Fiscal Transparency Code


IMF Fiscal Transparency Manual 2007 (pp. 37-43) on medium term budget frameworks and fiscal rules:

IMF Guide on Resource Revenue Transparency 2007 (pp. 29-31 and Box 3):

OECD Budget Practices and Procedures Survey
https://www.oecd.org/gov/budgeting/internationalbudgetpracticesandproceduresdatabase.htm;
http://qdd.oecd.org/subject.aspx?Subject=7F309CE7-61D3-4423-A9E3-3F39424B8BCA

European Union: Stability and Growth Pact

High-Level 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

The core of fiscal transparency is publication of high quality fiscal information. It is a precondition for legislative oversight, and for the public to understand and participate in the budgetary process, judge the government’s performance, and hold it to account. Essential attributes of high quality information include the need for data to be comprehensive, regular, timely, reliable, useful, easily understood, readily accessible, and subject to standards that are internationally accepted.

What is the difference between budgets, fiscal reports, financial statements, and National Accounts?

Budgets are forward-looking. They are statements of how a government proposes to raise revenues, spend resources, and finance its operations in the coming year in order to advance towards specified outputs and results. Budgets usually focus on cash transactions, but a handful of countries now implement accrual budgeting (Australia, Austria, Canada, Denmark, Iceland, New Zealand, Switzerland and the United Kingdom). Government budgets are incorporated in legal instruments that authorize taxation and government spending.

Fiscal reports are records of a government’s actual (historical) revenues, spending and financing. They may report the fiscal activities of the central government, state governments, or local governments, or of all levels of government in a country (referred to as the general government). Reports may cover a whole government in aggregate as an entity, and/or individual government entities e.g. ministries, departments or agencies. They may record within-year activities e.g. monthly or quarterly reports, or previous year(s) outturns. They may be on a cash or accruals basis (full or partial).

Financial Statements are reports compiled from accounting data after the end of a period, which is usually a year but may be more frequent. They may be cash or accrual or some variant thereof, and may cover the whole government or an individual government entity. Annual financial statements are usually incorporated or included as separate documents in the government’s year-end reports (which also usually include material on differences from budget estimates and reports on non-financial performance). 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, including the contributions of individual economic sectors (households, corporations, government) to national output, expenditure, and income. Statistics on the government sector are referred to as government finance statistics (or fiscal statistics). They are derived from accounting data and statistical series, and facilitate analysis of the impact of government on the rest of the economy for the purpose of
macroeconomic analysis and decision making. About one-third of countries report fiscal statistics on a partial or full accruals basis.

What are assurances of integrity of fiscal data?
Mechanisms, both internal to the executive, and independent of the executive, can help to ensure that fiscal data and information are reliable and maintain quality standards. Internal mechanisms include appropriately applied accounting standards; an effective control and audit environment; systematic data reconciliation processes; and technically sound and objective macroeconomic and fiscal forecasting procedures. Independent mechanisms include effective auditing by the Supreme Audit Institution, procedures for exposing macroeconomic and fiscal data and forecasts to external expert scrutiny, such as by an Independent Fiscal Institution; technical independence of the national statistics agency; and independent data verification processes such as the Extractive Industries Transparency Initiative.

How is this Principle reflected in existing international norms and standards?
International codes and standards place the availability of high-quality information at the core of good fiscal transparency practice and provide strong guidance on the required coverage and quality of fiscal data. They also recommend that the provision of budgetary information be grounded in law.

The IMF’s Government Finance Statistics Manual (GFSM 2014) provides some of the core standards that are widely adopted across the main fiscal transparency instruments. These include the classification of the government sector and the public sector (based on the UN SNA), the classification of the levels of government, and the economic and functional classification of expenditures (the latter based on the UN Classification of the Functions of Government, COFOG). GFSM 2014 also contains a classification of revenues.

The IMF Fiscal Transparency Code (‘the Code’) opens with a rigorous set of requirements for fiscal reporting (Pillar 1), supplemented by further detail in Pillars II and III. Principle 2.2.1 also requires that the legal framework clearly defines ‘key contents of the budget documentation’. The draft Pillar IV focuses on the greater specificity required for natural resource activities. Specifically, the Code recommends that:

The scope of fiscal reports should:

- ‘cover all entities engaged in public activity, according to international standards’ (principle 1.1.1);
- ‘cover all public revenues, expenditures, and financing’ (principle 1.1.3)
- ‘include a balance sheet of public assets, liabilities, and net worth’ (principle 1.1.2)
- ‘be published in a frequent, regular, and timely manner’ (principle 1.2).
- (value) ‘the government’s interest in exhaustible natural resource assets and their exploitation…..’ (principle 3.2.6).

Fiscal reports should include the following information:

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• ‘revenues, expenditures, and financing of all central government entities ... on a gross basis in budget documentation’ (principle 2.1.1);
• ‘outturns and projections of revenues, expenditures, and financing over the medium term on the same basis as the annual budget’ (principle 2.1.3);
• ‘projections of the evolution of the public finances over the long-term’ (principle 3.1.3);
• ‘how fiscal outcomes might differ from baseline forecasts as a result of different macroeconomic assumptions. (principle 3.1.1);
• ‘regular summary reports on the main specific risks to [the government’s] fiscal forecasts’ (principle 3.1.2); and
• for resource-rich economies, ‘regular reporting on resource revenue collection activities, audit and compliance activities’ (draft principle 4.2.3).

Quality and integrity require that:

• ‘Fiscal statistics are compiled and disseminated in accordance with international standards’ (principle 1.4.1).
• ‘Fiscal forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained’ (principle 1.4.3).
• ‘Information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent’ (principle 1.3);
• ‘Annual financial statements are subject to a published audit by an independent supreme audit institution, which validates their reliability’ (principle 1.4.2).
• ‘Economic and fiscal projections and performance are subject to independent evaluation’ (principle 2.4.1).
• For resource-rich economies, ‘government reports on resource revenue collection are reconciled with company reports on fiscal payments’ (draft principle 4.2.4)

For resource-rich economies, the Code recommends, in addition, that:

• ‘There is an open process for the allocation of resource rights’ and ‘the government maintains and publishes an up-to-date register of all resource rights holdings, with details of their beneficial owners’ (draft principles 4.2.1 and 4.2.2).
• ‘All resource companies regularly disclose payment information on their domestic natural resource exploration, extraction and trading activities’ (principle 4.3.1).

The OECD Principles of Good Budgetary Governance call for budget documents and data to be ‘open, transparent and accessible’ (principle 4). Budget reports should be clear and factual (principle 4a) and published ‘fully, promptly and routinely’ (principle 4c). All expenditures and revenues of the national government should be accounted comprehensively and correctly in the budget document (Principle 6a) and a full national overview of the public finances, including sub-national levels of government, should be presented (principle 6b).

The OECD Best Practices for Budget Transparency sets out detailed requirements for the publication of data and other information in the government’s budget, pre-budget report, monthly reports, mid-year report, year-end report, long term report and a pre-election report. It notes that ‘a summary of relevant accounting policies should accompany all reports’, including disclosure of ‘any deviations..."
from generally accepted accounting practices’, and ‘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 OECD Practical Toolkit on Budget Transparency 2017 contains a section H on making budget information accessible to the public. This includes topic H.1; Presenting key budget information in a clear manner that can be understood easily by the public and by civil-society stakeholders; and H.2, publishing a Citizen’s Budget. Section I, using open data to support budget transparency, contains topics I.1 Open data should meet minimum standards; I.2 on requirements for access to open budget data; and I.3 on integrating open budget data portals with existing portals.

International Public Sector Accounting Standards (IPSAS) apply to the financial statements of national and sub-national governments, and other public sector bodies, apart from government business entities. To date, there are 38 accrual standards, which contain, where appropriate, transitional provisions for entities to attain full compliance. IPSAS 24 requires a comparison of budget and actual to be included in the financial statements of entities that are required to or elect to publish their budgets. The International Public Sector Accounting Standards Board (IPSASB) Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities provides further assistance. IPSASB has also issued a cash basis IPSAS standard for governments.

The Open Budget Survey, published every two years, contains around 100 detailed questions on the past, current and forecast fiscal information included in the budget documents, and on fiscal reporting during and at the end of the year. These questions provide a thorough guide to the scope and content of information that might be disclosed by national governments under this high-level principle. For example, in the Open Budget Survey 2015:

- Questions 1-46 on the Executive’s Budget Proposals and questions 54-58 on the Pre-Budget Statement explore the depth and breadth of information supplied on past and proposed government spending, revenue, borrowing, debt, and assets; and the underlying macro-economic forecast.
- Questions 59-63 on the Enacted Budget focus on the detail provided on spending and revenue estimates and implied borrowing.
- Questions 85-86 and 88-89 on the End-Year Report ask about the detail provided on spending and revenue outcomes.

A range of PEFA indicators assess the provision of fiscal information:

- PI-5 measures the extent to which annual budget documentation incorporates twelve specified elements of information (among which four are considered basic and critical), including a forecast of the fiscal deficit or surplus, aggregated revenue and expenditure data for the current and previous year, debt stock, financial assets, and aspects of fiscal risk.
- PI-14 records the inclusion of forecasts of key fiscal and macroeconomic indicators in budget documentation and some sensitivity analysis.

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17 Results from the 2017 OBS were not available at time of completion of this Guide.
• PI-16.1 measures the detail to which expenditure estimates are recorded in the annual budget.
• PI-28 and PI-29 measure dimensions of in-year reports on budget execution, and the annual financial report.

Several PEFA indicators specifically target the provision of fiscal information to the public:
• PEFA indicator PI-8 covers access to information on public service delivery, including budget resources that reached service delivery units as planned.
• PI-9 measures the ready availability to the public of major reports including the annual executive budget proposal documentation as presented under PI-5, execution reports, audited annual financial statement, citizens’ budget, and macroeconomic forecasts.
• PI-10 measures the extent to which fiscal risks to central government from public corporations, sub-national governments, and contingent liabilities are published.
• The publication of information on implementation of major investment projects is covered by PI-11.4.
• PI-12 highlights whether information on assets is made available to the public.

Other PEFA indicators assess the integrity of fiscal data, such as internal controls; accounts reconciliations; and internal audit; adequacy and comparability.

The IMF’s Special Data Dissemination Standard (SDDS) sets good practices (‘monitorable dimensions’) for data publication in terms of coverage, periodicity, and timeliness; ease of access; integrity; and quality. The SDDS was established for governments that have, or might seek, access to international capital markets. Most countries not subscribing to the SDDS participate in the General Data Dissemination System enhanced (GDDS), or enhanced GDDS, which also guide provision to the public of comprehensive, timely, accessible, and reliable statistics. For the fiscal sector, both the SDDS and GDDS provide detailed guidance on data sets and methodologies pertaining to government operations and gross debt.

The G20 Anti-Corruption Open Data Principles (2015) set out six principles for the provision of government data. Noting that ‘free access to, and the subsequent use of, government produced data promotes transparency, and is therefore of significant value to society and the economy’, the first principle is that government data should be ‘open by default’. Subsequent principles establish that government data should be: timely and comprehensive; accessible and usable; comparable and inter-operable; for improved governance and citizen engagement; and for inclusive development and innovation. These principles form the core of the Open Data Charter.

The Open Government Partnership (https://www.opengovpartnership.org/) has minimum requirements for membership that include two fiscal transparency standards: publication of the executive’s budget proposal, and publication of the annual audit report.\(^{18}\)

\(^{18}\) Note that the OGP’s membership requirements cover categories other than just budget transparency (e.g. freedom of information), and a country may meet most but not all of the minimum criteria across all categories to join the OGP.
Public Sector Debt Statistics: Guide for Compilers and Users 2013, published by the IMF on behalf of 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.

