

Fiscal Transparency in the Wake of the Crisis

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Toward Implementing EPSAS
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Outline of Presentation

I. Background on Fiscal Transparency

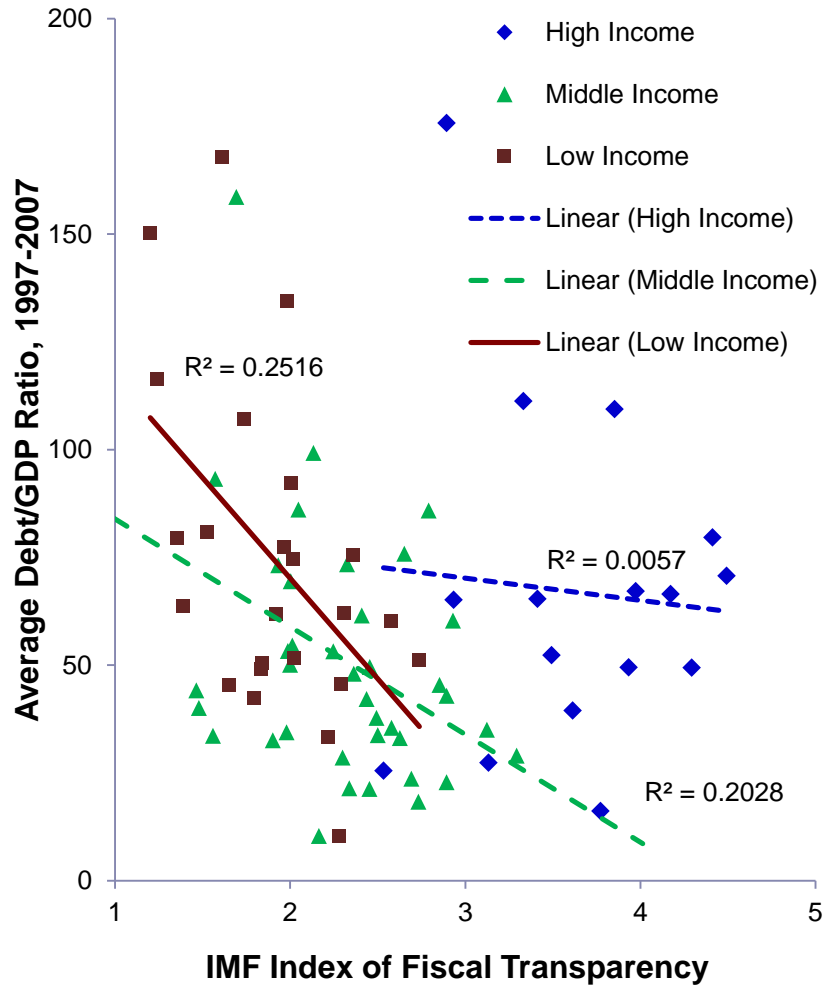
II. Lessons from the Crisis for Existing Standards

