Fiscal Transparency as an Element of Government Accountability

Mario Pessoa
### New Fiscal Transparency Evaluation:
A clear and complete picture of the public finances

#### Ireland Public Sector Financial Overview, 2011
(Percent of GDP)

<table>
<thead>
<tr>
<th></th>
<th>Exchequer</th>
<th>Central Govt</th>
<th>Local Govt*</th>
<th>General Govt</th>
<th>Public Non-Fin Corps*</th>
<th>Public Fin Corps*</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Transactions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>23.6</td>
<td>33.0</td>
<td>2.1</td>
<td>35.0</td>
<td>6.0</td>
<td>8.6</td>
<td>49.6</td>
</tr>
<tr>
<td>Expenditure</td>
<td>35.4</td>
<td>46.6</td>
<td>2.1</td>
<td>48.6</td>
<td>5.6</td>
<td>6.3</td>
<td>60.5</td>
</tr>
<tr>
<td>Balance</td>
<td>-11.7</td>
<td>-13.6</td>
<td>0.0</td>
<td>-13.6</td>
<td>0.4</td>
<td>2.3</td>
<td>-10.9</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPPs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Financial Worth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Memo**
- General government Gross Debt (ESA95): 106.4
- Net Debt: 94.9

*Consolidated Position

---

- Public sector deficit is smaller than General Government
- Large Financial Sector Assets that are often overlooked
- Public sector liabilities more than 3 times size of GG debt
- Public Sector Net Liabilities lower than the US and the same as UK
Portugal: Evolution of Public Debt

Figure 0.1. Evolution of General Government Gross Debt, 1991-2014
(In Percent of GDP)

Objectives of the Fiscal Transparency Code

1. Update the principles and practices to reflect the lessons of the financial crisis

2. Emphasize the quality and reliability of published information

3. Align the principles and practices with relevant international standards (GFSM 2001, IPSAS, OECD Principles, PEFA)

4. Provide countries with a set of achievable milestones on the way towards full compliance with international standards
Fiscal Transparency Code’s 4 Pillars, 48 dimensions

I. FISCAL REPORTING
   1.1. Coverage
   1.2. Frequency & Timeliness
   1.3. Quality
   1.4. Integrity

II. FISCAL FORECASTING & BUDGETING
   2.1. Comprehensiveness
   2.2. Orderliness
   2.3. Policy Orientation
   2.4. Credibility

III. FISCAL RISK ANALYSIS & MANAGEMENT
   3.1. Risk Analysis & Disclosure
   3.2. Risk Management
   3.3. Fiscal Coordination

IV. RESOURCE REVENUE MANAGEMENT
   4.1. Ownership, Contracting & Fiscal Regime
   4.2 Fiscal Reporting
   4.3. Fiscal Forecasts & Budgets
   4.4. Fiscal Risk Analysis & Management
What is Essential to Parliamentarians?

- **Reliable and Timely Fiscal reports** – monthly revenue, expenditure, deficit data compared with planned budget.
- **Reliable and Comprehensive Financial Statements** – audited assets and liabilities of the public sector on an annual basis before 6 months.
- **Accurate Medium-Term Fiscal Projections** – what is expected in the next 3 years in terms of main fiscal aggregates and what the government will do in case deviations happen.
- **Comprehensive and Clear Fiscal Policy Objectives** – clear fiscal policies, fiscal rules.
- **Comprehensive Fiscal Risk Statement** – identification of main risks, size of the risks, what to do in case the risk materializes.
- **A Clear Overview of the Size and Ownership of Natural Resource Wealth** – what is the size of production and reserves, how the wealth is shared and used.
Fiscal Vulnerability Indicators: Fiscal Reporting

Ireland: Fiscal Transparency Indicators

Coverage of Public Sector Entities
(percent of expenditure)

Reporting of Assets and Liabilities
(percent of GDP)

Public corporations remain outside fiscal reporting

Only a quarter of public sector liabilities reported
How do I find more information

- **Published FTE Evaluations**
  - Albania, Bolivia, Brazil, Costa Rica, Guatemala, Finland, Ireland, Kenya, Mozambique, Peru, Philippines, Portugal, Romania, Russia, Tunisia, Turkey, Uganda, United Kingdom
- **Standards and Codes Initiative** ([http://www.imf.org/external/standards/index.htm](http://www.imf.org/external/standards/index.htm))