



Advancing Free Trade
for Asia-Pacific Prosperity

As part of APEC's New Strategy for Structural Reform (ANSSR) initiative, the 2013 APEC Economic Report focuses on APEC's work to enhance fiscal transparency and public accountability.

Why is fiscal transparency important?

Fiscal transparency is a state of governance that entails the full disclosure of budgetary and fiscal activities. By helping citizens stay informed, fiscal transparency reduces the possibility of asymmetrical information between the government and the public. It aligns government activities with citizen needs and is a prerequisite for public accountability.

Fiscal transparency is not a new concept. In the aftermath of the global financial crises in the 1990s, and more recently in 2008, fiscal transparency has received increasing attention. These economic crises have been a driving force for APEC member economies to actively promote fiscal transparency.



Factors Contributing to the Global Movement in Fiscal Transparency

Global Financial Crises since the 1990s: a low degree of fiscal transparency is believed to be one of the major causes of financial turmoil. Lacking solid and real-time banking data, regulators are unable to monitor the banking system and the risk of bank failures increases.

The need for a sound fiscal management system: fiscal transparency generates positive effects on fiscal performance by improving budgetary resource allocation efficiency and equity. In contrast, a lack of transparency is detrimental to sound financial management and creates a haven for corruption in tax administration and public procurement.

International Initiatives: fiscal transparency principles established by international organizations such as the IMF serve as standards or benchmarks for economies to review and examine their own degree of fiscal transparency.

Scope of Fiscal Transparency

There are four principles established by the IMF to ensure fiscal transparency:

- **Clarity of roles and responsibilities** – a clear demarcation of roles within various branches and levels of government is essential for transparency.
- **Open budget process** – establishing clear procedures for budget preparation, execution, monitoring and reporting are also critical. The principles of open budget processes are credibility, flexibility and political legitimacy.
- **Public availability of fiscal information** – a fundamental requirement is the availability of comprehensive budget information in an accessible and timely manner.
- **Assurance of integrity** – internal oversight mechanisms are necessary for public sector financial activities including the conduct of public officials, procurement and national revenue administration. External oversight mechanisms also provide assurances through an independent national audit body, a national statistical body and engagement with independent experts.



Assessing fiscal transparency in APEC Economies

19 Individual Economy Reports were submitted by member economies in 2013. They provide valuable information on economies' fiscal institutions and their key initiatives and challenges in promoting fiscal transparency

Highlights of APEC's work on fiscal transparency

1995	1999	2002	2004	2007	2011	2013
Osaka Action Agenda endorses transparency as a crucial indicator of realizing the Bogor Goals	The Government Procurement Experts Group launched the "Non-Binding Principles on Government Procurement (NBPs)"	Transparency Principles announced in the APEC Leaders Statement	Leaders' statement to implement APEC transparency standards. Shift from trade policy-related transparency to focus on public sector disclosure	Report on assessment of APEC Economies' implementation of APEC transparency standards	Anti-Corruption and Transparency Working Group aimed to uphold public integrity by developing principles relating to financial asset disclosure	19 economies submitted Individual Economic Reports providing information on their fiscal institutions and key initiatives and challenges in promoting fiscal transparency

Achievements of APEC Economies

Over the past two decades, APEC economies have made substantial improvements to the presentation and accessibility of fiscal information to the public. Although various economies may approach fiscal transparency differently due to variations in resources and technology, common achievements are met by most APEC economies.

Open Budget Process: Institutional design for government budgeting is well established in APEC economies. In general, an effective legal framework is in place to guide each economy's budget process. Independent auditing is implemented to ensure quality of reported data and to monitor government fiscal activities. Overall, the current budget process is open and transparent in most APEC economies.

Public Availability of Fiscal Information: Major budget and fiscal documents are available to the public in most economies. A substantial development toward transparency and accountability is the use of information and communications technology. Many economies' budget websites allow for free browsing and downloading. Moreover, certain economies have created interactive websites or mobile applications for feedback.



Future Challenges

However, APEC economies face several challenges when striving to promote fiscal transparency and accountability.

Bridging the gap between standards and achievements

APEC member economies are at the forefront of fiscal transparency practices. However, a gap exists in most APEC economies between international standards and real achievements. In particular, some member economies may not possess the required human resources or skills to maintain a fiscally transparent environment, and accordingly adopting best practices can be viewed as a continuous journey rather than a destination.

Enhancing public engagement

Responding APEC economies also highlighted the challenge of improving readability and comprehension of released fiscal information and enhancing public engagement in the budget processes. Although there are debates over the exact form of citizen participation, citizen input and feedback are crucial to the linking of transparency and accountability.



APEC Economic Committee

The Economic Committee has a mandate to progress structural reform within APEC by undertaking policy analysis and action-oriented work, in coordination with other relevant APEC groups. The Economic Committee advances this mandate in accordance with the APEC New Strategy for Structural Reform that aims to promote balanced and sustainable growth by fostering transparency, competition and better functioning markets in the Asia-Pacific – as well as the Ease of Doing Business plan and other structural reform initiatives.