



REVIEW OF THE IMPLEMENTATION OF GOVERNMENT FINANCE STATISTICS TO STRENGTHEN FISCAL ANALYSIS

November 26, 2013

EXECUTIVE SUMMARY

The purpose of this paper is to review progress since the 2010 Board decision concerning Government Finance Statistics (GFS) to Strengthen Fiscal Analysis, and develop a path to continued improvement of fiscal data in the Fund. The Board decision approved a phased migration that involved (1) the inclusion in staff reports by May 2011 of key elements of the *Government Finance Statistics Manual 2001 (GFSM 2001)* presentation, together if needed, with additional presentations that the authorities are familiar with; and (2) a continuation of technical assistance to develop countries' capacity to produce comprehensive *GFSM 2001* presentations.

Since May 2011, there has been steady progress with the implementation of the Board decision. By end June 2013, 136 staff reports (about 70 percent of all staff reports) included the *GFSM 2001* presentation of fiscal data. However, obstacles remain for full implementation, mainly due to the lack of data in countries (such as timely data for general government and balance sheet information). A lack of comparable and timely government finance and public debt data remains a challenge and Board support remains important to improve the situation. Full implementation of the strategy will require more time and continued efforts by staff and countries.

To help countries improve their government finance statistics, staff provided technical assistance and training, which increased during the past four years (230 percent increase between FY 2011 and FY 2014). This was made possible by generous contributions of donors, notably the Government of Japan, the Department for International Development of the United Kingdom, and the European Union.

To maintain steady progress in implementing the *GFSM 2001*, this review proposes, (1) the continuation of the migration strategy the Board approved in 2010, (2) the creation by management of a GFS Advisory Committee to support the implementation of *GFSM* by countries, and (3) continued assistance to country teams and to countries to fully implement the Board decision.

Approved By
Louis Marc Ducharme
and Sanjeev Gupta

Prepared by the Staff of the Fiscal Affairs Department and the
 Statistics Department

CONTENTS

BACKGROUND	3
REVIEW OF IMPLEMENTATION STRATEGY AND PROGRESS	7
A. Staff Reports	7
B. Difficulties Encountered by the Staff (and the Authorities) in Adopting the <i>GFSM</i> Data Presentation and the Way Forward	15
C. World Economic Outlook (WEO) and Fiscal Monitor	16
D. Advantages of the <i>GFSM 2001</i> in Staff Reports and Analytical Work	16
E. Technical Assistance and Training in <i>GFSM 2001</i>	18
NEXT STEPS	21
BOXES	
1. From <i>GFSM 2001</i> to the Updated <i>GFSM</i>	6
2. Implementation of the Migration Strategy as of June 2013	14
3. The Relevance of Statistical Definition of Public Sector Debt	18
FIGURES	
1. Fiscal Data Presentation Based on <i>GFSM 2001</i> Follows a Balance Sheet Approach	3
2. The Coverage of Fiscal Data	4
3. Over 70 Countries Report Data to the WB – IMF Public Sector Debt Database	6
4. Summary of Progress of the Migration Toward <i>GFSM 2001</i> Presentation in Staff Reports	8
5. Staff Reports (Excluding Program Countries) with <i>GFSM 2001</i> Presentation	8
6. Staff Reports (Excluding Program Countries) Including both Nonstandard Fiscal Presentation and <i>GFSM 2001</i> Fiscal Presentation	9
7. Staff Reports of Fund-Supported Program Countries also Included the <i>GFSM 2001</i> Fiscal Presentation	9
8. Number of Countries Reporting Data for the <i>GFSY</i> in <i>GFSM 2001</i> Format	10
9. Number of Countries Reporting Data on Assets and Liabilities for the <i>GFSY</i>	11
10. Staff Reports in the <i>GFSM 2001</i> Format and Financial Balance Sheet Data	11
11. The Coverage of Government in Staff Reports in <i>GFSM 2001</i> Format	12
12. Relapse of Staff Reports Including <i>GFSM 2001</i> Presentation	13
13. Evolution of Technical Assistance and Training Missions in GFS	19
14. Sources of Financing of GFS Missions	20
15. Composition of Technical Assistance Missions by Area Departments	20

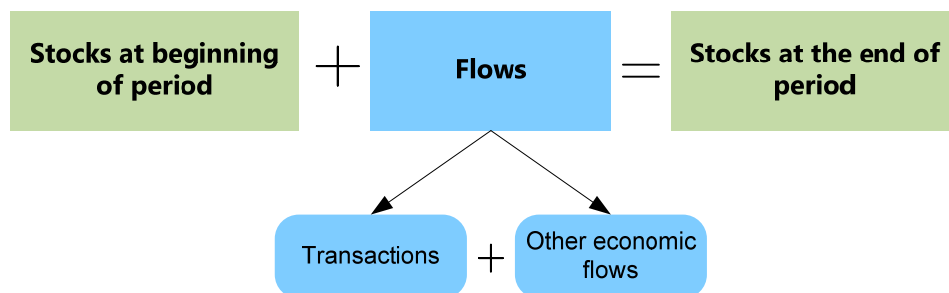
BACKGROUND

1. This paper reviews progress since the 2010 Board decision concerning Government Finance Statistics to Strengthen Fiscal Analysis, and proposes a path to continued improvement of fiscal data in the Fund. In March 2010, Board decision n° 14565-10/20, called for a phased migration to implement the [Government Finance Statistics Manual 2001 \(GFSM 2001\)](#) as the standard for fiscal data in staff papers. The envisaged migration involved:

- (1) the inclusion in staff reports by May 2011 of key elements of the *GFSM 2001* presentation, together, if needed, with presentations that the authorities are more familiar with; and
- (2) a continuation of technical assistance to strengthen a countries' capacity to produce comprehensive *GFSM 2001* presentations (Appendix I).

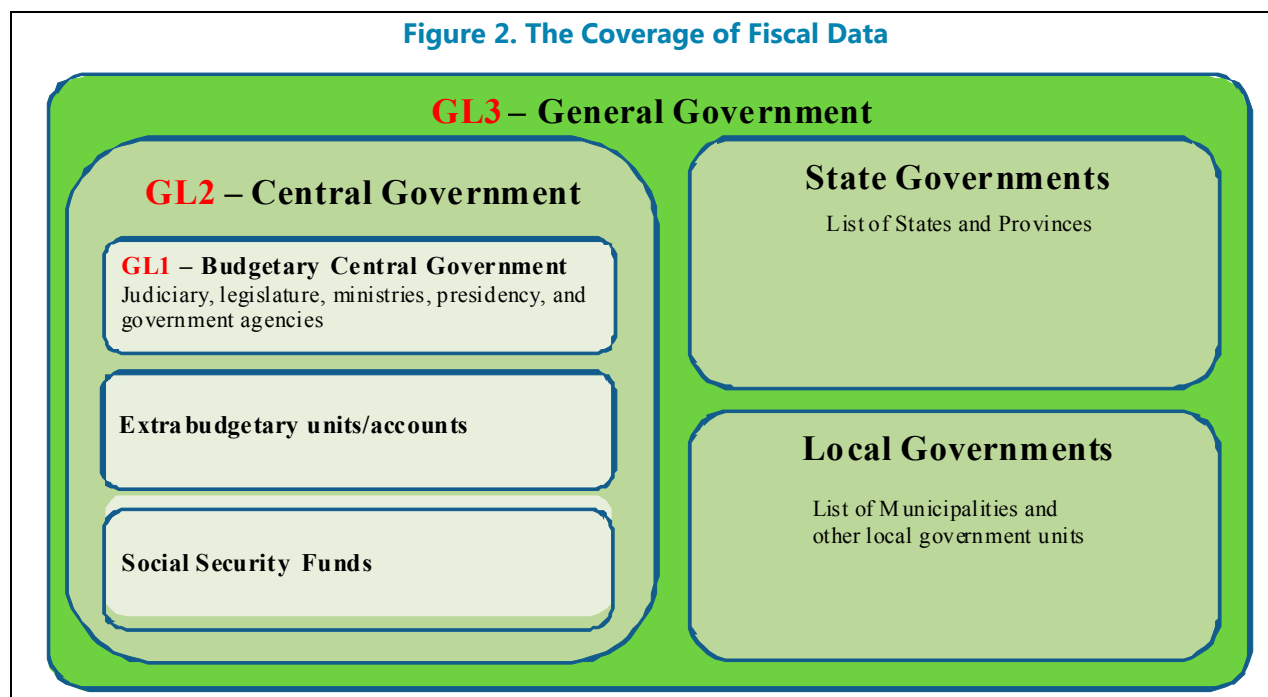
2. In 2010 and early 2011, FAD and STA presented the implications of the Board decision to area departments' senior staff and separately to economists. A help desk was established providing in-depth assistance to area department teams and a guidance note was provided to area departments. The aim was to present fiscal data that include both stocks and flows, although the level of detail may vary from one country to another. The fiscal presentation should include a Statement of Operations Table (Flows) and the Integrated Financial Balance Sheet (Stocks) so that government operations and other economic flows (such as valuation adjustments) explain the difference between the opening and closing balance sheet positions (Figure 1).