III. Implications for EPSAS Development

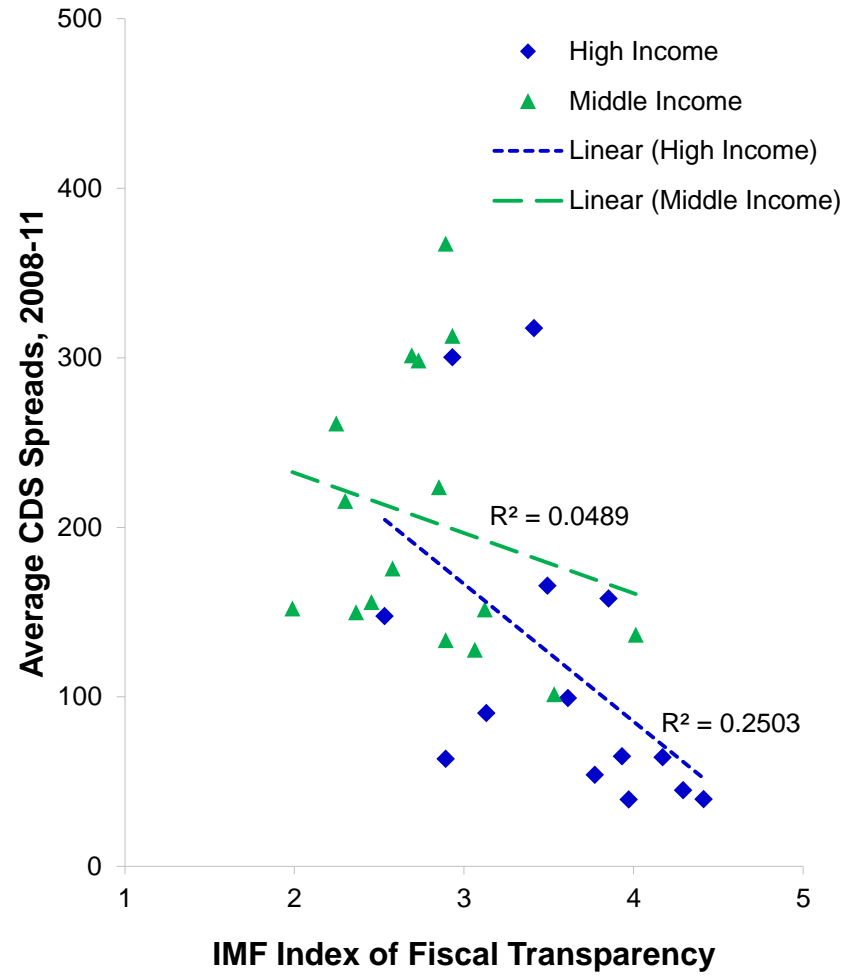
I. Background on Fiscal Transparency:

a. Why fiscal transparency matters

Fiscal Transparency & Fiscal Performance



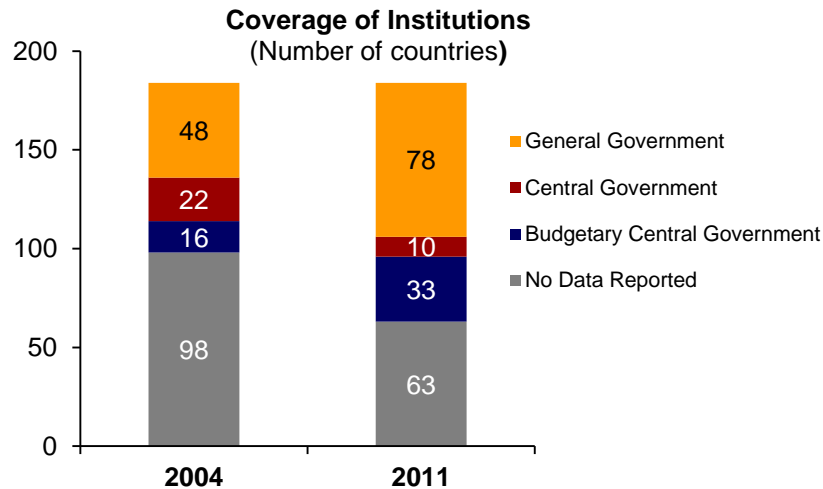
Fiscal Transparency & Fiscal Credibility



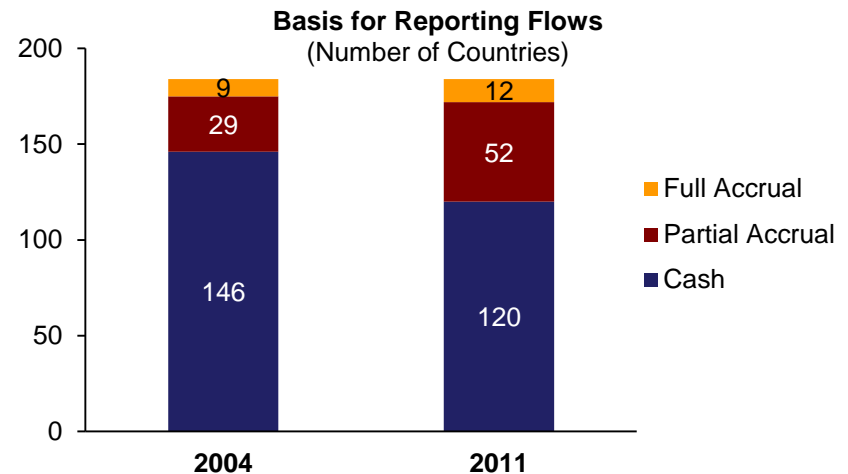
I. Background on Fiscal Transparency:

