



REPORT OF THE IMF GOVERNMENT FINANCE STATISTICS ADVISORY COMMITTEE 2015

August 26, 2015

EXECUTIVE SUMMARY

The 2015 Report of the newly established IMF Government Finance Statistics Advisory Committee (GFSAC) presents recent trends in government finance statistics (GFS) and public sector debt statistics (PSDS); summarizes the outcome of the March 2015 GFSAC meeting; and highlights the medium-term work program and priorities ahead.

Significant progress has been made over time in increasing the reporters of GFS and PSDS. Annual GFS data for 127 countries have been reported for the 2014 *Government Finance Statistics Yearbook (GFSY)* and about 70 countries are quarterly reporters to the World Bank/IMF/OECD PSDS database. Further progress on the availability of GFS data will be reported to the Executive Board by December 2016, in line with the November 2013 Board Paper *Review of the Implementation of Government Finance Statistics to Strengthen Fiscal Analysis*.

The key objectives of the March 2015 GFSAC meeting were successfully met through broad agreement on the worldwide implementation of the *2014 Government Finance Statistics Manual 2014 (GFSM 2014)*; on the need to fill data gaps, with a particular focus on expanding coverage to the whole general government sector and reporting balance sheet data; and on an ongoing research agenda. These objectives underscore the importance of following internationally accepted methodology that supports fiscal analysis and fosters comparability of data across countries.

The top priorities of the GFSAC relate to the implementation of the *GFSM 2014*; communication with users on the benefits of the *GFSM 2014*-based data; and compilation/reporting of balance sheet data. STA will continue to engage with relevant Fund departments to attain consistency in fiscal data reporting in line with the GFS framework and to reduce duplication of efforts by data reporters.

The next meeting of the GFSAC will take place in 2017.

The full set of papers presented at the meeting is available at <http://www.imf.org/external/pubs/ft/gfs/gfsac/meetings/2015/>.

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Glossary

GFS	Government Finance Statistics
GFSAC	IMF Government Finance Statistics Advisory Committee
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
IPSASB	International Public Sector Accounting Standards Board
IPSASs	International Public Sector Accounting Standards
PSDS	Public sector debt statistics
STA	IMF Statistics Department

INTRODUCTION

1. Following endorsement by the Executive Board in December 2013,¹ the IMF Statistics Department (STA) established the GFSAC² and organized its first meeting during March 9–10, 2015. The participants include members from various countries and representatives from other international organizations, and are listed in Appendix II.

2. The key objectives of the March 2015 meeting—successfully met—were as follows:

- To obtain broad agreement from GFSAC members on the worldwide implementation of the *GFSM 2014*;
- To agree on the need to fill data gaps, with a particular focus on expanding coverage to the whole general government sector, as the Fund’s standard coverage for staff reports (and more broadly the public sector), and to provide financial balance sheet data;
- To agree on an ongoing research agenda and the best ways to resolve areas where additional guidance is required.

3. These objectives underscore the importance of following internationally accepted methodology that supports fiscal analysis and fosters comparability of data across countries. The use of the GFS framework and methodology facilitates international comparability of fiscal statistics in the Fund’s GFS database, *Fiscal Monitor*, *World Economic Outlook*, and Fiscal Transparency Code. Regarding the latter, it is important to note that the Pillar I regarding fiscal reporting particularly benefits from the use of the GFS framework.

4. The following three sections of this report present the recent trends in GFS and public sector debt data; the outcomes of the March 2015 meeting of the GFSAC; and the medium–term work program/priorities of the work ahead, respectively.

RECENT TRENDS IN GFS AND PUBLIC SECTOR DEBT DATA

5. A growing number of economies submit GFS and PSDS for re-dissemination. Annual GFS for 127 countries have been reported to the IMF for the 2014 edition of the *GFSY* while only 85 countries reported data in 2004 (see Figure 1 in Appendix III).

¹ See [SM/13/317](#) (Review of the Implementation of Government Finance Statistics to Strengthen Fiscal Analysis, November 2013) at <https://www.imf.org/external/pubs/ft/gfs/manual/pdf/021214.pdf>.

² The GFSAC’s Terms of Reference are presented in Appendix I.