Figure 1. Fiscal Data Presentation Based on GFSM 2001 Follows a Balance Sheet Approach



3. The general government sector (or wider aggregates when appropriate) as outlined in GFSM 2001 was adopted, as the Fund's standard coverage for staff reports. The World Economic Outlook (WEO) database also adopted this coverage in 2010. This coverage was chosen because it is consistent with the delineation of government for the national accounts and because it is the coverage most comparable across countries. It was recognized that a change in the coverage would take time because in some countries these data are not available. However, staff report tables must specify the institutional coverage (Figure 2).

Figure 2. The Coverage of Fiscal Data



4. Several developments since the 2010 Board decision have underscored the importance of following a standard, internationally accepted methodology that fosters comparability of data across countries and supports fiscal analysis.¹ These developments can be summarized as follows:

- Fiscal policy issues in advanced and emerging economies increasingly require clarity of methodological standards. For example the crisis in Europe highlighted the importance of properly defining the range of institutions included in general government and referring to international standards.
- The *Fiscal Monitor* has become an established publication of the Fund, making international comparability of statistics essential. The *Fiscal Monitor* includes detailed metadata about the methodology and the coverage of the data (as well as the WEO).
- The ongoing revisions to the Fund's [Fiscal Transparency Code](#) recognize fiscal reporting as a central feature referring extensively to the *GFSM 2001*. The code also emphasizes accounting practices (including International Public Sector Accounting Standards IPSAS), the gradual move towards accrual accounting by governments and, where possible and relevant, coverage of public sector entities beyond the general government. In Europe, a European Public Sector Accounting Standard (EPSAS) is in preparation.

¹ Nevertheless, the comparability of fiscal data is lacking in many respects. The Board decision to strengthen fiscal data remains highly relevant.

- The G-20 Data Gaps Initiative was launched to accelerate statistical improvement, and it includes recommendations to improve government operations and debt data. The Inter-Agency Group in Economic and Financial Statistics² developed a basic template for general government stocks and flows and its Principal Global Indicators (PGI) database presents these data for 15 economies.³
- The World Bank – IMF Public Sector Debt Statistics Online Centralized Database was created in 2010 initially covering only developing countries. A working group that includes the OECD, ECB, Eurostat, UNCTAD, and the Commonwealth Secretariat (Comsec) was subsequently created, and as of September 2013, over 70 countries including most advanced economies, are providing data. This database covers at least the central government and, as available, the general government and public sector (Figure 3).
- In 2012, the third-tier of the Fund’s Data Standards Initiative (Special Data Dissemination Standard Plus-SDDS Plus) was created. Adhering countries are required to disseminate fiscal data (statement of operations and gross debt) for the general government, on a quarterly basis using the *GFSM 2001* framework.
- The Fund’s Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries (May 2013) refers to the *GFSM 2001* as the relevant starting point for determining countries’ levels of gross debt.
- An increasing number of countries are reporting data in the *GFSM 2001* format to the Fund for publication in the *Government Finance Statistics Yearbook (GFSY)*.
- The Financial Programming and Policies Course taught at Headquarters for Fund economists now reflects the recent statistical methodologies including the *GFSM 2001*. The updated course was introduced in August 2013 with Iceland providing the new case study based on *GFSM 2001* presentation.
- The *GFSM 2001* is being updated for consistency with other statistical methodologies namely the [System of National Accounts 2008 \(SNA 2008\)](#) and the [Balance of Payments and International Investment Position, Sixth Edition \(BPM6\)](#). The [Public Sector Debt Statistics Guide](#) and the [Quarterly Guide of Government Finance Statistics \(Quarterly Guide\)](#) were published. The updated *GFSM* will be published in early 2014 (Box 1).

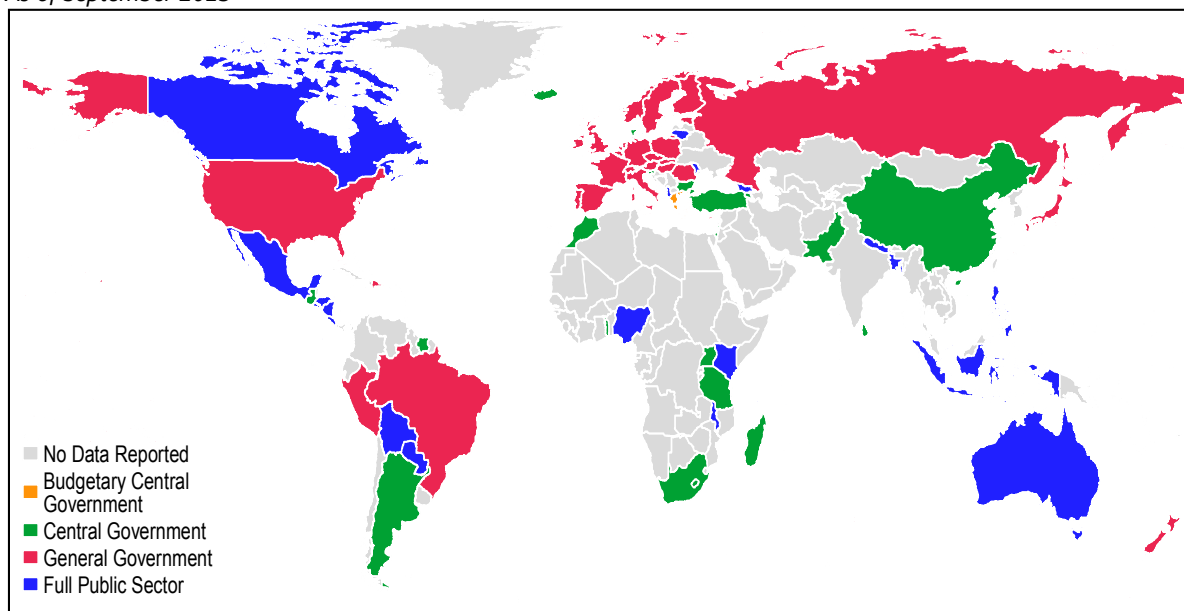
² The members of the IAG are the Bank for International Settlements (BIS), the European Central Bank (ECB), Eurostat, the IMF (chair), the Organization for Economic Co-operation and Development (OECD), the United Nations, and the World Bank.