b. Progress in the adoption of fiscal reporting standards

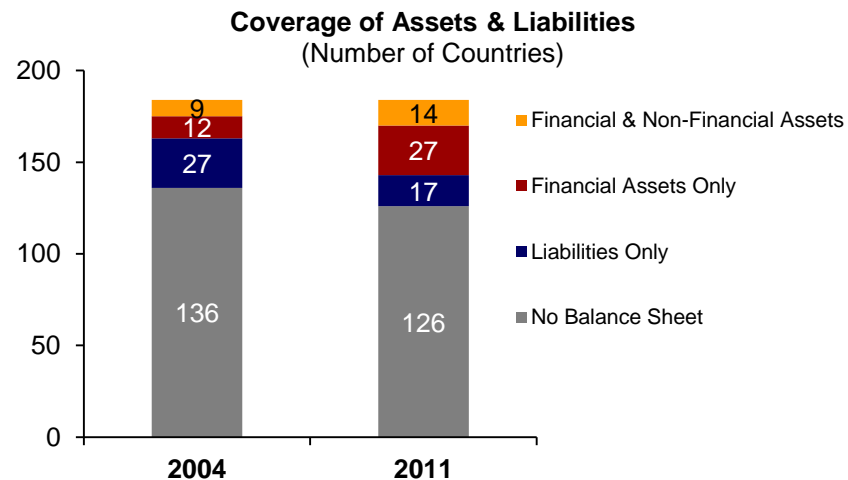
Institutional coverage has expanded...



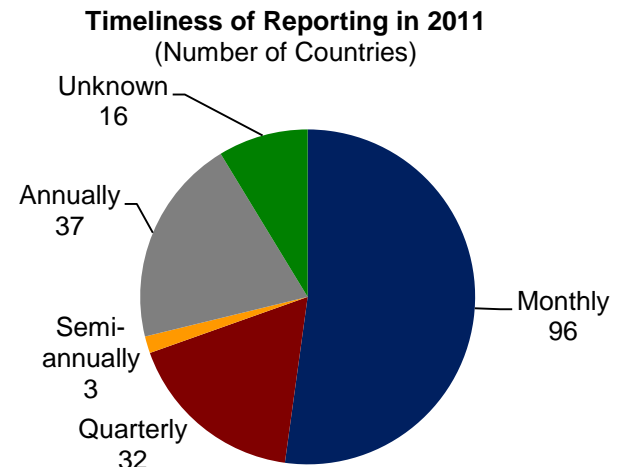
...and the shift from cash to accrual is underway...



...but few countries prepare full balance sheets ...



...and timeliness of reporting is still a problem.



II. Lessons of the Crisis for Existing Standards:

a. Sources of increases in government debt

Sources of Unexpected Increase in General Government Debt
(percent of GDP, 2007-2010)

