

budget



Fiscal Transparency in
State-Owned Enterprises
in Nigeria:

A Case Study of the NNPC and NLNG



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Abbreviations

CAC	Corporate Affairs Commission
FOI	Freedom of Information
FRC	Fiscal Responsibility Commission
IMF	The International Monetary Fund
NLNG	Nigerian Liquefied Natural Gas Group of Companies
NNPC	Nigerian National Petroleum Corporation
MDA	Ministries, Departments and Agencies





“ Generally, publishing government information is key, as it has the potential of being democratised to the extent that ordinary citizens can “acquire” it

Background

The drive to improve fiscal transparency (and by implication-accountability) globally in government administration and financial management, has been a concern for *millenia*.¹ By ‘fiscal’ we refer to *the manner in which the “money” or “finances” of an entity is received, spent and managed.*

Fiscal issues speak to the treasury of a tier or arm of government. Further, the components of this money or finance can be broken into spending and revenue. It is commonly accepted that the requirements for good governance are underscored by the need for governments to be prudent in their fiscal affairs.² From this understanding, we can infer that fiscal transparency can improve a range of governance and liberal democracy components (such as legitimacy and predictability of the system), as well as the economic context (revenue savings, efficiency and market signals within the economy, for example).

Generally, publishing government information is key, as it has the potential of being democratised to the extent that ordinary citizens can “acquire” it. The importance of broad access is highlighted in instances where information is sought—following Freedom of Information (FOI) requests, for example—and denied (or in many cases, ignored). The unrestricted retrieval of fiscal information means the latter is not the exclusive preserve of a few people and (if placed online), provides even greater accessibility. In discussing the importance of fiscal transparency, relating to government information and fiscal reporting, the International Monetary Fund (IMF) is of the view that it should have the following characteristics:³

1. Premchand notes that Aristotle was the first recorded figure to have propounded the concept of public money. See Premchand, A. (2001). Fiscal Transparency and Accountability: Idea and Reality, at p. 5. Being a Paper prepared for the workshop on Financial Management and Accountability, Rome, Nov. 28-30, 2001. Available at: [blob:https://documentcloud.adobe.com/ea71dd2a-6431-4039-bd9b-8cfd3babc1f6](https://documentcloud.adobe.com/ea71dd2a-6431-4039-bd9b-8cfd3babc1f6).

2. This is for obvious reasons, as fiscal transparency and accountability are: important elements for the quality of institutions leading to macroeconomic and financial stability; are a determinant for higher rates of economic growth; are extremely important for democracy; are critical for the participation of different social groups in decision-making/budgetary process; reduce corruption by providing better management and environment for economic growth, efficiency and development; and able to increase the efficiency in allocation of resources through reduction of principal-agent problems, discouraging rent-seeking and improving the functioning of markets. See Trenovski, B. (2017). Fiscal transparency, Accountability and Institutional Performances as a Foundation of Inclusive and Sustainable Growth in Macedonia, at p. 1. Corpus ID: 204941376.

3. See the International Monetary Fund-Fiscal Affairs Department. (2018). Fiscal Transparency Handbook, at p. 1. International Monetary Fund.

01 Clarity

The ease with which reports can be understood by users.

02 Reliability

The extent to which reports are an accurate representation of government fiscal operations and finances.

03 Frequency

The regularity with which reports are published.



04 Timeliness

The time lag involved in dissemination of these reports.

05 Relevance

The extent to which reports provide users (legislatures, citizens, and markets) with the information they need to make effective decisions.

06 Openness

The ease with which the public can find information, influence and hold governments accountable for their fiscal policy decisions.