³ <http://www.principalglobalindicators.org/default.aspx>

- The Fund developed a “[Structure of Government](#)” database using information from the *Government Finance Statistics Yearbook (GFSY)* to help economists determine the institutional coverage of fiscal data.

Figure 3. Over 70 Countries Report Data to the WB – IMF Public Sector Debt Statistics Database

As of September 2013



Source: WB-IMF Public Sector Debt Statistics Database

Box 1. From GFSM 2001 to the Updated GFSM

Like other statistical manuals, the *GFSM* is updated to take into account new economic developments and feedback from compilers. Following the revision of the over-riding statistical framework, the *System of National Accounts 2008 (SNA 2008)*, there was a global consultation process with fiscal data specialists. Out of that process, three guidelines were adopted:

- The overall framework should be unchanged.
- Some detailed items should be changed to follow revisions in the *SNA* to maintain harmonization of standards, e.g., there are amplified breakdowns and improved treatments of research and development, intellectual property, military equipment, and licenses.
- The revised *GFSM* should provide additional guidance and clarification on fiscal developments, such as public-private partnerships, bail-outs, special purpose entities, restructuring agencies, guarantees, and non-performing loans. Requests were also made to provide better explanations of issues such as social insurance and linkages with other statistical datasets.

So unlike the 2001 edition which brought substantial conceptual changes, the new manual will have no effect on the definitions of the main fiscal aggregates used for staff reports. Consequently, the revised *GFSM* will have no impact on the migration strategy. However, it will bring improvements in terms of more detailed breakdowns for some components and better guidance, which may result in some revisions in the numbers reported by some countries as they adopt the new guidance.

REVIEW OF IMPLEMENTATION STRATEGY AND PROGRESS

A. Staff Reports

5. There has been a steady progress with the implementation of the Board decision. By the end of June 2013, 136 staff reports of which 24 under Fund-supported programs included the *GFSM 2001* presentation of fiscal data. This number represents about 70 percent of all staff reports. As shown in Figure 4, EUR tops the chart in absolute terms with 39 countries using the *GFSM* presentation. As shown in Figure 5, in relative terms, AFR, APD, and EUR have about 88 percent of staff reports (excluding program countries) using *GFSM* presentations, followed by MCD with 78 percent and WHD with 64 percent.⁴ Both charts record 'implementation' when staff reports use *GFSM 2001* presentations regardless of the coverage of government (see paragraph 11) and whether or not balance sheet data are included (see paragraph 10). Some country teams, especially in AFR, MCD, and WHD, maintained the nonstandard presentation along with the *GFSM 2001* (Figure 6).

6. The original migration strategy indicated that the target for implementing the new presentation was all staff reports after May 2011, except for countries in which a program was in place before that date. For the latter, implementation could be delayed until the completion of the program. As a result, the benchmark set in May 2011 was 147 staff reports. As of June 2013, 112 out of 147 staff reports (76 percent) have included *GFSM 2001* presentation and 24 (about 51 percent) of Fund-supported programs used *GFSM 2001* presentation in staff reports. Figure 4 below shows progress towards implementing GFS for all countries.

⁴ The terms "countries" and "staff reports" are used interchangeably. In other words each staff report refers to a country, and reports are counted only once.

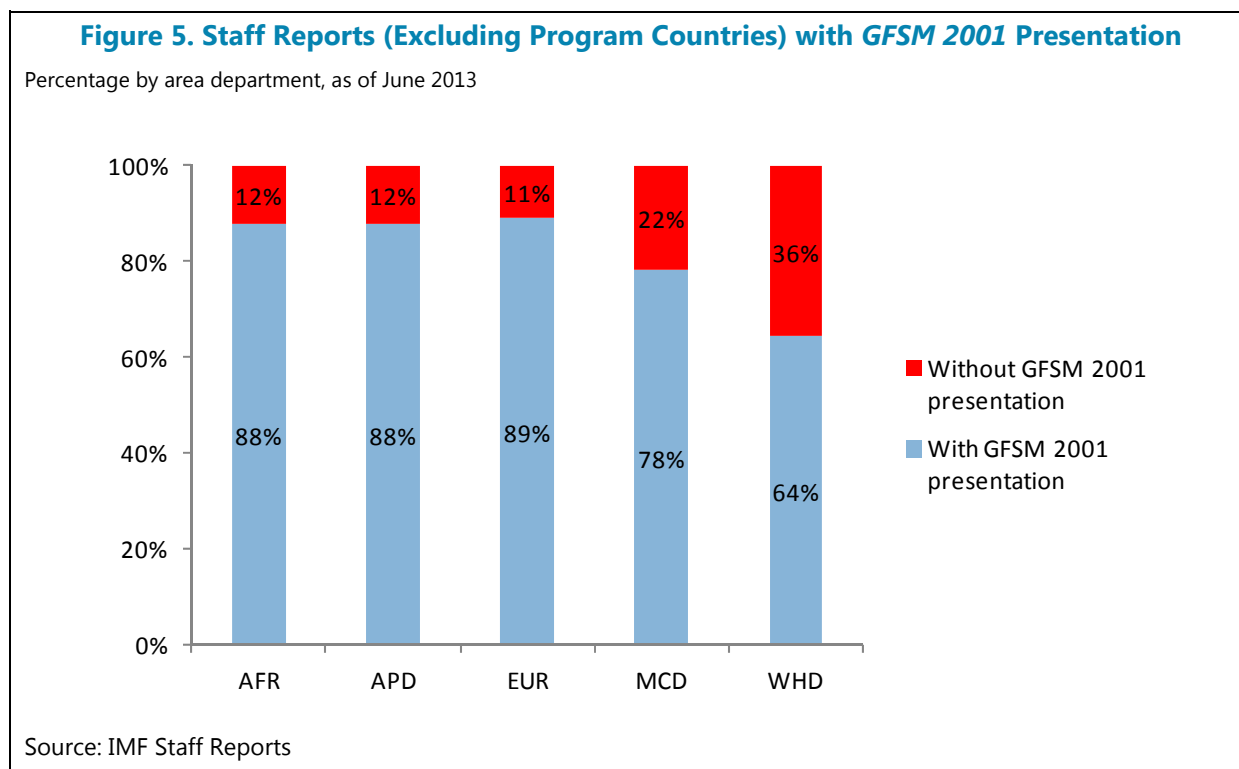
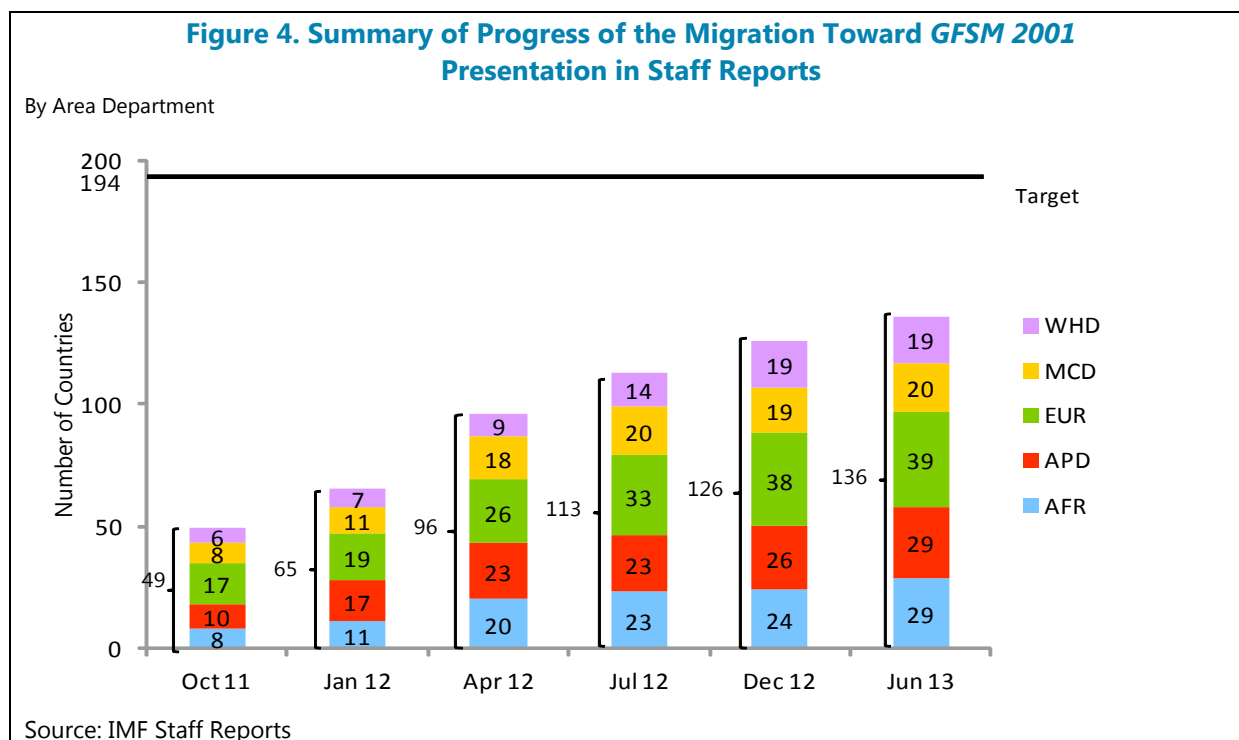
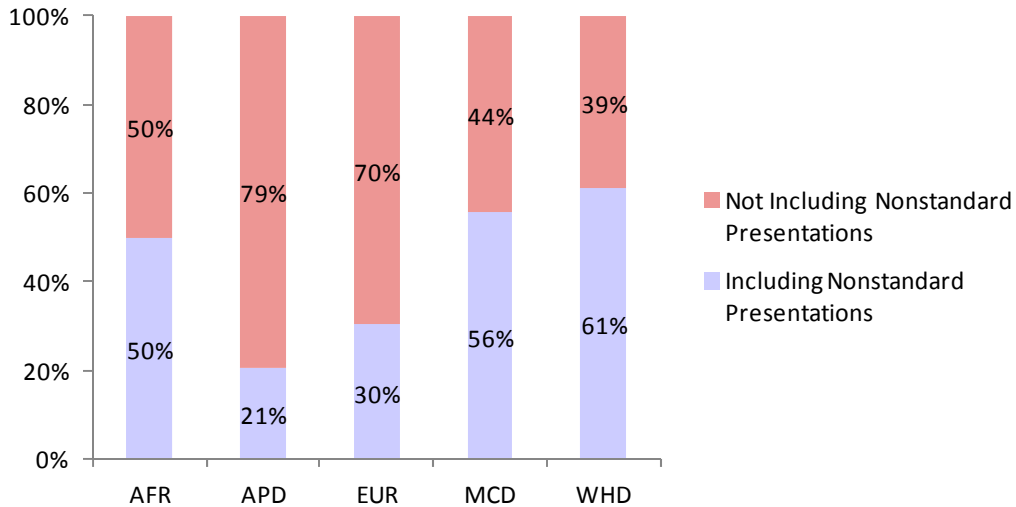