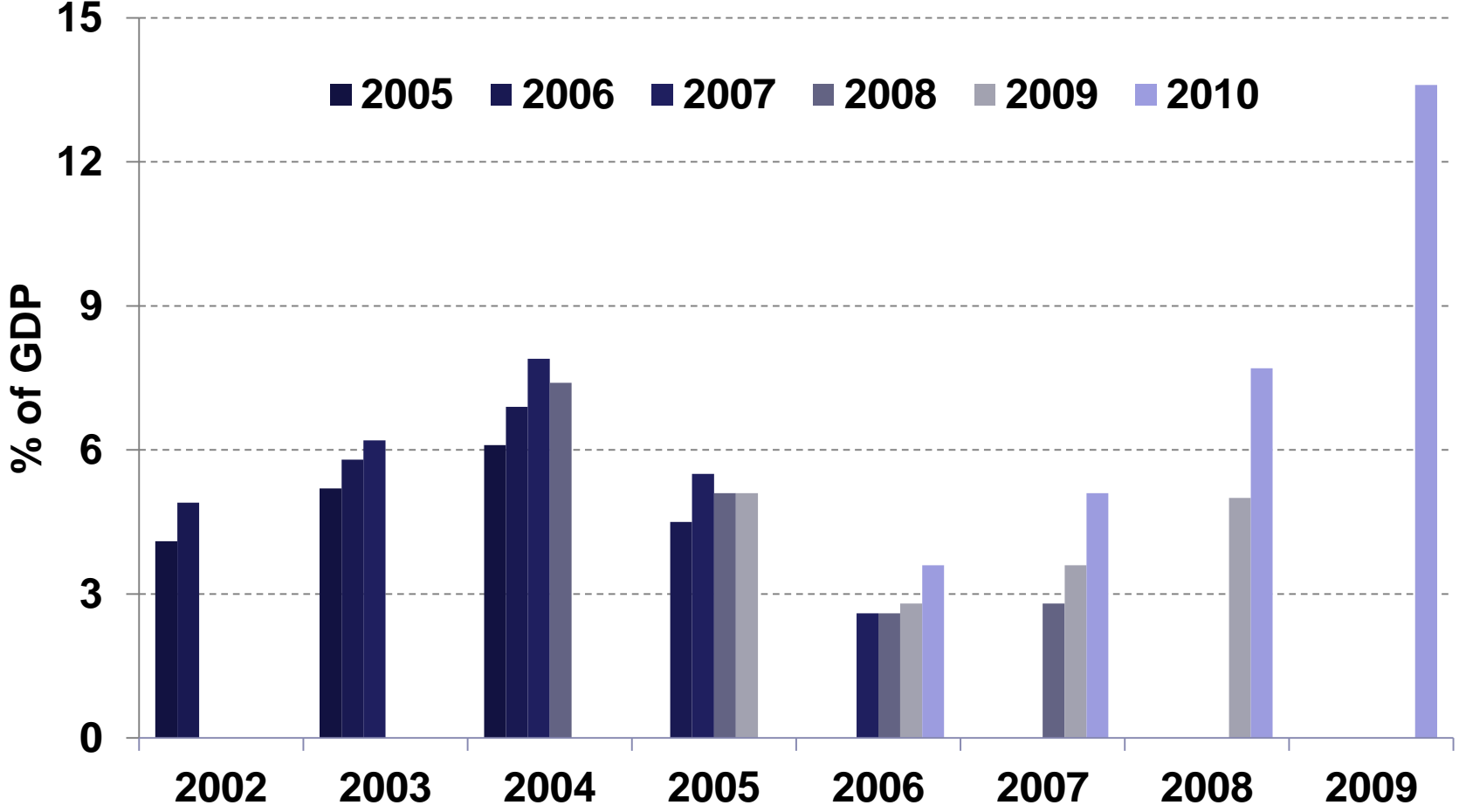
	FRA	DEU	NLD	ESP	PRT	GBR	USA	GRC	IRL	ISL	AVE*	Issues Revealed by the Crisis
Underlying fiscal position	1.7	3.2	-2.4	1.8	11.3	3.7	8.1	16.3	1.3	10.9	6.0	Unreported Deficits
Revisions to 2007 deficit & debt	1.7	1.8	-0.9	-0.1	0.1	1.5	7.1	2.5	1.6	4.0	4.7	
Changes to government boundary	-0.7	1.4	-0.2	0.6	9.4	1.9	0.9	11.2	-0.1	2.5	1.1	SoEs & PPPs
Cash-accrual adjustments	0.7	0.0	-1.3	1.3	1.7	0.3	0.0	2.6	-0.2	4.5	0.2	Arrears
Exogenous shocks	8.4	12.8	14.2	15.4	8.1	17.0	6.3	40.0	60.2	39.5	9.8	Macroeconomic Risks
Macroeconomic shocks	8.3	4.7	5.2	13.0	4.4	8.9	3.8	38.4	35.7	-3.3	6.0	
Financial sector interventions	0.0	8.1	9.0	2.5	3.6	8.1	2.5	1.6	24.5	42.8	3.8	Contingent Liabilities
Policy changes	2.3	3.8	1.9	4.9	4.7	1.1	6.4	-8.0	-9.9	-4.3	4.7	Stimulus / Consolidation
Other factors	2.1	-0.3	6.5	1.9	3.7	6.2	8.3	-6.7	7.5	21.6	5.9	
Total Unforecast Increase in Debt	14.4	19.5	20.2	24.0	27.8	28.0	29.1	41.7	59.1	67.7	26.4	

