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Meeting of the IMF Government Finance Statistics
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GFS in Latin America, General Government Versus Nonfinancial Public Sector and Coverage of Central Banks

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March 9–10, 2015

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Defining GFS coverage

- General Government is the scope consistent with *2008 SNA*.
- However, “GFS should cover all entities that materially affect fiscal policies” (*GFSM 2014*, para. 2.1), which leads to analysis of quasi-fiscal activities performed by public corporations.
- Two methodological options whether quasi-fiscal operations are separable and measurable:
 - Yes → added to the respective level of government.
 - No → expansion of the GFS coverage.

Problems applying the coverage definition in Latin America

- Coverage issues at the level of General Government and even Central Government.
- Entities that claim some degree of autonomy from the executive branch:
 - Formulate budgets independently.
 - Not required to report the execution of their budgets.
- Problems with data collection from local governments:
 - Lack of human and technological resources.
 - Lack of estimation methodologies.

Problems applying the coverage definition in Latin America

- Compiling problems are reflected in IMF's publications:
 - *GFSY*: Of 20 countries, only 13 reported annual 2012 data.
 - *IFS*: Only 11 countries report high frequency data.
 - Coverage is not the same across countries.
- WHD uses its own definitions of coverage which is different for each country.

General Government versus Nonfinancial Public Sector

- Quasi-fiscal activity in Latin America is relatively important. Many transfers to private sector are channeled through public corporations:
 - Subsidies to small producers.
 - General or targeted price reductions in utilities sector.
 - Underpriced financial services.
- Large public corporations involved in strategic productive sectors generate significant revenue for general government.

General Government versus Nonfinancial Public Sector

- Legal framework: Scarce or non-existing barriers to public corporations for engaging in quasi-fiscal activity.
- Law, or restrictive interpretation of statutes, leads to problems in collecting data from public corporations and compiling comprehensive GFS. There are problems with:
 - Periodicity.
 - Timeliness.
 - Detail of transactions.
 - Legal exemptions.

General Government versus Nonfinancial Public Sector

- Although, experience advises expanding the institutional coverage to NFPS, at least, a final decision must be based on an assessment of the relevance of compiling GFS for this coverage definition in every country.
- The assessment is specially important for countries with fiscal rules whose compliance is facilitated excluding some public corporations from the rule scope.

The case of the Central Banks

- Latin American countries have been implementing institutional arrangements granting independence to Central Banks.
- However, the degree of independence varies from absolute to none; so does the involvement of Central Banks in quasi-fiscal activity.
- Even Central Banks with absolute independence may be burdened by the effects of their involvement in past financial bailouts and being performing some quasi-fiscal activity.

The case of the Central Banks

- Including the Central Banks within the GFS coverage must be assessed on a country by country analysis.
- Although the Central Banks case is akin with the one of nonfinancial public corporations, the decision is more complicated due the institutional implicancies.

Some proposals to address the issues

- The state of play is different in each Latin American country, but we can say that:
 - The coverage within general and central government still has to be improved.
 - Public corporations are significant fiscal policy agents.
 - Exclusion from PS of some public corporations may be aimed to facilitate the fiscal rules compliance.
 - Central Banks independence varies greatly.
 - Independent Central Banks can be still engaged in indirect quasi-fiscal activity.

Some proposals to address the issues

- Although, there is no an unrestricted recommendation for modifying the GFS coverage, expansion to NFPS is more feasible, but must be supported by the improving of institutional coverage of general government.
- Actions proposed:
 - Coordination within STA
 - Coordination with other IMF departments
 - Coordination with other international organizations
 - Transmitting the issue to the fiscal authorities