The European System of Accounts (ESA) 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.

International Standards of Supreme Auditing Institutions (ISSAI) state the basic prerequisites for the proper functioning and professional conduct of supreme audit institutions and the fundamental principles of public sector auditing (see principle 9).

The IMF Guide on Resource Revenue Transparency 2007\(^{19}\) contains detailed requirements for the information (data and forecast) that should be published on resource-related revenues, spending, fiscal balance, natural and financial assets, and fiscal risks, in countries that are identified as resource-rich; and on past government receipts of company resource revenue payments.

The multi-stakeholder Extractive Industries Transparency Initiative (EITI) promotes standards for countries with large natural resource sectors including on fiscal reporting, assets and liabilities, and assurances of integrity.\(^{20}\)

The Declaration on Good Public Financial Governance in Africa commits governments to publish information on fiscal projections, the state of public finances, and the structure, functions and financing of government and the wider public sector (Commitment 1). In addition, governments pledge that supreme auditing institutions will conduct audits and issue reports without undue influence from the executive (Commitment 1.2). To strengthen budget preparation, execution, and reporting further improvements in the coverage, quality, and timeliness of internal fiscal information will be ensured (Commitment 2.3).

The Paris Accord on Climate Change extended reporting requirements for governments on the provision of climate finance under the UN Framework Convention on Climate Change.

Country Practices
The Open Budget Index (OBI 2015) assigns countries covered by the Open Budget Survey (OBS 2015) a transparency score on a 100-point scale using 109 questions from the 140-question OBS 2015. The questions covered by the OBI 2015 relate to the comprehensiveness and timeliness of information provided by the government to the public in eight key budget documents covering the complete budget cycle, from the pre-budget statement through the budget proposal and citizens budget, in-year and end of year reporting, and the audit report.

In OBS 2015, of the 102 countries\(^{21}\) assessed:

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\(^{19}\) The IMF is developing a new Pillar IV of the 2014 Fiscal Transparency Code that will cover transparency of natural resources, and will release an explanatory Manual to accompany it.

\(^{20}\) The EITI also promotes public participation in fiscal policy; see the discussion in HLP10.

\(^{21}\) Results from the 2017 OBS were not available at time of completion of this Guide.
Twenty-four countries scored over 60 on the OBI, publishing on average 7 of the 8 key budget documents. While most of these countries were high-income, this group of top-performers included Malawi and Uganda, both low-income economies.

Seventeen countries provided scant or no budget information, with OBI scores of 20 or less out of 100; and sixteen countries did not publish the government’s proposed or agreed budget.

Where countries did publish the executive’s budget proposals, the documents provided, on average, less than three-fifths of the desired information.

In general, higher-income and more democratic countries tended to have higher OBI scores; oil-dependent autocracies tended to have lower OBI scores.

Very little information could be found in budget documents on expenditure arrears, quasi-fiscal activities, tax expenditures, and important sources of fiscal risks like contingent liabilities. Most governments did not disclose adequate information on their holdings of financial and nonfinancial assets. Forty-seven countries did not publish any information on extra-budgetary funds in the executive’s budget proposal.

Many countries made marked progress in transparency between the first OBS in 2006 and the OBS in 2015. Improvements were largest for countries with the lowest initial scores; and the number of least transparent countries dropped sharply. But there were also many cases of countries ceasing the publication of important documents.

Honduras and Afghanistan improved their OBI scores markedly between 2006 and 2015 (from 11 to 53 and 8 to 59 respectively), but they both fell back in 2015 (to 43 and 42 respectively). The countries of Francophone West Africa nevertheless sustained or improved their progress in 2015, after more than doubling their scores up to 2012.

Among the countries that significantly decreased the amount of budget information prior to the 2015 surveys were Venezuela (to a score of 8 from 35 in 2006), Egypt (to 16 from 49 in 2010), and Sri Lanka (to 39 from 67 in 2010).

Among countries assessed under the new IMF Fiscal Transparency Evaluation (FTE) against the 2014 Fiscal Transparency Code:

- In the UK, fiscal reporting was assessed at good or advanced practice level in 2016 in all categories of Pillar I of the Code, except for the timeliness of its annual financial statements. Public sector finances covered the entire public sector and whole government accounts reported a complete balance sheet. Budget estimates were comparable with outturn data.

- In Brazil, several aspects of fiscal reporting in 2017 under Pillar I were assessed at good or advanced level. Fiscal statistics encompassed the general government sector and recognized most of its assets and liabilities. Fiscal reports and annual financial statements were published in a frequent and timely manner but lacked information on key parts of the public sector.

- In Kenya, 2014, a pilot study under the Code indicated that most requirements in Pillar 1 were met at basic level. Fiscal reporting was limited to budgetary central government on a
cash basis. The timeliness of reporting varied and the quality of reporting was diminished by the existence of different estimates of actual fiscal outcomes.

With respect to the broader coverage of fiscal reporting, a number of Latin American countries, including 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.

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, Kenya, Liberia, New Zealand, Nigeria, Peru, Poland, Rwanda, Sierra Leone, South Africa, Turkey, Ukraine, and the United Kingdom.


From 1999 to 2011, the IMF published assessments of fiscal transparency laws and practices against requirements in the 1998 and 2007 IMF Code of Good Practices on Fiscal Transparency. These assessments, known as fiscal ROSCs (Reports on Standards and Codes), can be accessed for over 90 countries at https://www.imf.org/external/np/rosc/rosc.aspx.

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


The OECD International Budget Practices and Procedures Database contains information about the budget cycle and documentation in reporting countries. It includes details on fiscal objectives, dissemination of data, evaluation of forecasts, and audits. The 2007/08 Database covers 97 countries, including 31 OECD members; the 2012 Database covers 34 OECD countries.


With respect to the IMF Special Data Dissemination Standard, as at September 2017, 60 countries had subscribed to the SDDS and 14 to SDDS Plus (http://dsbb.imf.org/Pages/SDDS/CountryList.aspx and http://dsbb.imf.org/pages/SDDS/GetPage.aspx?pageName=sddsplussubscriptionnotes. 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 including fiscal data. Country data is posted on the Dissemination Standards Bulletin Board.

**Sources of further technical guidance**

The OECD Budget Transparency Toolkit 2017 contains a section on clear budget information from government. This covers in detail providing useful budget-related documents over the annual budget cycle, and including the right financial information in budget-related documents. It also contains citations of relevant international standards, selected country examples of good practice, and sources of further guidance http://www.oecd.org/gov/budgeting/budget-transparency-toolkit.htm


International Public Sector Accounting Standards Board (IPSASB) ; http://www.ifac.org/public-sector-Handbook of International Public Sector Accounting Pronouncements (2016, Vols 1 and 2)

IMF Government Finance Statistics Manual 2014:

*Open Budget Survey*: http://internationalbudget.org/what-we-do/open-budget-survey/

Transparency and Accountability Initiative, Open Government Guide:


IMF Dissemination Standards Bulletin Board for the Special Data Dissemination Standards (SDDS) and General Data Dissemination System (GDDS) http://dsbb.imf.org/


European System of Accounts (ESA 2010): http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334


International Aid Transparency Initiative (IATI): http://www.aidtransparency.net/

UN Framework Convention on Climate Change, Focus on Climate Finance: http://unfccc.int/focus/climate_finance/items/7001.php

International Standards of Supreme Auditing Institutions (ISSAI) http://www.issai.org/


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


High-Level 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 more on the costs of inputs (spending on salaries, travel, electricity etc.) than they have on the value of outputs produced (specific goods and services) or especially on the results they set out to achieve (impact on the population, economy and environment). While information on inputs is important, transparency, participation and accountability require governments to state also what they are using resources (inputs) to produce, and what results they are achieving in terms of outcomes of concern to the public.

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, or investments in mitigation of greenhouse gas production. Outcomes are the results achieved from delivering outputs, such as improvements 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 are clear about the importance of communicating objectives and results, but offer relatively limited advice on how information on the outputs and outcomes of fiscal actions, including social and environmental impacts, should be assessed and communicated. In particular, there is relatively little normative guidance on the level of detail at which spending on the delivery of public services should be reported e.g. at the level of individual service delivery unit such as the school or health center. There is also little guidance on transparency of the environmental impacts of fiscal policies, aside from requirements for publication of environmental impact assessments at the project level.

The OECD Principles of Good Budgetary Governance advise governments to ensure that performance, evaluation and value for money are integral to the budget process (principle 8). Recommended actions include: helping parliament and citizens to understand what public services are actually being delivered, and their quality and efficiency; routinely presenting performance information in a way that clarifies accountability and oversight; ensuring the availability of high-quality performance and evaluation information; and conducting open ex-ante evaluations of all substantive new policy proposals to assess coherence with national priorities.

The IMF Fiscal Transparency Code recommends that budget documentation should provide ‘information regarding the objectives and results achieved under each major government policy area’ (principle 2.3.2). The Code also stipulates that the annual budget should present a detailed account of the implications of the budget for different demographic groups (best practice under principle 2.3.3); and all major public investment projects should be subject to a published cost-benefit analysis (2.1.4). For resource-rich economies, any resource fund’s investments should be ‘transparently managed in line with a prudent investment strategy’ (draft principle 4.4.3). Resource
companies should also ‘regularly report on the status of domestic natural resource projects, and their social and environmental impact (draft principle 4.3.3).

The OECD Budget Transparency Toolkit 2017 suggests, in topic B.4, the performance information to be included in budget documents, including on outputs, targets and results, on high-level government strategic goals and outcomes, and on the impacts of budget decisions on different groups and sectors.  http://www.oecd.org/gov/budgeting/budget-transparency-toolkit.htm

The IFAC/CIPFA Principles of Good Governance in the Public Sector recommends defining outcomes in terms of economic, social and environmental benefits (principle C), and determining the right intervention (outputs) to achieve desired outcomes (principle D).

The Open Contracting Global Principles stipulate that, in seeking and granting public contracts, governments should routinely disclose environmental and social impact assessments to provide a safeguard for the public against the inefficient, ineffective, or corrupt use of public resources (principle 3 d vii).

The Open Budget Survey 2015 contains a series of questions on nonfinancial data and performance indicators associated with budget proposals. It records the provision of information on linkages between budget proposals and the government’s policy goals (Q 47-48), intended results and performance targets (Q 50-51), and estimates of policies intended to benefit directly the country’s most impoverished populations (Q 52). It also asks about the presentation of differences between the original estimates of nonfinancial data on results and the actual outcome in the year-end report (Q 93).

PEFA indicator PI-8 assesses the availability of information on performance plans and achievements in most ministries, and the resources (inputs) actually received by front-line service delivery units (such as schools and primary health clinics). It has four dimensions. A top score on PI-8.1 requires the publication of information ‘annually on policy or program objectives, key performance indicators, outputs to be produced, and the outcomes planned for most ministries, dis-aggregated by program or function’. PI-8.2 looks at published information on actual outputs and outcomes; and PI-8.3 at information recorded on resources actually received by service delivery units. PI-8.4 assesses whether evaluations have recently been carried out and published of the efficiency and effectiveness of service delivery.

The Rio Declaration on Environment and Development 1992, which established 27 principles for protecting the integrity of the global environmental and developmental systems, proclaimed under Principle 17, that ‘Environmental impact assessment, as a national instrument, shall be undertaken for proposed activities that are likely to have a significant adverse impact on the environment and are subject to a decision of a competent national authority’.

Country Practices
The Open Budget Survey (OBS 2015) found very limited information in most countries’ budget documents on either the outputs or the outcomes of government action, planned or achieved. Only about half of the 102 countries\(^\text{22}\) included any information at all on nonfinancial performance.

