



**Egyptian Center for Economic Studies and the Office of the IMF in Egypt  
Roundtable discussion on  
Budget Transparency: International Best Practices and Egypt's Experience**



## **Budget Transparency: International Best Practices**

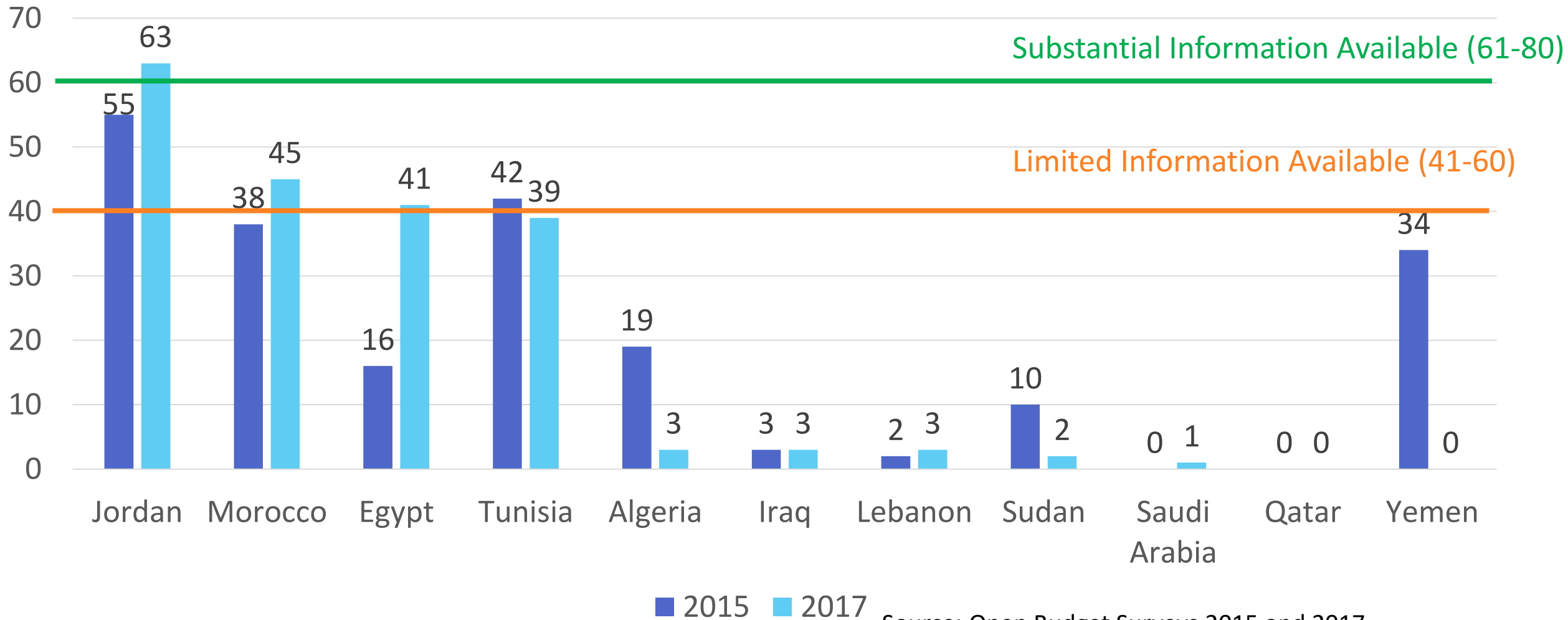
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**Cairo, Egypt**  
**November 8, 2018**

# Budget Transparency in the MENA Region

Open Budget Index 2015 and 2017 - MENA Countries



Source: Open Budget Surveys 2015 and 2017, International Budget Partnership

# Outline

Why is Fiscal  
Transparency  
Important

International  
Standards of  
Fiscal  
Transparency

Challenges in  
Achieving  
Fiscal  
Transparency

Parliament  
and Budget  
Oversight

Key  
Takeaways

# Definition

Fiscal transparency is usually defined and assessed in terms of **availability, access** and **quality** of information on:

