



MALAYSIA

TECHNICAL ASSISTANCE REPORT— GOVERNMENT FINANCE STATISTICS MISSION

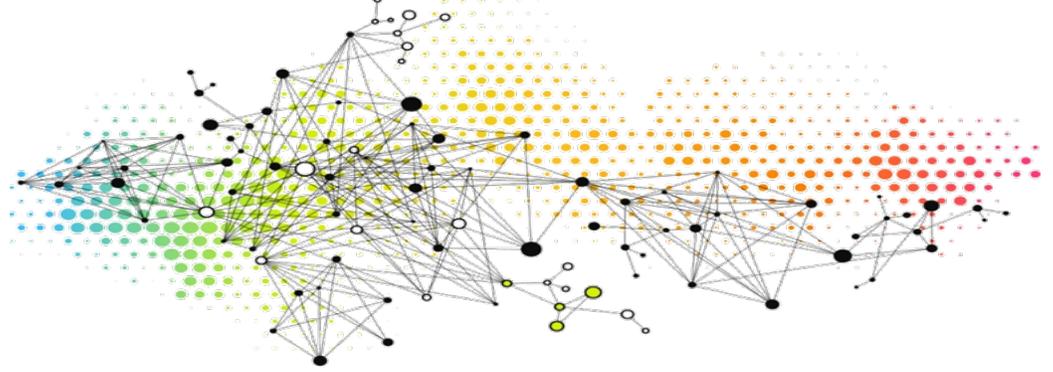
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MALAYSIA

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REPORT ON THE GOVERNMENT FINANCE STATISTICS TECHNICAL ASSISTANCE MISSIONS (MARCH 12–16 AND DECEMBER 17–22, 2018)

Prepared by Hendrik Tillmann-Zorn

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Glossary

AG	Accountant General's Department
BNM	Bank Negara Malaysia
CoA	Chart of Accounts
COFOG	Classification of Functions of Government
DOSM	Department of Statistics Malaysia
GFCF	Gross Fixed Capital Formation
GFS	Government Finance Statistics
IPSAS	International Public Sector Accounting Standards
MOF	Ministry of Finance
NFPS	Nonfinancial Public Sector
QPSD	Quarterly Public Sector Debt Statistics
TA	Technical Assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. Technical assistance (TA) missions were conducted by Mr. Hendrik Tillmann-Zorn, an IMF short-term government finance statistics (GFS) expert, during the period March 12–16, 2018, followed by remote capacity development through December 17–22, 2018.¹** The missions aimed to support the Malaysian authorities in improving government finance statistics (GFS) for decision making. The mission was part of the second three-year government finance statistics (GFS) capacity development project funded by the government of Japan (JSA). The mission met with officials from the Ministry of Finance (MOF), the Bank Negara Malaysia (BNM), the Department of Statistics Malaysia (DOSM), and the Accountant General's (AG) Department.
- 2. The mission would like to thank the staff of the national institutions for their courtesy and willingness to share their knowledge with the mission.** It is especially grateful to the staff of the Ministry of Finance for their assistance in organizing the mission (see Appendix I for the list of officials met during the mission).
- 3. The mission was a follow-up to GFS TA missions in 2013 and a workshop in 2017 conducted by the GFS expert.** This mission's focus was to assist the authorities to integrate accrual based financial information into the GFS compilation process and to expand the institutional coverage of fiscal statistics towards the general government and the nonfinancial public sector.
- 4. The structural preconditions for using accrual and cash data from primary sources for the federal government are met, however actual data is needed to confirm the integrity of the compilation process.** The mission reviewed the progress in the implementation of the accounting project to introduce accrual financial reporting standards at the federal government level. The latest version of the chart of accounts (COA) was assessed with respect to its feasibility for GFS reporting purposes. The mission concluded that the general ledger structure is sufficient to produce GFS on both a cash and an accrual basis. However, at the time the mission was conducted, no (preliminary) financial data was available. The mission therefore recommends to follow up on this issue as soon as accrual-based information is presented (expected for 2018:Q4).
- 5. The mission identified considerable potential for collaboration between MOF and DOSM with respect to fiscal data collection for other general government sub-layers and public nonfinancial corporations.** The mission conducted a workshop with officers from MOF, DOSM, BNM, and AG to study existing data sources and compilation processes and to assess mutual data needs for fiscal statistics on a broader institutional coverage going forward. The key

¹ This report covers missions 18STE85 and 19STQ75.

outcome of this assessment was that the MOF and the DOSM do currently report similar information based on different data sources or compilation procedures. This approach leads to inefficiency due to duplicate processes and bears the risk of data inconsistencies.

6. The mission reviewed all surveys conducted by MOF for extra budgetary units, state governments, local governments and nonfinancial public corporations. The objective of this assessment was to identify necessary changes to accommodate GFS reporting needs and to identify the potential for data sharing (or alignment) with DOSM. A key outcome of this activity is a list of recommended changes to those surveys to accommodate the needs of GFS and the national accounts (NA) going forward.