The above characteristics bring to light the principle that information is useful as a means to achieve the objective of improving public financial management: for the benefit of the quality of governance and even for the operation of the economy. Because of this, government officials and citizens alike, must bear in mind that transparency and accountability are not material ends but means to ends that are constantly evolving. One way through which these means are neared is through providing the tools for citizens to hold governments accountable. However, accountability may be better approached where political institutions and social norms provide an expectation (also, where possible-investigate, prosecute and

penalise) from duty-bearers to take responsibility for infractions, omissions and wrongs they may have committed. At the same time, social norms provide an expectation by those to whom duty is owed, to demand accountability. It should be emphasised that the aim of advocating for accountability is not simply to punish wrongdoing but to ensure that the political system (the government and its agents and the notions of what governance entails) will not tolerate infractions of duty and that the system takes integrity, fairness and the rule of law seriously.

Box 1.⁴

What are Social Norms?

“Social norms are the unplanned outcome of social interaction between individuals and groups. Similar to the rules of how a language is spoken and written: a system of norms determines what is acceptable and what is unacceptable in a society. It is argued that Social norms are not the product of deliberate human design but rather they emerge, in some way, spontaneously but are nonetheless seen as guidelines for behaviour and expectation and are for these reasons still obeyed”.

Source: Stanford Encyclopaedia of Philosophy

4. See 'Social Norms'. Stanford Encyclopaedia of Philosophy. Mon Sep 24, 2018. Available at: <https://plato.stanford.edu/entries/social-norms/>.



More broadly, optimal fiscal management is fundamental because it helps: “Ensure that the economic decisions of governments are informed by a shared and accurate assessment of current fiscal positions, the costs and benefits of any policy changes, and the potential risks to the fiscal outlook”.⁵ This is because SOEs often enjoy government support, in the way of subsidies, access to capital or even information that is unavailable to their competitors in the private sector. This has its downsides, as well, because without adequate competition, SOEs have very little incentive to be efficient and to grow.

Consequently, this means SOEs require more scrutiny, to ensure the government and citizens are getting value for money. It should be noted that fiscal transparency: “Provides legislatures, markets, and citizens with information they need to make efficient financial decisions and hold governments accountable for their fiscal performance,

management and use of public resources”.⁶ The fact that SOEs operate in various sectors of the economy means their decisions affect the decisions of many others. It is therefore necessary that their activities are carried out as transparently as possible to enable participants in the market and the economy more broadly, predict what the SOEs are doing and will do. This has the benefit of bringing stability to the economy. On the global level, Fiscal transparency: “Facilitates international surveillance of fiscal developments and helps mitigate the transmission of fiscal spillovers between countries. ***Greater transparency can also help underpin the credibility of a government’s management of public finances and improve market confidence***”.⁷ This shows that fiscal transparency has more than national implications-it also has international ones and they all aid the improvement of the global economy.

5. See the International Monetary Fund-Fiscal Affairs Department. Fiscal Transparency Handbook, op.cit.

6. Ibid.

7. See the International Monetary Fund-Fiscal Affairs Department. Fiscal Transparency Handbook, op.cit., at p. 1.

Section 1

Fiscal Transparency for State-Owned Enterprises in Nigeria: Building from the Ground Up

SOEs in Nigeria are involved in a variety of sectors and their level of influence on revenue and public services is undeniable. For Nigeria, which is experiencing falling revenue and growing debt; the importance of government enterprises that ought to fetch income for the country is critical. The figure below shows the difference between the federal government's Actual and Projected revenue, over a 6 year period. Due to these regularly missed revenue projections, the fiscal deficit of **N6.39 trillion naira**⁸ and a debt service-to-revenue ratio of **86.98%**⁹; the importance of the financial management of SOEs is imperative to the improvement of the financial position of the country. Every kobo must be accounted for, especially for the citizens of the country whose livelihoods are influenced by government spending; either positively or negatively. This means the processes of fiscal planning and management of their resources, i.e., their budgets, are crucial for transparency and accountability. The publishing of budgetary information is a core element in the conversation around transparency and

accountability and has the power to unveil how finances are to be spent, how much is available to spend and what this portends for the financial strength or weakness of the SOE. This provides stakeholders with clarity on what to possibly expect from the SOE, in the fiscal period to come.