* GDP-weighted average

II. Lessons of the Crisis for Existing Standards:

b. Timeliness of fiscal reporting

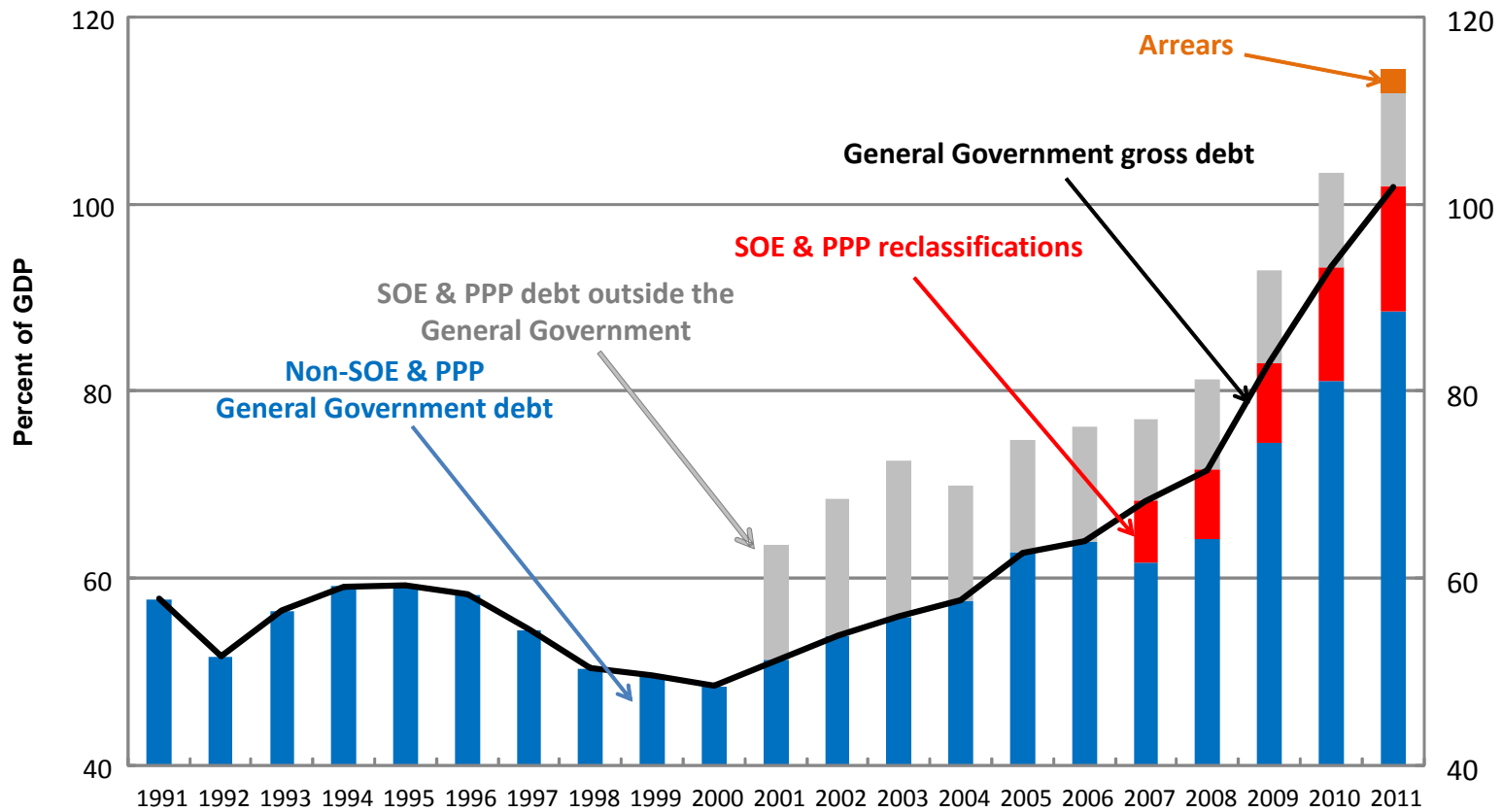
Greece: Revisions to General Government Deficit
(2005-10)