Figure 6. Staff Reports (Excluding Program Countries) Including both Nonstandard Fiscal Presentation and GFSM 2001 Fiscal Presentation

Percentage by area department, as of June 2013

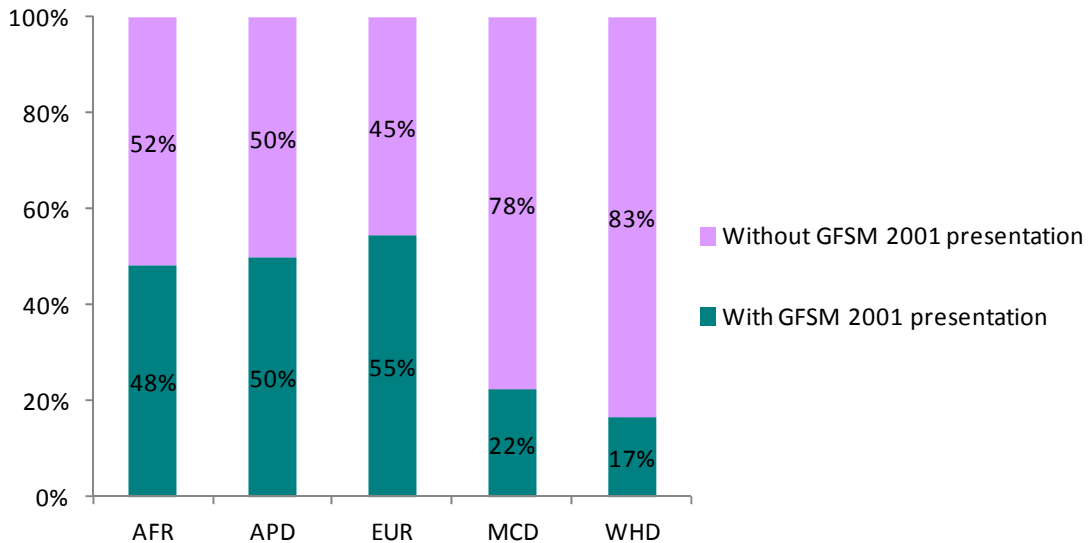


Source: IMF Staff Reports

7. Figure 7 shows that about half of AFR, APD, and EUR program countries used the GFSM presentation for fiscal data.

Figure 7. Staff Reports of Fund-Supported Program Countries also Included the GFSM 2001 Fiscal Presentation

Percentage by area department, as of June 2013



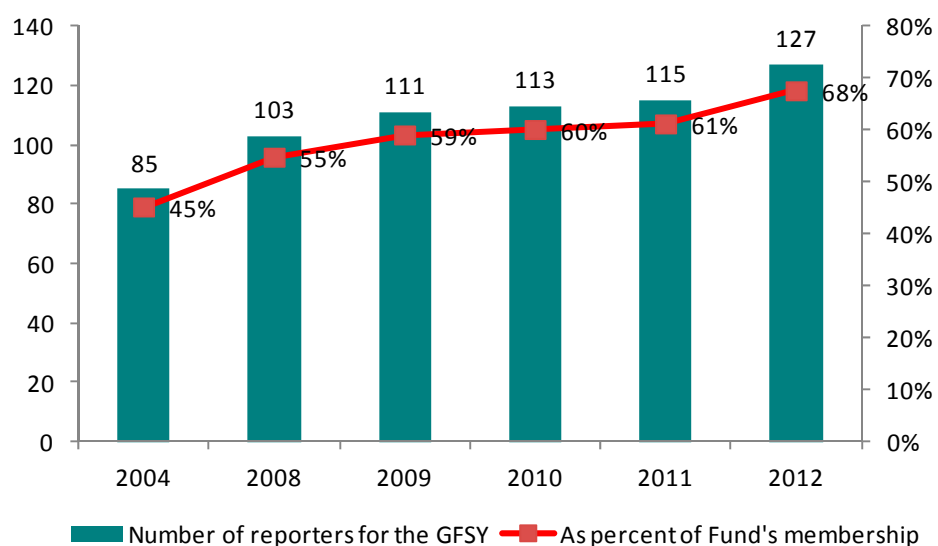
Source: IMF Staff Reports

8. Implementation in staff reports to some extent mirrors the extent to which countries are disseminating these data. Figure 8 shows that about 70 percent of Fund membership reports data to the *Government Finance Statistics Yearbook (GFSY)*, similar to the implementation of the Board decision in staff reports.