6. The World Bank/IMF/OECD PSDS online database has also seen a steady increase in country reporters. After the launch of the database in 2010 with only 30 countries, approximately 70 countries currently report quarterly data, albeit some not on a timely basis and with variation in the coverage of sectors and instruments reported. Regarding sector coverage, 35 percent of countries report some level of public sector data; 40 percent of countries report general government data; and the remainder report gross government debt data using a narrower definition of government. As the instrument coverage is concerned, the majority of countries report according to a narrow coverage of debt instruments, however, encouragingly the broader coverage of debt instruments, including liabilities related to insurance, pensions, and standardized guarantee schemes is being reported by a significant number of countries (see Figures 2 and 3 in Appendix III).

7. Further progress on the availability of GFS data and implementation of the *GFSM 2001/2014* will be reported to the Executive Board. In line with the November 2013 Board Paper [Review of the Implementation of Government Finance Statistics to Strengthen Fiscal Analysis](#), STA will continue with the Fund's GFS migration strategy, and will present a review of progress to the Board by December 2016.

OUTCOMES OF THE DISCUSSIONS DURING THE 2015 GFSAC MEETING

A. Implementation of the *GFSM 2014* and Key Challenges

8. STA apprised the GFSAC of its progress and activities, including the completion of the *GFSM 2014*. The GFSAC members were informed that the 2010 Board decision on the use of the GFS framework in staff reports led to an increased number of activities in the areas of methodology, data and surveillance, and capacity development, including outreach and collaboration with member countries and other relevant regional and international organizations. These activities facilitated the completion of the *GFSM 2014*, improvements to the GFS database, and preparation of well received research papers.

9. The GFSAC members shared their experience with implementing the *GFS framework* and the meeting discussed the outstanding challenges. GFSAC members underscored the challenges that reporters of fiscal data are facing as they are often confronted with various fiscal data requests by multiple international agencies. The members also recommended that the IMF fiscal data reporting requirements for various purposes be more consistent and standardized to avoid reporting multiple sets of GFS to the IMF. To support the implementation of the *GFS framework*, the GFSAC members agreed on the need for the IMF to clearly articulate a set of broad principles for GFS that users and policy makers can understand. The meeting also emphasized the importance of governance and institutional arrangements for producing and disseminating GFS, collaboration among agencies, and avoiding duplication of effort.

10. The GFSAC clearly signaled a need for implementing *GFSM 2014*, using a pragmatic and flexible approach, while suggesting that STA continue to encourage countries to compile GFS according to the international guidelines. The GFSAC members indicated that there is a need to find a balanced approach to fully implement the *GFSM 2014*. The members advised that the most fundamental principles of *GFSM 2014*, including accrual accounting, general government data, balance sheets, and the integration of stocks and flows should be followed; however, a flexible approach should be followed to take account of resources and country circumstances.

11. STA in collaboration with the GFSAC members will continue implementing *GFSM 2014*, enlisting allies to encourage fiscal reporting. While it was generally agreed that a fundamental weakness in many countries is the lack of resources, particularly skilled statisticians, it is also apparent that cooperation and collaboration between various institutions could greatly support efforts to improve GFS compilation and also support the use of GFS in fiscal analysis. The GFS community is therefore reminded to enlist allies to encourage the development of fiscal reporting. These allies are often found in policy makers, civil society, and the accounting and auditing community.

12. Implementing practices in different regions has shown the importance of political support, governance and key sense of direction and priorities, and where requested, capacity building support from international organizations. Regional experience with implementing *GFSM 2014* differs significantly. The prevalence of quasi fiscal activities performed by state-owned enterprises and central banks in some regions require public sector coverage of data. In contrast, in other regions, the governance arrangements are such that the authority to collect data from nonbudgetary entities is often weak and institutional arrangements may lack measures to enforce reporting requirements. The GFSAC concluded that the phased implementation of *GFSM 2014*, based on national priorities, should build towards general government and public sector data over time. Similarly, it will facilitate expansion to all flows and stock positions on the balance sheet. Ultimately, the GFSAC emphasized that these data should also include data on contingent liabilities and other risks affecting future liabilities, income, and expense of the general government sector, such as those related to public corporations. In addition, capacity building efforts and support from international organizations should increase awareness of the GFS as part of the broader statistical system.

