

Fiscal Transparency Evaluation (FTE) - International Monetary Fund



Objective and features

1. Objective

FTE aims to assess IMF member countries' performance on fiscal transparency against the indicators contained in IMF's Fiscal Transparency Code. In particular, FTEs provide IMF member countries with:

- a comprehensive assessment of their fiscal transparency practices against the differentiated standards set by the Code;
- a rigorous analysis of the scale and sources of fiscal vulnerability based on a set of fiscal transparency indicators;
- a more complete picture of public sector activities, by estimating the financial position of the entire public sector;
- a visual account of their fiscal transparency strengths and reform priorities using summary heatmaps; and
- targeted recommendations to improve fiscal transparency and the option of a sequenced fiscal transparency action plan.

2. Institutional coverage

National governments
(of IMF member countries).

3. Technical coverage

The pillars covered by FTEs include:

- Fiscal reporting
- Fiscal forecasting and budgeting
- Fiscal risk analysis and management
- Revenue resource management

4. Application method

Custodian.

Methodology



5. Methodology

The FTE assesses a country against IMF's Fiscal Transparency Code, which is the international standard for disclosure of information about public finances. The Code comprises a set of principles built around four pillars: fiscal reporting, fiscal forecasting and budgeting, fiscal risk analysis and management, and resource revenue management. For each transparency principle, the Fiscal Transparency Code differentiates between basic, good, and advanced practices to provide countries with clear milestones toward full compliance with the Code and ensure its applicability to a broad range of IMF member countries.

FTEs include an accessible summary of the strengths and weaknesses of country practices related to fiscal transparency and their relative importance. This is achieved through a set of summary heatmaps, a major innovation of the FTEs, which facilitate benchmarking against comparator countries, identification of reform needs, and prioritization of recommendations. FTEs include individual heatmaps for each pillar (covering all the principles under that pillar) and an overall heatmap covering all pillars.

6. Benchmarking system

The FTE formally differentiates between basic, good, and advanced practice. Countries can also receive a grade of "Not met." This allows countries to develop a sequenced path for reform, by providing them with a clear set of milestones toward full compliance with international standards. The approach also facilitates cross-country benchmarking:

- 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.
- Advanced practice reflects relevant international standards and is in line with current state-of-the-art policies and practices.

7. Linkage to PEFA framework

The FTE covers aspects related to PEFA performance indicators: budget classification (PI-4), budget documentation (PI-5), central government operations outside financial reports (PI-6), transfers to subnational governments (PI-7), performance information for service delivery (PI-8), public access to fiscal information (PI-9), fiscal risk reporting (PI-10), public investment management (PI-11), public asset management (PI-2), debt management (PI-13), macroeconomic and fiscal forecasting (PI-14), fiscal strategy (PI-15), medium-term perspective in expenditure budgeting (PI-16), budget preparation process (PI-17), and legislative scrutiny of budgets (PI-18). FTEs also touch on some indicators of control and predictability in budget execution (pillar V), accounting and reporting (most of pillar VI), and external scrutiny (briefly pillar VII) at a high level.

8. Complementarity with PEFA framework

The tool provides additional scrutiny in the PEFA pillar II (Transparency) through the Financial Transparency Code, which provides further areas of assessment than PEFA's transparency indicators such as those around revenue resource management.

Development and use



9. Development and coordination

In 2014, in the aftermath of the global financial crisis, the IMF revised the Fiscal Transparency Code and launched the FTE, which replaced the Fiscal Reports on the Observance of Standards and Codes. Working with the World Bank (WB), the IMF determined there were inconsistencies and gaps in assessing some areas, including in fiscal policy decision-making. It was decided to create a fiscal policy handbook to address this and to provide more detailed guidance on what good fiscal transparency looks like in practice. Pillar IV was finalized in January 2019, following two rounds of public consultation and testing in several countries.

The WB was consulted during the development of the tool.

10. Assessment management

The assessment is undertaken at the request of an IMF member country. Mission consisting of IMF staff and experts is deployed to complete the evaluation. The IMF staff conduct the FTE with support from relevant country officials. Custodian (IMF) quality assurance procedures apply (including peer review process and validation from government officials). The draft report at the end of evaluation is sent to the relevant country and disseminated internally within the IMF for review. The IMF Fiscal Affairs Department reviews the evaluation in a panel of three to four people. In addition, the IMF Article 4 surveillance team reviews the assessment. If there are certain areas of focus (e.g., legal), it may also be reviewed by other divisions in the IMF. As a final step, if a country agrees to have their assessment published, there are additional quality assurance steps completed before the report is released.

11. Uses by the government and members of the PFM community

FTEs support capacity building, including prioritization and delivery of IMF technical assistance.

12. Sequencing with other tools

There is no sequencing with other tools.

13. PFM capacity building

The FTE includes recommendations for the country on how it could improve in areas where it receives a low ranking. It does not include the specifics of how to improve PFM capacity (e.g., conducting workshops), however, it can identify areas where the IMF can provide technical assistance to improve PFM capacity. For areas that are recommended for reform following an FTE, the IMF may include a sequenced fiscal transparency action plan to help the country address those reform priorities.

14. Tracking of changes and frequency of assessments

There is no explicit tracking of changes. However, countries can request a follow-up evaluation to review the progress made following the previous assessment. Because assessments are completed upon request, there is no defined frequency. The IMF suggests countries do not complete another assessment if they have not made sufficient progress against the prior one. The IMF can be consulted on whether the timing for a suggested evaluation is appropriate.

15. Resource requirements

The evaluation involves a mission from the IMF Fiscal Affairs Department visiting the country in question. The approximate length of visit is two weeks. Typically, the IMF team required for an FTE is three staff, and three to four external experts. The cost varies, with the cost of external experts estimated at US\$80,000 to US\$100,000 per evaluation.

Transparency



16. Access to methodology

The IMF has published a [Fiscal Transparency Handbook](#) which outlines the evaluation methodology and the indicators used in the assessment. Guidance from 2019 for [Pillar IV](#) is also available.

17. Access to assessment results

The IMF includes all published and [available](#) reports of past completed FTEs for each country on its website. Countries can request non-disclosure of their reports, in which case they are not publicly available. Assessments that are published include details of the assessment and its indicators of the particular evaluation, how the country is benchmarked, and the overall methodology.