9. Whereas, the Board decision indicated that the *GFSM 2001* format would be the main fiscal presentation in staff reports, some reports have maintained the nonstandard fiscal presentation along with the *GFSM 2001* presentation. While initially the dual presentations were a good way of transitioning, moving forward, this paper encourages staff reports to use the *GFSM 2001* presentation for fiscal analysis to take advantage of the *GFSM* comprehensive framework that helps identify several issues that nonstandard fiscal presentation cannot provide (Section D).

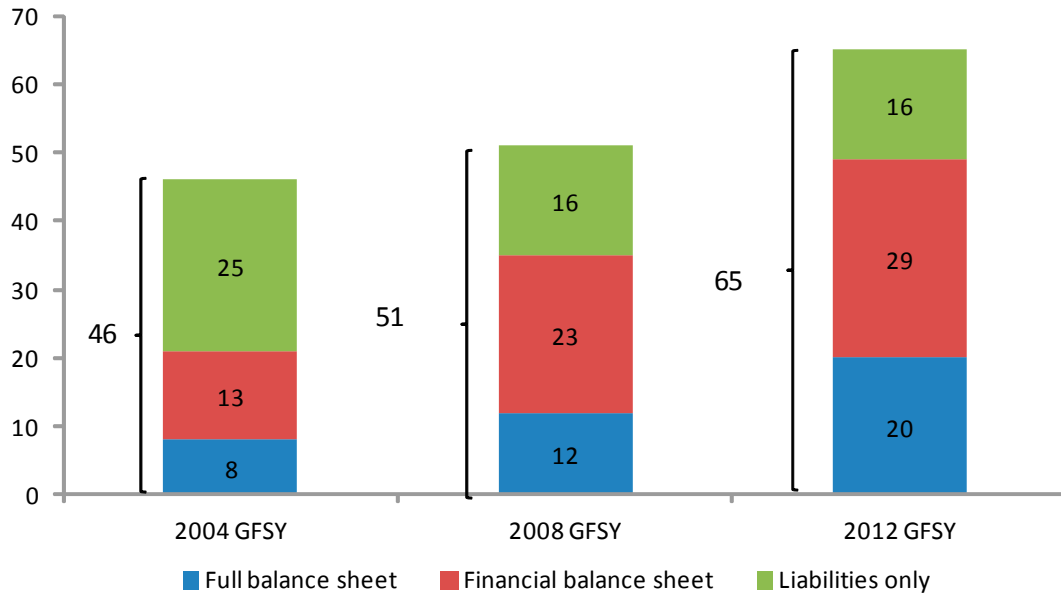
10. Balance sheet information remains an area for development. Only 39 percent of staff reports that otherwise adopted the *GFSM* presentation included balance sheet information. For the *GFSY*, 65 countries provide stock data to *GFSY* on asset and/or liabilities compared with 53 staff reports including such data. As shown in Figure 9, full balance sheets are now reported for *GFSY* by 20 countries, financial balance sheets by 29 countries, and 16 countries report only liabilities (debt).

Figure 8. Number of Countries Reporting Data for the *GFSY* in *GFSM 2001* Format



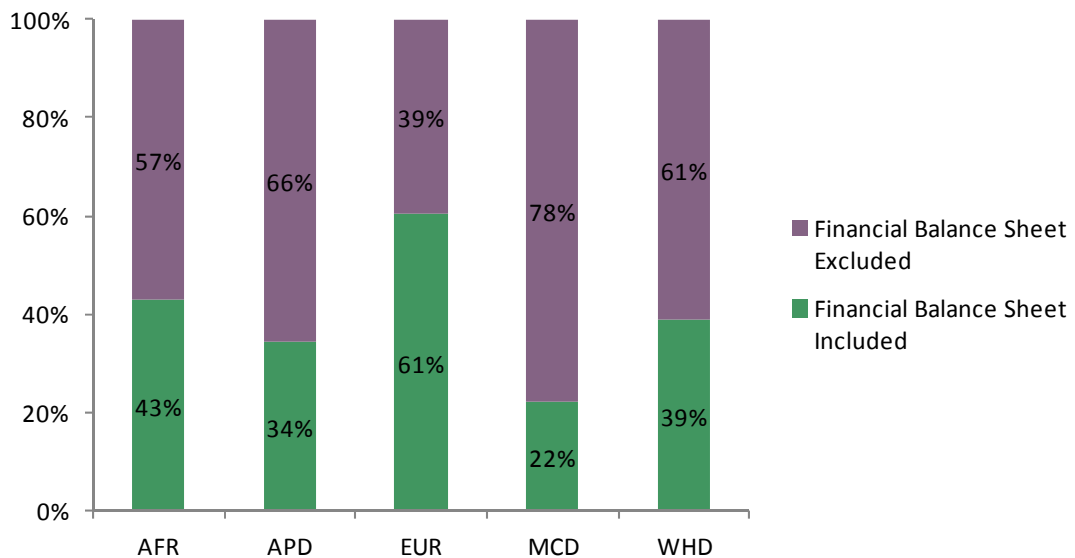
Source: *Government Finance Statistics Yearbook*

Figure 9. Number of Countries Reporting Data on Assets and Liabilities for the GFSY



Source: Government Finance Statistics Yearbook

Figure 10. Staff Reports in the GFSM 2001 Format and Financial Balance Sheet Data

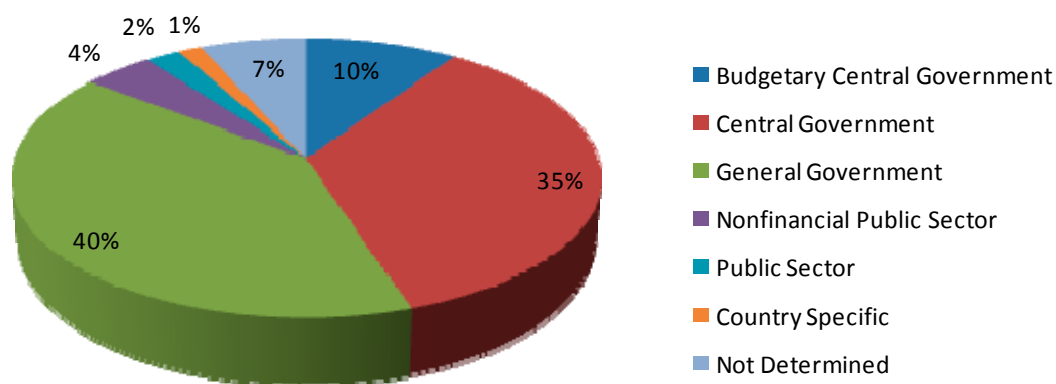


Source: IMF Staff Reports

11. Further progress is needed in covering the general government as outlined in the *GFSM 2001*.⁵ As of June 2013, about 40 percent of staff reports (including for all European Union countries) that include the *GFSM* presentation cover the general government while 35 percent cover the central government (Figure 11). In comparison, 60 percent of the countries reporting to *GFSY* present general government data for publication although *GFSY* data are reported with considerable lags and may not be sufficiently timely for fiscal analysis.

Figure 11. The Coverage of Government in Staff Reports in *GFSM 2001* Format

As of June 2013



Source: IMF Staff Reports.