7. The mission also assessed the causes for inconsistencies with respect to public sector investment data. The mission evaluated the conceptual foundations and data processes underlying the different statistical reports that cover public sector capital spending. It was found that the observed differences most likely arose from different transactional classifications (i.e. the distinction of current and capital spending). The mission suggested that collaboration between MOF and DOSM going forward would be necessary to ensure data consistency and to facilitate the explanation of remaining minor differences to users. The mission recommends that the authorities verify the causes for inconsistencies based on recent annual data, and to formally align the collaboration between the institutions.

Table 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
April 2019	<i>Finalize the bridging table for the accrual-based COA and perform consistency checks/reconciliation exercises.</i>	MOF with support of AG
April 2019	<i>Update the surveys for extrabudgetary central, state, and local governments and nonfinancial public corporations to accommodate GFS requirements.</i>	MOF in alignment with DOSM
April 2019	<i>Develop strategy to align investment data between the MOF and the DOSM going forward.</i>	MOF and DOSM

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Integration of Accrual-Based Accounting Data

8. The source data quality for fiscal statistics at the federal government level is about to improve significantly, once the financial reporting has shifted to an accrual basis.

Currently Malaysia produces GFS on a cash basis from secondary sources (mainly the Economic Report and Financial Statistics from the BNM). The coverage of stocks is limited to a subset of major liabilities. While this compilation practice is generally acceptable, the availability of accrual accounting information will improve the breadth and depth of fiscal information and thereby improve the analytical value of fiscal statistics for national and international users.

9. The mission followed up on transitional steps to prepare the integration of primary accounting data into the GFS compilation process.

A key element of this endeavor is to develop a comprehensive bridge table from the general ledger to the corresponding GFS classifications. This will allow the authorities to prepare budgetary central government GFS directly from the primary accounting data (i.e. the trial balances of the general ledger) and to increase the degree of automation. It will also allow compilers to integrate the stock data on assets and liabilities, and possibly some other economic flows into GFS reporting.

10. The mission reviewed the latest version of the COA and concluded that the structure and detail of the general ledger are suitable for GFS compilation.

The structure of the COA largely remained intact compared to the version reviewed in 2013. However, several new accounts were introduced specifically for the recording of depreciation and appreciation. The list of classification issues created during previous missions remains valid, but it would need to be reviewed, extended, and addressed. The mission concluded that completing this task will require actual financial data (i.e. trial balances).

11. Unfortunately, (preliminary) financial data could not be provided to the mission to solve the remaining classification issues and to test the integrity of the bridging table.

An important next step to complete and validate the GFS bridging table will be to classify the remaining accounts and to perform a test run with actual (cash and accrual) data. Specifically, the following steps are recommended:

- a. To verify the substance of the underlying transactions for relevant accounts and confirm or determine the appropriate GFS treatment (see previous TA report for details).
- b. To compile the statement of sources and uses of cash (cash inflows and outflows from operating activities, net cash flows related to investment, net cash flows from financing

activities) and to compile the balancing aggregates and statistical discrepancy to check if data is complete and consistent (the so called “balancing of the accounts”).

- c. To compile the statement of operations (revenue, expense, net investment in nonfinancial assets, net acquisition of financial assets, net incurrence of liabilities) and to compute the statistical discrepancy (i.e. the difference between net lending/net borrowing and financing) to check if data is complete and consistent.
- d. To compile opening balance sheet stocks and assess the initial valuation of nonfinancial assets in major categories.
- e. To compare cash with accrual revenue data in major revenue categories to verify the nature of differences arising from the time of recording.
- f. To compare cash with accrual spending data in major expense categories to understand the nature of differences arising from the time of recording.

12. The mission recommends that as soon as possible the authorities should work with actual trial balances from the accounting system and perform the above-mentioned tests.

The reconciliation work might lead to further areas requiring attention to ensure completeness and integrity of the source data and the compilation process.

13. The mission recommends that the authorities consider redesigning parts of the domestic macro-fiscal presentations to leverage the richer set of information available to decision makers and users. The MOF could use the momentum when AG is introducing the accrual based financial reports, to also change the presentation of fiscal statistics and analyses in the national statistical reports, where appropriate. Given that many of the substantial and presentational changes are similar for both IPSAS-based accrual accounting and GFS, this will make it easier for users to understand and accept differences in fiscal data formats.

Target Date	Recommendation	Responsible Institutions
April 2019	<i>Finalize the bridging table for the accrual-based COA and perform consistency checks/reconciliation exercises.</i>	MOF with support of AG
March 2020	<i>Adapt the presentation of fiscal information in the economic report to a more complete one based on an integrated balance sheet.</i>	MOF

B. Expansion of Institutional Coverage

14. Malaysia is planning to expand the coverage of GFS reporting to include other subsectors of the public sector and thus undertake a major step towards comprehensive

fiscal reporting compliant with international standards. As currently Malaysia’s GFS is limited to the budgetary central government, the expansion to other sub-sectors will greatly increase the analytical value of fiscal statistics. The MOF currently gathers and reports some high-level aggregates for the general government sector and the nonfinancial public sector. However, the mission observed that while the surveys are quite detailed and obviously create a reporting burden for subnational government levels, their current design does not leverage the full analytic potential. The collected data is not integrated in the GFS framework and data concepts do not follow international standards. As a consequence, there is little scope for consistency checks, and fiscal analysis is limited to a general assessment of the broad fiscal position and its aggregated performance.

