

The role of fiscal transparency in raising the efficiency of public expenditure

- Summary of Findings -

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Structure

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A. Background

Tightening fiscal space ⇒ Need to increase efficiency of public expenditure

Comprehensive PFM reform started: PER, PEFA, WB grant (but: Government strategy lacking)

In this context: Focus on fiscal transparency as one tool to improve efficiency of public expenditure

Fiscal transparency also offers other benefits (in addition to efficiency of public expenditure): Reduced financing costs

B. Benefits of fiscal transparency

- **“Fiscal Transparency”**: Producing “good” fiscal data and making them available to users in appropriate format
- **How to** achieve: Set of 8 reports recommended; Standards (incl. GFS, SDDS, ...) - Key: Observe principles
- **Indicators / assessments**: Fiscal Transparency Evaluation (IMF), Open Budget Index (think tanks) - BY not covered; PEFA (WB)

Benefits:

- On financing costs;
- For performance-budgeting [efficiency]; ⇒ **Recommended**
- Better governance;
- Also: International commitments

C. Recommendations

- 1 Improve the legislative framework**
- 2 Make data-management in public sector better (easier & more comprehensive)**
- 3 Improve quality of, and access to budget data**
- 4 Strengthen role of State Control Committee for performance-audit**
- 5 Get the most out of PFM reform**

1. Improve the legislative framework

- **Make budget process more credible: Adopt forecasting documents**
- **Adopt legislative acts for performance management (incl. - assessments)**

Benefits:

- **Better policy-orientation, more credible guidance (targets) for budget allocation ⇒ Increased efficiency of public spending**

2. Make data-management in public sector better (easier & more comprehensive)

- **Reduce number of “data-holders”**; make data-management easier, faster, more credible [methodologies resulting from Recommendation 1 will be supportive]

Benefits:

- **More comprehensive, reliable, timely information about results and performance of government expenditure**
 - ⇒ (i) Increased efficiency of public spending
 - ⇒ (ii) Fiscal risk (contingent liabilities) can be better assessed ⇒ **Positive effect on credit ratings and other assessments**

3. Improve quality of, and access to budget data

- **Explain the narrative behind figures (esp. in budget execution report, but also policy objectives for adopted budget)**
- **Use modern ICT-tools & formats instead of pdf-files only**

Benefits:

- ⇒ **(i) Better governance ⇒ trust & confidence of investors, business, population**
- ⇒ **(ii) Mid-term fiscal perspective (objectives & risks) can be better assessed ⇒ Positive effect on credit ratings and other assessments**

4. Strengthen role of SCC for performance audits

- **SAI have great potential for increasing efficiency of expenditure through performance audits**
- **SCC is familiar with the methodology (Customs Union), apply in domestic context!**

Benefits:

- **Significant contribution to performance-based management**
⇒ **Increased efficiency of public spending**

5. Get the most out of PFM reform

- **Problem analysis available; resources committed; external pressures**
- ⇒ **Window of Opportunity**
- **Needed now:**
- ! **Set clear objectives and priorities**
- ! **Coordinated approach (Top of Executive/Government)**
- ! **Involve broad range of government organisations**

Benefit:

- **Modern PFM system ⇒ Reliable backbone to face future challenges**

D. Contacts

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