So, what should a budget contain? Ordinarily, a transparent budget should be a document that outlines revenue (income, from various sources, which in some cases could be recurrent) and expenditure (outflows of money, that recur, that are meant for overhead items or that are meant for capital projects). Yet, these elements must bear certain characteristics that make them meet minimum requirements and standards. The federal government has made efforts in this regard to improve the transparency profile of Ministries, Departments and Agencies (MDAs) through its 2019 Financial Transparency Policy and Implementation Guidelines. The financial information is to be published on the government's Open Treasury Portal (www.opentreasury.gov.ng). The latter,

8. See BudgIT Foundation. (2022). 2022 Federal Government Budget Analysis Consultation Memo: Leveraging Budget Reforms for Economic Development, at p. 8.

9. See "Chart of the Day: Nigeria's Debt Servicing Cost Reduced to N86.98 for every N100 made in Half Year 2021, by Ode Ududu, on January 20 2022, in Dataphyte (Online). Available at: <https://www.dataphyte.com/chart-of-the-day/chartoftheday-nigerias-debt-servicing-cost-reduced-to-n86-98-for-every-n100-made-in-half-year-2021/>.



Source: BudgIT Research

Units in trillion naira

among other things, is directed to: “Cementing government commitment to improving governance and supplement the recently launched Whistleblower Policy and equip the general population with the tools they need to report financial wrongdoing”.¹⁰ Some of the required publications are: “Daily Treasury Statement; Daily Payments Report; Monthly Budget Performance Reports within 7 days of the end of the month; Monthly Fiscal Accounts within 14 days of the end of

the month” and others.¹¹ While the website is accessible and contains all the fields described above, the actual links to the various statements and reports are often unavailable, are not sequential or lead to dead (and at times, broken) pages. This means that 3 out of the 6 principles mentioned above, for fiscal transparency are not being met.



10. See the Office of the Accountant General of the Federation. Financial Transparency Policy and Implementation Guidelines. December, 2019, at p. 4. The Federal Republic of Nigeria.

11. The others include: Quarterly Financial Statements by MDA; Quarterly Consolidated Financial Statements; and Annual General Purpose Financial Statements. See the Office of the Accountant General of the Federation. Financial Transparency Policy and Implementation Guidelines, op.cit., at p. 4.

Section 2

Gaps within the SOE Fiscal Transparency Landscape

The primary document in which the budgets of SOEs in Nigeria ought to be published, is the federal budget. Generally, this yearly document provides a line-by-line portrayal of how much the government projects to raise and what the government intends to spend. Yet, a glance at the national budget shows that there is missing information on the budgets of several SOEs and no explanation is provided as to why their budgets are omitted. Directing attention to the SOEs within BudgIT's scope of analysis (within Table 1 hereunder), only a handful are represented within the budget (Overheads, Recurrent and Capital lines). The table below shows which of the SOEs are featured in the annual budgets.

The challenge therefore, is how to bring all SOEs into having their budgets published and accessible to the public. It should be noted that this is not the first time the Executive arm has attempted eliciting uniformity in MDA and GOE budgeting. Recall the **Executive Order No. 002 of 2017**,¹² issued by the then Acting President, Yemi Osinbajo (SAN). The Order provided that all MDAs and GOEs submit their budget estimates to the relevant ministry and that the

heads of the GOEs would be personally responsible for this. It remains to be seen if this Order carried the teeth to bite. This obvious gap in uniformity and (by extension) transparency may have been one of the reason why the Budget Office of the Federation in 2021, issued a circular, to all MDAs for the 2022 budget cycle.

Among other things, the Budget Office stated that: "The 2022 GOEs Budget will be prepared using the Budget Implementation Monitoring and Management System platform, which is compatible with the zero based budgeting approach.

Thus, all GOEs are required to prepare and submit their budgets online using the BIMMS platform. Relevant personnel of all GOEs will be trained on the use of (BIMMS) for the preparation and submission of their 2022 budget proposals" (emphasis mine).¹³

12. See the Nigerian Investment Promotion Commission (Website), Government Policy Documents. Available at: <https://www.nipc.gov.ng/ViewerJS/?#.wp-content/uploads/2019/03/EXECUTIVE-ORDER-2.pdf>.