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\(^{22}\) Results from the 2017 OBS were not available at time of completion of this Guide.
indicators or targets in the Executive’s Budget Proposal (Q 50,51); and only about one in four in their Year-End Report (Q 93).

Some countries were however much more forthcoming:

- In Finland, the 2015 *IMF Fiscal Transparency Evaluation* found that ‘budget documentation presented comprehensive information on past performance and targets for outputs and outcomes’. Performance indicators for planned outputs and outcomes were presented for most ministries and agencies. In addition to the information in the budget documentation a considerable number of performance indicators are reported on the website of the Finnish State Internet Reporting System, NETRA. [https://datahub.io/dataset/fi-state-expenditure-personnel-planning](https://datahub.io/dataset/fi-state-expenditure-personnel-planning)

- In Costa Rica, the 2016 PEFA noted that central government entities present and publish semi-annual reports which record the results achieved according to the planned goals. All institutions submit a performance report every six months, starting with: (i) a detailed description of the institutional management at the program level with the production achieved during the period; (ii) an analysis of financial management; (iii) an analysis of management results at the level of indicators and (iv) recommendations. These results are consolidated in semi-annual and annual reports. [https://pefa.org/sites/default/files/CR-Sep16-PFMPR-Public.pdf](https://pefa.org/sites/default/files/CR-Sep16-PFMPR-Public.pdf)

- In Austria, parliament decides on financial resources and on results (outcomes and outputs) as part of the annual budget bill. Parliament also assesses the performance reports of government, reflecting critically on performance information and using it to ensure a more strategic budget debate. Each policy area in the budget shows between 3 and 5 performance indicators, at least one of which relates to gender.


Almost half of OECD countries that responded to a survey (15 out of 34 members) report that they have introduced (Austria, Belgium, Finland, Iceland, Israel, Japan, Korea, Mexico, Netherlands, Norway, Spain, Sweden), plan to introduce (Italy) or are actively considering the introduction (Turkey, Czech Republic) of gender budgeting.

The IMF published a paper in 2017 on gender-informed budgeting in G7 countries. The paper describes the main fiscal policy instruments, both expenditure and tax, that have a significant impact on gender equality; provides a conceptual framework for the public financial management (PFM) institutions that play an enabling role in implementing gender-responsive fiscal policies; provides an assessment of the status of gender budgeting in the G7 countries; and identifies the main policy implications and conclusions. [http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/05/12/pp041917gender-budgeting-in-g7-countries](http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/05/12/pp041917gender-budgeting-in-g7-countries)

Mexico provides an example of identifying the specific government budget items that contribute to progress on the UN Sustainable Development Goals, using a Results-based Management perspective. ‘Mexico’s Budgeting for Sustainable Development’, https://www.internationalbudget.org/2017/07/mexicos-budgeting-sustainable-development/

With respect to countries reliant on natural resources, Norway provides an example of advanced practice in asset management of an oil fund. https://www.regjeringen.no/en/topics/the-economy/the-government-pension-fund/government-pension-fund-global-gpfg/id697027/


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

Sources of further technical guidance

IMF Fiscal Transparency Code


IFAC/CIPFA International Framework: Good Governance in the Public Sector

Transparency and Accountability Initiative, Open Government Guide:

Rio Declaration on Environment and Development 1992
Open Contracting Partnership: Global Principles
https://www.open-contracting.org/get-started/global-principles/


International Budget Partnership, *Tracking Spending on the Sustainable Development Goals: What Have We Learned from the Millennium Development Goals?*
The Governance of Fiscal Policy

High-Level 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. All financial transactions should adhere to a publicly available legal framework, rather than the discretion of government officials.

What is the public sector?
The public sector is defined here as in the UN System of National Accounts and described with respect to fiscal policy in the IMF Government Financial Statistics Manual 2014. 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 GIFT Principles cover both fiscal policy implemented by government institutions (the government sector), and transparency of all publicly-owned and controlled assets and liabilities (i.e. the assets and liabilities of the whole public sector).

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 Supreme Auditing Institution (covered in HLP 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 IMF Fiscal Transparency Code focuses on the legal framework determining the powers and responsibilities of the executive and legislature in the budget process (Principles 2.2.1, 2.4.2 and 3.2.1), and also covers clarity of the legal framework for borrowing and for significant asset acquisitions and disposals (principle 3.2.2). It has limited coverage of laws, regulations and procedures governing other elements of public financial management such as the use of public funds, collection of revenue, or asset management. For resource-rich economies, however, Pillar IV23 of the Code notes specifically that the fiscal regime for revenue generation should be clear,

comprehensive, and governed by law (Draft Principle 4.1.2). Pillar IV also calls for open and transparent procedures for granting rights for resource extraction (Draft Principle 4.2.1).

The PEFA performance measurement framework assesses specific aspects of the legal basis for financial transactions in the public sector:

- PEFA Indicator PI-7.1 assesses what proportion of horizontal transfers (unconditional or conditional) to subnational governments from central government are determined by transparent and rules-based systems.
- PI-13.2 measures the coverage of primary legislation and documented procedures on borrowing, debt issues and loan guarantees; a top score on this indicator implies that a single debt management entity is responsible for all debt issues and that annual borrowing is approved by the government or legislature.
- PI-17.1 covers the government’s budget calendar.
- PI-18 covers the legislature’s scrutiny and approval of the annual budget.
- PI-19 to PI-26 cover standards, process and internal controls for budget execution e.g. PI-19.1 assesses taxpayer access to details of obligation and redress procedures; while PI-24.3 assesses public access to information on procurement including its legal and regulatory framework; PI-24.4 looks at procurement complaints management; and PI-26 assesses internal audit processes.
- PI 29.2 measures the timeliness of submission of financial reports for external audit; and PI-30 and PI-31 assess the audit process itself, including scrutiny by the legislature, follow-up, and independence of the Supreme Auditing Institution.

The Tax Administration Diagnostic Assessment Tool (TADAT) contains two performance indicators directly related to the rule of law. Indicator P3-7 assesses the range, accuracy and accessibility of information available to taxpayers explaining what their obligations and entitlements are in respect of each core tax. Indicator P7-19 assesses the existence and effectiveness of an independent and graduated dispute resolution process.

The Open Budget Survey (OBS 2015) covers several aspects of the legislature’s role in approving the executive’s budget proposals:

- Questions 106-108 ask about the timing of the legislature’s input and whether it has power to amend budget proposals.
- Questions 109-111 ask about the legislature’s input into the executive’s decisions subsequent to the budget’s approval to spend contingency funds or excess revenue; or to shift funds within and between administrative units.

Principle A of the IFAC/CIPFA Principles of Good Governance in the Public Sector requires ‘behaving with integrity, demonstrating strong ethical values, and respecting the rule of law’.

The multi-stakeholder Extractive Industries Transparency Initiative (EITI) promotes standards for countries with large natural resource sectors including on the legal and institutional framework for extraction activity, and revenue.

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24 Results from the 2017 OBS were not available at time of completion of this Guide.
Article 9 of the *UN Convention Against Corruption* identifies measures to establish transparent procurement and public finance management systems. A Technical Guide promotes implementation of the convention by state parties.

The *G20 Anti-Corruption Action Plan 2017-18*, noting that ‘transparency is key to deterring and uncovering corruption’, pledges G20 countries to promote greater transparency in the public sector, including in public contracting, budget processes and customs. It draws on the *G20 Anti-Corruption Open Data Principles (2014)*. At the request of the G-20 Anti-Corruption Working Group, the OECD developed a *Compendium of Good Practices for Integrity in Public Procurement (2015)*.

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.

**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 2001 IMF Fiscal ROSC as being comprehensive. https://www.imf.org/external/np/rosc/kor/fiscal.htm


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

**Sources of further technical guidance**

**IMF Fiscal Transparency Code**


**IMF Fiscal Transparency Manual 2007 (particularly pp 21-27 on legal frameworks and review mechanisms):**


**IMF Guide on Resource Revenue Management 2007 (particularly pp. 34-36):**


http://www.g20.utoronto.ca/2015/G20-Anti-Corruption-Open-Data-Principles.pdf


https://www.oecd.org/g20/topics/anti-corruption/G20_Anti-Corruption_Action_Plan.pdf


High-Level 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
Government institutions exercise coercive powers of taxation and redistribution. It is therefore 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 behavior. 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?
Government units are legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area. They provide goods and services to the community or to individual households; finance their provision out of taxation or other revenues; and redistribute income and wealth by means of transfers. The central government sector consists of all such units that are covered by or financed through the central government budget or extra-budgetary funds. The general government sector also includes units controlled by sub-national levels of government, including regional, state, provincial, and local governments. Social security funds can be classified according to the level of government that organizes and manages them (central or sub-national) or combined into a separate sub-sector. Government sectors exclude commercial or monetary activities; these are included within the non-government public sector.

How is this Principle reflected in existing international norms and standards?
The UN System of National Accounts (SNA) explains the distinction between the government sector, the rest of the public sector, and other sectors of the economy. This issue, and the treatment of different levels of government and the social security institutions is further explored in the IMF Government Finance Statistics Manual 2014.

The IMF Fiscal Transparency Code (the Code) deals with boundaries and relationships between the government and the private sector for fiscal reporting and in the contexts of fiscal risk management and natural resource management. It requires in particular that:

- Fiscal reporting (principle 1.1.1) covers the central government sector (basic practice), the general government sector (good practice), and the public sector (advanced practice).
- Fiscal reports cover a full ‘balance sheet of public assets, liabilities and net worth’, providing clarity over what the government owns and controls (principle 1.1.2).
- Major investment projects are subject to ‘open and competitive tender’ (principle 2.1.4).
- ‘Obligations under public-private partnerships are regularly disclosed and actively managed’ (principle 3.2.4).
- Risks arising from government guarantees, the financial sector, and natural disasters and other major environmental risks are disclosed (principles 3.2.3, 3.2.5, 3.2.7).
The Code also deals with the transparency of the financial position and performance of sub-national governments and of public corporations, and of the financial relationships between the central government and public corporations (principles 3.3.1 and 3.3.2).

Pillar IV of the Code stipulates that, for resource-rich economies:

- a legal framework for resource rights should ‘define rights, obligations, and responsibilities at all stages of resource development’ (draft principle 4.1.1).
- the government should ‘maintain and publish an up-to-date register of all resource rights holdings’ (draft principle 4.2.2).
- government reports on revenue collection should be ‘reconciled with company reports on fiscal payments’ (draft principle 4.2.4).
- all resource companies should ‘regularly publish payment information on their domestic natural resource exploration, extraction, and trading activities’ (draft principle 4.3.1).

PEFA indicators cover relationships with the private sector in respect of both spending and revenue:

- PI-24 measures four dimensions of procurement management: the coverage and quality of databases or records for contracts; the share of contracts awarded through competitive methods; public access to information about the legal and regulatory framework for procurement (government procurement plans; bidding opportunities; contract awards; data on resolution of procurement complaints; and annual procurement statistics); and complaints procedures (independence, authority, and performance of body reviewing complaints).
- PI-19.1 assesses how well and how extensively efforts are made to provide taxpayers with information about their main obligations and rights, including on redress.

The International Public Sector Accounting Standards Board (IPSASB) sets out requirements (IPSAS 35) for the ‘presentation and preparation of consolidated financial statements when an entity controls one or more other entities’ and provides supporting definitions and explanations. Consolidation does not apply to investment entities (such as some pension or sovereign wealth funds).

