

Meeting of the IMF Government Finance Statistics
Advisory Committee
Washington, D.C.

March 9–10, 2015

Summary of Discussion



Prepared by the Statistics Department
International Monetary Fund

Introduction

The 2015 meeting of the Government Finance Statistics Advisory Committee (GFSAC) was hosted by the International Monetary Fund (IMF) at its headquarters in Washington, D.C. (March 9–10, 2015). The meeting objectives were to obtain (i) broad agreement from the Committee members on the worldwide implementation of the *Government Finance Statistics Manual 2014 (GFSM 2014)* (the update of the *GFSM 2001*); (ii) agreement on the need to fill data gaps, with a particular focus on expanding coverage to the whole of the general government sector (and, more broadly, to the public sector), and to collect and disseminate data on financial balance sheets; and (iii) support and agreement on an ongoing research agenda and the best ways to resolve areas where additional guidance is required.

The opening remarks were provided by Mr. Min Zhu, Deputy Managing Director of the IMF and Mr. Vitor Gaspar, Director of the IMF's Fiscal Affairs Department (FAD) was the luncheon speaker. Mr. Louis Marc Ducharme, Director of the IMF's Statistics Department (STA), and Mr. Robert Heath, STA Deputy Director, chaired the meeting.

Government Finance Statistics (GFS) State of Play and Future Directions (GFSAC 15/03)

Issues raised: Ms. Claudia Dziobek, presented all the developments that have occurred in the last 13 years since the publication of *GFSM 2001* in the areas of methodology, surveillance, capacity development, data dissemination, and outreach and collaboration. Mr. Koehler focused on the future direction in the area of GFS and elaborated on the challenges and the work that is still needed. Challenges such as to promote reporting of data, increase the coverage, timeliness and scope and the use of the data in policy making were emphasized before the meeting discussed these issues.

Summary of discussion: To support implementation of *GFSM 2014*, the Committee agreed on the following:

- The need for the IMF to clearly articulate a set of broad principles for GFS that users and policy makers can understand (e.g., full coverage, correct time of recording, sensible valuations, and economic reality).
- Recognized the importance of governance and institutional arrangements for production of GFS.
- Recommended that the IMF fiscal data reporting requirements be more consistent and so avoid reporting multiple sets of GFS data to IMF staff.
- Advised the IMF to take a pragmatic and flexible approach, but also be ambitious in encouraging countries to compile GFS data according to *GFSM 2014*.
- Advised that implementation of GFS in line with *GFSM 2014* may require that the GFS community enlist allies to encourage changes to fiscal reporting (including policy makers, civil society, and the auditing community).

GFSM Implementation Strategies and Key Challenges (GFSAC 15/04, 15/05, and 15/06)

Issues raised: This session informed on experiences in compiling GFS data in many different regions of the world and among economies at different stages of economic development, and drew out some key lessons that can be used in promoting more comprehensive GFS reporting by IMF member countries.

Summary of discussion: In reviewing implementation practices in different regions, the Committee welcomed the progress being made and:

- Reemphasized the importance of political support, governance, and a key sense of direction and priorities, and, where requested, capacity building support from international organizations.
- Welcomed and encouraged the focus on compiling general government data and noted that some economies were going beyond general government to also cover nonfinancial public corporations.
- Advised on the need to consider GFS as part of the broader statistical system.
- Highlighted the benefits that can accrue from the use of software management systems, such as the Integrated Financial Management Information System.

The Secretariat will report back to the next meeting on progress made in implementing *GFSM 2014*.

Specifically, the Committee discussed the implementation of **accrual reporting** in GFS. Recognizing that many countries are still recording GFS on a cash basis, the Committee agreed on the following:

- Reemphasized that the accrual basis of recording provides a true and fair picture of government finances while recognizing that major challenges exist in its adoption. The costs of not moving to accrual accounting and so missing hidden liabilities were emphasized.
- Advised that the move from cash to accrual data requires a change of culture, and political support.
- Agreed that, as an aspiration, all countries should move towards using accrual basis of reporting in support of policy making—recognizing that there are intermediate steps, it will take time, and there are obstacles to overcome.
- Acknowledged that improvements to the quality of cash data are an essential step prior to a phased move to accrual reporting, and that detailed and good quality cash data could support the estimation of GFS on an accrual basis.

The Secretariat will report back to the next meeting on progress made by countries in implementing accrual reporting.

Communication with Users (GFSAC 15/07, 15/08, 15/09, and 15/10)

Issues raised: The session focused on the importance of good communication of GFS data illustrated by some examples of best practice. The challenges of the Austrian process of linking GFS, budget and auditing data and information were discussed, before the basis on which communication with policy makers and the

media in the European Union (EU) was presented. The meeting was also informed on new initiatives to better disseminate data on revenue from natural resources, using a *Standard Template to Collect Data on Government Revenue from Natural Resources*. Lastly, the history of harmonization efforts between International Public Sector Accounting Standards (IPSASs) and GFS was discussed, progress with eliminating differences was noted and a strategy to continue harmonization efforts was explored.