13. See Budget Office of the Federation: Federal Ministry of Finance, Budget and National Planning. 19th August, 2021. FGN 2022 Budget Call Circular, at p. 19. Federal Republic of Nigeria. Available at: <https://www.budgetoffice.gov.ng/index.php/resources/internal-resources/call-circular?task=document.viewdoc&id=94>.

Table 1 : Number of select SOE Budgets featured in the Appropriation Act

State-Owned Enterprise	2020	2021	2022
Ajaokuta Steel Company Limited	✓	✓	✓
Bank of Agriculture (BOA)	✗	✗	✗
Defence Industries Corporation of Nigeria (DICON)	✓	✓	✓
Federal Superphosphate Fertiliser Company Limited	✗	✗	✗
Galaxy Backbone Plc.	✗	✗	✗
Nigeria Bulk Electricity Trading Plc. (NBET)	✓	✗	✓
Nigeria Commodity Exchange	✓	✓	✓
Nigerian Deposit Insurance Corporation	✗	✗	✗
Nigeria Electricity Liability Management Limited	✓	✓	✓
Nigerian Liquified Natural Gas Corporation (NLNG)	✗	✗	✗
Nigerian National Petroleum Corporation (NNPC)	✗	✗	✗
Nigerian Mining Corporation	✗	✗	✗
Nigerian Railway Corporation	✓	✓	✓
Save Sugar Company (SCC) Benin Republic	✗	✗	✗
Tafawa Balewa Square (TBS) Management Board	✓	✓	✓
Transmission Company of Nigeria	✓	✓	✓
Zungeru Hydropower	∅	∅	∅

Source: Nigerian Federal Appropriation Acts of 2020, 2021 and 2022

Yes ✓

No ✗

Nil ∅

What stands out here, is that there is an expectation that SOEs will comply and that there will be strengthening of capacity to comply (in the form of training on improved and recommended budgeting techniques) by the Budget Office. This is, however, yet to be seen as even where the projections and formulation of the budgets are submitted, that entire process is not made public.

By way of elaboration, the only SOE that publishes comprehensive financial information on its Group Audited Statements in a distinct format, is the NNPC. As at the time this report went to print, the only NNPC report available on its website is its Financial and Operational Report, August 2021. Again, one could point to the NNPC's '2020 Audited Financial Statements'. The latter provides information on the status of the Chief Operating Officers, Group Non-Executive Directors, Group Directors, Report of the Directors, Statement of Director's Responsibilities, Report of Independent Joint Auditors,

Consolidated and Separate Statements of Profit and Loss/Other Comprehensive Income/Financial Position/Cash Flows and Notes to the Consolidated and Separate Financial Statements. Under "Other National Disclosures", the NNPC published its: Statement of Value Added (Group and Corporation) and Five-year Financial Summary (Group and Corporation).

Some SOEs have their budgets appear as part of their parent ministries in the national budget but these do not appear with regularity. For example, in the 2022 budget, only 8 out of the 17 SOEs under our consideration have information in the national budget. This would make one curious as to the whereabouts of the other budgets and even how their budgeting is carried out. The absence of this points to a lack of transparency in the management of these SOEs and this ought to be worrying for Nigerians.

Section 3

The Nigerian National Liquefied Gas Company (NLNG) and the Nigerian National Petroleum Corporation (NNPC): One-eyed Kings in the land of the Blind

As alluded to above, two of Nigeria's SOEs-the NLNG and the NNPC-may be regarded in some contexts as Nigeria's foremost, as they are involved in the nation's critical extractives sector (crude oil/petroleum and natural gas are the main revenue earners for the country). But also because of the strides made in the extent of information they publish.

Despite the Nigerian Electricity Liability Management Company; Galaxy Backbone Plc.; Transmission Company of Nigeria; Defence Industries Corporation of Nigeria; and the Nigerian Deposit Insurance Corporation all having websites: none publish information on their financial statements on their company websites (this could be Audited statements, Cash Flow statements, Profit and Loss statements, etc.).