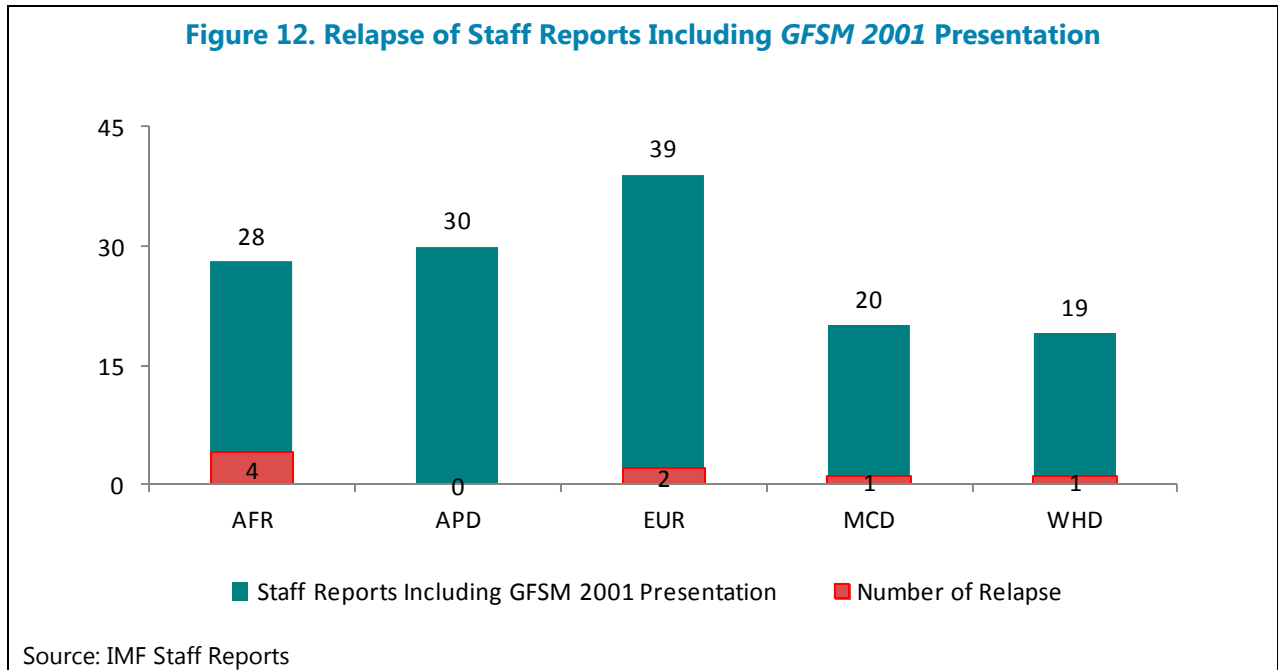
Numbers may not add up to 100 percent due to rounding.

12. During the migration phase, staff provided extensive support to area department teams to help set up the *GFSM 2001* presentation in the fiscal files. A total of 121 teams (89 percent of staff reports that implemented the *GFSM*) have benefited. A special help desk was established by FAD and STA, which provided support including hands-on upgrades of fiscal files and data comparisons with other sources. Also, outreach seminars to area departments introduced the Board Decision and its implementation.

13. A few staff reports “relapsed” to national presentations a year after the *GFSM 2001* format was introduced (Figure 12). Country teams reported encountering a number of difficulties

⁵ The importance of the coverage according to internationally accepted methodology was highlighted in the updated SPR “Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries.” Page 8, point 11 (<http://www.imf.org/external/np/pp/eng/2013/050913.pdf>).

in working with the *GFSM* data presentation with the authorities. The staff therefore proposes to continue providing assistance to country teams to fully implement the Board decision. Continued assistance to countries, including training for country officials should also help improve fiscal data.



14. In Summary, despite significant progress 58 staff reports are yet to include the *GFSM* presentation.⁶ Box 2 presents a summary of the migration strategy objectives adopted following the 2010 Board decision, and the progress since then towards achieving these.

⁶ For nine of these staff reports, the Board has not concluded any Article IV consultation since May 2011.

Box 2. Implementation of the Migration Strategy as of June 2013

The migration strategy using *GFSM 2001* presentations in Fund staff reports was outlined in Section V of "Government Finance Statistics to Strengthen Fiscal Analysis", February 26, 2010:

- The fiscal data reported for WEO purposes should follow the *Government Finance Statistics Manual 2001 (GFSM 2001)* methodology.

The WEO questionnaire now follows the GFSM 2001 format and the WEO database includes metadata on the coverage of the data, including deviations from the GFSM.

- Staff reports issued after May 2011 (except for Fund-supported programs) should include presentations of the operations table in the *GFSM 2001* format—expanded, if needed, to include key aggregates in the authorities' presentation.

The target of 194 staff reports is well on the way to being met with 136 staff reports (70 percent) following the GFSM presentation.*

- As of May 2011, information on the government's stock of financial assets should be regularly reported together with information on gross debt; this stock information should be supplemented with information on "other flows," if available.

This target has been partially met with 53 reports including full and partial balance sheets (27 percent of the overall target and 39 percent of staff reports that include the GFSM presentation).

- Deviations from the *GFSM 2001* methodology due to data availability will be acceptable but should be flagged in footnotes.

This target was broadly met as most staff reports include references, and the WEO database provides detailed information, mainly on the coverage of the data for all countries.

- The above information should be reported, to the extent possible, for the general government (or wider aggregates when appropriate).

This target has been partially met with 55 reports covering general government (28 percent of the overall target and 40 percent of staff reports with GFSM presentations).

- For Fund-supported programs in existence prior to May 2011, the shift to *GFSM 2001* can be delayed until completion of the program.

This target has been fully met (or exceeded) with 24 staff reports of fund-supported programs including the GFSM presentation.

- The Fund will review the implementation of the migration strategy for implementation of the *GFSM 2001* in staff reports by December 31, 2013.

*194 staff reports include 188 members and 6 non-members.

B. Difficulties Encountered by the Staff (and the Authorities) in Adopting the *GFSM* Data Presentation and the Way Forward

15. General government data are often not available, or are published with considerable delays, mainly due to delays with data on state and local governments. This is a subject often discussed by technical assistance missions. Many countries traditionally publish general government data only when all government entities have reported final data and are reluctant to adopt a new approach whereby fiscal data may be subject to revisions. The IMF's *Quarterly Guide of Government Finance Statistics* provides guidance on how to apply standard statistical techniques such as sampling, extrapolation, and revisions to prepare timely fiscal data covering the general government. These techniques are used for quarterly national accounts data which incorporate data on the general government.

16. Other difficulties encountered by country teams relate to the break in the series used for surveillance that can arise when the *GFSM* format is first adopted. For example, some staff reports treat grants as a source of financing item instead of reporting them as revenue as recommended in the *GFSM*. To reduce the risk of data being misinterpreted country teams need to ensure that the new presentation of fiscal data is properly explained. They may also need to present supplementary data in the old format and/or create a historical time series under the new format. However in some cases, new *GFSM* compliant data may reveal a different underlying fiscal position and thus justify a change in policy. An extension of the institutional coverage of fiscal data from budgetary central government to general government, for example, could show that public finances were stronger or weaker than had previously been believed.

17. The main challenge for the authorities (and, therefore for the country teams) with the compilation of financial balance sheet data is that the assembly often requires a great deal of coordination among various agencies. Information on government balance sheets is typically maintained by the central banks (financial accounts), by debt or asset management agencies, and ministries of finance. However, the Fund's revised debt sustainability analysis promotes an integrated analysis of stocks and flows and this may motivate countries to produce and disseminate data on balance sheets.

18. An ongoing issue is that many countries' government accounting systems are still cash based and the introduction of accrual accounting is a process that will take a substantial amount of time. This means that the *GFSM* accrual presentation needs to be compiled through bridging tables and/or adjusting the data using various assumptions. FAD is drawing on its own resources and support from donors to support a growing number of countries to move to full accrual accounting, therefore simplifying the production of *GFSM* compliant data.

19. To enhance the quality and coverage of member countries' fiscal data, management intends to establish a GFS Advisory Committee. The establishment of such a committee would support the improvement of fiscal data by providing a forum for discussion for its members on important data issues. The committee would have the mandate to identify problem areas in statistical compilation, to share experience, and to advise on standards and best practices. For example, statistical standards and operational guidance need to keep up with new developments on contingent liabilities as well as public-private partnerships, and expansion to cover subnational governments and state-owned enterprises.

