INTRODUCTION

In April 1998, the G22[1] formed three working groups to examine issues relating to the stability of the international financial system. One group considered the contribution transparency and accountability could make to improving economic performance.

Improved transparency contributes to a more efficient allocation of resources by: ensuring market participants have sufficient information to identify risks; informing market expectations; contributing to the effectiveness of announced policies; and ultimately enhancing the stability of financial markets by assisting in the prevention of a build up of financial and economic imbalances.

The Working Group's October 1998 report noted that improvements in transparency depend on the implementation of internationally recognised disclosure standards, for which the economic benefits of transparency provided the strongest incentive. The incentive for compliance would be strengthened through monitoring or independent assessment of an economy's observance of recognised disclosure standards, including through publication of a transparency report.

The Working Group recommended that the International Monetary Fund (IMF), in the context of its Article IV consultations, prepare transparency reports for economies summarising the degree to which the economy meets internationally recognised disclosure standards.

In their communiqué of 30 October 1998, the G7 Finance Ministers and Central Bank Governors called upon all countries which participate in global capital markets to commit to comply with a set of

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1 In response to the crisis in Asia, Finance Ministers and Central Bank Governors from 22 systemically significant economies met in Washington D.C. to examine issues related to strengthening the international financial architecture. Members at the first meeting were: Australia, the G7, Argentina, Brazil, China, Hong Kong-SAR, India, Indonesia, Korea, Malaysia, Mexico, Poland, Russia, Singapore, South Africa, and Thailand. Officials from the International Monetary Fund, World Bank, Bank for International Settlements and the Organisation for Economic Co-operation and Development also participated.

A second meeting was held in Washington on 5 October 1998. The Netherlands, Belgium, Switzerland and Sweden also participated in the second meeting.

internationally agreed codes and standards, including for example, the IMF's *Code of Good Practices on Fiscal Transparency*. The G7 also called upon the IMF to monitor the implementation of these codes and standards as part of Article IV surveillance and to publish the results of its surveillance of compliance with these codes and standards in transparency reports.

Impetus for an Australian transparency report

In October 1998, the Australian Prime Minister commissioned a task force to advise on how Australia could contribute to international financial reform. The Task Force, chaired by the Treasurer, endorsed the G22 recommendation that the IMF prepare transparency reports, and recommended that, in addition, Australia take the lead in preparing a self-assessment transparency report, providing a format and methodology that other countries may choose to follow.

Scope

Both the report of the G22 Working Group and the G7 communiqué recommended that economies comply with various international disclosure standards, including:

- The IMF *Code of Good Practices on Fiscal Transparency*;
- The IMF *Code of Good Practices on Transparency in Monetary and Financial Policies* (currently in draft form); and
- International Accounting Standard Committee accounting standards.

This report is aimed at increasing Australia's 'transparency about transparency'. It goes beyond discussing Australia's adherence to disclosure standards such as those above, to discuss also Australia's adherence to various other sound practice principles (legal and voluntary) that relate to the efficiency of financial markets. The body of the report provides contextual information on Australia's institutional framework and a brief discussion of Australia's adherence to various standards and generally accepted practices. A detailed discussion of Australia's transparency record is provided in attachments.

The report is divided into three sections:

- Transparency in government policies;
- Transparency in the private sector; and
- Transparency in economic and financial data.

Page viii provides a more detailed explanation of the layout of the Report.

Status of report

This is a self-assessment report. It was prepared by senior officials from the Department of the Treasury. The views expressed are not necessarily those of the Australian Government. The report has benefited from contributions from the Department of Finance and Administration, the Australian Bureau of Statistics, the Australian Taxation Office and the Australian National Audit Office. The Reserve Bank of Australia, the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority also provided assistance.

To enhance the integrity of the report, a panel of senior Treasury officials reviewed its content and production process. The review panel was assisted by IMF staff. The IMF does not, however, share responsibility for the content of the report.

The report presents a stock take of current Australian performance against a number of standards, some of which are still being developed. Furthermore, the methodology adopted for this report is somewhat experimental. It is anticipated that, as Australia and other countries develop expertise in preparing these reports, refined methodologies will be developed.

There are, then, three senses in which this report should be viewed as a 'work-in-progress': (i) Australia's transparency practices will continue to evolve; (ii) so too will the standards against which country performance might be assessed; and (iii) methodologies for making transparency assessments will also continue to evolve.

STRUCTURE OF THE REPORT

Part I: Transparency in government policy

Part II: Transparency in the private sector