13. While full implementation of *GFSM 2014* requires an accrual basis of reporting to provide a true and fair picture of government finances, it is recognized that major challenges exist in the adoption of accrual accounting. Overcoming these challenges have to be balanced against the cost of not moving to full accrual reporting, namely the hidden economic activities and liabilities. As an aspiration, all countries should move towards using accrual basis of reporting, but recognizing that it will take time to overcome the challenges. The GFSAC acknowledged that improvements to the quality of cash data are an essential step prior to a phased move to accrual reporting. While such good quality cash data indeed often form the

basis for accrual estimates of GFS, some members cautioned that cash data can never fully convey economic realities.

14. The GFSAC recommended that the GFS community reach out to users and compilers of fiscal data to promote the benefits of a more comprehensive and integrated dataset for analyses and decision-making. The meeting noted best practices where GFS, budget and auditing data are linked in such a manner that the integrated framework becomes the basis for all policy decisions. It was generally agreed that a more comprehensive reporting framework facilitates greater transparency, enhances decision-making, and fosters sustainable public finances. However, a critical success factor in deploying the GFS framework is to garner support among policy-makers, journalists, civil society, researchers and analysts.

15. STA, in collaboration with the GFSAC, will employ a strategy to support the use of GFSM 2001/2014 within the IMF, and more broadly by other users. In line with the 2010 Board decision, STA continues to support Article IV teams in their efforts to convert the fiscal files to a GFS format. In some cases, new Fund programs are being negotiated based on *GFSM 2014* indicators. Several regional projects focus on capacity building and training of government staff to enable them to adopt *GFSM 2014*. STA is closely collaborating with the IMF's Fiscal Affairs Department; as a result, several joint working papers have been prepared to illustrate the analytical usefulness of GFS in fiscal analysis. Furthermore, the GFS framework has been embedded in the IMF's Fiscal Transparency Code, particularly in Pillar I regarding fiscal reporting; and the framework is being used in the Fund's *Fiscal Monitor* and *World Economic Outlook*.

16. The GFSAC recognized the progress made by the accounting (International Public Sector Accounting Standards Board, (IPSASB)) and statistical communities (IMF and others) to align conceptual frameworks. Collaboration between the IMF and IPSASB has led to significant reductions in conceptual differences in the two frameworks. *GFSM 2014* includes a generalized description of the International Public Sector Accounting Standards (IPSASs) while IPSASB formally adopted a policy to ensure that the development of new standards will consider the requirements of statistical reporting. While it is likely that some differences between *GFSM 2014* and IPSASs will remain, these are being identified, and guidance on their reconciliation is being provided. Furthermore, the GFSAC members acknowledge that in practice some of the differences that remain are relatively small and easy to overcome.

B. Public Sector Coverage—A new Frontier

17. The GFSAC discussed the importance of public corporations as a potential source of fiscal risks, but recognized that the relevance may vary among countries. The GFSAC was informed of the outcomes of the first ten Fiscal Transparency Evaluations, which highlighted that the public sector is often bigger than what was thought prior to these evaluations. It's important to note that budgetary accounts constitute a smaller portion of the public sector and are not always a reliable indicator of fiscal stance. While the data for large public corporations are often more readily available than the data for local or regional governments, the GFSAC noted that there is often a need for more granular information to fully understand fiscal risks related to

these corporations. The GFSAC also discussed the feasibility to use statistical estimation techniques rather than administrative data to fill the data gaps in public sector data.

18. The GFSAC agreed that more work is required to fully understand the analytical implications of compiling public sector data. Particularly, the implications of consolidating public financial corporations that often dwarf the financial position of the remainder of the public sector need to be more fully considered. Similarly, consolidating the operating costs and revenue of public nonfinancial corporations may need some further consideration. In addition, the implications of reporting on the gross and net debt of public corporations need to be further explored. STA will report back on these implications to the next GFSAC meeting.

C. Balance Sheet and Debt Data

19. The meeting agreed that fiscal data coverage should further be enhanced through an emphasis on balance sheet data. The meeting highlighted the need for comprehensive balance sheet data to fully understand a government's financial standing, to feed into the balance sheet approach, and to evaluate risks and spillovers. Further efforts on filling data gaps in the GFS area, with particular focus on balance sheet data, will facilitate the use of balance sheet analysis in the Fund's surveillance work.