- Processes, procedures & institutional arrangements for PFM
- Past, present, and planned fiscal operations

Fiscal Transparency has three distinct dimensions:

- Publication of reliable, timely information on how governments raise taxes, borrow, spend, invest, and manage public assets and liabilities
- Clarity, reliability, frequency, timeliness, and relevance of fiscal strategy documents and reports
- Public access to information on the government's fiscal policy-making process & state of public finances

# Why Fiscal Transparency Matter

## Access to information is important both:

- internally (within the government), and
- externally (e.g. with Parliament, the public (Citizen's guides), CSOs, markets, rating agencies and IFIs)

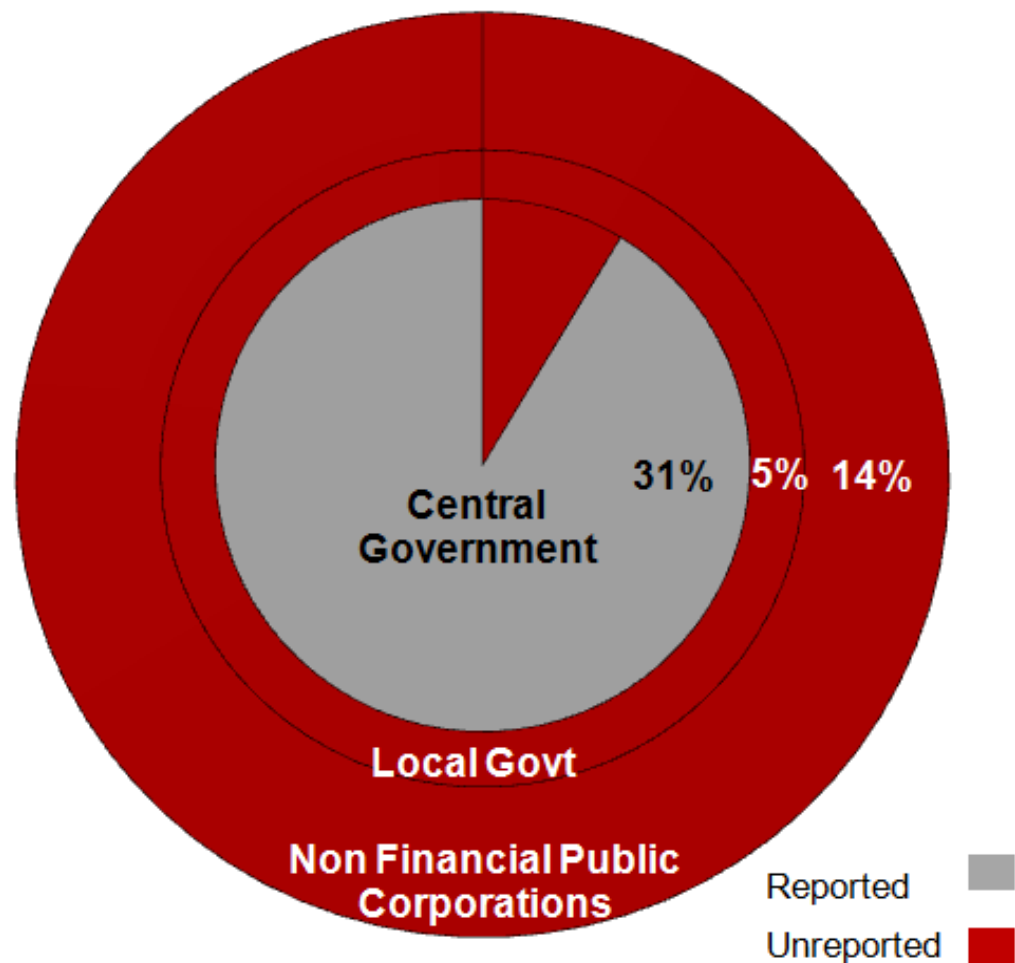
## Reasons include:

