SURVEY ON INTERNATIONAL MONENTARY FUND’S PROPOSED REVISED CODE OF GOOD PRACTICES ON FISCAL TRANSPARENCY

Issued: October 19, 2006

Closing Date for Response: November 17, 2006
REQUEST FOR COMMENTS ON THE IMF’S PROPOSED REVISED CODE OF GOOD PRACTICES ON FISCAL TRANSPARENCY

The aim of this six question survey is to seek the views of a cross-section of interested parties on a proposed revised Code of Good Practices on Fiscal Transparency.¹ To date, over 80 countries have completed IMF Reports on Standards and Codes (fiscal ROSCs²) using the Code, which was originally formulated in 1998 and updated in 2001.

YOUR OPINION MATTERS. Please complete the attached questionnaire electronically, and return it by email to fiscaltransparency@imf.org by November 17th, 2006. Any questions may be sent to the same email address. If you are unable to complete the survey in electronic form, please feel free to fax it to: +01 (202) 589-6956. Please refer to copies of the proposed revised Code and the 2001 version which are attached. An accompanying manual will be produced for detailed explanation of practices, with examples for users.

Four core principles continue to underpin the Code:

- Institutional Clarity: government’s role and the way its agencies interact;
- Open Budget Processes: budget preparation, execution, and reporting;
- Public Information: government’s commitment to make information available; and
- Integrity: strong oversight and data quality information

The proposed changes to the Code are designed primarily to update the document for recent developments and to make it more user-friendly. The substance of the original Code remains intact.

New and enhanced practices include:

- transparent revenue collection (1.2.1, 1.2.2, 4.2.6),
- notification of proposed tax policy changes (1.2.3),
- clear and transparent contractual arrangements (1.2.4),
- legal basis for liability and asset management practices, including rights to use or exploit public assets (1.2.5),
- a calendar for budget preparation that provides sufficient time for consultation (2.1.1),
- legislative scrutiny of supplemental revenue or expenditure proposals (2.2.3),

² http://www.imf.org/external/standards/index.htm
• separate identification in budget documents of major revenue sources, including from resource-related activities (3.1.4),

• publication of a periodic report on long-term public finances (3.1.7), and

• the conduct of purchases and sales of public assets in an open manner (4.2.4).

Other revisions to the Code have broadened some practices to incorporate additional requirements such as specifying a medium-term budget strategy (2.1.2), requiring an audit of the final accounts (2.2.4), reporting on “other obligations” including government guarantees and unfunded pensions (3.1.5), explaining historical data revisions (4.1.3), and conducting an external audit to cover performance of budget programs (4.3.1).
## I Questions

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<th>Neutral</th>
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II Comments

Please add any other comments/suggestions:_____________________________________________________________
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Have you used the code

Extensively  Somewhat  A Little  Never

☐ ☐ ☐ ☐

Respondent Information

Country:_______________________________

Sector:________________________________________

Country Authority  Civil Society  Academic  Private Sector  Other

☐ ☐ ☐ ☐ ☐

Additional Information (Optional)

Name:____________________________________

Job Title:___________________________________

Organization:______________________________

Email Address:______________________________

Telephone:______________________________

THANK YOU FOR YOUR TIME AND FEEDBACK
ATTACHMENT I

CODE OF GOOD PRACTICES ON FISCAL TRANSPARENCY (REVISED DRAFT)

I. CLARITY OF ROLES AND RESPONSIBILITIES

1.1 The government sector should be distinguished from other parts of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and made public.

1.1.1 The structure and functions of government should be well defined.
1.1.2 The responsibilities of different levels of government should be specified.
1.1.3 Relations between the government and other parts of the public sector should be clear.
1.1.4 Government involvement in the private sector should be conducted in an open manner following clear rules and procedures.
1.1.5 The fiscal powers of the executive, legislative, and judicial branches of government should be clearly specified.

1.2 There should be a clear legal, regulatory, and administrative framework for fiscal management.

1.2.1 The collection, commitment, and use of public funds should be governed by comprehensive budget, tax, and other public finance laws, regulations, and administrative procedures.
1.2.2 Laws and regulations related to the collection of tax and nontax revenues should be easily accessible and understandable, and clear criteria should guide administrative discretion in their application.
1.2.3 Notice should be given of changes to laws and regulations relating to collection of revenues to allow for consultation and possible appeal.
1.2.4 Financial relations between the government and public or private entities, including resource companies and those operating government concessions, should be based on clear and transparent contractual arrangements.
1.2.5 Government liability and asset management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.

II. OPEN BUDGET PROCESSES

2.1 Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives.