This places the NNPC and NLNG on a different footing, in comparison to the other

State-Owned companies. Perhaps critically, the SOEs/GOEs are meant to remit 80% of their operating surplus to the federal government (and this revenue is meant to go to the Federation account, for onward sharing amongst the various tiers of government), meaning that the federal government should be earning more revenue than it is earning.

Looking at the type of documentation published by the NNPC, for example, it can be seen that there are monthly reports on finances and operations that stretch back to 2015, with the latest report released for August of 2021. Some features of the NNPC report are data on: National Crude Oil & Natural Gas Production, Lifting and Utilisation; Refinery Operations; Petroleum Product Supply & Distribution; Report on Budget Performance; Federation Crude Oil & Gas Revenue; and Key Determinants for Change. At first glance, these reports appear comprehensive, as they even include

Financial Performance data.¹⁴

The NLNG, has also published detailed data on its revenue, capital investments and taxes (Companies Income, Education, Pay-As-You-Earn and Value Added taxes), from 1999 to 2019. In fact, from 2018, the NNPC began publishing

its Audited Financial Statements on its website-though the reports are not in machine readable formats. The table below shows the financial position of the NNPC as a company and for the group at the end of the 2019 and 2020 financial year.

Table 2: NNPC & the NNPC Group Financial Positions in 2019 & 2020

S/N	Item	The Group (in billions of N)		The Corporation (in billions of N)	
		31/12/2019	31/12/2020	31/12/2019	31/12/2020
1	Revenue	4.634	3.718	2.58	2.131
2	Cost of Sales	3.92	3.654	2.617	2.212
3	Gross Profit	0.714	0.064	0.063	0.081
4	Operating Profit	-0.301	0.063	-0.355	0.03
5	Profit (before income tax)	-0.093	0.719	-0.107	0.235
6	Profit (attributable)	-0.001	0.287	-0.107	0.235
7	Other Comprehensive Income (net of tax)	-0.018	0.368	0.124	-0.156
8	Total Comprehensive Income (for the year)	-0.02	0.655	0.016	0.079
9	Total Non-current Assets	8.029	9.577	1.256	1.084
10	Total current Assets	5.27	6.258	4.479	5.265
11	Total Assets	13.299	15.853	5.735	6.314
12	Total Shareholders' Equity	0.432	1.151	-0.004	0.138
13	Total Non-current Liabilities	3.152	3.865	0.117	0.181
14	Total current Liabilities	9.714	10.818	5.623	5.994
15	Total Liabilities	12.867	14.684	5.74	6.176

Source: NNPC Group Financial Audited Statements¹⁵

14. The Extractive Industries Transparency Initiative (EITI) chapter in Nigeria has also engendered norms of transparency in SOEs within Nigeria's oil sector. Most notably, the platform has engineered the publishing of Beneficial Ownership information, among other things.

15. See generally, the Nigerian National Petroleum Corporation (website). Performance Data. NNPC Report of the Directors: Audited Financial Statements. Available at: <https://www.nnpcgroup.com/NNPCDocuments/2020%20Audited%20Financial%20Statements/NNPC%20Group%20Audited%20Financial%20Statements%202020.pdf>.

However, if we were to assess the data of the NNPC and the NLNG based on global best practices, we would see that they fall short in many respects, especially as it concerns their budgets. Taking a cue from the IMF Fiscal Transparency Code and