- Provision of a comprehensive and accurate picture of the state of public finances and future fiscal outlook, e.g., costs and benefits of policy changes and potential risks of fiscal operations
- Facilitation of informed macro-fiscal management (policy analysis, trend analysis, and risk management)
- Access to information needed to hold governments accountable

# Understanding the Fiscal Position: Beyond the Budget

## Coverage of Public Sector Entities

(% of GDP)

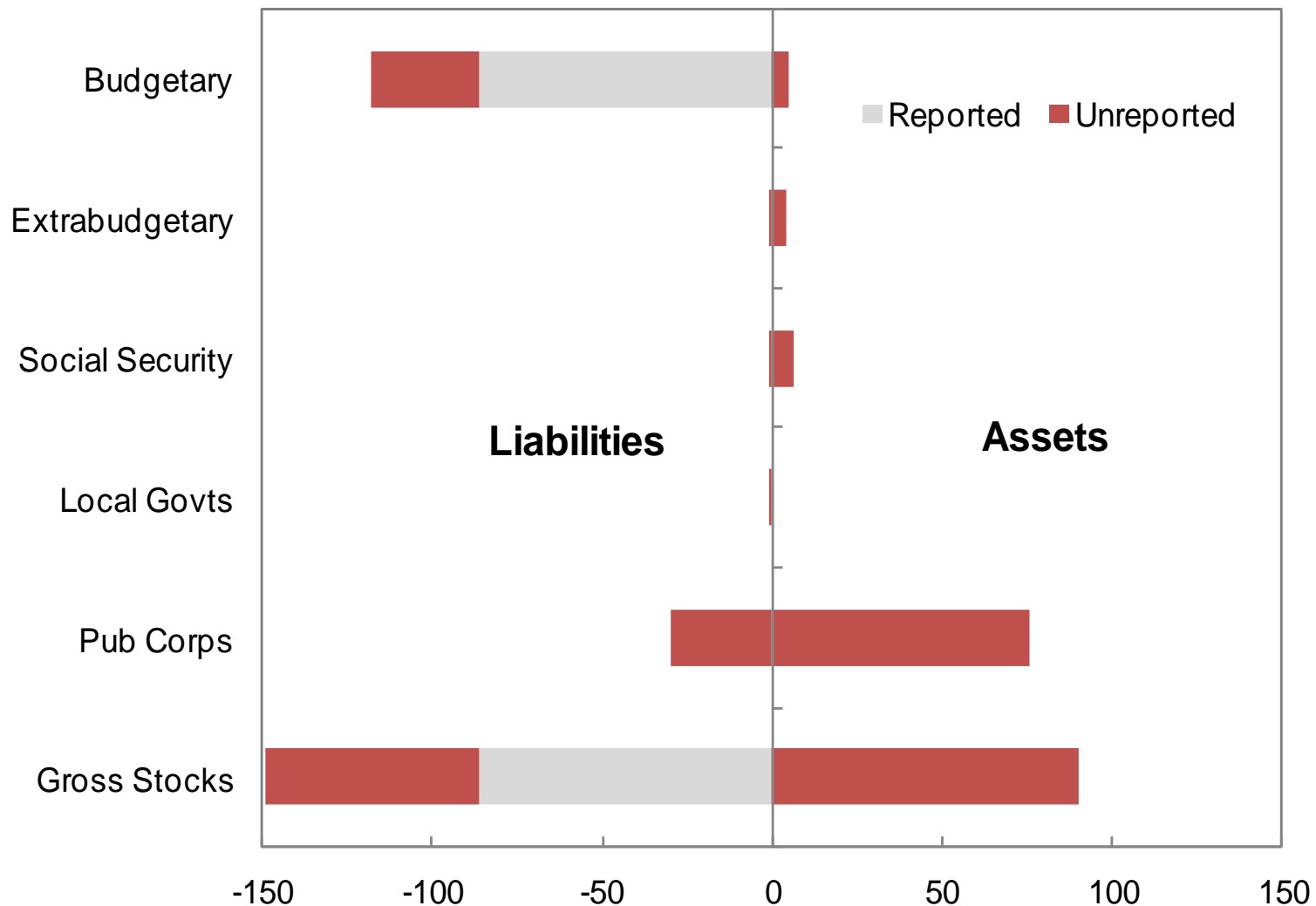


Coverage limited to central government budget

- No fiscal reports on fiscal activities representing about 19% of GDP (or 40% of the total fiscal activities)

# Understanding the Fiscal Position: What about the Wealth of the Nation?

Reporting of Assets and Liabilities  
(% of GDP)