A number of OECD instruments cover transparency and accountability in government procurement including the Recommendation on Public Procurement 2015 (see OECD Government Procurement Toolbox and G20 Guiding Principles on Integrity in Public Procurement (2015)).

The Open Contracting Data Standard (OCDS) enables disclosure of data and documents at all stages of the contracting process by defining a common data model. It was created to support organizations to increase contracting transparency, and allow deeper analysis of contracting data by a wide range of users. It enables publication of shareable, reusable, machine readable data, joining of that data with related information, and creation of tools to analyze or share that data.

Good practices are also described in the Open Contracting Partnership’s ‘Open Contracting – A Guide for Practitioners by Practitioners’ and 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.

The IMF Tax Administration Diagnostic Assessment Tool (TADAT) enables governments to assess the administrative effectiveness of their major revenue sources (income taxes, value-added tax and social security contributions). It includes seven dimensions that measure whether taxpayers have the necessary information and support to voluntarily comply at a reasonable cost to them, including the ease by which taxpayers obtain information and the use and frequency of methods to obtain feedback.

The Declaration on Parliamentary Openness stipulates that information should be provided to the public about the constitutional role, structure, functions, internal rules, administrative procedures, and workflow and functions of parliament and its committees (principle 14).

The multi-stakeholder Extractive Industries Transparency Initiative (EITI) promotes transparency standards for countries with large natural resource sectors, including detailed requirements on the publication of: audited and reconciled data on company payments to government and government receipts from companies; legal framework and fiscal regime; licenses; contract disclosure policy; and mandated social expenditure.

The Natural Resource Charter is a set of principles for governments and societies on how to best harness the opportunities created by extractive resources for development. https://resourcegovernance.org/approach/natural-resource-charter

The World Bank publishes guidance notes for all aspects of Public Private Partnerships including a Framework for Disclosure in Public-Private Partnerships. A model for assessing the fiscal risks associated with individual projects (PFRAM) has also been developed by the IMF and World Bank.

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.

The small but growing number of countries that publish a full balance sheet of government (covering 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. In the UK, for example, over 38,000 entities were classified as being within the public sector in 2016, of which nearly 8,000 were in central government, nearly 29,000 in local government, and 1,700 were non-financial corporations (https://www.imf.org/en/Publications/CR/Issues/2016/12/31/United-Kingdom-Fiscal-Transparency-Evaluation-44395). Other countries publishing balance sheets covering the whole of government 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.


In the UK, large oil, gas, mining and forestry companies that are listed in the EU must report their payments to governments worldwide annually, country by country and project by project. (Reports on Payments to Governments Regulations 2014: http://www.legislation.gov.uk/ukdsi/2014/9780111122235/contents).

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

Sources of further technical guidance
The OECD Budget Transparency Toolkit 2017 contains a section on promoting integrity with the private sector, including opening up public contracting and procurement, accounting for revenues and expenditures in resource endowments, and managing infrastructure investment for integrity, value for money, and transparency. It includes citations of relevant international standards, selected country examples of good practice, and sources of further guidance http://www.oecd.org/gov/budgeting/budget-transparency-toolkit.htm

IMF Fiscal Transparency Code


IMF Government Finance Statistics Manual 2014:


IFAC/CIPFA Good Governance in the Public Sector encourages better service delivery and improved accountability by establishing a benchmark for aspects of good governance in the public sector. file:///C:/Users/jonsh/OneDrive/Documents/1%20Work%20Folders/GIFT/IFAC%20Framework-Good-Governance%20Exec-Summary.pdf

The Open Contracting Partnership provides guidance on implementing open contracting:
https://www.open-contracting.org/implement/#/
Public Private Partnership in Infrastructure Center World Bank https://ppp.worldbank.org/public-private-partnership/overview/world-bank-group


Construction Sector Transparency Initiative: http://www.constructiontransparency.org/home


Declaration on Parliamentary Openness: https://www.openingparliament.org/declaration/

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

High-Level Principle Seven

Roles and responsibilities for raising revenues, 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?

Current international fiscal transparency norms address four aspects of the assignment in legislation of roles and responsibilities within the public sector: specific areas of potential overlap such as transfers between central and local government; accountability of commercial enterprises to government; fiscal risks arising from the finances of sub-national governments and public corporations; and the budget process itself, including the authority to amend the executive’s budget proposals and redirect resources within the budget year. Measures to ensure rigor in reporting sectoral boundaries, discussed under High-Level Principle Six, can also clarify sectoral roles and reduce the risk of gaps or overlaps in responsibilities.

The IMF Fiscal Transparency Code focuses on the powers of the legislature to amend the executive’s budget proposal, requiring the legal framework to define ‘the powers and responsibilities of the executive and legislature in the budget process’ (principle 2.2.1). To ensure that fiscal relations across the public sector can be ‘analyzed, disclosed, and co-ordinated’, it also requires the publication of comprehensive information on the financial performance of sub-national governments (individually and collectively) and public corporations (principle 3.3).

The Open Budget Survey (OBS 2015) contains an extensive section on the powers and strength of the legislature. Questions relating to the legislature’s capacity (including resources) are referenced in the discussion of High-Level Principle Eight (below). Other questions related to participation and authority in the budget process include the legislature’s:

- authority to amend the executive’s budget proposal (Q 108);
- involvement in spending unforeseen revenues during the year (Q111);
- involvement in spending monies from contingency funds (Q 113); and

26 The previous, 2007 IMF Fiscal Transparency Code contained detailed provisions on clarity of roles and responsibilities between the branches of government and within the public sector, and these were discussed in the 2007 IMF Fiscal Transparency Manual.
27 Results from the 2017 OBS were not available at time of completion of this Guide.
• involvement in the transfer of funds by the executive between and within appropriation heads during the year. (Q 109, 110).

PEFA 18.2 assesses the extent to which legislature’s procedures to review budget proposals are established and adhered to, and should note whether they are established and mandated by legislation. PEFA Indicator PI-7.1 assesses what proportion of horizontal transfers (unconditional or conditional) to subnational governments from central government are determined by transparent and rules based systems. As part of its fiscal risk assessment, PEFA indicators PI-10.1 and PI-10.2 measure whether public corporations and subnational governments publish timely annual financial statements.

The OECD’s updated *Guidelines on Corporate Governance of State-Owned Enterprises (2015)* contain detailed recommendations to governments on how to ensure that their commercial enterprises operate transparently and in an accountable manner, as well as efficiently. Of relevance in this context is transparency in the exercise of the government’s ownership functions, and transparency in imposing public service obligations on SOEs.

**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 2010 (ESA 2010) in EU member countries.

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/](http://www.pefa.org/)

The *OECD International Budget Practices and Procedures Database* contains detailed information about roles and responsibilities in the budget process and legal authorization procedures. The 2007/08 Database covers 97 countries, including 31 OECD members; the 2012 Database covers 34 OECD countries.

**Sources of further technical guidance**


*IMF Fiscal Transparency Code*

*IMF Fiscal ROSCs:* Published assessments of fiscal transparency in individual countries against the previous versions of the IMF Code of Good Practices in Fiscal Transparency (1998 and 2007)


European System of Accounts (ESA 2010): http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334


High-Level 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.

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 other instruments used by governments to collect revenue such as duties, fees, and charges?
A tax is compulsory, for a public purpose, and enforceable by law. Duties are a sub-category of taxes, levied on specific categories of goods. On the other hand, fees or user charges (including license fees) are voluntary in the sense that the payer need not use the service; the fee should bear a proper relation to the cost of providing the service.

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

The OECD Recommendation on Budgetary Governance states that the national parliament has a fundamental role in authorising budget decisions and in holding government to account. Countries should offer opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate. The OECD’s Principles of Good Budgetary Governance confirm the importance of timely, clear, factual budget reports to support effective discussion and debate on policy choices (Principles 4a and 4b) and the preparation and scrutiny of budget execution reports (Principle 7f). They also require opportunities for the parliament and its committees to engage with the budget process at all key stages in the budget cycle (Principle 5a) and support for the publication of audit reports by the Supreme Audit Institution in a manner that is timely and relevant for the budget cycle (Principle 10d). The OECD Best Practices for Budget Transparency stipulate 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; and that Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary.
The OECD Budget Transparency Toolkit contains a section on the parliament (or legislature), with topics covering the operation of Parliamentary Committees on the budget and public accounts; engagement on the government’s pre-budget statement; parliamentary approval of the budget; parliamentary scrutiny of budget execution and outturn; and specialist analytical and research resources.

The OECD’s *Principles for Independent Fiscal Institutions* include norms on independence, mandate and transparency for parliamentary budget offices.

The IMF *Fiscal Transparency Code* focuses on the availability of information, identifying in particular the main requirements for the annual budget documents presented to the legislature (Principle 2.1). It also stresses the importance of the publication of in-year fiscal reports (Principle 1.2.1) and timely annual financial statements audited by an independent Supreme Auditing Institution (Principles 1.2.2, 1.4.2). Budget documents should also be submitted in adequate time for the legislature to approve the annual budget (Principle 2.2.2).

The *Open Budget Survey (OBS 2015)* questions in detail the information provided to the legislature in the annual budget documents. It also addresses the legislatures’ participation and authority in the budget process (see High-Level Principle 7 (above) and the resources available to it. It asks in particular whether the legislature:

- has internal capacity to conduct budget analyses or access to independent research capacity for such analyses. (Q 103)
- formally debates the overall budget policy prior to the tabling of the Executive’s Budget Proposal (Q 104);
- receives the budget at least 1 month (and preferably 3 months) before the start of the fiscal year (Q 106);
- has committees that hold public hearings on the individual budgets of central government administrative units in which testimony from the executive branch is heard (Q 128);
- has a Committee that holds public hearings to review and scrutinize audit reports (Q 114);
- releases to the public a report that tracks actions taken by the executive in response to audit reports or receives such a published report from the Supreme Audit Institution (Q 102);

The *PEFA* performance measurement framework includes seven indicators on the contents and quality of information to the legislature:

- PI-5 measures the extent to which annual budget documentation incorporates twelve specified elements of information (among which four are considered basic and critical) about the budget including a forecast of the fiscal deficit or surplus, aggregated revenue and expenditure data for the current and previous year, debt stock, financial assets, and aspects of fiscal risk.
- Indicators PI-14, 15, and 16 measure the coverage of material provided by government to the legislature, including macroeconomic forecasts, fiscal forecasts, estimates of the fiscal impact of proposed policy measures, the objectives of the fiscal strategy, progress made against the fiscal strategy, and medium-term expenditure estimates, ceilings, and plans.

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28 Results from the 2017 OBS were not available at time of completion of this Guide.
• PI-28 assesses the adequacy of in-year reports in terms of comparability with the budget, timing, and accuracy.
• PI-29 looks at annual reports in terms of completeness, comparability with the budget, timely audit, and accounting standards.
• PI-30 considers four dimensions of external audit: proportion of annual financial information audited under accepted standards; timing of audit reports; follow-up by executive; and independence of the supreme audit institution.
• PI-31 considers four dimensions of the scrutiny of external audit by the legislature: timing; intensity of in-depth hearings; issuance and follow-up of recommendations; and transparency of the scrutiny process.

PEFA also considers whether the legislature has adequate time to review the budget:

• PI-17.3 assesses whether the legislature has received the budget at least one month (and preferably 2 months) before the start of the fiscal year.
• PI-18.3 records whether the legislature has actually approved the budget before the start of the fiscal year.

PEFA indicators assess, in addition, the budget review process itself, including assessments of the legislatures’ scope, processes, and limitation of powers:

• PI-18.1 measures the scope of the legislature’s review of the budget in terms of fiscal policies, and medium-term fiscal forecasts and priorities, as well as details of expenditure and revenue.
• PI-18.2 looks at the extent to which the legislature’s procedures are well-established and respected.
• PI-18.4 assesses whether there are clear and respected rules for in-year amendments to the budget without ex-ante approval by the legislature.