20. The GFSAC strongly supported the use of a matrix approach in the presentation of government and PSDS. Recognition of various levels of government and of types of financial instruments in the presentation of the PSDS facilitates greater transparency and comparability of such data. The GFSAC recommended promoting the use of the matrix approach (see Box 1) with rating agencies and the wider financial community as a way to encourage widespread use of this tool to enhance the comparability of debt data.

21. The roles of metadata and data on assets to supplement debt data were discussed by the GFSAC. Differences in the valuation of financial instruments can significantly influence the level of debt reported. The GFSAC therefore called for full disclosure of metadata on valuation and nature of financial instruments as a way to further enhance comparability of public sector debt data. In addition, the GFSAC also advocated for a broader approach to public sector debt analysis that also takes account of financial assets.

22. The treatment of employment-related pension schemes sponsored by governments and contingent liabilities remain contentious issues in debt data. The meeting reiterated that recognizing employment-related pension schemes sponsored by government in line with *GFSM 2014* should remain on the agenda of the GFSAC. The meeting suggested that the development of further guidance on issues such as the criteria for recognition, methodology, and measurement, should be considered. While the coverage of data may initially be limited, the GFSAC emphasized the importance of monitoring contingent liabilities and related fiscal risks of the general government sector.

MEDIUM-TERM WORK PROGRAM

23. The medium-term program of the GFSAC is presented in Appendix IV. The top priorities of the GFSAC relate to the implementation of the *GFSM 2014*; communication with users on the benefits of the *GFSM 2014*-based data; and compilation/reporting of balance sheet data. STA will continue to engage with relevant Fund departments to attain consistency in fiscal data reporting in line with the GFS framework and reduce duplication of efforts by reporters. At the same time, STA will reach out to users and compilers of fiscal data to seek their feedback and foster a clear understanding of the broad principles of GFS, and obtain support from policy makers, civil society, rating agencies, and other key players on the use of data compiled in line with the *GFSM 2014* for analyses and decision-making.

24. The medium-term priorities of the GFSAC include work on implementing accrual accounting, extending coverage of data to the public sector, and identifying issues in fiscal data reporting that may require further statistical guidance. The GFSAC will monitor progress with implementing accrual reporting, and identify challenges that remain. STA will also collaborate with other international agencies to further improve data availability and consistency, and assist in identifying issues in fiscal data reporting that may require further statistical guidance. The dissemination of research and other documents that illustrate the benefits of using an integrated fiscal reporting framework will be promoted. In particular, the GFSAC will establish ways to regularly update the statistical community on GFS related issues and will further enhance fiscal data coverage and comparability with an emphasis on improving balance sheet data for use in the balance sheet approach to economic analysis.

25. STA will report back to the GFSAC on progress made at the next meeting of the GFSAC in 2017.

Appendix I. Terms of Reference of the IMF Government Finance Statistics Advisory Committee

1. Mission Statement

The Government Finance Statistics Advisory Committee (the “Committee”) strives to enhance and promote the development of high quality government finance statistics (“GFS”). Its creation is motivated by the 2010 decision of the IMF Executive Board (the “Board”) to implement the *GFSM 2001* as the standard for the Fund fiscal data, followed by the endorsement by the Board in 2013 for Management to create such a Committee.

The Committee will serve as a forum to exchange experiences with the implementation of the *Government Finance Statistics Manual* (the “*GFSM*”), the related methodological guidance (e.g., *Quarterly Government Finance Statistics: Guide for Compilers and Users*, *Public Sector Debt Statistics Guide*), and to develop solutions to common problems.

2. Criteria for Membership

The Committee will include members that are internationally recognized experts in the field of GFS. They are appointed by the Director of the IMF’s Statistics Department (“STA”) and drawn from and will represent the Fund’s diverse country membership. Members may be compilers, users, and/or from academia.

As part of their membership obligations, the members commit to attending the full meetings of the Committee and to actively participate, unless there are exceptional circumstances that prevent such attendance and participation. The initial term of the membership cover at least two cycles of meetings, with the possibility of renewal.