20. The GFS Advisory Committee would consist of a panel of internationally recognized experts from countries and international organizations. The governance structure would be similar to existing specialized statistical advisory committees established in the international community for external sector statistics and national accounts. It would be composed of around 12 country experts from a range of Fund member countries. Funding would be provided to support attendance from developing countries. In addition, up to 10 representatives of international organizations would be invited to attend. The meetings would be held in Washington once every two years. In addition, a website and an e-mail network would allow continuing communication among committee members and with the wider fiscal statistics community on implementation issues and new developments on statistical standards.

C. World Economic Outlook (WEO) and Fiscal Monitor

21. In November 2009, the WEO adapted its fiscal questionnaire to the requirements of the GFSM 2001 and, at the same time, expanded the collection of data. The WEO Reporting System (WRI) layout was adapted and training provided. As of April 2010, WEO data are presented with the main aggregates of *GFSM 2001*. Moreover, the WEO database and the Fiscal Monitor have a harmonized definition of government according to *GFSM 2001*.

22. To help area department economists compare their WEO submissions with data in the *International Financial Statistics (IFS)* and the *GFSY* (both using the *GFSM* classification), an Excel-based tool is available. The tool can also help address breaks in data series and backward revision of data.⁷

D. Advantages of the GFSM 2001 in Staff Reports and Analytical Work

23. From an analytical perspective, the migration to GFSM 2001 has the following advantages:

- Specification of the level of government and institutional units covered by the data (for example central, state, local, and general government as well as public sector), which has significant implications for magnitude and comparability of data (Box 3).

⁷ <http://www-intranet.imf.org/departments/STA/DataProducts/Lists/Data%20Products/DispForm.aspx?ID=17>

- Gross financing needs of government are broken down by instrument (transactions in financial assets and liabilities separately). This breakdown explains the means by which government deficits are financed (borrowing, sale of assets) or surplus invested (reduction of gross debt, acquisition of assets);⁸
- Comprehensive explanation of changes in a government's balance sheet during the course of the fiscal year due to transactions and "other economic flows." (For example, is the increase of public debt broadly explained by the deficit? If not, can the difference be explained by valuation changes? Or are they due to differences in coverage? The deficit may cover general government while debt covers only the central government.)
- Guidance for a precise calculation of surplus or deficit (net lending/borrowing or overall balance) by clarifying complex classification concepts. For example, privatization of a public corporation is a sale of a financial asset and not of a nonfinancial asset, and therefore does not affect the fiscal balance. It also clarifies cases where capitalization of corporations can be treated as a financing transaction (below the line – no effect on fiscal balances) and the cases where it is treated as a transfer (above the line - affects fiscal balances).

24. Staff has conducted a number of research projects with associated data sets that showcase the advantages of the GFSM data presentation. New datasets show time series data for the Classification of the Functions of Government (COFOG) extracted from the *GFSY* database, and an e-library table highlights the relative size of central, state, and local governments relative to the general government. Recent papers discuss the availability and challenges in preparing data on governments' nonfinancial assets and the relationships between stocks and flows and fiscal transparency.⁹ A technical note discusses applications for the design of Fund programs indicating that a precise definition of government should be a key element of Technical Memorandum of Understanding under IMF-supported programs.¹⁰ Box 3 presents an example of the relevance of statistical definitions of government for determining a country's gross debt position.

⁸ The importance of gross financing is also mentioned in the "Risk-Based Approach" provided by the "Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries", page 5, point 7.

(<http://www.imf.org/external/np/pp/eng/2013/050913.pdf>)

⁹ <http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm>

<http://blog-pfm.imf.org/pfmblog/fad-technical-notes-and-manuals-on-public-financial-management.html>.

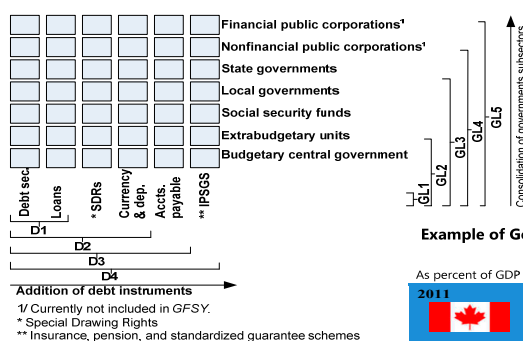
¹⁰ Definitions of Government in IMF-Supported Programs (<http://www.imf.org/external/pubs/ft/tnm/2013/tnm1301.pdf>).

Box 3. The Relevance of Statistical Definition of Public Sector Debt¹

While key macroeconomics indicators such as Gross Domestic Product (GDP) or the Consumer Price Index (CPI) are based on internationally accepted methodologies, indicators related to the debt of the public sector often do not follow international standards and can have several different definitions. The absence of the standard nomenclature can lead to major misunderstandings in the fiscal policy debate. For example, debt statistics may include or exclude state and local governments and may cover all debt instruments² or just a subset.

Many users are not aware of the extent to which differences in concepts and methods matter such as (a) institutional coverage of government; (b) instrument coverage of debt; (c) valuation of debt instruments; and (d) consolidation of intragovernment holdings.

Box Figure. Codifying Debt Based on Level of Government and Debt Instruments



Example of Good Practice: The Range of Gross Debt in Canada

As percent of GDP

2011	GL2 – Consolidated Central Government	GL3 – Consolidated General Government	GL4 – Consolidated Public Sector
D1	34.4	68.9	85.8
D2	35.2	69.7	91.6
D3	39.1	93.0	134.6
D4	47.5	105.6	150.1

Source: WB–IMF Public Sector Debt Statistics Database

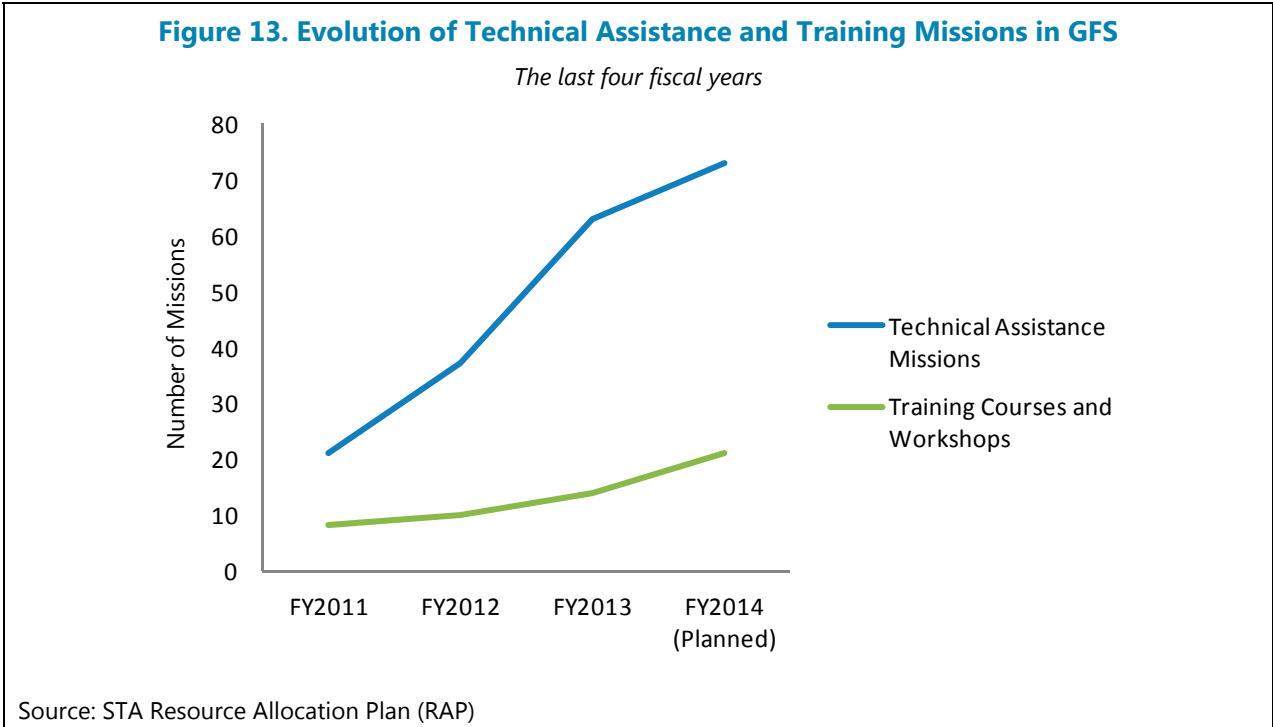
It is important to be precise in defining debt to increase awareness of potential fiscal risks hidden in debt instruments or debt structures and highlighting fiscal decentralization and its analytical implications.

