

# Revised Code of Good Practices on Fiscal Transparency

(Updated on February 28, 2001)

## I. 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. 1.1.1 The structure and functions of government should be clearly specified.
2. 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.
3. 1.1.3 Clear mechanisms for the coordination and management of budgetary and extrabudgetary activities should be established.
4. 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.
5. 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.
6. 1.2 ***There should be a clear legal and administrative framework for fiscal management.***

1. 1.2.1 Any commitment or expenditure of public funds should be governed by comprehensive budget laws and openly available administrative rules.
2. 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.
3. 1.2.3 Ethical standards of behavior for public servants should be clear and well publicized.

## II. PUBLIC AVAILABILITY OF INFORMATION

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

1. 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. 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.
3. 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.

4. 2.1.4 The central government should publish full information on the level and composition of its debt and financial assets.
5. 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.
6. 2.2 ***A commitment should be made to the timely publication of fiscal information.***

1. 2.2.1 The publication of fiscal information should be a legal obligation of government.
2. 2.2.2 Advance release date calendars for fiscal information should be announced.

### **III. 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.***

1. 3.1.1 A statement of fiscal policy objectives and an assessment of fiscal sustainability should provide the framework for the annual budget.
2. 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. 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.
4. 3.1.4 New policies being introduced in the annual budget should be clearly described.
5. 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).
6. 3.2 ***Budget information should be presented in a way that facilitates policy analysis and promotes accountability.***

1. 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.
2. 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. 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).
4. 3.2.4 The public sector balance should be reported when nongovernment public sector agencies undertake significant quasi-fiscal activities.
5. 3.3 ***Procedures for the execution and monitoring of approved expenditure and***

*for collecting revenue should be clearly specified.*

1. 3.3.1 There should be a comprehensive, integrated accounting system which provides a reliable basis for assessing payment arrears.
2. 3.3.2 Procurement and employment regulations should be standardized and accessible to all interested parties.
3. 3.3.3 Budget execution should be internally audited, and audit procedures should be open to review.
4. 3.3.4 The national tax administration should be legally protected from political direction and should report regularly to the public on its activities.
5. 3.4 ***There should be regular fiscal reporting to the legislature and the public.***

1. 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.
2. 3.4.2 Final accounts should be presented to the legislature within a year of the end of the fiscal year.
3. 3.4.3 Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.

#### **IV. ASSURANCES OF INTEGRITY**

**4.1 *Fiscal data should meet accepted data quality standards.***

1. 4.1.1 Budget data should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments.
2. 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.
3. 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. 4.2 ***Fiscal information should be subjected to independent scrutiny.***

1. 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.
2. 4.2.2 Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and all underlying assumptions.
3. 4.2.3 A national statistics agency should be provided with the institutional independence to verify the quality of fiscal data.