

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

March 15—16, 2017

Summary of Discussion



Prepared by the Statistics Department
International Monetary Fund

Introduction

The 2017 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 15–16, 2017). The meeting objectives were to discuss ongoing methodological and data issues in relation to (i) government and public sector balance sheet data (ii) compilation and dissemination of pensions data (iii) delineation of the public sector; and (iv) treatment of public private partnerships in Fiscal Statistics.

The opening remarks were provided by Mr. Louis Marc Ducharme, Director of the IMF's Statistics Department (STA), who also chaired the meeting.

Session 1

Fiscal Data—State of Play

Issues raised: Mr. Rainer Koehler presented recent developments in fiscal data within the IMF and the use of *GFSM 2001/2014* in the IMF's surveillance work. Ongoing challenges, including the differences in coverage across countries, and the persistence of national and non-comparable fiscal frameworks were acknowledged during the presentation.

A short video sharing the experience of the United Arab Emirates who have recently transitioned to *GFSM 2014* was shared with the Committee.

Summary of discussion: Recognizing the ongoing difficulties in encouraging countries to adopt more comprehensive fiscal reports, using up-to-date and internationally comparable methodology, the Committee made the following comments and observations:

- While there are difficulties with the pace of adoption of the newest standards progress is being made. Currently around 30 percent of countries compile accrual based accounts or statistics and this is expected to rise to 70 percent over the next five years. Other standards and GFS are increasingly well aligned and so ongoing cooperation between the accounting and statistical community to align underlying accounting data with statistics remains important going forward.
- Greater alignment between national accounts and other macroeconomic data and fiscal data remains desirable. International Organizations, OECD specifically, expressed concerns with the ongoing discrepancies between cash based fiscal data, often according to national presentations, as produced by ministries of finance, and the accrual based monetary, balance of payments and national accounts data for government and the rest of the economy, as produced by central banks and national statistical institutes; and strongly encouraged greater harmonization between these data and adoption of accrual based *GFSM 2014* according to internationally agreed methodology and presentations, to provide comprehensive, consistent and comparable national macroeconomic statistics.
- A number of country participants from Portugal, Chile, Brazil, and Georgia noted that although some technical problems remain, these can usually be overcome, but widespread adoption of GFS faces important demand side challenges. Policy makers in many countries remain more comfortable with existing, cash based data following national presentations. This preference and a perception that existing national data is sufficient for policy needs provides a barrier to implementing new standards. Some participants noted that the IMF itself continues to use older fiscal presentations for surveillance in some cases, even when countries have themselves transitioned to *GFSM 2001/2014* presentations. Countries

noted that a strong push from international organizations (IOs) may be needed to assist technical staff to persuade policy makers to adopt more up-to-date fiscal statistics.

- The Chair concluded that more work was needed within the IMF, requiring joint efforts by Statistics, Fiscal Affairs, and Area Departments. Support from other IOs and the wider GFS community are also needed to inform policy makers about the analytical advantages of *GFSM 2014* based fiscal data and to support countries that choose to adopt these newer standards.

Session 2 Balance Sheet Statistics

Issues Raised: Ms. Amanda Sayegh provided an overview of the use of balance sheets for fiscal analysis and policymaking. Lags in availability of balance sheet data were noted as a major constraint to the wider use of balance sheets in fiscal analysis, however the usefulness and relevance of government or public sector balance sheets, including information on government financial and nonfinancial assets was emphasized. Integration of balance sheet indicators to existing fiscal indicators, such as net financial worth or net worth or the broader concept of comprehensive net worth was also discussed. The value of including information on government contingent liabilities and other relevant indicators in memorandum items were also discussed, alongside a more accounting based approach to the valuation of government financial assets, including provisioning.

Mr. Khathu Todani provided an overview of the work in South Africa on the compilation of quarterly sector accounts and balance sheets, as part of South Africa's work under the G20 Data Gaps Initiative. The presentation discussed the need for close cooperation between compilers and subnational government in South Africa and identified a number of data gaps, methodological challenges and legal obstacles that the authorities are working to overcome.

Summary of Discussion: The Committee welcomed the presentations and made the following comments and observations:

- Several participants noted that the comprehensive government and public sector balance sheets is already in place in some countries, with full information on assets and liabilities, as well as contingent liabilities. However, while the backward looking financial statements and statistics are produced in several countries, use of them as a forward looking analytical tool is much less common. Participants welcomed advice and best practice examples from the IMF and other IOs on how balance sheet data can be used to inform forward looking fiscal analysis and planning.
- The Committee drew a distinction between statisticians and economic policymakers. Participants noted that statisticians are generally not involved in providing economic forecasts, yet this is a core part of the work for policymakers, and that there was a need for closer cooperation between the compilers and users of data
- Several participants also noted the practical difficulties associated with compilation of government balance sheets and memorandum items. Specific issues discussed included estimating values for non-financial assets, quantifying contingent liabilities, and valuing guarantees. Participants noted the difficulty in achieving truly cross country comparable data for aggregates like government net worth.