2.1.1 A calendar for budget preparation should be specified and followed, with the draft budget being presented to the legislature allowing sufficient time for consultation.
2.1.2 A comprehensive macroeconomic and fiscal policy framework, including an analysis of fiscal sustainability and the structure of assets and liabilities, should provide the foundation for the annual budget and the medium-term budget strategy.
2.1.3 Specific fiscal policy targets, the main underlying assumptions, and the sensitivity of outcomes to these assumptions should be clearly stated. Any fiscal rules should be specified.
2.1.4 The approved budget should aim to present a realistic view of fiscal policy intentions. The objectives of major revenue policies and spending programs should be described and the budgetary consequences of new initiatives should be estimated.

2.1.5 There should be clear mechanisms for the coordination and management of budgetary and extrabudgetary activities within the overall fiscal policy framework.

2.2 There should be clear procedures for budget execution, monitoring, and reporting.

2.2.1 The accounting system should provide a reliable basis for tracking commitments, payments, and arrears.

2.2.2 A mid-year report on budget developments should be presented to the legislature. More frequent reports should also be published.

2.2.3 Supplementary revenue and expenditure proposals during the fiscal year should be subject to scrutiny by the legislature.

2.2.4 Audited final accounts should be presented to the legislature within a year of the end of the fiscal year.

III. Public Availability of Information

3.1 The public should be provided with comprehensive information on the past, current, and projected fiscal activity, and on major fiscal risks.

3.1.1 The budget documents, final accounts, and other published fiscal reports should cover all budgetary and extrabudgetary activities of the central government.

3.1.2 Information comparable to that in the annual budget should be provided for the outturns of the two preceding fiscal years, together with forecasts and sensitivity analysis for the main budget aggregates for two years following the budget.

3.1.3 Statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities should be part of the budget documentation.

3.1.4 Receipts from all major revenue sources, including resource–related activities, should be separately identified in the budget documents.

3.1.5 The central government should publish information on the level and composition of its debt and financial assets, and details of other obligations with significant implications for fiscal sustainability, such as government guarantees and unfunded public pensions.

3.1.6 The budget documents should report the fiscal position of subnational government where it is significant, and the finances of nonfinancial public corporations where their operations pose significant fiscal risk.

3.1.7 The government should publish a periodic report on long-term public finances, including an analysis of the fiscal consequences of demographic change.

3.2 Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.
3.2.1 Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category.

3.2.2 The overall balance and gross debt of the general government, or their accrual equivalents, should be standard summary indicators of the government’s fiscal position. They should be supplemented where appropriate by other fiscal indicators, such as the primary balance, the public sector balance, and net debt.

3.2.3 Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.

3.3. A commitment should be made to the timely publication of fiscal information.

3.3.1 The publication of fiscal information should be a legal obligation of government.

3.3.2 Advance release date calendars for fiscal information should be announced and adhered to.

IV. ASSURANCES OF INTEGRITY

4.1 Fiscal data should meet accepted data quality standards.

4.1.1 Budget forecasts and updates should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments.

4.1.2 The annual budget and final accounts should indicate the accounting basis and standards used in the compilation and presentation of fiscal data.

4.1.3 Data in fiscal reports should be internally consistent and reconciled with relevant data from other sources. Major revisions of historical fiscal data should be explained.

4.2 Fiscal activities should be subject to effective internal oversight and safeguards.

4.2.1 Ethical standards of behavior for public servants should be clear and well publicized.

4.2.2 Public sector employment procedures should be documented and accessible to interested parties.

4.2.3 Procurement regulations should meet generally accepted international standards.

4.2.4 Purchases and sales of public assets should be undertaken in an open manner, and major transactions should be separately identified.

4.2.5 Government activities and finances should be internally audited, and audit procedures should be open to review.

4.2.6 The national revenue administration should be legally protected from political direction and should report regularly to the public on its activities.

4.3 Fiscal information should be externally scrutinized.

4.3.1 A national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts and the performance of budget programs.
4.3.2 Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions.

4.3.3 A national statistics agency should be provided with the institutional independence to verify the quality of fiscal data.
Revised Code of Good Practices on Fiscal Transparency

(Updated on February 28, 2001)

CLARITY OF ROLES AND RESPONSIBILITIES

1.1 The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

1.1 The government sector should be clearly distinguished from the rest of the economy, and policy and management roles within government should be well defined.

1.1.1 The structure and functions of government should be clearly specified.

1.1.2 The responsibilities of different levels of government, and of the executive branch, the legislative branch, and the judiciary, should be well defined.

1.1.3 Clear mechanisms for the coordination and management of budgetary and extrabudgetary activities should be established.

