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Washington, D.C.

Public Sector vs. Nonfinancial Public Sector: Korean Experience in Compiling Public Sector Debt Statistics

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Public Sector vs. Nonfinancial Public Sector

: Korean Experience in Compiling Public Sector
Debt Statistics

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What we have done so far

	Coverage	Accounting Standard
~ FY2010	Central Gov't, Subnational Gov't (separate statistics)	Cash Basis
FY2011 (Y2012)	General Gov't	Accrual Basis
	<ul style="list-style-type: none"> - Accounting Standard Change - 'Market Producer' Criterion for NPIs - Consolidation 	
FY2012 (Y2013)	Nonfinancial Public Sector	Accrual Basis
	<ul style="list-style-type: none"> - 'Control' Criterion for PCs - Legal vs. Statistical boundaries - Financial PCs vs. Nonfinancial PCs 	

◆ From FY2011, Debt Statistics for General Government

- 2 years of preparation
- General government debt statistics & Accrual basis
 - Previous debt statistics covering only central government & based on cash accounting standard
 - Change in accounting standard & extension of scope

◆ From FY2012, Extended to Nonfinancial Public Sector...

- Growing Demand for Better Control of Risk Factors
 - Diverse factors, with potential risk to fiscal soundness
 - Better & more information required for better management

For PSDS Compilation...

- ◆ Extending to Public Corporations(PCs) was not simple
 - With proper GG statistics already, the scope of debt statistics had to be extended to the ‘Public Corporations’.
 - Accounting standard(accrual) was not a big issue
 - ‘Most’ PCs adopted IFRS already with minor variations
 - Other PIs were in transition
 - And some minor issues had to be resolved (valuation issues, etc.)
 - Activities of Public Corporations?
 - PCs involved in both public policies and market activities
 - Separation of accounts was not feasible
 - Numbers for individual PCs were available already but “Consolidation” was not an easy task

Major Issues (1)

◆ Public Corporations from Two Different Sources

- Bank of Korea vs. Ministry of Strategy and Finance (MoSF)

◆ Statistical boundaries and SNA

- Bank of Korea in charge of SNA
- Keep the list of public corporations according to SNA

◆ The Act on the Management of Public Institutions (AMPI)

- Every year, MoSF announces the list of 'public institutions'
- Similar Act for Public Institutions of subnational governments
- Criteria stipulated in the Acts

◆ Difference b/w SNA and AMPI

- Different Criteria
 - The AMPI is for efficient management of PIs by providing appropriate governance structure
 - Similar in 'Control' concept but different in 'Public' concept
- Different Classification (and Names)
 - (By Type of Service) Financial PCs vs. Nonfinancial PCs
 - (By Market producer, Type of Role, etc.) Public Corporations, Quasi-Public Institutions, Other Public Institutions
 - (By Gov't Share) Directly Controlled Corp., Regional Corp.
- Different Updating Cycles
 - Every 5 years (SNA) vs. Every year (AMPI)

Major Issues (2)

◆ Institutions from Two Sources

	Legal Boundaries	Statistical Boundaries (NPIs and PCs)			
		Total (A+B+C)	General Gov't (A)	Nonfinancial PCs (B)	Financial PCs (C)
CG(1)	295	302	163	123	16
SNGs(2)	137	137	87	50	-
Total(1+2)	432	439	250	173	16

- In principal, legal boundaries are the subset of statistical boundaries.
- A few institutions are excluded in the legal list to guarantee their independence (Bank of Korea, Korea Broadcasting Station, Financial Supervisory Service, etc.)

Major Issues (3)

◆ Problems with Financial Public Corporations

- Large gross debt but small (even negative) net debt
 - Different from other non-financial public corporations
 - Often take deposits from private sector
 - Central Bank?
 - currency in circulation, reserves; currency stabilization fund, etc.
 - Other financial PCs:
 - relative size can vary significantly across different countries (policy lending)
- Meaningful Debt Statistics?

◆ Gross Debt vs. Net Debt for some Financial PCs

- Only 2 out of 16 have positive net debt

(Unit: Tril. KRW)	Gross Debt	Financial Asset	Net Debt
Bank of Korea	434,912.8	436,306.0	-1,393.2
Financial Supervisory Service	72.2	133.6	-61.4
Korea Housing Guarantee Corp.	997.5	5,636.7	-4,659.2
Korea Finance Corporation	49,164.3	30,534.4	18,629.9
Industrial Bank of Korea	173,844.6	181,076.6	-7,232.0
Korea Exim Bank	43,823.2	49,153.8	-5,330.6
Total of 16	861,698.6	863,839.8	-2,141.2

Set of Debt Statistics Available

- ◆ So, in terms of coverage, financial PCs remain excluded from the major debt statistics
 - Some minor variations in the debt items included, valuation method, ...
 - Legal definition(D1), Accounting practice (Financial Statement), Statistical Standard (D2, D3)

			Financial Statement	D1	D2	D3
Coverage	Central Gov't	Budgetary CG	○	○	○	○
		PC managed Funds	○	X	○	○
		NPIs	X	X	○	○
	Subnational Gov't	Accounts & Funds	X	○	○	○
		NPIs	X	○	○	○
	Public Corporations	Nonfinancial PCs	X	X	X	○
		Financial PCs	X	X	X	X
Accounting Standard			Accrual	Cash	Accrual	Accrual
Share of GDP (FY2013)			78.2%	34.3%	39.6%	62.9%

Where We Are Now (1)

◆ Recent Results (Dec. 2014)