Balance Sheet Statistics – Needs, Challenges and Methods

Issues Raised: Mr. Gary Jones provided a short overview of the balance sheet data currently reported to the IMF Statistics Department for inclusion in the GFS Yearbook and associated database. The presentation emphasized progress that has been made since 2004, which has seen a 300 percent rise in the number of countries reporting balance sheet data but also noted more work still to be done. Proposals to expand data availability include targeting priority countries, and adopting a cascading approach to initially collect data on more straightforward classes of assets and liabilities.

Summary of Discussions: The Committee acknowledged the progress that had been made, and welcomed the suggested targeted and cascading approach to data collection. Participants made the following suggestions:

- The ECB proposed the cascading approach to financial assets be extended to government sectors as well, similar to the approach being taken with debt (the GL1 – GL5, D1– D4 approach being taken in the Task Force on Financial Statistics), so that the initial emphasis would be on a narrow definition of central government assets, before coverage is widened to include all assets and other subsectors of general government or public sector. Participants noted the challenges associated with compilation of government’s “other accounts receivable” due to accrued taxes. However, it was noted that data for extra-budgetary units or subnational government units can often be quite good, the main challenges are collecting, processing and compiling the data in a timely way.
- Some participants from IOs emphasized the importance of consolidated balance sheets, and noted that some important countries still only produce unconsolidated balance sheet data, making cross country comparisons difficult. This might require further targeted efforts.
- The IMF Fiscal Affairs Department (FAD) staff noted that compilation of balance sheet data involves tradeoffs between timeliness, completeness and data quality. FAD is encouraging countries to compile balance sheets in its Fiscal Transparency work and is providing more tools for use of balance sheets in analysis. Recognizing full balance sheets for all countries are not possible, FAD is taking a layered approach, with systemically important countries being asked to compile more comprehensive data.
- The Chair concluded the discussion by noting the large number of pending issues, including practical difficulties and coverage gaps, and noted that the Committee would be consulted going forward for their assistance in this important area.

Balance Sheets - Pension liabilities – Reporting and Measuring Pension Liabilities

Issues Raised: Mr. Peter van de Ven provided a short summary of the current status of reporting of pension liabilities, and provided feedback from the joint Eurostat, ILO, IMF, OECD Workforce on Pensions held in Paris in March 2016. Ongoing methodological issues in pensions include the boundary between pension liabilities to be recorded on the balance sheets in GFSM/SNA) versus pension liabilities not considered as an explicit liability in national accounts or GFSM (and only to be estimated and included in a supplementary table). Further work in this area is being undertaken by the Advisory Expert Group on National Accounts (AEG). In addition, Mr. Van de Ven noted the discussions on how to record changes in the size of claims of pension funds on pension managers and the need for recording property income. This has been discussed at the AEG, but also has relevance for GFS compilation.

Mr. Philip Stokoe then provided a short presentation on analytical issues arising from the favored statistical approach to measuring pension liabilities. The presentation reported that most advanced economies are making good progress on the measurement of pension liabilities and/or compiling the SNA/ESA Supplementary Table on Pensions. Pension liabilities exist in emerging market and low income countries too, but these countries are less well equipped to compile this data. Mr. Stokoe also expressed the concerns of the actuarial community on use of accrued-to-date liabilities to measure liabilities of pay-as-you-go social security type of pension schemes. The potential risks for these often very large numbers to be added to narrower measures of government debt, and subsequently to be misinterpreted or misused was highlighted.

Summary of discussions: Participants welcomed the presentations and made the following observations in relation to pensions data.

- Participants noted that metadata and explanatory documentation would be important to provide context and interpretative guidance to the resulting numbers. They also noted the importance of engagement with policy makers to ensure correct conclusions are drawn.
- Participants also noted that changing the recording pension liabilities to an accrual and on balance sheet basis has implications for both revenue and expenditure data, which needs to be thought through and adequately explained to users when implemented.

Balance Sheets - Latest Progress with the Accounting Guidance on Pension Liabilities and Social Benefits

Issues Raised: Mr. Ian Carruthers summarized progress made by the IPSAS Board on measurement of pension liabilities and social benefits. The presentation reported the process that the IPSASB representatives took on this issue, which focused on whether a liability for these benefits should be recognized using the Obligating Event or Insurance approaches, and within the Obligating Event approach, whether to record liabilities when eligibility criteria are initially met, or when eligibility criteria are met to receive the next benefit. The meeting was informed that an Exposure Draft is due later this year and the review should be completed by 2018.