The Tax Administration Diagnostic Assessment Tool (TADAT) Field Guide 2015 (p. 75) cites as a good practice ‘external oversight of the tax administration through mandatory reporting to Parliament by way of an annual report of tax administration operational and financial performance, and parliamentary committees probing senior executives in relation to external audit findings. Performance is assessed under indicator P9-28.

The Commonwealth Parliamentary Association (2015) Recommended Benchmarks for Democratic Legislatures state that the approval of the legislature is required for the passage of all legislation, including budgets, that only the legislature shall be empowered to determine its own budget, and a chamber where a majority of Members are not directly or indirectly elected may not indefinitely deny or reject a money bill.

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; and 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; public relations officers and facilities explicitly for parliament; 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; and 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; and 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 requirements 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 Declaration on Parliamentary Openness**, principle 23 states parliaments should be provided with information in easily accessible form on the national budget, including past, current and projected revenues and expenditures; parliament’s own budget; budget execution reports, bids and contracts; and promoting public participation (see HLP 10).

**Country Practices**

The **Open Budget Survey (OBS 2015)** found that the average score for legislative strength was 51 out of 100 (Questions 103 to 118). Some 28 countries scored 67 or better; 21 countries scored 33 or less.29

Other results from OBS 2015 were:

- In 70 per cent of the countries surveyed the executive held very limited consultations or no consultation at all with the legislature during the formulation of the budget (Q 105).
- Legislatures in 31 countries received the Executive’s Budget Proposal less than two months before the beginning of the budget year. In seven of these countries, the budget proposal was either submitted to the legislature less than one month after the start of the fiscal year, or not at all (Q 106).

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29 Results from the 2017 OBS were not available at time of completion of this Guide.
In half (51/102) of the countries surveyed legislators had to rely on either understaffed research offices or external researchers to inform their deliberations; in another 31 countries, legislatures had no access to any research capacity whatsoever (Q 103).

In more than half (61/102) of the countries surveyed, the budget that was approved by the legislature could 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 (Qs 110, 111).

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

The OECD International Budget Practices and Procedures Database contains detailed information about requirements for legislative authority over various aspects of the budget process. The 2007/08 Database covers 97 countries, including 31 OECD members; the 2012 Database covers 34 OECD countries.

The Congressional Budget Office of the US Congress is widely regarded as the legislature with the most effective support for the conduct of fiscal policy. The UK parliament and some of the devolved regional legislatures have established technical units to support budget scrutiny and enhance transparency. Reflecting a recent trend towards securing stronger independent analysis on the budget, OECD countries with Parliamentary Budget Offices now include Australia, Austria, Canada, France, Italy, Mexico, and South Korea.

Germany: The Bundestag’s Budget Committee has a strong and active role in scrutinizing the government’s draft budget. The committee sends ‘rapporteurs’, along with representatives from the Supreme Audit Institution, into each ministry to discuss proposed spending allocations. This allows for a strong feedback loop from audit into budget deliberations. The rapporteurs are responsible for this portfolio for the full electoral term, allowing them to develop expertise. The committee can propose amendments to the draft budget and place conditions on the execution of particular budget line.

Sources of further technical guidance
The OECD Budget Transparency Toolkit 2017 contains a section on parliamentary scrutiny and engagement, including citations of relevant international standards, selected country examples of good practice, and sources of further guidance. http://www.oecd.org/gov/budgeting/budget-transparency-toolkit.htm

IMF Fiscal Transparency Code:


Open Budget Survey 2015 (particularly Section 4 on the strength of the legislature): http://internationalbudget.org/what-we-do/open-budget-survey/

OECD Budget Practices and Procedures Survey
https://www.oecd.org/gov/budgeting/internationalbudgetpracticesandproceduresdatabase.htm;
http://qdd.oecd.org/subject.aspx?Subject=7F309CE7-61D3-4423-A9E3-3F39424B88CA


OECD Principles for Independent Fiscal Institutions


High-Level 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?
Current international fiscal transparency norms stress the important role of SAIs in auditing annual financial statements and publishing audit reports. Major parameters of independence in practice are assessed under PEFA and the Open Budget Survey 2015.

The International Organisation of Supreme Audit Institutions (INTOSAI) Lima Declaration (1977), considered the ‘Magna Carta’ of government auditing, determined essential requirements of proper public sector auditing. Flowing from this, the Mexico Declaration (2007) (reinforced by the South Africa Declaration (2010)), set up eight core principles for SAI independence:

- The existence of an appropriate and effective constitutional/statutory/legal framework and its de facto application.
- The independence of SAI heads and members of collegial institutions, including security of tenure and legal immunity in the normal discharge of their duties
- A sufficiently broad mandate and full discretion in the discharge of SAI functions.
- Unrestricted access to information.
- Rights and obligation for the SAI to report on its work.
• The SAI’s freedom to decide the content and timing of reports, and disseminate them.

• The existence of effective follow-up mechanisms on SAI recommendations.

• Financial and managerial/administrative autonomy for the SAI and the availability of appropriate human, material and monetary resources.

The INTOSAI International Standards of Supreme Auditing Institutions (ISSAI) Framework further develops the principles of independence, auditing standards, access to information, and resourcing of SAIs. ISSAI 20 sets standards for the transparent and accountable operation of SAIs themselves.

PEFA indicator PI-30 assesses the characteristics of external audit, in four dimensions. Indicators PI-30.1-30.3 measure audit coverage and standards, submission of audit reports to the legislature, and external audit follow-up. PI-30.4 measures the extent of the independence of the SAI and its access to records, documentation and information. It explores independence in terms of the legal or normal practice for appointing or removing the head of the SAI, planning audit engagements, publicizing reports, and approving and executing the SAI’s budget.

The IMF Fiscal Transparency Code stipulates that annual financial statements should be subject to a published audit by an SAI that is independent (principle 1.4.2).

The IFAC/CIPFA Framework: Governance in the Public Sector sets the implementation of ‘good practices in transparency, reporting and audit to deliver effective accountability’ as one of its seven core high level principles, noting explicitly that ‘both external and internal audit contribute to effective accountability’ (Principle G).

The Open Budget Survey (OBS 2015) contains questions on the independence and quality of the SAI, in particular whether:

• the SAI has discretion to decide which audits to conduct (Q 115);
• a body other than the executive must consent to the removal of the head of the SAI from office (Q 117);
• a body independent of the executive sets its budget (Q 118).
• there are on-going, independent evaluations of its audit process (Q116).

The importance of SAI independence was recognized in UN General Assembly Resolution A/69/228, Promoting and fostering the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions, 2014. 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.

One of the minimum budget transparency standards for membership of the Open Government Partnership is publication of the annual audit report.
Country Practices

The report integrates the results of the INTOSAI Global Survey 2017, as well as relevant findings from analysis of other data sources including PEFA assessments, the Open Budget Survey, and SAI PMF assessments. The report also tracks changes over time, against findings from previous stocktaking reports in 2010 and 2014. The Annex volume provides a statistical annex of key indicators by income and regional classification, and a more detailed presentation and analysis of the data. Box 1 contains INTOSAI’s summary of findings.

Box 3: Global SAI Performance at a Glance
SAIs across the globe face a multitude of challenges towards strengthening their capacities and performance to deliver value and benefits for citizens. They often operate in constrained environments, with legislatures that do not fully support and use their work, and where basic systems of transparency and accountability are lacking. Many SAIs face significant independence challenges, especially on financial independence (where executive interference is reported to have increased since 2014), and lack the resources to fulfil their mandates. SAIs have taken significant strides in strengthening their strategic management through strategic plans and performance assessments, though quality of plans and reporting on performance needs to be strengthened. Enhancing audit quality and coverage, particularly implementing the International Standards of Supreme Audit Institutions (ISSAIs), is a major long-term challenge. However, there is gradual adoption of the ISSAIs and slow but improving implementation, though many more SAIs need to implement quality control and assurance systems to enable them to gauge their actual levels of implementation. Publication of audit reports appears to have declined since 2014, though this mainly reflects independence challenges. A good many SAIs are managing to overcome such challenges to enable public reporting. However, SAIs need to enhance their efforts in active communication with stakeholders, beyond publishing their reports. The coordination of support provided to SAIs continues to be an area for all stakeholders to improve: SAIs to take a leadership in coordination of support, and all providers to ensure support reflects SAI priorities, where these differ from their own priorities.

The global picture should be nuanced on two factors. Regarding income levels, poorer countries are further behind, with the group of least developed countries – including many fragile states – significantly behind in many areas. Regarding regional variations, whilst this depends on the specific area examined, SAIs in the ARABOSAI, CREFIAF and CAROSAI regions appear to face more challenging circumstances and display more limited capacity, in a significant number of areas.

In the Open Budget Index 2015 the average score for SAI strength was 65 out of 100, indicating that SAIs are typically reasonably independent and mostly well-staffed. Only fourteen countries in the survey were categorised as ‘weak’ in terms of the strength of their SAIs. 30

In France, the Court of Audit provides annually: (i) a review of the year-end execution report; (ii) an audit of the accrual financial statements according to ISSAI standards; and (iii) comments on the

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30 Results from the 2017 OBS were not available at time of completion of this Guide.
performance achieved by each ministry over the year, including a review of key performance indicators for each public policy program.

In Austria, the Court of Audit is an independent federal body that acts at the state, regional, and municipal levels. The Court of Audit audits the annual financial statements of the federal government, and reports to the National Council in two parts: the first report in the spring analyses budget execution, while the report in the autumn presents the findings of the financial audit.

**Sources of further technical guidance**

*International Organisation of Supreme Audit Institutions (INTOSAI)*: ‘Executive Summaries’


*IMF Fiscal Transparency Code*


*Public Expenditure and Financial Accountability (PEFA) Framework 2016*:
[https://pefa.org/content/pefa-framework](https://pefa.org/content/pefa-framework)

**High Level 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**
Public participation refers to the variety of ways in which citizens and non-state actors interact directly in public discussion and deliberation with state entities. It is a means to ensure that all those with a stake in, affected by, or intended to benefit from fiscal policies have a voice in decisions that affect their lives. Consequently, public participation is increasingly recognized as a critical link in the chain between fiscal transparency, more effective accountability for public financial management, and better fiscal and development outcomes. The importance attached to citizen engagement reflects the acceptance that citizens and civil society organizations are important agents of good governance and sustainable development, alongside markets and the state. Open participation enables public authorities to draw on the wide range of information and perspectives throughout society, avoid undue influence from closed-doors lobbying, and design and implement more effective and fair tax and spending policies. High Level Principle 10 reflects the view of GIFT’s Stewards that public participation in fiscal policy is a potential game-changer: it could help to improve the effectiveness and legitimacy of representative democracy and to increase public trust in government.

**What does direct public participation in fiscal policy mean?**
Figure 1 illustrates public participation mechanisms across the budget and fiscal policy cycles.
Public participation in fiscal policy includes, in addition to participation across the annual budget cycle, public participation also in revenue and expenditure policy reviews that may take place over a longer time frame than the window for preparation of the annual budget; public engagement in the design and delivery of public services; and citizen engagement in the design and delivery of public investment projects. It covers both macro-fiscal policy – the main fiscal aggregates, the appropriate size of the deficit and so on – as well as more micro issues of tax design and administration, and the allocation and effectiveness of spending.

Public participation includes:

- Public engagement initiated by state actors (‘invited participation’), in which non-state actors are invited to take part, and engagement initiated by non-state actors such as CSOs (‘invented participation’).