¹ Staff Discussion Note “What Lies Beneath: The Statistical Definition of Public Sector Debt, An Overview of the Coverage of Public Sector Debt for 61 Countries” Robert Dippelsman, Claudia Dziobek, and Carlos Gutierrez Mangas, IMF, July 27, 2012.

² Debt instruments as defined in the [Public Sector Debt Statistics Guide](#).

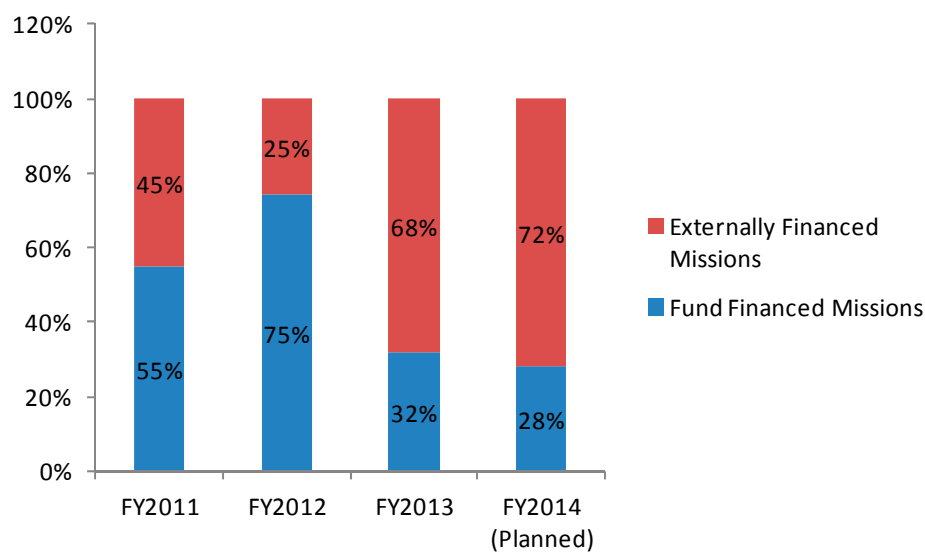
E. Technical Assistance and Training in GFSM 2001

25. Support to member countries to implement GFSM 2001 through GFS technical assistance and training has increased. Comparing Fiscal Year 2011 and the Fiscal Year 2014, the number of mission has more than tripled (Figure 13). FAD and STA conducted joint missions and developed a model to bring together Public Financial Management and Fiscal Data Reporting. Joint missions also involved EUR and MCD.



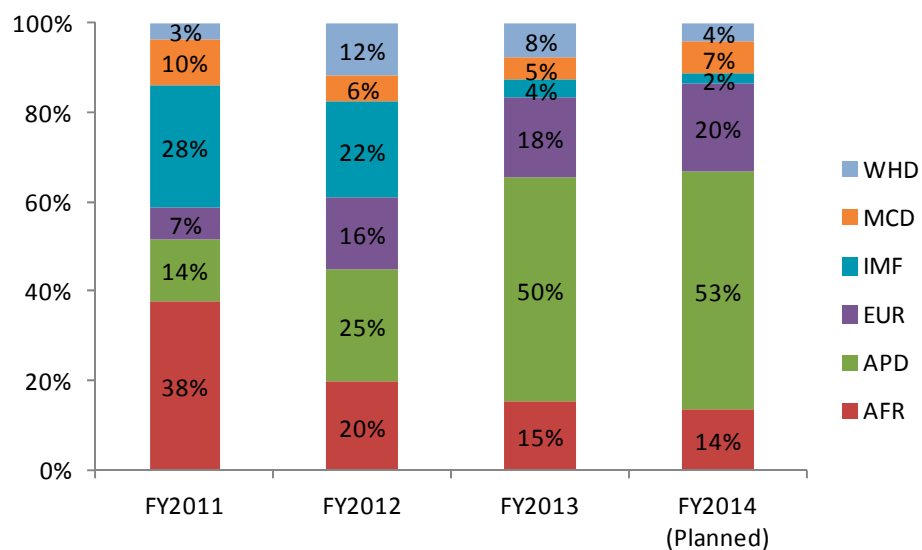
26. The increase of missions provided was made possible by generous contributions of donors, notably the Government of Japan, the United Kingdom Department for International Development (DFID), and the European Union. (Figure 14). The externally funded projects focus on Africa, Asia Pacific, and European crisis countries (Figure 15).

Figure 14. Sources of Financing of GFS Missions



Source: Resource Allocation Plan (RAP)

Figure 15. Composition of Technical Assistance Missions by Area Departments



Source: Resource Allocation Plan (RAP)

Numbers may not add up to 100 percent due to rounding.

NEXT STEPS

27. Significant progress has been made in implementing the Board decision and it is proposed that the overall migration strategy should continue to be pursued. Some obstacles have been encountered, as noted in Section B above, which staff has made significant efforts to address.

28. FAD and STA propose to continue these efforts, working with area department teams and with the authorities to address the obstacles as follows:

- *General government data are often not available on a timely basis.* Staff will disseminate IMF guidance on statistical extrapolation and work with authorities to implement this guidance to generate more timely statistics.
- *Discontinuity in series used for surveillance may cloud the interpretation of data.* Staff will encourage the presentation of data in a way that will clearly identify the impact on key indicators of the new presentation to avoid misleading interpretation.
- *Lack of integrated accounting makes coordinating delivery of balance sheet data difficult.* Ongoing technical assistance to strengthen public finance management, such as gradual adoption of accrual accounting and integrated financial management information systems will continue to address this. The new draft of Fiscal Transparency Code and related assessments will also encourage the preparation of fiscal data that integrate stock and flow statements.

29. As a new initiative, it is proposed that a GFS Advisory Committee should be created by Fund management to serve as a forum to exchange experiences with the implementation of the GFSM and to develop solutions to common problems. The committee would be chaired by Fund staff, it would include internationally recognized experts from member countries, selected international organizations, data users, and Fund departments and it would meet every two years or as needed. Impact on resource costs will be limited given the two year cycle and would be absorbed from STA's budget.

Proposed Decision

The following draft decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Fund has reviewed progress under the Fund's migration strategy for implementation of the *GFSM 2001*, as required by Decision No. 14565-(10/20), adopted March 5, 2010.
2. The Fund notes management's intention to establish a Government Finance Statistics Advisory Committee to support the implementation of *GFSM* and advise on emerging fiscal data issues.
3. The Fund reaffirms its support for the implementation of the *GFSM 2001* and approves the continuation of the Fund's migration strategy as described in SM/13/317 until the next review which is expected to be conducted by December 31, 2016.