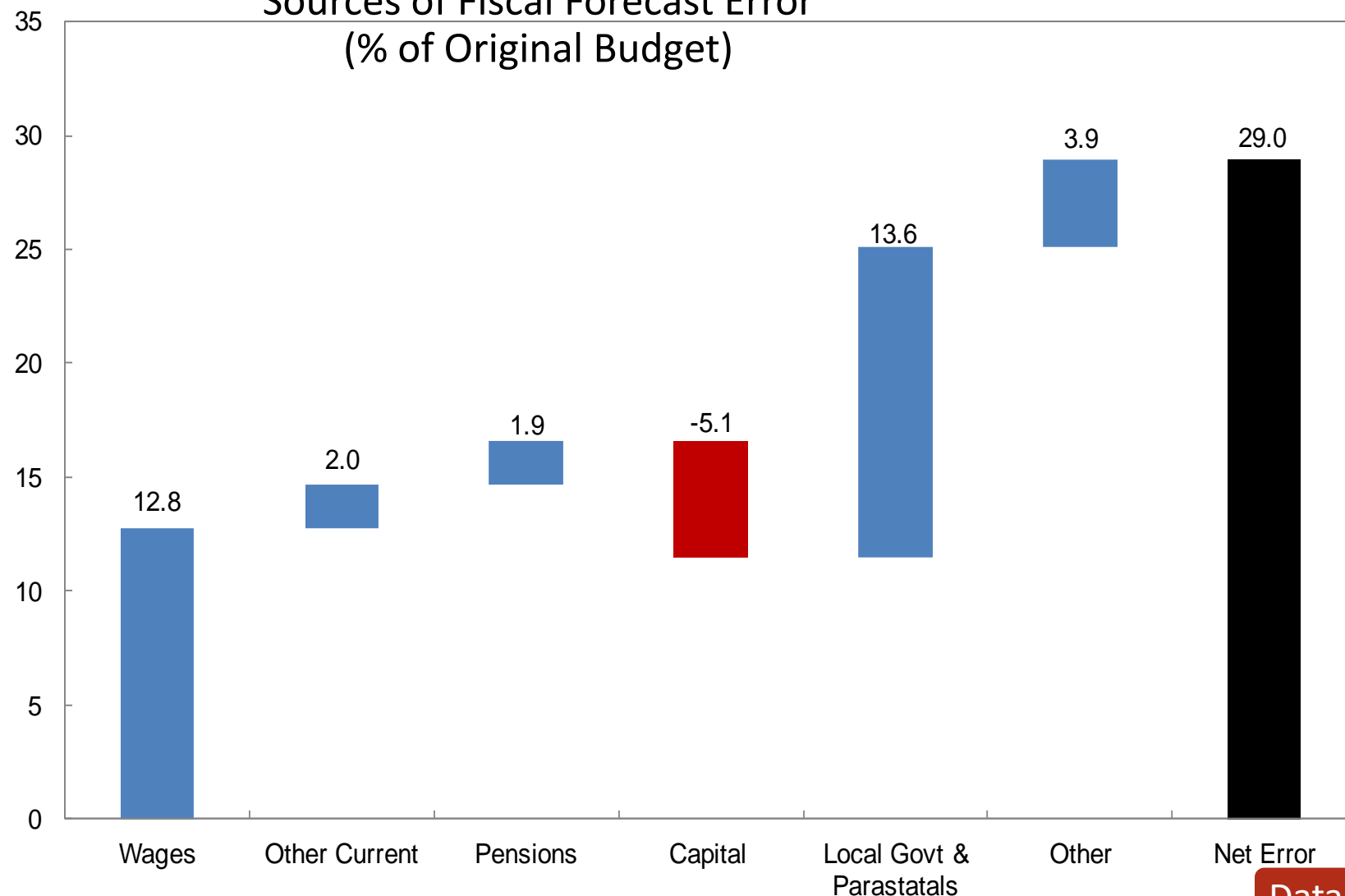


No reporting of assets and large unreported liabilities

Data from a sample country – Not from Egypt

# Understanding the Fiscal Position: Assessing the Fiscal Forecasts

Sources of Fiscal Forecast Error  
(% of Original Budget)