- Both expert-based external engagement, and engagement with the general public.

Invited participation may be initiated by the executive branch e.g. the Minister of Finance or the Ministry of Finance may invite public inputs during preparation of the annual budget or on prospective changes to tax policy; line ministries, departments, or agencies may consult or engage the public on policy or operational issues e.g. the design or delivery of public services and public investment projects, or on revenue administration. The legislature may invite public submissions on the annual budget, or on tax Bills under consideration. Finally, the SAI may engage the public directly on its audit program or in the conduct of individual audits.

Invented participation, on the other hand, refers to interactions between non-state and state actors that are initiated by non-state actors. The engagements may involve state actors but be led by non-state actors, or there may be little or no active involvement of state actors. The Open Budget Survey is the outstanding example of invented public participation in fiscal policy. The OBS is initiated and implemented by civil society, and has been implemented every two years since 2006; the 2017 survey covers 115 countries. The Survey is completed with or without the involvement of government: most governments are invited to review the draft OBS, not all do so. A further illustration of the variety of invented participation is from Kenya, where CSOs initiated monitoring of how individual members of Parliament spent their constituency development funds. One of the initiatives was supported officially by the provision to CSOs of the detailed information required for effective ‘social auditing’, while another initiative illustrated reluctant official toleration of social monitoring.

Participation in fiscal policies may be through face to face communication, deliberation or input to decision-making, through written forms of communication including via the internet, or by combinations of different mechanisms. It ranges from one-off public consultation or invitations for submissions, to on-going and institutionalized relationships, such as regular public surveys, standing advisory bodies, or administrative review mechanisms. It could potentially include ‘participatory budgeting’ – where citizens vote on and decide how a specific line in the budget will actually be spent – although, the Philippines aside, this has generally only been implemented at sub-national government level, and public participation in fiscal policy refers to a much wider range of practices.
Why is public participation in budgeting being described as ‘the next frontier in fiscal transparency’? The first generation of international fiscal transparency reforms focused on the need for comprehensive information in budgets, forecasts and outturn reports. Experience has shown, however, that disclosure is a necessary but not a sufficient condition for accountability. Attention is now increasingly moving to translating public disclosure into more effective accountability by means of greater public engagement on fiscal management. ‘Public information and participation are mutually reinforcing. Access to adequate, timely, useful information is essential to informed, effective public participation. At the same time, opportunities for participation create the incentives for the public to request and utilize available information.’31 And although public participation in budgeting is relatively new, the evidence attesting to its impact on resource allocation and service delivery, and development outcomes, is growing.32

Possible objections to increased public participation in fiscal policy, and responses
While direct public engagement in budgeting has fairly rapidly become established as an international norm, it is worth considering possible objections to it, which include:

- Public participation is costly: but the ICT revolution has dramatically cut the cost of direct engagement with citizens, and created completely new possibilities for interactions. Public participation is a means for government to tap into the information, insights and perspectives distributed throughout society, lowering the cost and improving the effectiveness of official research, policy development, service delivery, monitoring, review, and evaluation. Some ministries of finance e.g. in South Africa, Mexico, are pursuing increased public participation to promote improved performance by line ministries in delivering public services and implementing public investment projects. In addition, proportionality is one of the GIFT Participation Principles, recognizing the need to tailor participation exercises to the size and importance of the fiscal policy issue concerned.
- Direct public engagement could undermine the role of the legislature in representative democracies: but direct public participation is designed to complement and strengthen existing governance arrangements - and increase trust in government - not to set up parallel processes. Calling for public submissions during consideration of money bills is a long-standing and widespread practice that illustrates well the complementarity between direct public participation and legislative oversight.
- Fiscal policy is too complicated for the general public, and should be left to the experts: but open engagement of external experts is one of the participation mechanisms proposed. In addition, fiscal policy involves ethical and distributional choices that should not be the sole preserve of ‘experts’, it is inherently political and will not be left to experts in any case.
- There is a culture and long-standing practice of budget secrecy: but policy making in general is much more open now, and budget secrecy can be retained in the narrow range of cases where pre-disclosure could result in adverse behavioural responses.

31 Participation is the next transparency frontier for OGP by Krafchik and Guerrero, at http://www.fiscaltransparency.net/blog/
• Public engagement takes time, and slows down the policy process: but participation is a citizen right, similar to and complementary to the right to information. In addition, it can help improve policy quality, avoid policy reversals, and thereby save time and cost.

**The origins of the participation principle**

The right of citizens to take part in deliberations over coercive taxation is at least as old as the French declaration of the rights of man and citizen, 1789, which stated: ‘All citizens have the right to ascertain, personally or through their representatives, the necessity of the public tax, to consent to it freely, to know how it is spent, and to determine its amount, basis, mode of collection, and duration.’ (Article 14).

More recently, 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 January 2017 had 74 signatories and 169 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 information 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. [http://www.unece.org/env/pp/treatytext.html](http://www.unece.org/env/pp/treatytext.html)

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 fiscal transparency norms and standards?**

A right to direct public participation in fiscal policy had not been included in an international instrument on fiscal transparency prior to the promulgation of the GIFT High Level Principles in 2012.

The GIFT High Level Principles were subsequently endorsed by the United Nations General Assembly (UNGA) in December 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.’

The Open Budget Survey (OBS) led the way when it introduced a section on public participation across the budget cycle in the 2012 Survey. This was the first cross-country instrument to measure levels of public participation in budgeting.

Since 2012, the importance of public participation in fiscal policy has been progressively incorporated in all the main international fiscal transparency instruments, starting with the IMF’s 2014 revision to the Fiscal Transparency Code, the OECD’s 2015 Recommendation on Budgetary Governance, the 2016 revised PEFA, the new multi-stakeholder Tax Administration Diagnostic Tool (TADAT), and the 2017 Open Budget Survey. Provisions in these and other instruments relating to public participation in fiscal policy include the following:

- IMF FTC 2014 (2.3.3), government provides citizens with a formal voice in budget deliberations as an advanced practice.
- The 2015 OECD Recommendation on Budgetary Governance, which forms part of the international law for OECD member countries, stipulates that debate on budgetary choices should be inclusive, participative and realistic: ‘Parliament and citizens should be able to engage with and influence the discussion about budgetary policy options, according to their democratic mandate, competencies and perspectives’ (Principle 5).
- The 2017 OBS contained a fundamentally re-designed Section 5 of the survey, on Public Engagement in the Budget Process by the executive, legislature and the SAI, to fully incorporate the GIFT principles.33
- The 2017 OECD Practical Toolkit on Budget Transparency defines ‘openness and civic engagement’ as one of the five elements in its organising framework, and contains a component on inclusive, participative budgeting with three topics: J1, elements in designing a participation process; J2, supporting realistic and informed debate; J3, providing opportunities for participative approaches across the budget cycle.
- The Extractive Industries Transparency Initiative (EITI) Standard 2016 requires effective multi-stakeholder oversight, including a functioning multi-stakeholder group that involves the government, companies, and the full, independent, active and effective participation of civil society (Requirement 1). Requirement 7 also seeks to ensure that stakeholders are engaged in dialogue about natural resource revenue management, for instance, by the multi-stakeholder group ensuring that outreach events are undertaken to spread awareness of and facilitate dialogue about the EITI Report across the country. A supplementary Protocol on the Participation of Civil Society sets out tests that are applied in assessing compliance with the civil society provisions in the Standard.
- PEFA PI-18.2: the legislature’s procedures for budget scrutiny include arrangements for public consultation (to score an A); PI-24.4 assesses the existence and functioning of a procurement complaints mechanism.
- TADAT includes a number of performance indicators that cover interactions between the tax administration and taxpayers: P3-7 includes a measure of the time taken to respond to taxpayer requests for information; P3-9 includes measures of obtaining taxpayer feedback on products and services; performance outcome area 7 on effective tax dispute resolution measures performance on three dimensions of independence and functioning of the system;

33 Results from the 2017 OBS were not available at time of completion of this Guide.
and performance outcome measure 9 on accountability and transparency includes measures of whether an ombudsman or equivalent body investigates taxpayer complaints, and the mechanism for monitoring public perception of the integrity of the tax administration.

- The Open Contracting Global Principles state that ‘governments shall recognize the right of the public to participate in the oversight of the formation, award, execution, performance, and completion of public contracts (Point 1, Participation, Monitoring and Oversight).

- The 2014 IFAC/CIPFA International Framework: Good Governance in the Public Sector sets out seven Principles of Good Governance. Principle B.2 is ‘engaging stakeholders effectively, including individual citizens and service users.’

In addition, the IMF is revising its 2007 Guide on Resource Revenue Transparency, and will incorporate resource revenue issues in the Fiscal Transparency Code as a new Pillar IV of the Code. In its latest public consultation draft of Pillar IV, it proposed incorporating direct public engagement ‘regarding the raising and utilization of resource revenues’ when completing a Fiscal Transparency Evaluation in a country dependent on natural resource revenues.34

GIFT has also designed a module on public participation intended for use as a supplement to a PEFA assessment, where the government and the assessment team agree to implement it. The module comprises one indicator covering four dimensions of public participation: across the annual budget cycle; in the design and delivery of public services; in the appraisal and implementation of public investment projects; and in oversight processes. A CSO, Global Integrity, undertook a pilot assessment of public participation in fiscal policy in South Africa using this module – available at http://www.fiscaltransparency.net/resourcesfiles/files/20161215148.doc. 35

Wider than fiscal transparency, the Open Government Declaration issued by the Open Government Partnership, and endorsed by 75 member countries as at September 2017, includes a commitment to support civic participation, including making policy making and decision making more transparent, creating and using channels (including new technologies) to solicit public feedback, and deepening public participation in developing, monitoring and evaluating government activities – see https://www.opengovpartnership.org/open-government-declaration

Basic budget transparency is a requirement of membership of the OGP (publication of the annual budget and of the audit report).

Finally, with respect to public engagement generally with legislatures, 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

a) Open Budget Survey: Results from the 2015 Open Budget Survey indicate that most countries currently provide few opportunities for public engagement in budgeting, and in some countries...
opportunities for participation are completely absent. There were 16 questions on public participation across the budget cycle in the 2015 OBS, spanning the executive, legislature, and the SAI. Among the 102 countries surveyed, the average score on the indicators of public participation was just 25 out of 100. Scores were highest for the legislative approval stage of the budget e.g. public testimony on the macroeconomic framework or (less commonly) on the budgets of individual agencies.

The findings from the 2015 OBS indicate that disclosure of budget information appears to be a pre-condition for invited participation, but that greater disclosure is typically not accompanied by more officially-provided opportunities for the public to participate – as shown in Table 2.

Table 2: The relationship between disclosure and public participation scores in the 2015 OBS

<table>
<thead>
<tr>
<th>Disclosure (OBI score)</th>
<th>Participation score</th>
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<tbody>
<tr>
<td></td>
<td>0-40</td>
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<tr>
<td>0-40</td>
<td>33 countries</td>
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<tr>
<td>41-60</td>
<td>41 countries</td>
</tr>
<tr>
<td>61-100</td>
<td>8 countries</td>
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Detailed results from the 2015 OBS, including each individual country survey, are available at http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/publications-2/full-report/

b) Comparative country case studies

GIFT commissioned a series of country case studies on the political economy of reforms introducing public participation in budgeting. Countries covered were Brazil, Canada, Croatia, Kenya, Korea, Mexico, the Philippines, and South Africa. The individual country reports, as well as a paper comparing and contrasting public participation in Brazil, Korea, and the Philippines, are all available at http://www.fiscaltransparency.net/resources/

c) Individual country examples

Table 3 provides country example of public participation in fiscal policy, organised by stage in the budget and fiscal policy cycles and by type of participation mechanism. [The table includes links to papers describing the mechanisms in more detail.]

