



# Fiscal Transparency

What and Why?

**Alexander Tieman**

**IMF Resident Representative**

**20 December, 2012**

# Outline

- What is fiscal transparency?
- Why is it a good thing?
- Some examples
  
- NB: FT = Fiscal Transparency
  
- Disclaimer: The views expressed in this presentation are those of the author and do not necessarily represent those of the IMF or IMF policy.



# What is Fiscal Transparency?

Public openness of the government's fiscal policy-making process

Elements include:

- Clarity
- Reliability
- Frequency
- Timeliness
- Relevance



# What is Fiscal Transparency?

FT has several dimensions:

## ■ Coverage

- Which public institutions are included?
- Quasi-fiscal activity?

## ■ Reporting

- Government financial assets and liabilities
  - *Few government can fully account for their overall financial position*
- Non-financial assets
  - *Mineral resources etc*



# What is Fiscal Transparency?

- **Accounting**
  - Cash vs Accrual basis
- **Frequency and Timeliness**
  - State of finances during the year
- **Forecasting and Planning**
  - Methodology
  - Time horizon
- **Alignment of statistics**
  - Ex-ante budgets and ex-post accounts

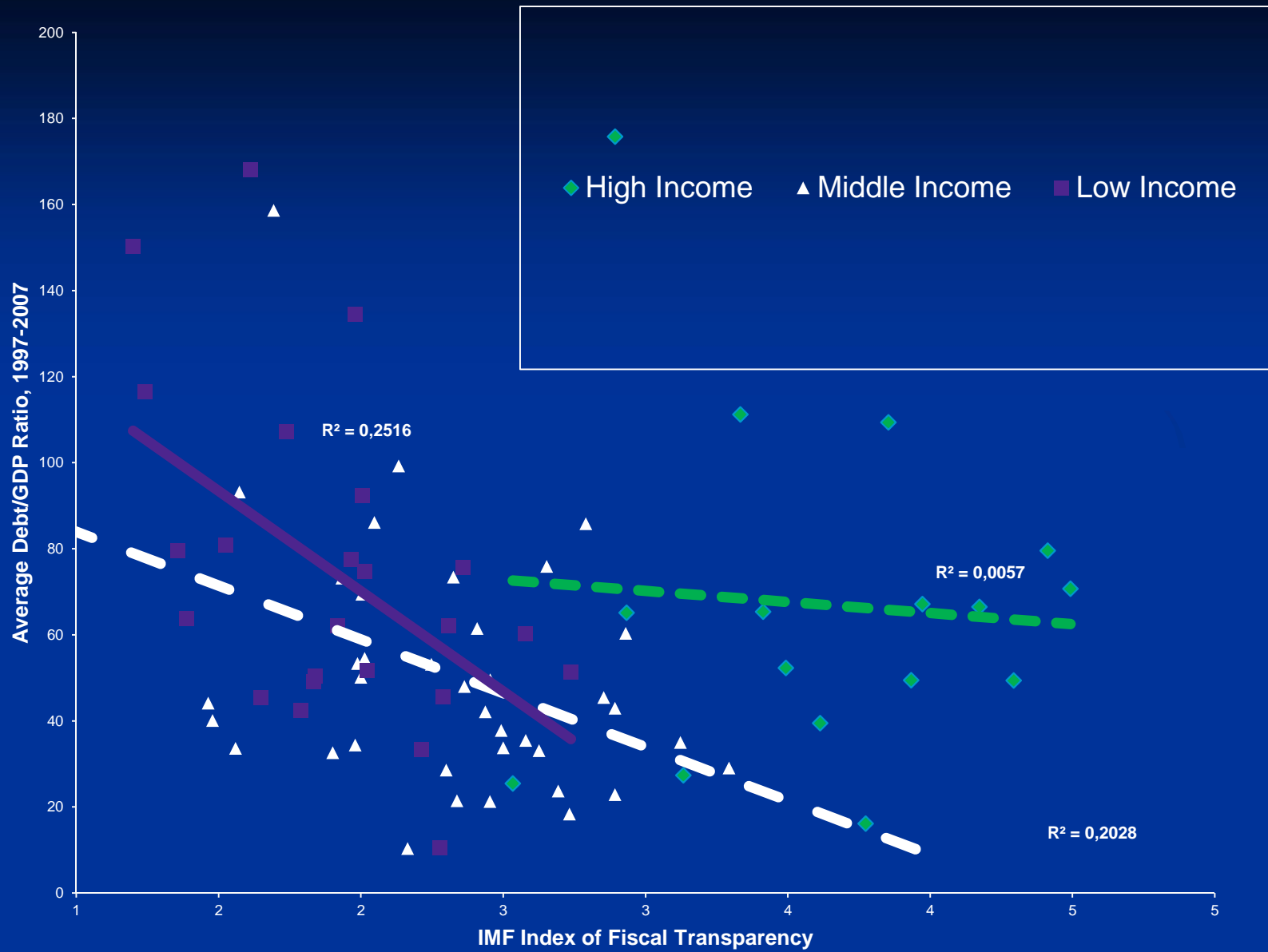


# Why Fiscal Transparency?

- Important predictor of fiscal credibility and performance
  - Frequent and timely reporting helps ensure that forecasts are up-to-date
    - *Better understanding of fiscal position*
  - Public scrutiny helps credibility
    - *Can test robustness against a range of macroeconomic outcomes*

# Why Fiscal Transparency?

- Risk awareness can increase
  - *Allowing for risk-mitigation strategies*
- Off-budget activity and other hidden costs can be quantified
  - *Allowing the government to budget for them*
- Weakness in financial controls or accounting practices can be laid out
  - *Prompting governments to address them*





# What has been done on FT?

- **Substantial efforts to improve FT**
  - Global architecture of norms and standards
  - Monitoring of compliance w these standards
    - *Reports on Observance of Standards and Codes*
  - Improvements at national level



# What has been done on FT?

## ■ Shortcomings remain

- Gaps in FT standards
- Implementation has lagged behind
- Monitoring has waned
  - *On lower demand and less IMF resources*



# FT in the crisis?

- **Crisis revealed many shortcomings**

Of unexpected increases in debt:

- 23% due to incomplete information
- 37% due to underestimation of shocks
- 18% due to discretionary policies



# Example 1. Netherlands

- **2005 Fiscal ROSC**
- **Generally good, with some caveats**
  - Better monitoring of PPPs in line ministries
  - Consistent fiscal reporting across general government (ESA95)

# Example 2. United States

- **2003 Fiscal ROSC**
- **Generally good, with some caveats**
  - Lack of clarity on long-term direction of fiscal policy
  - Complexity of congressional budget process
  - Risks associated w GSE (Fannie and Freddy) and other contingent liabilities

# Example 3. Greece

- **2005 Fiscal ROSC**
  - Raised concerns
- **Program includes publishing arrears data, by budget user**
  - 1<sup>st</sup> version underestimated scale
  - But generated public debate
  - Several iterations later, the published data is rather comprehensive
  - This is good progress
  - Used as input for policies and monitoring





**Thank you**



# Web sources

- <http://www.imf.org/external/np/fad/trans>
  - IMF website on fiscal transparency
- <http://www.imf.org/external/np/pp/eng/2012/080712.pdf>
  - IMF Board Paper on fiscal transparency
- <http://www.imf.org/skopje>
  - Web page of the IMF Resident Representative Office in Macedonia