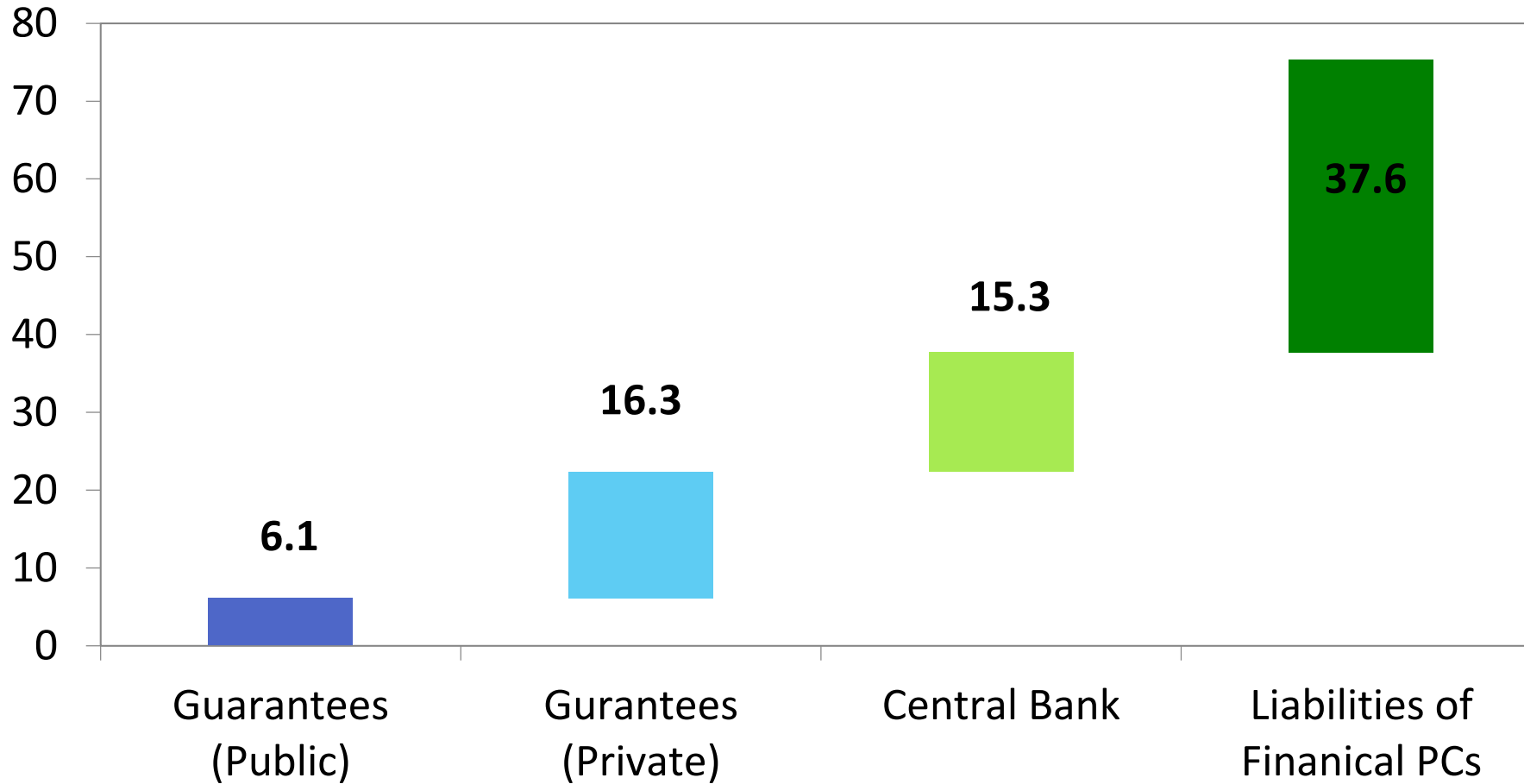


Wages, local government, and public corporations are the biggest risks to fiscal forecast



# Understanding the Fiscal Position: Identifying Key Risks

Contingent Liabilities  
(% of GDP)



Contingent liabilities are large and diverse

Data from a sample country – Not from Egypt

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# Historical Development

## A concerted effort to improve fiscal transparency since the late 1990s

- Asian crisis highlighted weakness in public and private financial reporting
- Also underscored the risks associated with undisclosed linkages between the two

## New fiscal reporting standards were developed

- General: IMF's Code & Manual on Fiscal Transparency (1998)
- Budgeting: OECD Best Practices for Budget Transparency
- Statistics: EU's ESA 95, IMF's GFSM 2001, & UN's SNA 08
- Accounting: IFAC's International Public Sector Accounting Standards (IPSAS)

## New tools for monitoring compliance with standards were introduced

- Multilateral: Fiscal and Data ROSCs, GDDS/SDDS, & PEFA
- Regional: Eurostat, WAEMU & CEMAC harmonization of fiscal reporting, EAC
- Civil Society: Open Budget Survey and Index, GIFT Principles

# The IMF's 2014 Fiscal Transparency Code

Focuses on outputs more than processes

Takes into account different levels of countries' capacity

- *Basic practice* should be viewed as a minimum standard that should be achievable by all IMF member countries
- *Good practice* provides an intermediate goal post that would require stronger institutional capacities; and
- *Advanced practice* reflects relevant international standards and is in line with the current “state-of-the-art” policies and practices.

Emphasizes the importance of fiscal risks management