1.1.4 Relations between the government and nongovernment public sector agencies (i.e., the central bank, public financial institutions, and nonfinancial public enterprises) should be based on clear arrangements.

1.1.5 Government involvement in the private sector (e.g., through regulation and equity ownership) should be conducted in an open and public manner, and on the basis of clear rules and procedures that are applied in a nondiscriminatory way.

1.2 There should be a clear legal and administrative framework for fiscal management.

1.2.1 Any commitment or expenditure of public funds should be governed by comprehensive budget laws and openly available administrative rules.

1.2.2 Taxes, duties, fees, and charges should have an explicit legal basis. Tax laws and regulations should be easily accessible and understandable, and clear criteria should guide any administrative discretion in their application.

1.2.3 Ethical standards of behavior for public servants should be clear and well publicized.

PUBLIC AVAILABILITY OF INFORMATION

2.1 The public should be provided with full information on the past, current, and projected fiscal activity of government.

2.1.1 The budget documentation, final accounts, and other fiscal reports for the public should cover all budgetary and extrabudgetary activities of the central government, and the
consolidated fiscal position of the central government should be published.

2.1.2 Information comparable to that in the annual budget should be provided for the outturns of the two preceding fiscal years, together with forecasts of the main budget aggregates for two years following the budget.

2.1.3 Statements describing the nature and fiscal significance of central government contingent liabilities and tax expenditures, and of quasi-fiscal activities, should be part of the budget documentation.

2.1.4 The central government should publish full information on the level and composition of its debt and financial assets.

2.1.5 Where subnational levels of government are significant, their combined fiscal position and the consolidated fiscal position of the general government should be published.

2.2 A commitment should be made to the timely publication of fiscal information.

2.2.1 The publication of fiscal information should be a legal obligation of government.

2.2.2 Advance release date calendars for fiscal information should be announced.

OPEN BUDGET PREPARATION, EXECUTION, AND REPORTING

3.1 The budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks.

3.1.1 A statement of fiscal policy objectives and an assessment of fiscal sustainability should provide the framework for the annual budget.

3.1.2 Any fiscal rules that have been adopted (e.g., a balanced budget requirement or borrowing limits for subnational levels of government) should be clearly specified.

3.1.3 The annual budget should be prepared and presented within a comprehensive and consistent quantitative macroeconomic framework, and the main assumptions underlying the budget should be provided.

3.1.4 New policies being introduced in the annual budget should be clearly described.

3.1.5 Major fiscal risks should be identified and quantified where possible, including variations in economic assumptions and the uncertain costs of specific expenditure commitments (e.g., financial restructuring).

3.2 Budget information should be presented in a way that facilitates policy analysis and promotes accountability.
3.2.1 Budget data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category. Data on extrabudgetary activities should be reported on the same basis.

3.2.2 A statement of objectives to be achieved by major budget programs (e.g., improvement in relevant social indicators) should be provided.

3.2.3 The overall balance of the general government should be a standard summary indicator of the government’s fiscal position. It should be supplemented where appropriate by other fiscal indicators for the general government (e.g., the operational balance, the structural balance, or the primary balance).

3.2.4 The public sector balance should be reported when nongovernment public sector agencies undertake significant quasi-fiscal activities.

3.3 **Procedures for the execution and monitoring of approved expenditure and for collecting revenue should be clearly specified.**

3.3.1 There should be a comprehensive, integrated accounting system which provides a reliable basis for assessing payment arrears.

3.3.2 Procurement and employment regulations should be standardized and accessible to all interested parties.

3.3.3 Budget execution should be internally audited, and audit procedures should be open to review.

3.3.4 The national tax administration should be legally protected from political direction and should report regularly to the public on its activities.

3.4 **There should be regular fiscal reporting to the legislature and the public.**

3.4.1 A mid-year report on budget developments should be presented to the legislature. More frequent (at least quarterly) reports should also be published.

3.4.2 Final accounts should be presented to the legislature within a year of the end of the fiscal year.

3.4.3 Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.

**Assurances of Integrity**

4.1 **Fiscal data should meet accepted data quality standards.**
4.1.1 Budget data should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments.

4.1.2 The annual budget and final accounts should indicate the accounting basis (e.g., cash or accrual) and standards used in the compilation and presentation of budget data.

4.1.3 Specific assurances should be provided as to the quality of fiscal data. In particular, it should be indicated whether data in fiscal reports are internally consistent and have been reconciled with relevant data from other sources.

4.2 **Fiscal information should be subjected to independent scrutiny.**

4.2.1 A national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts.

4.2.2 Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and all underlying assumptions.

4.2.3 A national statistics agency should be provided with the institutional independence to verify the quality of fiscal data.