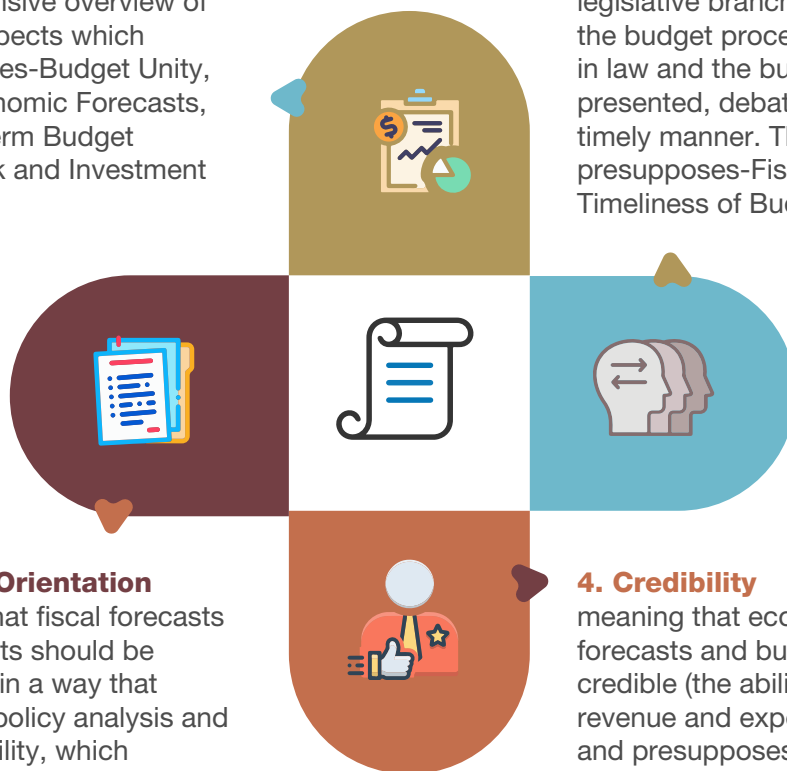
Principles, it can be observed that neither the NNPC, the NLNG nor any of the SOEs under review, publish and make public their budgetary information according to the following core principles:¹⁶

1. Comprehensiveness

meaning that fiscal forecasts and budgets should provide a comprehensive overview of fiscal prospects which presupposes-Budget Unity, Macroeconomic Forecasts, Medium-term Budget Framework and Investment Projects.

2. Orderliness

meaning that the powers and responsibilities of the executive and legislative branches of government in the budget process should be defined in law and the budget should be presented, debated, and approved in a timely manner. This, presupposes-Fiscal Legislation and Timeliness of Budget Documents.




3. Policy Orientation

meaning that fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability, which presupposes-Fiscal Policy Objectives, Performance Information, Public Participation.

4. Credibility

meaning that economic and fiscal forecasts and budgets should be credible (the ability to meet revenue and expenditure targets) and presupposes-Independent Evaluation, Supplementary Budget (where applicable) and Forecast Reconciliation.

16. See generally, the International Monetary Fund. (2019). The Fiscal Transparency Code A. Fiscal Transparency Principles. Available at: <https://www.imf.org/external/np/fad/trans/Code2019.pdf>.



What is obtainable is that SOEs (with the exception of NNPC and NLNG) publish their budgets as part of the Federal Appropriation Act but their budgets appear to be mere approximations, as there is no publicly available information on how they arrived at their figures and the principles that guide the process. This is despite the Budget Office having stated principles and procedures to be adopted in budget preparation. What appears to be missing is the requirement that SOEs make their budget information publicly available, say, through the Budget Office. This would not only ensure an increased quality of

governance (the prime companies of the government showing citizens how their budgets have performed and how their projections are made), it would bring more scrutiny to the public participation process, the latter which also improves the quality of governance. This is crucial because, among other things, the government intends to spend almost N1.5 trillion naira on GOEs for the 2022 fiscal year.¹⁷

17. See the Budget Office of the Federation. 2022-2024 Medium Term Expenditure Framework and Fiscal Strategy Paper, at p. 23. Federal Republic of Nigeria. Available at: <https://www.budgetoffice.gov.ng/index.php/2022-2024-mtef-fsp?task=document.viewdoc&id=924>.