Captures recent advances in fiscal management and in international standards and practices

- (i) the publication of information on fiscal activities of the entire public sector;
- (ii) the preparation of full balance sheets, including all financial and nonfinancial assets and liabilities;
- (iii) monthly fiscal reporting of general government and publication of audited annual financial statements within six months;
- (iv) the alignment of information provided in budgets, statistics, and accounts; and
- (v) public participation in deliberations on budget preparation and execution.

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# Aspects of Non-Transparency

## Publishing partial information

- Net but not gross spending
- No information on off-budget government entities
- Revenues and spending, but not assets and liabilities

## Publishing information that is difficult to understand

- Without summary tables or explanatory text
- Not on Internet, not easy to buy or borrow

## Exploiting weaknesses in accounting rules

- Selling assets and treating the proceeds as revenue
- Borrowing by issuing off-market derivatives when derivatives don't count as debt

# Challenges in Achieving Fiscal Transparency

Availability of  
comprehensive  
information

Poor quality of data in  
most developing countries  
(need to improve both the  
data sources and the  
methods of collection)

Technical complexity of  
measurement systems,  
both financial reporting  
and national accounts

Media negativity

Political resistance

Limited information  
systems within the  
government

# Motivational Factors

The development of democratic systems that encourage freedom of information and open public debate.

Fiscal and economic crises that force governments to put in place enhanced mechanisms for fiscal discipline and independent scrutiny.