II. Lessons of the Crisis for Existing Standards:

c. Institutional coverage of fiscal reports

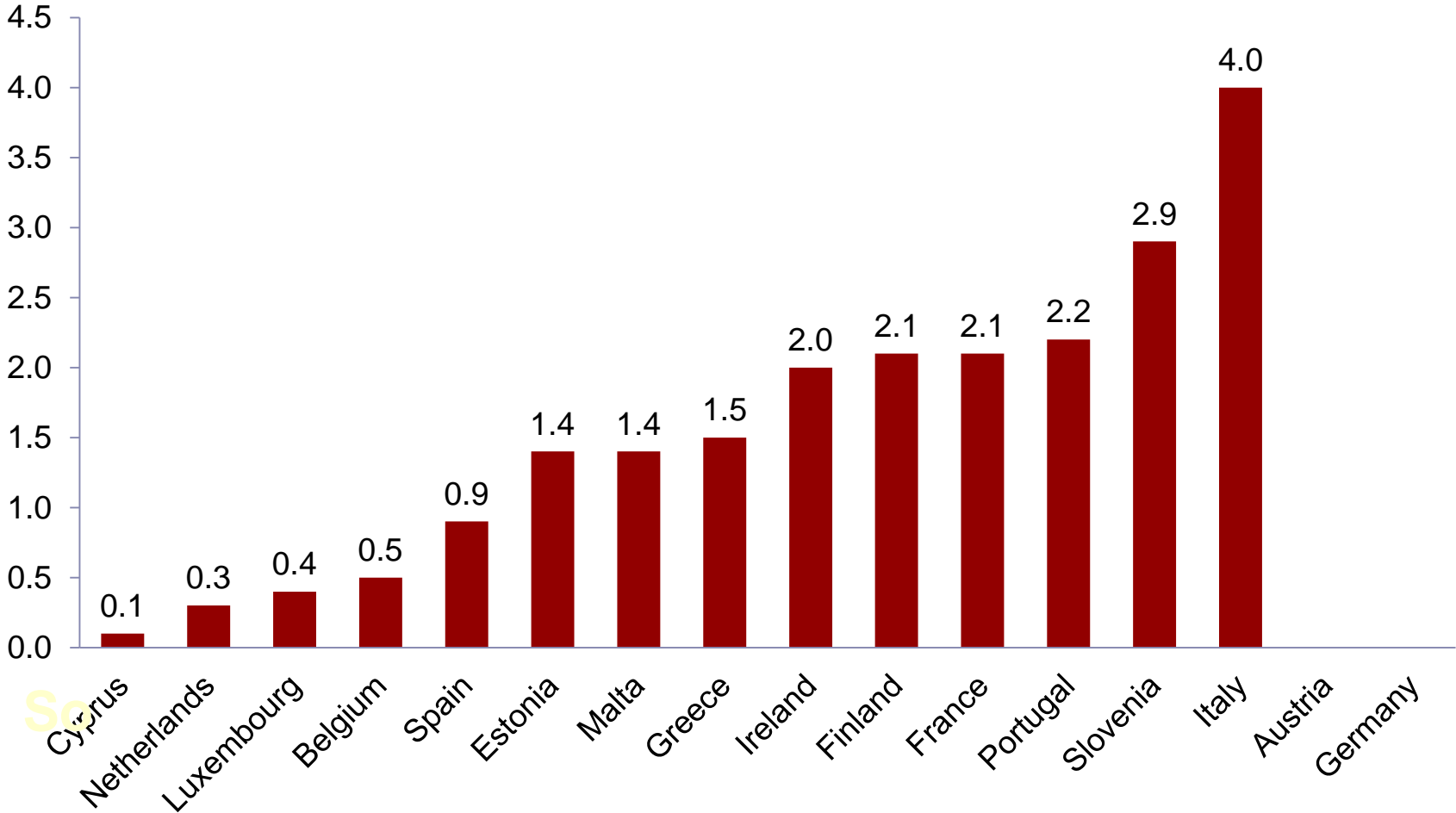
Portugal: General Government Debt (percent of GDP)