The Chair thanked the presenters and participants and emphasized that it was of critical importance that ongoing progress in this area should be communicated on a continuous basis.

Balance Sheets - Measuring and Reporting Government Assets

Issues Raised: Ms. Pamela Kelly provided an overview of the work of the USA Bureau of Economic Analysis on stocks and transactions for government nonfinancial assets. BEA compiles GFS based on national accounts. As part of this work BEA compiles data on nonfinancial assets, though information on stocks is more limited than that on transactions. Notable gaps include stocks of non-produced nonfinancial assets, despite the US government's substantial land and subsoil assets in the western half of the country. BEA also has no data on stocks of inventories.

Summary of Discussion: Participants were appreciative of the presentation and noted the difficulties even the USA is having, as an advanced statistical compiler, to compile a full balance sheet. The following observations were made:

- Some participants noted that the data gaps would mean that the U.S. balance sheet data would not be considered as “full” as several nonfinancial assets are not covered. FAD participants commented that filling gaps in balance sheet data is important for management of national wealth. There is a need for more harmonization and the challenges facing U.S. are not unique.
- The guidance provided by joint OECD/Eurostat Task Force on Land and Other Non-Financial Assets (covering specific categories) was mentioned as a useful resource for countries embarking on this work.
- Several country participants asked for clarification on issues including capitalization and ownership of R&D, the use of the defense price index for valuation of military equipment and the definition of infrastructure.
- Some participants noted the difficulties associated with valuing nonfinancial assets. One participant noted that it could be argued that much government owned infrastructure, including roads, land, monuments, does not meet the basic definition of an asset (given the lack of associated incomes for many government owned assets and the sheer unlikelihood of these assets ever being sold). The participant challenged the logic behind collection of this data for government, given, unlike corporations, governments are not traded, liquidated or broken up. Counter arguments noted the substantial economic benefits assets like transport infrastructure may provide to the society at large. The OECD noted that this is why such assets are recognized in the 2008 System of National Accounts (SNA), although they indeed often do not provide direct cash benefits and/or they may not have a (substantial) market value.

Statistical Methodologies applied to Natural Resources: Template for Government Revenues from Natural Resources

Issues Raised: Mr. Alberto Jimenez de Lucio presented the outcome of the IMF’s recent work on developing a template to collect data on government revenues from natural resources. The presentation explained that the template had been piloted in six countries and an IMF Board paper is currently being prepared.

Summary of Discussions: The presentation prompted a number of comments from participants.

- Some participants noted the existence of the [Ulaanbataar City Group Handbook on Resource Economy Statistics](#) in this area.
- Mr. Carruthers noted that the accounting community does not have a standard for natural resource revenues, and it welcomed the work done in this project which could inform any future work in this area.
- Several participants noted the difficulties in compiling this data, given the difficulties of where to draw the boundary between natural resource revenues, in light of different country circumstances. Participants noted different company structures (more or less vertically integrated) and different tax structures (more or less direct versus indirect taxes would result in quite different results).

Session 3

Public Sector – Challenges with the Delineation of the Public Sector

Issues Raised: Mr. Tobias Wickens presented the ongoing issues on the delineation of the public sector and the general government sector. Issues identified included the application of the control test to determine whether units are part of the public or private sector, the application of the market test for

public units engaged in nonfinancial activities, and the delineation of public financial corporations and general government units.

Mr. Sérgio Branco then went on to provide a more detailed presentation discussing the issues involved in classification of public sector units engaged in financial activities, where there is typically disagreement between compilers of monetary statistics and fiscal data on the correct classification. The specific examples of defeasance structures, financial protection schemes and captive financial institutions were all identified, and the issue of whether units are sufficiently independent of government to be considered as institutional units. It was suggested that additional guidance was required in this area.

Ms. Christine Dieterich then provided a discussion about fiscal data coverage in Sub-Saharan Africa. The presentation noted the increasing emphasis within the IMF's African Department on the need for broader coverage than the historical focus on budgetary central government. It was proposed that a risk based approach, expanding surveillance to certain specific entities, rather than statistical subsectors, might be a more useful approach.

Summary of Discussions: The three presentations prompted a detailed discussion, with a focus on the issue of data for the wider public sector. Specific comments included the following:

- There was broad recognition that further guidance on delineation within the public sector would be useful, especially in relation to public sector units engaged in financial activities. Regional approaches to classification of borderline units in the European context and within the East African Community were shared. Participants noted that GFSM provides high level guidance, and countries may need to adapt its guidance in some cases to suit local circumstances.
- There was a broad recognition among participants that collection and dissemination of public sector, rather than only general government, data can be a way of overcoming delineation problems within the public sector. Participants recognized that narrowly focused fiscal data can prompt countries to deliberately create new units that are outside the boundary to get around fiscal rules. Consequently, there was broad recognition of the value of public sector data, and public sector aggregates.
- A number of countries shared their experiences of collecting and publishing public sector data, but noted that the scope of the public sector data varies considerably from country to country. In some cases, although data are described as public sector, important public sector units are excluded from the measures. One participant cautioned that a focus on public sector data can lead to an anti-public sector, pro-privatization bias as governments suppress public investment or sell off public assets to stay within fiscal rules.
- Participants stressed the need for a wide range of indicators, including numbers for central and general government, public nonfinancial corporations and public financial corporations as well as the total public sector.