36 Results from the 2017 OBS were not available at time of completion of this Guide.
37 Table and text are based on IBP 2015 Annual Report, p. 43. The 2017 OBS questions on public participation have been re-designed to measure country performance against the GIFT Principles of Public Participation in Fiscal Policy. Results from the 2017 OBS are expected to be published in January 2018.

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Table 3: Examples of Public Participation in National Fiscal Policy

<table>
<thead>
<tr>
<th>Stage in budget and policy cycles</th>
<th>Participation mechanisms</th>
<th>Selected country examples</th>
</tr>
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<tbody>
<tr>
<td>Executive budget preparation</td>
<td>Participatory National Planning</td>
<td>Brazil, Canada, Kenya, Korea</td>
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<tr>
<td></td>
<td>Pre-budget consultations</td>
<td>Korea</td>
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<td></td>
<td>External expert review of macro and fiscal forecasts</td>
<td>Chile, Colombia</td>
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<td></td>
<td>Independent expert setting of key macro assumptions</td>
<td>Ireland</td>
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<tr>
<td></td>
<td>Independent fiscal policy advisory body or council</td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td>Participatory budgeting39</td>
<td></td>
</tr>
<tr>
<td>Legislative consideration and enactment</td>
<td>Budget Strategy Statement, with public submissions</td>
<td>Canada</td>
</tr>
<tr>
<td></td>
<td>Main budget with public submissions</td>
<td>Numerous</td>
</tr>
<tr>
<td></td>
<td>Public submissions to legislature on money bills</td>
<td>Many countries</td>
</tr>
<tr>
<td></td>
<td>Parliamentary Budget Office</td>
<td>Australia, Croatia, Italy, USA</td>
</tr>
<tr>
<td>Budget implementation</td>
<td>Independent administrative review bodies (tax, procurement)</td>
<td>Numerous</td>
</tr>
<tr>
<td></td>
<td>Multi-stakeholder monitoring of revenues</td>
<td>EITI countries</td>
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<tr>
<td></td>
<td>Multi-stakeholder monitoring of public procurement</td>
<td>Open contracting partners</td>
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<td></td>
<td>CSO monitoring of procurement</td>
<td>Nigeria</td>
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<td></td>
<td>Community engagement in public investment projects</td>
<td>Mexico, Philippines</td>
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<td></td>
<td>Participatory/external expert program evaluations</td>
<td>Korea</td>
</tr>
<tr>
<td>Legislative review</td>
<td>Select Committee reviews with public submissions</td>
<td>USA</td>
</tr>
<tr>
<td>Supreme Audit oversight/social audit</td>
<td>Citizen audit request body</td>
<td>Korea</td>
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<tr>
<td></td>
<td>Participatory performance auditing</td>
<td>Philippines</td>
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<tr>
<td></td>
<td>Social audit</td>
<td>Andra Pradesh (India)</td>
</tr>
<tr>
<td>Major new fiscal policy proposals</td>
<td>Consultation by executive on new revenue policies</td>
<td>UK, NZ</td>
</tr>
<tr>
<td></td>
<td>Consultation by executive on new expenditure policies</td>
<td>Canada and others</td>
</tr>
<tr>
<td></td>
<td>Participatory public expenditure review</td>
<td>UK</td>
</tr>
<tr>
<td>Public service delivery</td>
<td>Complaints mechanisms</td>
<td>Numerous</td>
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<tr>
<td></td>
<td>Social audit</td>
<td>Uganda and others</td>
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<td></td>
<td>Surveys of service users</td>
<td>Some OECD countries</td>
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<td></td>
<td>Citizen involvement in delivery</td>
<td>South Africa</td>
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<tr>
<td>Public investment projects</td>
<td>Consultation on social and environmental impacts</td>
<td>Numerous</td>
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<tr>
<td></td>
<td>Geo-tagging and social monitoring</td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td>Independent public expert review of CBA, public hearings, citizen juries, review panels40</td>
<td></td>
</tr>
</tbody>
</table>
the United Kingdom – which in 2010 committed in legislation to consult publicly on all tax changes, even minor ones, and at all stages of the tax policy process - and New Zealand. See New Zealand.

GIFT ran a competition in 2017 on Public Participation in Fiscal Policy and Budget Making. The three top prizes went to a participatory budgeting project in Portugal, a CSO campaign that changed government policy on the allocation of farm subsidies in Mexico, and an initiative by the Court of Audit in Georgia to provide opportunities for public engagement. A Special Mention Award from the Jury went to the Citizen Participatory Audit case of the Commission on Audit of the Republic of the Philippines. See http://www.fiscaltransparency.net/blog_open_public.php?IdToOpen=5408

Other notable country examples of invited and invented participation in fiscal policy include:

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.

Korea: six mechanisms are used that span the entire budget cycle. During the budget formulation stage, formalized open discussions for the public are held, representatives from the Ministry of Finance hold meetings with local government officials and citizens, a fiscal policy advisory council” reviews and finalizes the budget, and an assembly expert hearing is conducted. During the implementation stage, a budget waste reporting centre” can be used by citizens to report any suspected misuse or waste of public funding. In the auditing stage, citizens have the opportunity to make suggestions to the board of audit and inspection on which public entity operations or expenditures to audit.


Ireland: A National Economic Dialogue is held in June, a pre-budget consultative forum which brings together the various civil society and parliamentary stakeholders to discuss priorities for the October budget. The forum is held in June, after the government has determined (from its spring budget semester) the level of “fiscal space” available in the coming year, and before line ministries have submitted budget proposals. The Forum is moderated by an independent chairperson and all of its sessions are held in public.

Colombia, Mexico, Mongolia, Nigeria, and the Philippines have institutionalised civil society monitoring of public contracting in their legal frameworks. Civil society contract monitoring has also been employed successfully by government agencies in India and Nepal (source: Open Contracting, https://d3n8a8pro7vhm.cloudfront.net/opencontracting/pages/1/attachments/original/1444666090/OCP_Strategy_2015.pdf?1444666090.

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.

South Africa: a combination of techniques to gain access to the necessary information, combined with social audits of service delivery with respect to sanitation in informal settlements. See https://www.youtube.com/watch?v=ZkpS9FpQ91M
A key area of focus for GIFT is the Open Government Partnership. GIFT and the OGP established the *Fiscal Openness Working Group* in 2013 to provide a venue for ministries of finance, CSOs and others to deliberate, share experiences, and expand fiscal transparency and public participation in fiscal policy in individual countries and regions. [http://www.fiscaltransparency.net/fowg/#toggle-id-14](http://www.fiscaltransparency.net/fowg/#toggle-id-14)

Nearly a third of all the commitments made by members of the OGP involve increased fiscal transparency, and a number of these are about increased public participation. Some information is available on these commitments in two GIFT papers, at [http://www.fiscaltransparency.net/fowg/#toggle-id-11](http://www.fiscaltransparency.net/fowg/#toggle-id-11)

**Sources of further technical guidance**


The Guide describes participation practices that illustrate the GIFT Principles of Public Participation in Fiscal Policy, and organizes them across a number of dimensions to provide “how to” guidance tailored to those who wish to implement similar efforts. For each case or mechanism, the Guide contains a summary, basic facts, why the practice was introduced, the authorizing environment, a step by step description of the process, results and impact, lessons learned, which of the GIFT Principles of Public Participation in Fiscal Policy the mechanism illustrates, and a description of the country context. The Guide is intended for use by ministries of finance and line ministries, legislatures, Supreme Audit Institutions, and citizens, CSOs, private sector entities, research institutes and academics that are seeking to initiate or to engage in public deliberation.


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.

Public Participation in Fiscal Policy and the Budget Process – How to establish and/or strengthen mechanisms in PEMPAL countries? A background paper prepared for the Budget Community of Practice Working Group on Budget Literacy and Transparency for PEMPAL member governments in Europe and Central Asia. Available at www.pempal.org


Open Contracting Global Principles: https://www.open-contracting.org/implement/global-principles/

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,,menuPK:410312~pagePK:149018~piPK:149093~theSitePK:410306,00.html

The World Bank has also published a book in 2017, International Practices to Promote Budget Literacy: Key Findings and Lessons Learned, which elaborates on approaches, learning outcomes, pedagogical strategies and assessment approaches for budget literacy education. It presents lessons that are relevant for the development, improvement, or scaling up of budget literacy initiatives. Available at https://openknowledge.worldbank.org/handle/10986/26956

Glossary of terms

**Accountability:** an obligation to report, explain and be answerable for resulting consequences. In the public sector, there is a hierarchy of accountability relationships. Unelected public officials are generally accountable to elected political decision makers, who are in turn accountable to legislatures, and ultimately to citizens.

**Accounting basis:** the body of accounting principles that determines when the effects of transactions or events should be recognized for financial reporting purposes. The International Federation of Accountants (IFAC) identifies two basic reference points (cash and accrual).

**Accrual accounting:** Accrual accounting systems recognize transactions or events at the time economic value is created, transformed, exchanged, transferred, or extinguished, and all economic flows (not just cash) are recorded.

**Aggregate fiscal policy:** the level of fiscal policy that influences the economy at large. Its main dimensions are overall government revenues and spending, the fiscal deficit, and public debt.

**Assets:** Any economic resource controlled by an entity as a result of *past* transactions or events and from which future economic benefits may be obtained, including both financial assets (cash, deposits, equities etc.) and nonfinancial assets (buildings, equipment, inventories etc.).

**Balance sheet:** a comprehensive and consolidated statement of assets, liabilities, and net worth of the government or the public sector at the end of the accounting period. This includes financial and nonfinancial, and domestic and external assets and liabilities, as well as further information relating to them.

**Budget:** statement of how a government proposes to raise revenues, spend resources, and finance its operations in the coming year. A supplementary budget is sometimes authorized during the budget year if the annual budget appropriation proves insufficient.

**Budget calendar:** a calendar indicating the key dates in the process of preparing and approving the budget, including the internal calendar for line ministries to prepare their budget proposals, the date the executive budget is submitted to the legislature, legislative review including dates for budget hearings, and the date the budget appropriations bill should be passed by the legislature.

**Budget documentation:** the annual budget presentation and the budget-supporting documents, such as discussion of macroeconomic performance and outlook, new policy initiatives, recent data on revenues, expenditures, and debt, and discussion of fiscal risks.

**Budget sector:** that part of the central government sector that is incorporated in the annual budget (budgetary central government). Coverage of the budget sector varies across countries, from all of central government, to narrower coverage that may exclude entities such as extra-budgetary funds, social security funds, or other autonomous public agencies.

**Budget transparency:** publication of full information across the complete budget cycle, from a pre-budget statement, through the proposed and approved budgets, in-year and annual fiscal outturn reports, and audit reports.
Cash accounting: cash accounting systems recognize transactions and events when cash is received or paid.

Central government: 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.

Contingent liabilities: payment obligations whose timing and amount are contingent on the occurrence of a particular discrete/uncertain future event or series of future events. Examples include loan guarantees, and minimum revenue guarantees in PPP contracts. May also refer to ‘implicit contingent liabilities’ where there is no formal obligation but likely pressure for government to provide fiscal support e.g. following a disaster.

Disclosure: the publication of information.

Extra-budgetary activities: generally, government transactions that are not included in the annual budget presentation. A wide variety of extra-budgetary arrangements are used, including extra-budgetary funds (such as social security funds) set up under separate legislation that may or may not have a separate annual appropriation.