Recommendations

1

Amendment of s.85(3) of the Constitution on the powers of the Auditor General: Though this would require a large amount of political will, the powers of the Auditor General to audit the accounts and books of statutory corporations is limited. It is proposed that the section be amended to permit a full audit of the accounts of statutory corporations in addition to the audits by external auditors. This can even permit the “sharing of notes” of both sets of audit to provide richer insights and perspectives. The Constitution of the Federal Republic of Nigeria (2011, as amended) expressly limits the powers of the Auditor General to the carrying out of “Checks” of government corporations. According to the Institute of Chartered Accountants of England and Wales,¹⁸ a ‘Check’ can be described as an assessment on day to day transactions which operate continuously as part of the routine system, where the work of one person is proved independently or in complementary to the work of another, the object is the prevention or early detection of errors or fraud.

2

Enforce the provisions of the Fiscal Responsibility Act, 2007 relating to the publishing of fiscal data by GOEs. Section 2(1)(a) of the Fiscal Responsibility Act, empowers the Fiscal Responsibility Commission to: “Compel any person or government institution to disclose information relating to public revenues and expenditure”. With this far-reaching capacity to compel, the Commission can demand that SOEs make their information publicly available. This would go a long way in making budgetary decisions transparent and accessible. The FRC, unfortunately (and as observation has shown), has been unable to enforce or insist on compliance by the SOEs and as such may need to provide incentives to the SOEs (in the form of incentives or disincentives) to bring about improved compliance. However, the most appropriate line of action would be for the President to visibly stand behind the demands of the FRC brought to the SOEs. As the FRC is an agency under the Presidency, his support would send a clear message to recalcitrant SOEs and perhaps even commence the mainstreaming of compliance by SOEs.

3

A more hands-on engagement by the Budget Office of the Federation and the Office of the Accountant General towards SOEs and the duty of these government enterprises to furnish the two Offices with their budget data. These key government offices must serve as “verification entities”, among other things, in relation to the budgets of the SOEs. Taking up this responsibility will mean that the budgets will be published on the website of the budget office and the information will serve to influence the drawing up of fiscal frameworks. However, as the Budget Office and the Office of the Accountant General do not have the power to compel SOEs to submit their fiscal information, they could consider the use of incentives-of any legal sort-to encourage the SOEs to provide the information.

18. See iEduNote. Internal Check: Definition, Objectives, Principles, Characteristics. Available at: <https://www.iedunote.com/internal-check>.

4

D. The National Assembly must open up the budgeting process of SOEs that are not covered by (or in) the national Appropriation Act. The doctrine of separation of powers presupposes that the arms of government serve as a ‘check’ to the other. Unfortunately, this appears not to be the case for certain SOEs (who are, in their own right, curious and hybrid entities), as they enjoy a level of intimacy with the committees of the National Assembly, that has no public presence. Ironically, the very arm of government that ought to insist on ‘budget openness’ due to their historical position of standing against concentrations of monarchical power,¹⁹ is the very arm in Nigeria creating more opacity. The implication of some budgets not being made public while not illegal certainly points to a gross lack of transparency. This is to mean that the budgets of these SOEs are certainly presented and defended before the National Assembly and approved but as they are not made public, it means that-effectively-only the National Assembly and the SOEs themselves are aware of the full breakdowns of these budgets. The very group of persons that ought to know, i.e. Nigerian citizens are completely kept in the dark.

19. Reference here is to the Parliament, that in British history, emerged to counteract the concentration of power in the King and ensure there was appropriate oversight on the way money was spent.

Appendix

Below is a reproduction of the International Monetary Fund's Code of Good Practices, on Fiscal Transparency that are relevant to the operation and governance of SOEs in Nigeria. These principles should be seen as a guide to how budgets and fiscal information should be treated and can inform the drafting of policy and legislation regarding fiscal and financial information. It should be noted that the principles below are 2 out of a total number of 4 suggested by the IMF:

II. Open Budget Processes

2.1 Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives.