Summary of discussion: The Committee recommended that the GFS community reach out to users and compilers of fiscal data to promote the benefits of data compiled in line with *GFSM 2014* for analyses and decision-making. In particular,

- Articulate the benefits of greater transparency;
- Demonstrate how good quality fiscal data can enhance decision making and foster sustainable public finances; and
- Develop support among parliamentarians, journalists, civil society, and others.

The Committee recognized the progress made by the accounting (International Public Sector Accounting Standards Board (IPSASB)) and statistical communities (IMF and others) to align conceptual frameworks. However, the meeting felt that in practice, differences are often smaller and easier to overcome as presented in the tables prepared by the IMF/IPSASB Task Force on Alignment. Members emphasized the need to work towards eliminating the remaining differences and proposed that this work remains part of the GFS research agenda.

Public Sector Coverage—A New Frontier **(GFSAC 15/11, and 15/12)**

Issues raised: The session discussed the relevance of data on the public sector for economic analysis and the challenges faced in compiling and disseminating such data. The meeting noted the background to the new Fiscal Transparency Code and the outcome of the first 10 evaluation missions. Specifically the initial findings indicating that governments are bigger than was previously thought and that budgets are not always a reliable indicator of future revenue and spending evoked lively discussions. The impact of expanding the coverage of data was clearly illustrated by the Korean experience in compiling public sector debt data. However, challenges remain—these are most notable in compiling data for the financial public sector.

Summary of discussion: The Committee agreed on the following:

- Recognized the importance of public corporations, as a potential source of fiscal risks, but recognized that the relevance may vary among countries.
- Stressed that while the idea of promoting public sector data should be on the GFSAC agenda, more thinking is needed about the issues it raises including for gross and net debt concepts. In this context, covering public financial corporations can be more problematic than covering public nonfinancial corporations.
- Advised that practical experience suggests that information for large public corporations at a central level are more readily available than local or regional government level data in some instances and that there is a need for granular information to fully understand risks.

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- Considered that more work is required to fully understand the implications of public sector data reporting and asked the Secretariat to report back on these implications to the next meeting.

Balance Sheet and Debt Data **(GFSAC 15/13, 15/14, 15/15, and 15/16)**

Issues raised: The session focused on stock position data. Invariably the government's financial standing is often viewed in terms of the debt and deficit. The session highlighted the need for comprehensive balance sheet data to understand a government's financial standing, to feed into the balance sheet approach to fiscal analyses, and to evaluate risks and spillovers. In particular, the inclusion of pension liabilities in such data was discussed. The meeting also exchanged views on how to best promote improvements in the compilation and use of balance sheet data and noted the use of a matrix format to enhance the comparability of general government and public sector debt data. Some issues were discussed on the inclusion of financial instruments, such as derivatives, and the meeting raised questions related to valuation and net debt presentations.

Summary of discussion: The Committee discussed the issue of **pension obligations** of government and concluded:

- Implementing the treatment of employment related pension liabilities of government consistent with *GFSM 2014* should remain on the agenda of the GFSAC.
- It is important that international organizations cooperate in taking this forward on a step by step basis.
- Further clarification of the *GFSM 2014* and the *2008 System of National Accounts (SNA)* on the recording of pension obligations would be welcome. Issues to address include criteria for recording (e.g., contractual arrangements) and methodological and measurement issues (e.g., discount rates and other projection factors).
- Dissemination of employment-related pension liabilities of government is strongly encouraged.
- Data coverage should be enhanced through balance sheets.

The Committee strongly supported the matrix approach to the presentation of government and **public sector debt data**. It recommended that the approach be enhanced and supported by:

- Promoting the approach with rating agencies and the wider financial community, as a way to encourage widespread use of this tool.
- Incorporating metadata on valuation and a detailed description of the financial instruments that each liability category includes, to further assist users in arriving at international comparability.
- Taking account of the asset data when analyzing debt data.

More generally, the Committee recognized the importance of valuation when discussing public sector debt.

GFS Research Agenda **(GFSAC 15/17, 15/18, and 15/19)**

Issues raised: The meeting discussed potential research items that may have an impact on GFS compilation going forward. In particular the need for application guidance on contingent liabilities was noted and issues with recording concessional loans were raised. The meeting also noted the issues flagged in the 2008 SNA research agenda that have an impact on GFS and discussed additional issues that have emerged during the preparation of *GFSM 2014*. A procedure for updating guidance between major revisions was proposed and members raised additional GFS research topics.