	Y2012		Y2013		Increase	
	Amount	%GDP	Amount	%GDP	Amount	%GDP
A. General Government	504.6	36.6	565.6	39.6	61.0	3.0
A1. Central Government	466.7	33.9	522.5	36.6	55.8	2.7
A2. Subnational Government	53.7	3.9	54.6	3.8	0.9	-0.1
B. Nonfinancial Public Corp.(NPCs)	389.2	28.3	406.5	28.5	17.3	0.2
B1. Of which Central Gov't	343.5	24.9	362.0	25.3	18.5	0.4
B2. Of which Subnational Gov't	51.3	3.7	50.9	3.6	-0.4	-0.1
C. Internal Transaction	72.8	5.3	73.4	5.1	0.7	-0.2
Nonfinancial Public Sector Debt (D3)	821.1	59.6	898.7	62.9	77.7	3.3

(Unit: Tril. Won, %, %p)

Where We Are Now (2)

- ◆ Now, more detailed features are available

				D1	D2	D3
Public Sector	General Government	Central Government	Accounts & Funds	464.0	479.6	479.6
			NPIs	-	53.6	53.6
			Internal Transactions	-	-10.7	-10.7
		Subnational Government	Accounts & Funds	31.6	54.3	54.3
			NPIs	-	1.1	1.1
			Internal Transactions	-	-0.8	-0.8
	Internal Transactions			-5.9	-11.5	-11.5
	Public Corporations	Of Central Government		-	-	362.0
		Of Subnational Government		-	-	50.9
		Internal Transactions		-	-	-6.4
	Internal Transactions					-73.4
Total				489.8	565.6	898.7

Where We Are Now (3)

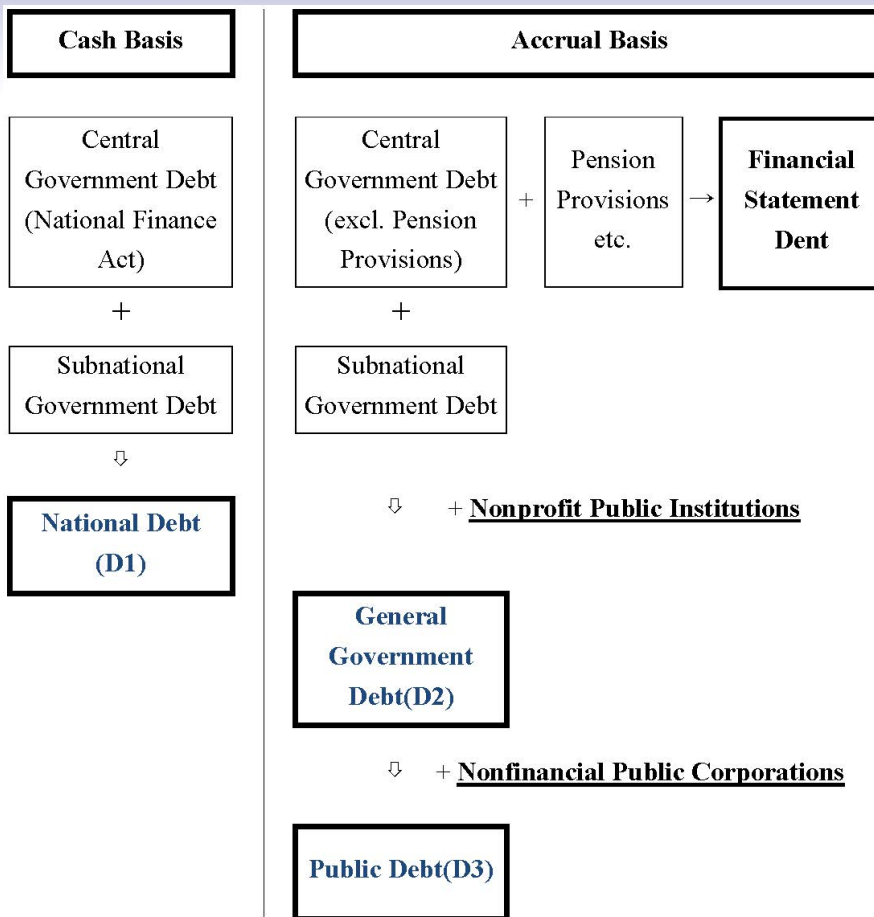
◆ More Detailed Debt Classification for Public Subsectors

- By Instrument Types
 - Debt Securities
 - Loans
 - Other Acc. Payables
- By Debt Characteristics
 - By Maturity(original, remaining)
 - By Currency (local, foreign)
 - By Interest Rate Type (fixed, variable)
 - By Residence of Creditor

◆ These statistics are reported every year, with

- Stat. tables with detailed classification
- Analysis on yearly changes and major factors
- Details on Memorandum Items:
 - Pension/Retirement Fund Provisions,
 - Contingent Liabilities (Separate report on CLs submitted to the National Assembly)
- Public Debt Management Plan

Debt Statistics for What?



Debt Stat.	D1	D2	D3
% of GDP (FY 2013)	34.3%	39.6%	62.9%

◆ Usage of Debt Statistics

- D1: active fiscal policy control through annual budget and MTEF
- D2: international comparison
- D3: fiscal soundness/risk management over various public subsectors
 - Reporting: Medium-term Financial Management Plan (PCs), Debt Management Plan for Public Sector (CG & SNGs)
 - Institutional Reforms: Pension system, Monitoring system, Improved transparency

감사합니다
Thank You