- A budget calendar should be specified and adhered to. Adequate time should be allowed for the draft budget to be considered by the legislature.
- The annual budget should be realistic and should be prepared and presented within a comprehensive medium-term macroeconomic and fiscal policy framework. Fiscal targets and any fiscal rules should be clearly stated and explained.
- A description of major expenditure and revenue measures and their contribution to policy objectives, should be provided. Estimates should also be provided of their current and future budgetary impact and their broader economic implications.
- The budget documentation should include an assessment of fiscal sustainability. The main assumptions about economic developments and policies should be realistic and clearly specified, and sensitivity analysis should be presented.
- There should be clear mechanisms for the coordination and management of budgetary and extrabudgetary activities within the overall fiscal policy framework.

2.2 There should be clear procedures for budget execution, monitoring, and reporting.

- The accounting system should provide a reliable basis for tracking revenues, commitments, payments, arrears, liabilities, and assets.
- A timely midyear report on budget developments should be presented to the legislature. More frequent updates, which should be at least quarterly, should be published.
- Supplementary revenue and expenditure proposals during the fiscal year should be presented to the legislature in a manner consistent with the original budget presentation.
- Audited final accounts and audit reports, including reconciliation with the approved budget, should be presented to the legislature and published within a year.

III. Public Availability Of Information

3.1 The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks.

- The budget documentation, including the final accounts, and other published fiscal reports should cover all budgetary and extrabudgetary activities of the central government.
- Information comparable to that in the annual budget should be provided for the outturns of at least the two preceding fiscal years, together with forecasts and sensitivity analysis for the main budget aggregates for at least two years following the budget.
- Statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities should be part of the budget documentation, together with an assessment of all other major fiscal risks.
- Receipts from all major revenue sources, including resource-related activities and foreign assistance, should be separately identified in the annual budget presentation.
- The central government should publish information on the level and composition of its debt and financial assets, significant non debt liabilities (including pension rights, guarantee exposure, and other contractual obligations), and natural resource assets.
- The budget documentation should report the fiscal position of subnational governments and the finances of public corporations.
- The government should publish a periodic report on long-term public finances.

3.2 Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.

- A clear and simple summary guide to the budget should be widely distributed at the time of the annual budget.
- Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category.
- The overall balance and gross debt of the general government, or their accrual equivalents, should be standard summary indicators of the government fiscal position. They should be supplemented, where appropriate, by other fiscal indicators, such as the primary balance, the public sector balance, and net debt.
- Results achieved relative to the objectives of major budget programs should be



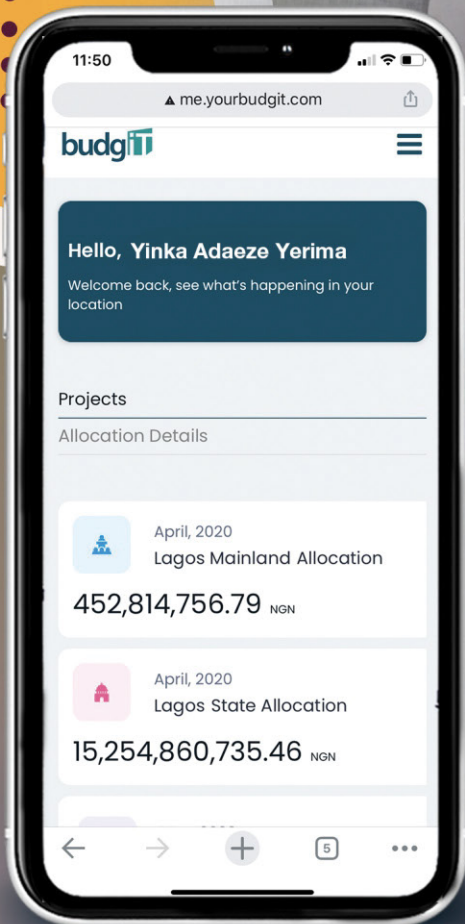
presented to the legislature annually.

3.3. A commitment should be made to the timely publication of fiscal information.

- The timely publication of fiscal information should be a legal obligation of the government.
- Advance release calendars for fiscal information should be announced and adhered to.

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