External influences (IMF, rating agencies, etc.) that promote global norms and empower domestic reformers and civil society actors.

Widely publicized cases of corruption that give reformers political space to introduce reforms that improve public access to fiscal information.



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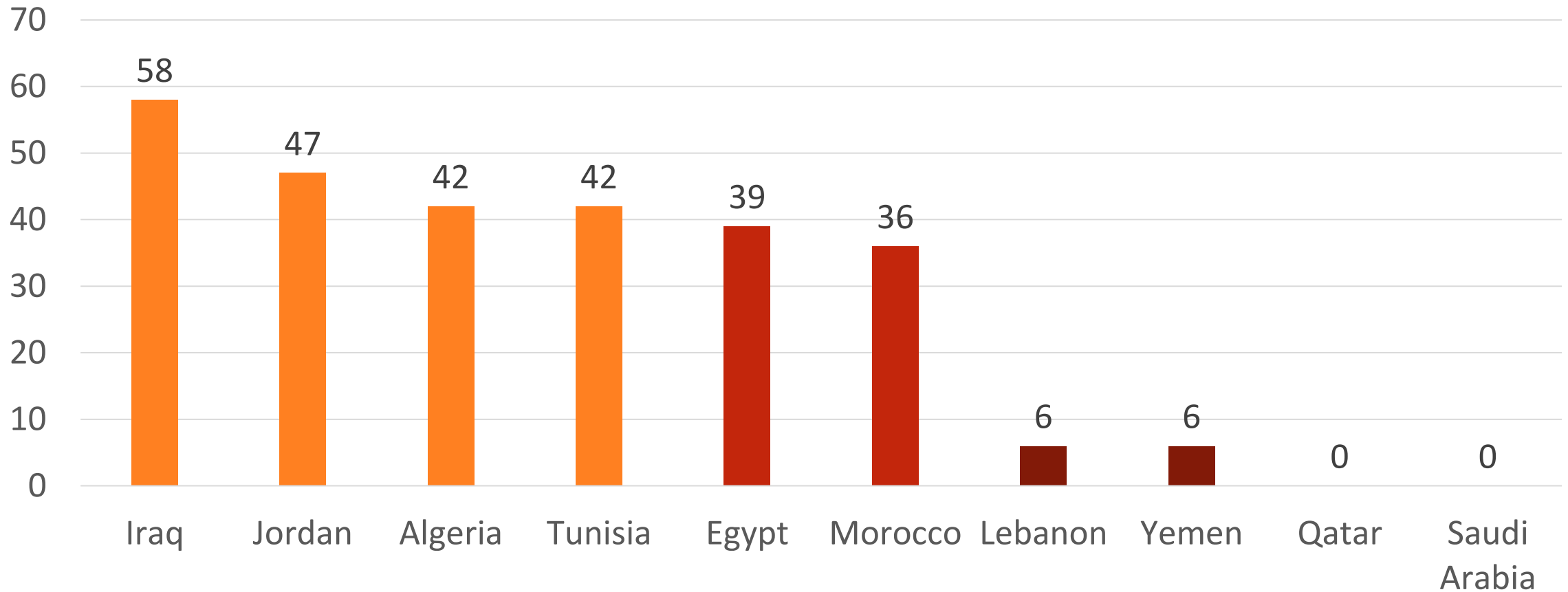
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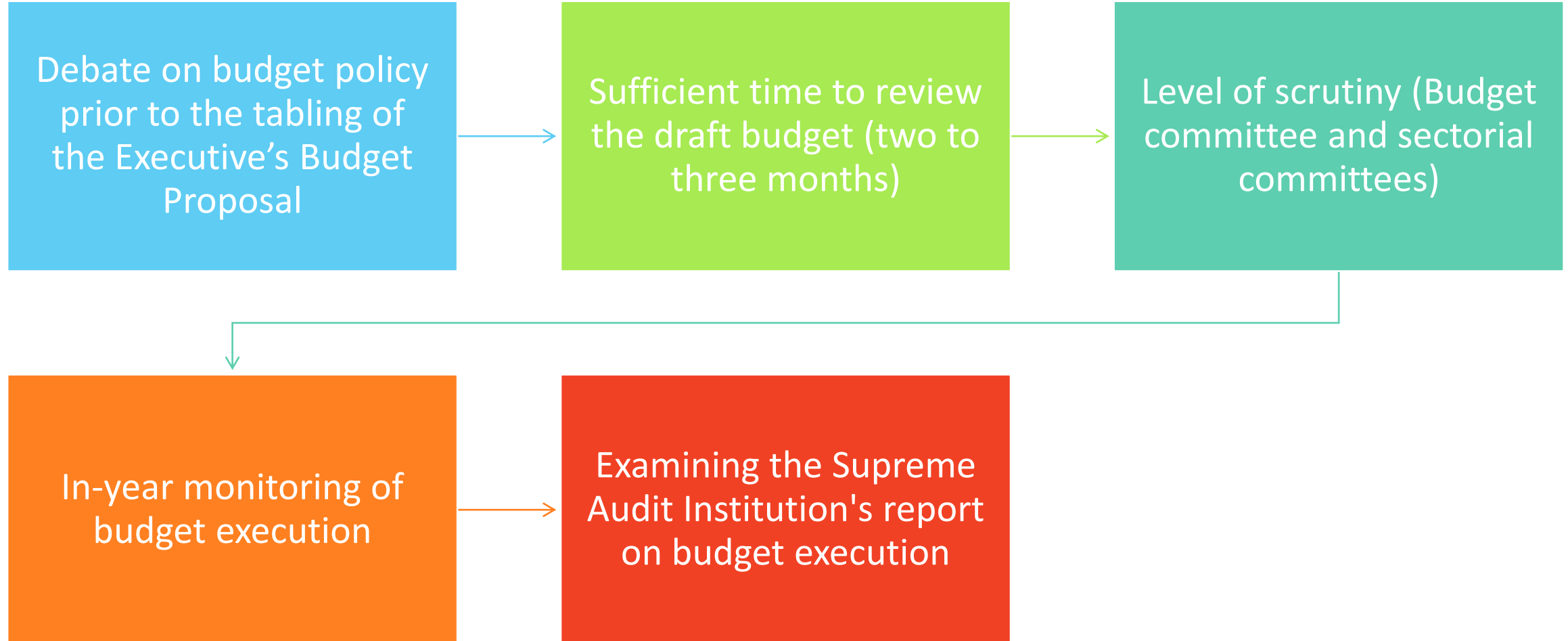
# Legislative Oversight on Budget in the MENA Region

Legislative Oversight - MENA Countries



Source: Open Budget Surveys 2017, International Budget Partnership

# Key Aspects of Parliament Oversight on Budget



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# Key Takeaways

Recent global financial crisis highlighted the importance of looking beyond budgetary data to fiscal information on

- general government and the wider public sector,
- key sources of fiscal risk.

A transparent public finance system provides information

- on past, current, and expected future public finances
- that is comprehensive, reliable, timely, accessible, intelligible

Fiscal Transparency allows stakeholders outside government to:

- judge, comment on, and influence the government's management of public finances
- achieve better fiscal outcomes

Parliament is a key enabler and beneficiary of fiscal transparency

# Further Reading

- International Monetary Fund, Fiscal Transparency, Accountability and Risk, Policy Paper, Fiscal Affairs Department, August 2012, available at: [www.imf.org/external/np/pp/eng/2012/080712.pdf](http://www.imf.org/external/np/pp/eng/2012/080712.pdf)
- The IMF's Fiscal Transparency Code: <http://www.imf.org/external/np/fad/trans/>
- The Open Budget Survey: <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>
- T. Irwin “Accounting Devices and Fiscal Illusions”, IMF Discussion Note, March 2012: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=25795>