Financial statements: reports compiled from accounting data after the end of a period, which is usually a year but may be more frequent. They may cover the whole government or an individual government entity. Annual financial statements are usually incorporated or included as separate documents in the government’s year-end reports (which also usually include material on differences from budget estimates and reports on non-financial performance). Accrual financial statements include a statement of financial performance, a statement of financial position (balance sheet), a statement of cash flows, and Notes, and are expected to follow the relevant accounting standards and generally accepted accounting principles.

Fiscal aggregates: the key fiscal summary indicators, including on the flow-side total expenditure and total revenue, net lending/net borrowing or overall fiscal balance; and on the stock-side gross and net debt, total assets, total liabilities, and net worth.

Fiscal forecasts: forecasts of the main fiscal aggregates, as well as the elements underlying them, including specific revenue heads; expenditures by either administrative, functional, or economic classification; and key assets and liabilities, including gross debt.

Fiscal openness: fiscal transparency (disclosure) in combination with direct public participation in fiscal policy.

Fiscal policies: 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 (IMF Government Finance Statistics Manual 2014). Fiscal policies and activities are distinct from the regulatory, monetary, and commercial policies and activities of government. See also quasi-fiscal activities.
Fiscal reports: retrospective reports of a government’s actual (historical) revenues, spending and financing, including in-year and year-end budget outturn/execution reports, fiscal statistics, and annual financial statements. They may report the fiscal activities of the central government, state governments, or local governments, or of all levels of government in a country (referred to as the general government). Reports may cover a whole government in aggregate as an entity, and/or individual government entities e.g. ministries, departments or agencies. They may be on a cash or accruals basis.

Fiscal risks: factors that may cause fiscal outcomes to deviate from expectations or forecasts. Fiscal risks can arise from macroeconomic shocks or the realization of explicit or implicit contingent liabilities (obligations triggered by an uncertain future event).

Fiscal rules: a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates. This implies that boundaries are set for fiscal policy which cannot be frequently changed and some operational guidance is provided by specifying a numerical target that limits a particular budgetary aggregate.


Fiscal transparency: openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities so that the electorate and financial markets can accurately assess the government’s financial position and the true costs and benefits of government activities, including their present and future economic and social implications. (Kopits and Craig, 1998, Transparency in Government Operations, IMF Occasional Paper No. 158 (Washington: International Monetary Fund).

Fiscal transparency evaluation: an assessment by the IMF of country practices against the IMF’s 2014 Fiscal Transparency Code.

General government: all resident units of central, state, or local government; all extra-budgetary funds, including social security funds at each level of government; and all resident nonmarket nonprofit institutions controlled and financed mainly by government units (the UN System of National Accounts).

Governance: the process by which decisions are made and implemented (or not implemented). Within government, governance is the process by which public institutions conduct public affairs and manage public resources. Good governance refers to the management of government in a manner that is effective, essentially free of abuse and corruption, and with due regard for the rule of law.

Independent body: one with a sufficiently broad mandate and full professional discretion in the discharge of its functions, the right and obligation to report on its work, unrestricted access to information, and the availability of appropriate human, material and monetary resources, all enshrined in the legal framework.
**Independent fiscal institution:** non-partisan public body, other than the central bank, government or parliament that prepares macroeconomic forecasts for the budget, monitors fiscal performance and/or advises the government on fiscal policy matters. These institutions are primarily financed by public funds and are functionally independent vis-à-vis fiscal authorities. Courts of Auditors are included in this definition if their activities go beyond the accounting control and cover any of the tasks mentioned above.

**Instrument:** any type of standard, norm, manual, assessment tool, or other document containing information on desired levels of fiscal transparency.

**International Public Sector Accounting Standards (IPSAS):** apply to the financial statements of national and sub-national governments, and other public sector bodies, apart from government business entities.

**International Standards of Supreme Auditing Institutions (ISSAI):** state the basic prerequisites for the proper functioning and professional conduct of supreme audit institutions and the fundamental principles of public sector auditing.

**Liability:** an obligation of an entity arising from past transactions or events, the settlement of which results in the transfer or use of assets, provision of services, or other yielding of economic benefits in the future.

**Long term:** the period spanning ten or more years beyond the current year.

**Medium term:** three to ten years beyond the current year. Government medium term fiscal forecasts are typically the next budget year plus two or three years.

**Medium-term budget framework:** a framework for integrating fiscal policy and budgeting over the medium term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium-term budget estimates by ministries reflecting existing government policies.

**Multi-stakeholder initiative:** comprehensive deliberative processes, involving a broad set of stakeholders from governments, private sector, and civil society, that form and adopt new norms, which they seek to make part of the global agenda, and implement on the ground.

**National Accounts:** measurements of the economic activity of a nation, including the contributions of individual economic sectors (households, corporations, government) to national output, expenditure, and income.

**Nonfinancial information:** quantitative and qualitative data on objectives, policies, operations, and results (outcome or impact). Information that falls outside the scope of mainstream financial statements.

**Norms:** instruments containing recommended or suggested good practices of varying degrees of specificity, but less recognized and/or specific than standards and less forceful in the expectations they create of state behavior.
Open Budget Index (OBI): a score out of 100 rating the public availability of eight key budget documents across the budget cycle. The index is derived from a sub-set of questions in the Open Budget Survey, and is the only internationally-comparable quantitative indicator of budget transparency, used to measure change over time in a country and to compare across countries.

Open Budget Survey (OBS): a survey of the openness of national budgets across the budget cycle, designed and managed by the International Budget Partnership. The Survey is administered by a civil society researcher in each country, and has been implemented every two years since 2006; the 2017 survey covers 115 countries. The Survey is completed with or without the involvement of government: most governments are invited to review the draft OBS, not all do so.

Open contracting: publishing and using open, accessible and timely information on government contracting to engage citizens and businesses in identifying and fixing problems.

Open data: digital data that is made available with the technical and legal characteristics necessary for it to be freely used, reused, and redistributed by anyone, anytime, anywhere.

Open fiscal data: fiscal data that has the characteristics of open data.

Open Government Partnership (OGP): an international multi-stakeholder initiative launched in 2011 to provide a platform for domestic reformers committed to making their governments more open, accountable, and responsive to citizens.

Outcomes: the positive or negative effects on social, environmental, economic, or other indicators arising from the delivery of outputs e.g., student learning, social equity, environmental restoration. Also referred to as impacts.

Outputs: the goods or services produced by government and delivered to the community and public e.g., teaching hours delivered, health services delivered

Participatory budgeting: a process in which community members directly decide how to spend part of a public budget, generally at subnational government level.

Performance information: information on the extent to which objectives have been achieved.

Public corporation: a legal entity that is owned or controlled by the government and that produces goods or services for sale in the market at economically significant prices.

Public financial management: the financial systems through which governments implement policies to achieve public goals. As defined by PEFA, the PFM system comprises reliable budgets, transparent public finances, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit.
Public participation in fiscal policy: the variety of ways in which citizens and non-state actors interact directly in public discussion and deliberation with state entities (governments, legislatures, Supreme Audit Institutions) on fiscal policy design and implementation.

Public-private partnership (PPP): an arrangement whereby the private sector provides infrastructure assets and services that traditionally have been provided by government (such as roads, railways, and schools) under long term contracts with the government.

Public sector: a classification drawn from sectors and subsectors of the UN System of National Accounts (SNA) classification consisting of general government and resident nonfinancial and financial public corporations. It includes all residential institutional units that are either owned or controlled by government.

Quasi-fiscal activities (QFAs): Activities undertaken by financial and nonfinancial public corporations, and sometimes by the private sector, at the direction of the government but not financed by government, that are fiscal in character—that is, in principle, they can be duplicated by specific fiscal measures, such as taxes, subsidies, or other direct expenditures. Typically, the financial impact of QFAs is not reported separately. Examples include public services or credit supplied by a public corporation on non-commercial terms, and obligations on natural resource companies to build local public infrastructure.


Standards: detailed and specific guidelines for state practice that are promulgated by institutions with recognized authority to issue standards. With respect to fiscal transparency, international standard setters include the IMF, the International Public Sector Accounting Standards Board, INTOSAI, and the OECD.

Supreme audit institution: 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. It 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.

Tax expenditures: concessions or exemptions from a ‘normal’ tax structure that reduce government revenues and that, because the government policy objectives could be achieved alternatively through a subsidy or other direct outlays, are regarded as equivalent to a budget expenditure.
Annex 1: The full text of the GIFT High-Level Principles

The Parties to these Principles,

Recognizing that fiscal policies – taxing, borrowing, spending, investing, and managing public resources – have critical impacts on economic, social and environmental outcomes in all countries at all levels of development,

Believing that access to high quality information, meaningful public participation, and effective accountability mechanisms:

– enhance the integrity, quality and implementation of fiscal policies,
– reduce corruption,
– increase the legitimacy of and trust in government,
– increase willingness to pay taxes and provide financing,
– strengthen the effectiveness of development assistance,
– and thereby strengthen the efficiency, equity, effectiveness, stability and sustainability of fiscal policies and enhance the likelihood that fiscal policies have positive economic, social and environmental impacts,

Recognizing that the public has the right to information on fiscal policies and effective opportunities to participate in the design and implementation of fiscal policies,

Recognizing also the critical contribution that greater fiscal transparency, participation and accountability can play in facilitating more effective international cooperation in the pursuit of financial stability, poverty reduction, equitable economic growth, and stewardship of the environment and the global commons,

Recognizing the important role in setting norms and standards played by initiatives such as the International Monetary Fund’s Code of Good Practices on Fiscal Transparency, the Organisation for Economic Cooperation and Development’s Best Practices in Budget Transparency, the International Budget Partnership’s Open Budget Index, International Public Sector Accounting Standards promulgated by the International Public Sector Accounting Standards Board, International Standards of Supreme Audit Institutions promulgated by the International Organization of Supreme Audit Institutions, and the multi-agency Public Expenditure and Financial Accountability program,

Acknowledging that while the range of consensus has grown, there remain gaps and inconsistencies in the existing norms and standards,

Recalling that international instruments, both those that are universally applicable, such as The Universal Declaration of Human Rights, The International Covenant on Civil and Political Rights, and The International Covenant on Economic, Social and Cultural Rights, as well as regional instruments, address issues of free speech, access to information, independence of the Supreme Audit Institution, participation, and anticorruption among others that are relevant to fiscal policy,

Affirming 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 receive information on public finances and fiscal policies and to have opportunities to participate in fiscal policy-making,
Recognizing that developments in information and communication technologies have greatly lowered the costs of compiling and disseminating information, and facilitate new forms of citizen – government interactions,

Recognizing that these Principles will need to be implemented in a manner that is consistent with diverse country circumstances while promoting progress in all countries towards the common goal of transparent, participatory and accountable management of fiscal policies,

Recognizing the need for cooperation and information sharing between all stakeholders to assist states to build capacity and learn from experience in the transparent, participatory and accountable management of fiscal policies,

Inviting all states and non-state actors, including individuals, civil society groups, nongovernmental organizations, community-based organizations, professional associations and the private sector to work together to promote the progressive achievement of these Principles,

Recognizing also the desirability of transparency, participation and accountability in all branches of government and inviting legislative and judicial bodies to implement these Principles in their proceedings,

Declare these High-Level Principles 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:

Access to Fiscal Information

1. 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 favor 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 challenge through low-cost, independent and timely review mechanisms.

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

3. 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.

4. Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavor to assess and disclose the anticipated and actual social, economic and environmental outcomes.
The Governance of Fiscal Policy

5. 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.

6. 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.

7. Roles and responsibilities for raising revenues, 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.

8. 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.

9. 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 raising and commitment of public funds. It should operate in an independent, accountable and transparent manner.

10. 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.