Summary of discussion: On **contingent liabilities** the Committee agreed that:

- Wider reporting of contingent liabilities of government should be encouraged.
- Reporting should proceed on a pragmatic basis, recognizing the value of basic estimates in preference to non-reporting.
- In taking this work forward, it will be important to coordinate with the work of the Task Force on Finance Statistics (TFFS).

On **concessional lending** the discussion revealed complexities with the possible treatment of concessional lending that requires a discussion across various statistical domains including national accounts and balance of payments, as well as GFS.

The Committee broadly supported the GFS **research agenda** and recognized the need for the GFSAC to shape the next round of updating international statistical manuals in issues where they have the comparative advantage. In particular, the Committee agreed that it is important to:

- Ensure the involvement of the GFS community in all decisions with an impact on fiscal statistics.

Foster ongoing collaboration with standard setters, such as the Advisory Expert Group, IMF Committee on Balance of Payments Statistics, International Labor Organization, International Organization of Supreme Audit Institutions, IPSASB, and TFFS.

- Engage users in setting priorities within the research agenda.
- Include remaining issues for alignment with IPSASB in research agenda.

There was agreement with the proposal to establish **formal mechanisms**, involving GFSAC for providing additional guidance and clarification between updates to the Manuals.

The next meeting of the GFSAC will be held early in 2017. Precise dates to be determined closer to the meeting.

Attachments (3)

**Meeting of the IMF Government Finance Statistics Advisory Committee (GFSAC)
Washington, D.C.
March 9–10, 2015**

AGENDA

Monday, March 9

9:00 a.m. Welcome and Opening Remarks
Mr. Louis Marc Ducharme, Director, IMF Statistics Department (STA)
Introduction and Administrative Matters

Opening Address
Mr. Min Zhu, Deputy Managing Director, IMF

9:30 a.m. Group Photo (with Mr. Zhu)

Session 1: Government Finance Statistics—State of Play and Future Directions

This session will discuss the current situation with regard to the reporting of government finance data to the IMF Statistics Department, the relevance of reported data for IMF surveillance, what should be the priorities, and what progress might be realistically over the coming two years, and the role that can be played by the Committee.

9:45 a.m. STA—State of Play and Future Directions

10:30 a.m. Coffee Break

Session 2: GFSM Implementation Strategies and Key Challenges

This session will learn of experiences in compiling GFS data in many different regions of the world and among economies at different stages of economic development, and draw out some key lessons that can be used in promoting more comprehensive GFS reporting by IMF member countries.

11:00 a.m. Hector Hernandez (Chile)—GFS in Latin America, General Government versus Nonfinancial Public Sector and Coverage of Central Banks

(Comment by Fabiana Magalhães Almeida Rodopoulos (Brazil))

11:30 a.m. STA—GFS in Africa—Expanding from the Budgetary to the General Government and Using Statistical Techniques to Analyze the Materiality of the Broader Coverage

(Comment by Robert Maate (East African Community))

12:00 p.m. Pridon Aslanikashvili (Georgia)—Moving from Cash to Accrual Recording - Key Challenges

12:30 p.m. Luncheon Address—Vitor Gaspar, Director, IMF's Fiscal Affairs Department

Session 3: Communication with Users

This session will focus on the importance of good communication of GFS data and learn of some examples of best practice. The Statistics Department will have a display of research, data visualization, and E-learning available in the meeting room.

2:00 p.m. Gerhard Steger (Austria)—Linking GFS, Budget, and Auditing Data and Information

2:30 p.m. Eduardo Barredo-Capelot (Eurostat)—Challenges to Communicate with Policy Makers and the Media

3:00 p.m. Item for Information: STA Government Revenues from Natural Resources

3:30 p.m. Item for information: Andreas Bergmann (IPSASB)—Accounting Data as Major Source for GFS—Progress and Remaining Issues to Harmonize Accounting and GFS Standards.

4:00 p.m. Coffee Break

Session 4: Public Sector Coverage—A New Frontier

This session will discuss the relevance of data on the public sector for economic analysis and the challenges faced in compiling and disseminating such data.

4:30 p.m. IMF's Fiscal Affairs Department—Outcome of 10 Fiscal Transparency Assessments

5:00 p.m. Seung Hyun Hong (Korea)—Public Sector versus Public Nonfinancial Sector

5:30 p.m. Discussion—What would it take to develop public sector data?

6:00 p.m. Close for the day

Tuesday, March 10

Session 5: Balance Sheet and Debt Data

This session will focus on position data. Invariably the government's financial standing is viewed in terms of debt and deficit. This session will highlight the need for comprehensive balance sheet data to understand a governments' financial standing and seek the Committee's views on the how to best promote the compilation of balance sheet data.