Other appropriate international agencies will be invited by the STA Director to nominate one representative to the Committee. The STA Director will also invite representation from the IMF’s Fiscal Affairs and Strategy, Policy, and Review Departments. The Committee is chaired by the STA Director.

3. Secretariat

The STA’s Government Finance Division will provide the Secretariat for the Committee.

4. Objectives

The objectives of the Committee are to promote the:

- Development and dissemination of high quality GFS based on the *GFSM*;
- Methodological integrity of the GFS and related guidance;
- Analytical usefulness of GFS data, including in IMF databases.

5. Specific Tasks

More specifically the Committee will:

- Advise the IMF on the implementation of the *GFSM*;
- Advise on the methodological issues that arise in GFS;
- Advise on the research agenda;
- Encourage inter-agency collaboration in the compilation and dissemination of GFS, and foster cross-sector data consistency between GFS, external sector, monetary and financial, and national accounts statistics;
- In carrying forward the work, collaborate with national compilers and with appropriate international organizations.

6. Work Program, Meetings, and Reporting

In consultation with STA, the Committee will determine its work program and will meet under IMF auspices every two years or as needed. A website and an e-mail network will allow continuing communication between meetings.

Following each meeting, a report on the Committee's work will be prepared for presentation to the Managing Director, who shall decide whether the report should be published.

7. Protection of Confidentiality

The Committee members undertake not to disclose, deliver, or use for personal gain or for the benefit of any person or entity without the consent of the Fund, any restricted or confidential information in possession of the Fund that they receive in the course of their membership.

8. Letter of Engagement

The members shall be provided with a letter of engagement, setting forth the terms and conditions approved by the Chair of the Committee. The "Terms of Reference of the GFS Advisory Committee" dated April 14, 2014 shall be attached to the letter and acceptance of the engagement by the member shall also mean acceptance of the "Terms of Reference." The engagement will expire at the end of the term of membership, or if the STA Director determines that the engagement should be terminated for any reason.

Appendix II. Membership of the IMF GFSAC (As of March 2015)

Chair

Louis Marc Ducharme
IMF, Statistics Department

Co-Chair

Robert Heath
IMF, Statistics Department

Members

Mr. Gerhard Steger
Austria, Court of Audit

Mr. Michael Davies
Australia Bureau of Statistics

Ms. Fabiana Magalhães Almeida
Rodopoulos
Brazil, Ministry of Finance

Mr. Hector Hernandez
Chile, Ministry of Finance

Mr. Robert Maate
East African Community

Mr. Pridon Aslanikashvili
Georgia, Ministry of Finance

Mr. Seung Hyun (Luke) Hong
Republic of Korea, Korea Institute of Public
Finance

Mr. Ken Warren
New Zealand, Treasury

Mr. Joao Cadete Matos
Portugal, Central Bank

Mrs. Abeer Ali Abdulla Mohammed
Alabdooli
United Arab Emirates, Ministry of Finance