II. Lessons of the Crisis for Existing Standards:

d. Reporting of flows

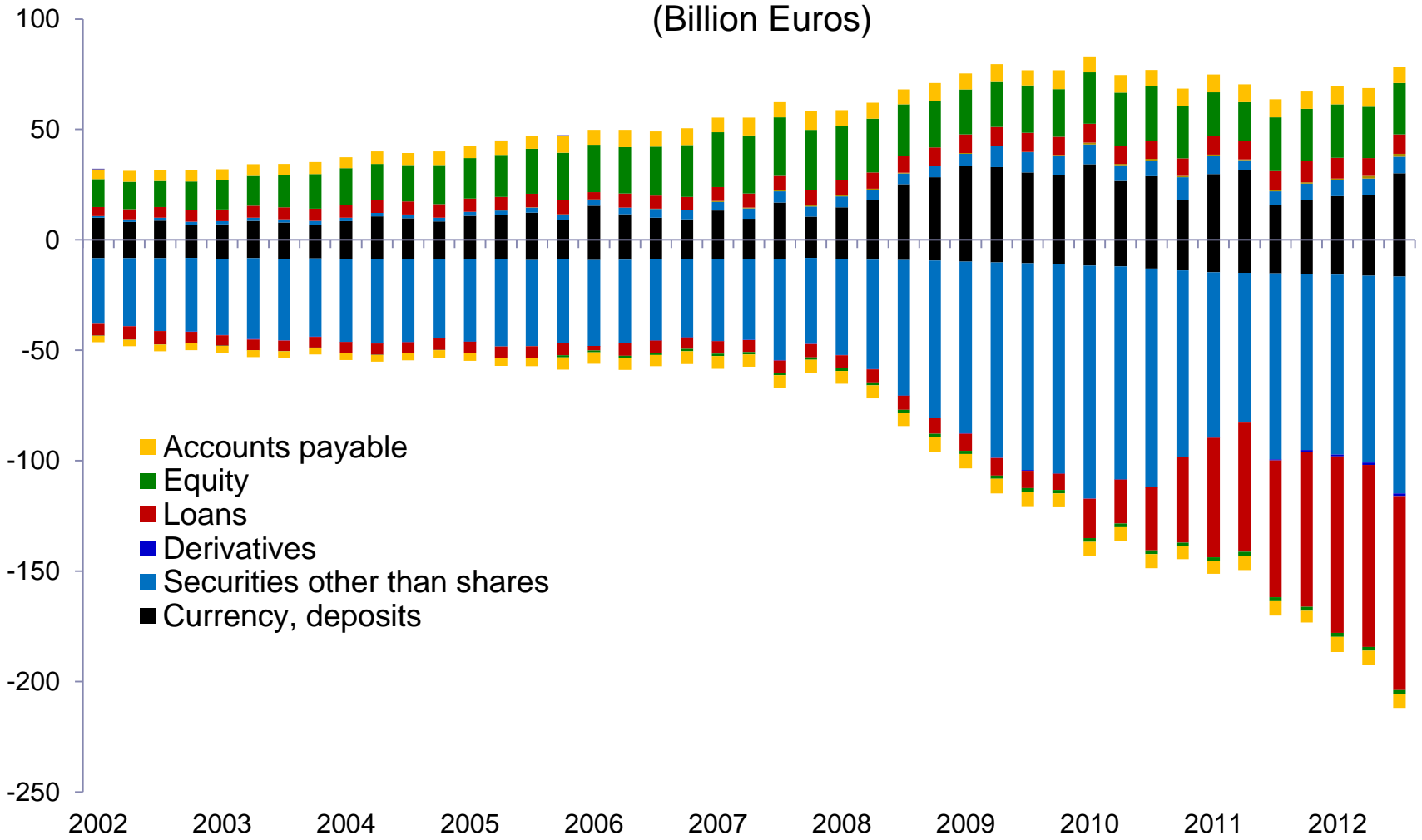
Reported Trade Credits and Advances Payable in Euro Area, 2012
Percent of GDP