- 9:00 a.m. The Balance Sheet Approach: Is Government "Net Worth" the New Bottom Line?
IMF's Strategy, Policy, and Review Department—Risks and Spillovers: Use of National Balance Sheet Data
(Comment by Joao Cadete de Matos (Portugal) on: Stock and Flow Integration—Practice and Data Requirements in Europe)
- 9:25 a.m. *Peter Van de Ven (OECD)—Long-term Liabilities for Social Security and Employment Related Pensions*
- 9:50 a.m. *STA—Progress with Globally Comparable Government Debt Data*
- 10:20 a.m. *Michael Davies (Australia)—Walking The Tightrope: Improving the Presentation of Public Debt*
- 10:45 a.m. *Coffee break*

Session 6: GFS Research Agenda

This session will discuss potential research items for the Committee going forward.

- 11:15 a.m. *Pamela Kelly (USA)—Contingent Liabilities*
- 11:45 a.m. *Julia Catz (ECB)—The Treatment of Concessional Loans in the Government Accounts*
- 12:15 p.m. *STA—GFS Research Agenda*

Session 7: Summary of Discussion

- 12:45 p.m. Meeting Wrap-Up
- 1:15 p.m. Closing Remarks
- 1:30 p.m. Lunch

GFSAC 2015—List of participants

	Name	Country/Organization
1.	Mr. Gerhard Steger	Austria, Court of Audit
2.	Mr. Michael Davies	Australia, Australian Bureau of Statistics
3.	Ms. Fabiana Magalhães Almeida Rodopoulos	Brazil, Ministry of Finance
4.	Mr. Hector Hernandez	Chile, Ministry of Finance
5.	Mr. Robert Maate	East African Community
6.	Mr. Pridon Aslanikashvili	Georgia, Ministry of Finance
7.	Mr. Seung Hyun (Luke) Hong	Korea, Republic of, Korea Institute of Public Finance
8.	Mr. Ken Warren	New Zealand, Treasury
9.	Mr. Joao Cadete Matos	Portugal, Central Bank
10.	Mrs. Abeer Ali Abdulla Mohammed Alabdooli	United Arab Emirates, Ministry of Finance
11.	Ms. Pamela Kelly	USA, Bureau of Economic Analysis
12.	Ms. Megan Hardy	Commonwealth Secretariat (COMSEC)
13.	Ms. Julia Catz	European Central Bank
14.	Mr. Eduardo Barredo-Capelot	Eurostat
15.	Ms. Lena Frej Ohlsson	Eurostat
16.	Ms. Anne Drouin	International Labor Organization
17.	Mr. Andreas Bergmann	International Public Sector Accounting Standards Board (IPSASB)
18.	Mr. Peter Van de Ven	OECD
19.	Mr. Gerry Teeling	United Nations Conference on Trade and Development (UNCTAD)
20.	Ms. Evis Rucaj	World Bank

GFSAC 2015—IMF List of participants

Department	Name	Title
OMD	Min Zhu	Deputy Managing Director
STA	Louis Marc Ducharme	Director
STA	Robert Heath	Deputy Director
STARE	Claudia Dziobek	Division Chief
STAGO	Rainer Koehler	Division Chief
STAGO	Florina Tanase	Deputy Division Chief
STAGO	Miguel Alves	Senior Economist
STAGO	Sage De Clerck	Senior Economist
STAGO	Alberto Jimenez de Lucio	Senior Economist
STAGO	Gary Jones	Senior Economist
STAGO	Viera Karolova	Senior Economist
STAGO	Kara Rideout	Economist
STAGO	Philip Stokoe	Economist
STAGO	Deon Tanzer	Economist
STAGO	Vina Nguyen	EP
FAD	Richard Hughes	Division Chief
SPR	Sean Craig	Senior Economist

GFSAC 2015—Group Picture



From left to right:

First Row:

Gary Jones, Sagé De Clerck, Rainer Koehler, Claudia Dziobek, Min Zhu, Louis Marc Ducharme, Florina Tanase, Robert Heath, Viera Karolova,

Second Row:

Deon Tanzer, Kara Rideout, Michael Davies, Fabiana Magalhães Almeida Rodopoulos
Joao Cadete Matos, Robert Maate, Pridon Aslanikashvili, Alberto Jimenez de Lucio

Third Row:

Vina Nguen, Miguel Alves, Abeer Ali Abdulla Mohammed Alabdooli, Lena Frej Ohlsson, Anne Drouin, Mr. Peter Van de Ven, Evis Rucaj, Megan Hardy, Philip Stokoe

Fourth Row:

Julia Catz, Pamela Kelly, Gerry Teeling, Gerhard Steger, Seung Hyun (Luke) Hong, Ken Warren, Eduardo Barredo-Capelot, Hector Hernandez