Public Sector - The Usefulness of Data on the Public Sector

Issues Raised: Mr. Nick Vaughan shared the UK's experiences with the production of public sector fiscal data. His presentation described the background to the UK's use of public sector aggregates for budgeting and analysis, and specific problems that arose during the global financial crisis, when the UK public sector

was expanded by the acquisition of a number of large banks. He described the introduction of public sector measures that excluded the impacts of the financial crisis and how the UK has amended these measures over time.

Summary of Discussion: Participants welcomed the UK experience and asked clarifying questions on why the UK had made the choices it had. Broader lessons from the UK experience included the following points:

- There was a recognition that the UK's ability to produce comprehensive public sector data relatively quickly, which is achieved through a combination of sound administrative data collection, but also a willingness to use survey data and estimates which are later revised as firmer data sources become available, could be potentially replicated in other countries.
- There was a recognition that the existence of large public sector banks creates issues for some public sector measures, especially gross debt. Therefore, some participants recommended the use of net debt measures (offsetting all assets equating to debt instruments) as the headline measure.

Session 4: **Public Private Partnerships**

Issues Raised: Ms. Isabel Rial provided an overview of work inside the Fiscal Affairs Department on PPPs. The presentation noted that infrastructure investment needs remains large, and PPPs continue to remain an attractive option for countries to deliver new infrastructure when fiscal space is limited. However, the presentation noted that PPP creates actual and contingent liabilities. FAD staff argued it is necessary to capture fiscal risks arising from PPPs in Fund surveillance, and joint work with the World Bank is under way to provide a toolkit (P-FRAM) to help assess the impact of PPPs on fiscal deficit and debt under IPSAS 32 accounting rules. FAD noted the potential differences between the IPSAS 32 approach and the *GFSM 2014*/EU risks and rewards approach, which can result in different impacts on deficit and debt.

Ms. Lena Frej-Ohlsson provided an overview of the new Guide to the Statistical Treatment of PPPs, jointly produced by Eurostat and the European PPP Expertise Centre (EPEC – advisory service of the European Investment Bank), which was published in September 2016. The Guide is aimed mainly at public sector PPP stakeholders, and provides practical advice on how typical clauses and terms within a PPP contract impact the classification of a project on or off balance sheet applying Eurostat's rules within the Manual on Government Deficit and Debt.

Mr. Ian Carruthers summarized the IPSASB approach to recording of service concession contracts. Under IPSAS32 a "control," rather than risk and rewards approach is taken. The approach is mirroring the approach taken by private sector partners following IFRS standards. Under this approach, the majority of PPP contracts will be recorded on the balance sheet of government, whereas this may not be the case using the EU and GFSM risks and rewards approach.

Summary of Discussions: Participants had a number of comments and observations on this topic:

- There was broad agreement that, regardless of whether PPPs were recorded on or off balance sheet, it was important for countries to be transparent about the volume and nature of PPP contracts, and the financial commitments and guarantees provided to the private partner.
- Participants noted the difference between government funded contracts (which Eurostat refer to as PPPs) and user funded projects (such as toll roads) which are more commonly referred to as concessions.

Some participants noted that these contracts are somewhat different in nature and that they may require different approaches.

- Participants also noted that, in practice, the risk and reward approach of ESA2010 and the control approach of IPSAS may result in different recording of contracts as on or off balance sheet. In the EU, the risk and reward approach has been adopted, but the GFSM 2014 refers to both risk and rewards and IPSAS guidance, there is arguably a need for the wider international GFS community to decide on a preferred approach. Adoption of the broader control based approach was favored by a number of country and international organization participants, but there could be opposition to this approach from countries with significant numbers of off balance sheet PPPs.
- It was recognized that the treatment of PPPs is linked to the larger issue being discussed in the accounting community on leases, and the potential elimination of the distinction between operating and financial leases.
- The Chair closed the session by noting the ongoing need for further dialogue on the subject of PPPs and close cooperation between the statistical and accounting community.

Overall Conclusions

The Chair thanked participants for their time and for a productive meeting and wide ranging discussion. He noted the need for further debate and discussions in a number of areas and indicated that the GFSAC Secretariat would be in touch with participants in due course to continue the dialogue.