II. Lessons from the Crisis for Existing Standards:

e. Assets and liabilities

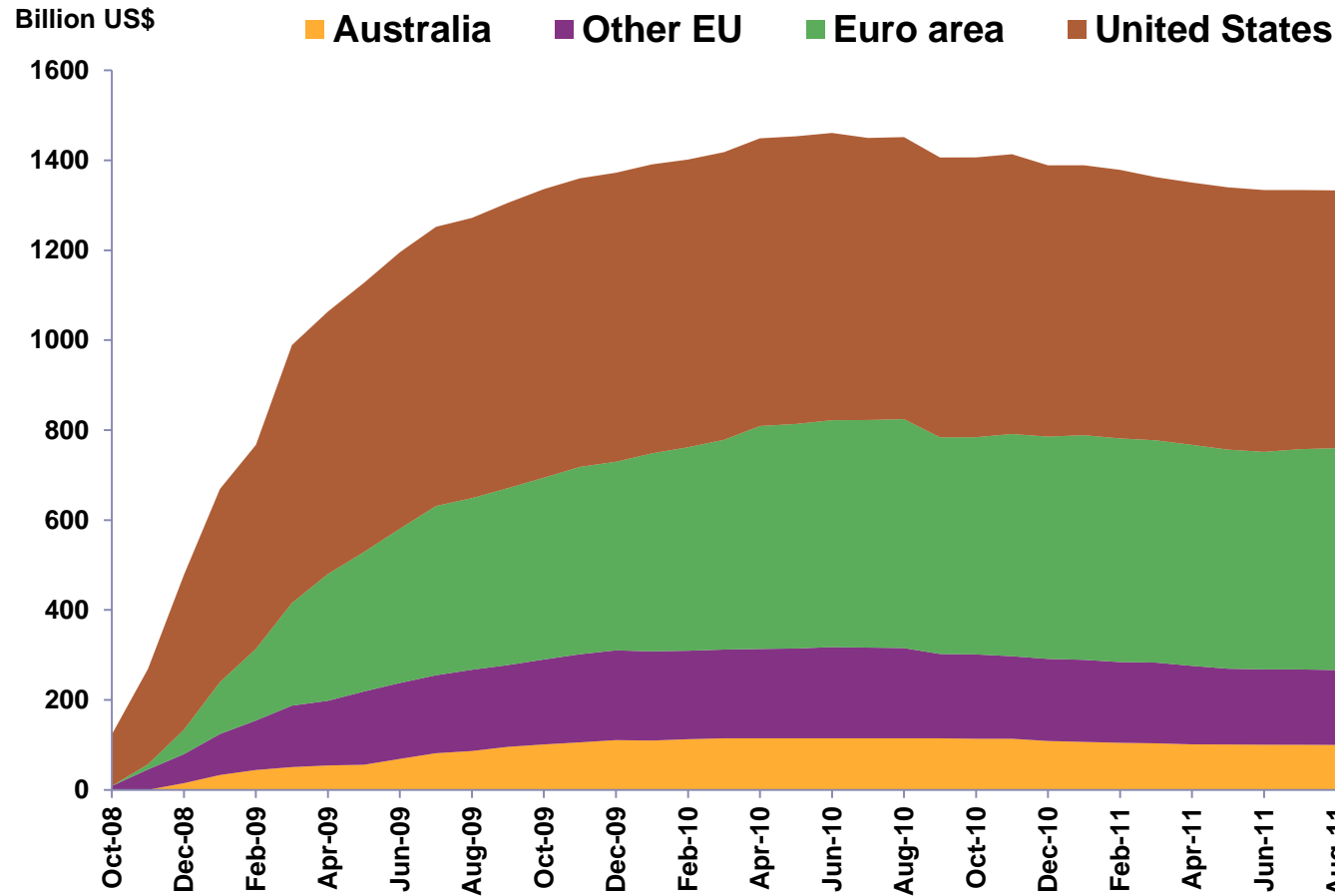
Ireland: General Government Financial Assets and Liabilities
(Billion Euros)



II. Lessons from the Crisis:

f. Reporting of contingent liabilities

Outstanding Government Guaranteed Bonds (US\$ Billions)





III. Implications for EPSAS Development:

a. General reflections

- 1. New standards are always ahead of prevailing practice**
 - Standards are a tool for improving practices
 - Standards need to stay ahead of financial wizards

- 2. EPSAS should allow for production of ESA/SGP data for central fiscal surveillance by the EU**

- 3. EPSAS should also provide a comprehensive & integrated system for public sector accounting within Member States which goes beyond ESA/SGP reporting requirements and:**
 - Consolidates all publicly-controlled entities
 - Recognizes all assets and liabilities
 - Records all flows and reconciles them with changes in stocks
 - Captures all creation, transfer, or destruction of economic value

- 4. Specific EPSAS standards will need to evolve with (good and bad) practice**

III. Implications for EPSAS Development:

a. Implications for specific standards