Ms. Pamela Kelly
USA, Bureau of Economic Analysis

Representatives of International Organizations

Commonwealth Secretariat
Ms. Megan Hardy

European Central Bank
Ms. Julia Catz

European Commission-Eurostat
Mr. Eduardo Barredo-Capelot
Ms. Lena Frej Ohlsson

International Labor Organization
Ms. Anne Drouin

IPSASB
Mr. Andreas Bergmann

Organization for Economic Cooperation and Development
Mr. Peter Van de Ven

United Nations Conference on Trade and Development
Mr. Gerry Teeling

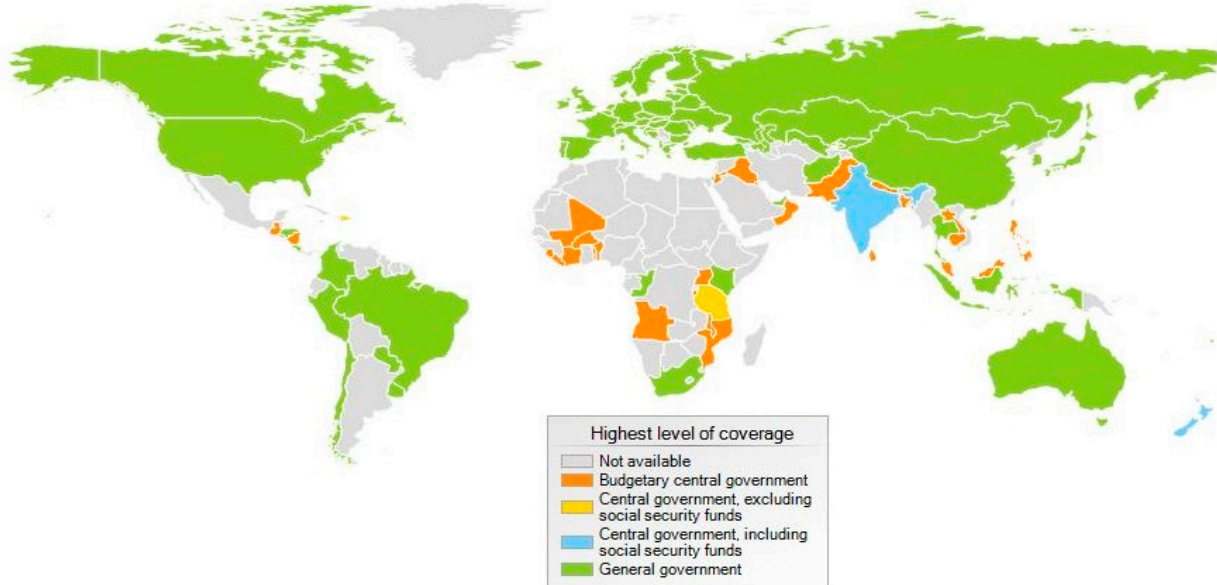
World Bank
Ms. Evis Rucaj

Secretariat (IMF, STA)

Sagé de Clerck
Majdeline El-Rayess
Phillip Stokoe

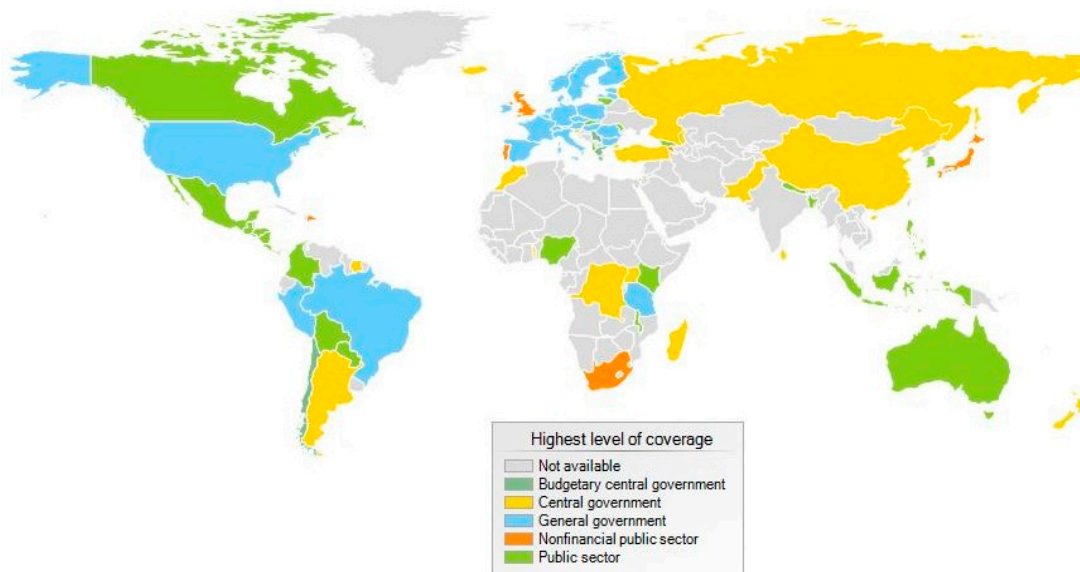
Appendix III. GFS and PSDS Reporters

Figure 1. 2014 GFSY Country Submissions



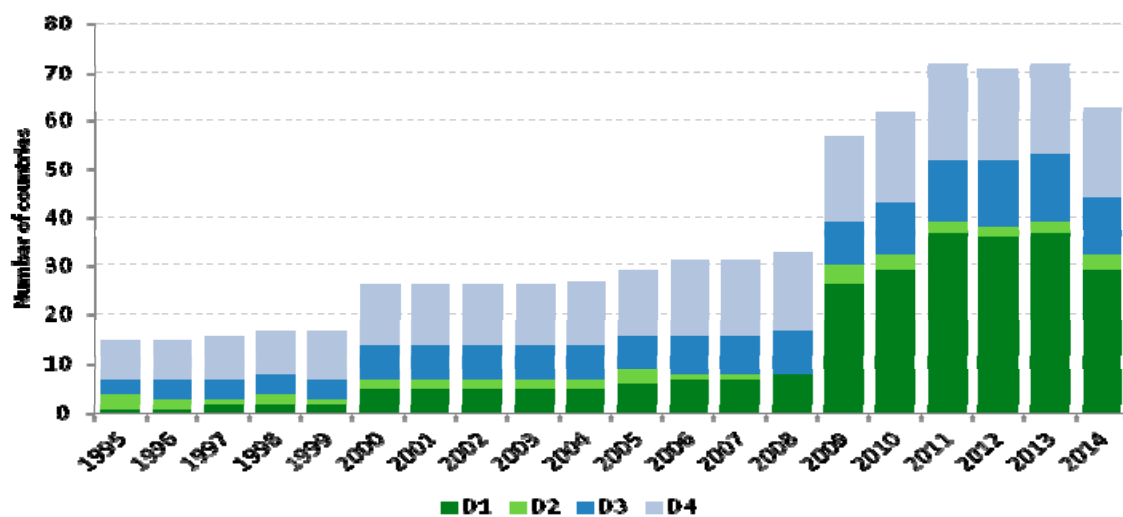
Source: 2014 edition of the IMF's *GFSY*.

Figure 2. PSDS Reporting Countries—Highest Level of Institutional Sector Coverage per Country, 2014



Source: Quarterly PSDS online database, World Bank / IMF.

Figure 3. Number of PSDS Reporting Countries, Delineated According to Maximum Coverage of Debt Instruments, 1995–2014



D1 = Debt securities + Loans
D2 = D1 + Special drawing rights (SDRs) + Currency and deposits
D3 = D2 + Other accounts payable.
D4 = D3 + Insurance, pension, & standardized guarantee schemes (IPSGS)

Source: Quarterly PSDS online database, World Bank / IMF.

Appendix IV. Medium–Term Work Program of the GFSAC: 2015–17

Subject	Issue	Action
TOP PRIORITY		
Implementing <i>GFSM 2001/2014</i>	Enhancing consistency in the IMF's fiscal data reporting requirements.	STA, FAD, and Area Departments to engage in collaboration on attaining consistency in fiscal data reporting to the Fund.
	Enlist support for <i>GFSM</i> implementation through capacity building efforts and obtain support from policy makers, civil society, rating agencies, auditing community, etc.	STA to conduct training and outreach. STA to report on progress made in implementing <i>GFSM 2014</i> .
	Articulate a set of broad principles for GFS that users and policy makers can easily understand.	STA to draft a note on the broad principles of GFS.
Communication with Users	Reach out to users and compilers of fiscal data to promote the benefits of data compiled in line with <i>GFSM 2014</i> for analyses and decision-making.	Discuss and disseminate research and other documents illustrating the benefits of using an integrated fiscal reporting framework.
Balance Sheet Data	Further enhance fiscal data coverage and comparability with an emphasis on the balance sheet, and debt data.	Promote the matrix approach to the presentation of debt data.
		Improve the availability of metadata on debt data.
MEDIUM PRIORITY		
Implementing <i>GFSM 2001/2014</i>	Evaluate progress with implementing accrual reporting and identify challenges remaining.	STA to monitor and report back to GFSAC on progress made.
Balance Sheet Data	Further enhance international comparability of data with an emphasis on the balance sheet and debt data.	Further clarify the <i>GFSM 2014</i> and the <i>2008 SNA</i> guidelines on the recording of pension obligations.
		Contribute to further discussions on contingent liabilities and concessional lending.
Public Sector Coverage	Further discuss the use and relevance of public sector data.	STA in collaboration with the GFS community to set out the analytical implications of compiling data for the public sector.
GFS Research Agenda	Identify issues in fiscal data reporting that may require further statistical guidelines.	STA and GFSAC members to collaborate on identifying these issues.