15. For the purpose of compilation of the national accounts, the DOSM is running parallel surveys with different analytical emphasis, partially to the same units. DOSM uses a combination of different data sources to cover extrabudgetary units, subnational governments, and nonfinancial corporations sectors. The main emphasis of this data collection is to get sufficient data for the calculation of value added components, intermediate inputs, government final consumption expenditure, and information on fixed capital formation broken down into new acquisitions and disposals of fixed assets.

16. The mission identified the need and potential for collaboration between the MOF, the DOSM and the BNM to prepare fiscal (and macroeconomic) statistics for the general government and the nonfinancial public sector (NFPS). In a workshop with representatives of MOF, DOSM, BNM, and AG, the mission assessed current data needs and collection practices of all units. A comprehensive review of the currently used data sources and survey schedules for DOSM and MOF was undertaken for (a) extrabudgetary units (i.e. statutory bodies), (b) state governments, (c) local governments, and (d) nonfinancial public corporations. The discussion addressed how data is currently gathered, the content and level of detail captured, as well as data needs for national fiscal reporting, the preparation of GFS, and the national accounts. Table 2 presents a high-level summary of the results and recommended next steps. Appendix II lists the more detailed results of this assessment on data sources and gaps to expand reporting coverage.

Table 2. Alignment of Data Needs for an Expansion of Institutional Coverage

Sub-Sector	High-level Assessment	Next Steps
Budgetary Central Government (Federal Government)	<ul style="list-style-type: none"> MOF and DOSM use same data source (i.e. General Ledger) Both units partially report on similar data (e.g. investment, COFOG, ...) 	<ul style="list-style-type: none"> Compare and align bridging to ensure consistent treatment of fiscal transactions (e.g. investment, COFOG, Net Lending/Net Borrowing etc.)

Sub-Sector	High-level Assessment	Next Steps
	<ul style="list-style-type: none"> • However bridging frameworks are not mutually aligned which is likely to lead to inconsistencies 	
Extra budgetary Central government (Statutory Bodies)	<ul style="list-style-type: none"> • Coverage is slightly different • Data sources differ (MOF: Survey, DOSM: Annual Reports) • MOF data detail and period coverage is generally sufficient for DOSM, but not vice versa (MOF needs past, current, and project data, and more detail) 	<ul style="list-style-type: none"> • Compare coverage • Assess possibility to share MOF survey results for DOSM (confirm level of detail and timing is sufficient)
State Governments	<ul style="list-style-type: none"> • Coverage is the same • Data sources are different (MOF: Survey, DOSM: Annual Reports and Budget Documentation) • MOF data detail and period coverage is generally sufficient for DOSM, but not vice versa (MOF needs past, current and project data and more detail) 	<ul style="list-style-type: none"> • Quality check of different data sources • Assess possibility to share MOF survey results for DOSM (confirm level of detail and timing is sufficient)
Local Governments	<ul style="list-style-type: none"> • Coverage is only slightly different (DOSM having broader coverage), both units experience different sample response rates • Data sources are different (MOF: Survey, DOSM: Annual Reports and Budget Documentation) • MOF data detail and period coverage generally sufficient for DOSM, but not vice versa (MOF needs past, current and project data and more detail) 	<ul style="list-style-type: none"> • Quality check of different data sources and sample response rates • Assess possibility to share MOF survey results for DOSM (confirm level of detail and timing is sufficient)
Nonfinancial Public Corporations	<ul style="list-style-type: none"> • Coverage is different (MOF limited to 28 (as of 2018, based on legal selection criteria) group level entities, DOSM covers > 1,900 entities) • Different data sources (MOF: Survey, DOSM: Annual Reports and Budget Documentation) • MOF data detail and period coverage generally sufficient for DOSM, but not vice versa (MOF needs current year, and one year projected data, and more detail) 	<ul style="list-style-type: none"> • Align concepts and sources to ensure consistent data for important aggregates (e.g. public investment)

17. The discussion concluded that the data collected by the MOF for statutory bodies, state governments, and local governments, already roughly covers data needs of DOSM for other macroeconomic statistics. MOF's data needs are broader with respect to period coverage (two past years, plus current year revised, and one year budgeted/projected) and with respect to transactional detail. The group tentatively concluded that the level of detail collected by MOF should generally satisfy the data needs of DOSM. Some issues could arise with respect to timing due to a later survey collection schedule. However, it appears that this could be re-solved by using data collected already in the previous year, as survey data would already comprise revised budget (and hence close to actual) data.

18. The mission assessed the structure and detail of MOF surveys and concluded that these do constitute a very good starting point but will require some modifications. Generally, the length and frequency of the surveys are considered suitable for the compilation of annual general government and nonfinancial public sector GFS. However, some gaps exist and the current structure bears the risk of incomplete coverage of flows and stocks. Respondents may not find suitable categories for relevant data and some categories may not be understood as mutually exclusive.

19. The mission sees the potential to improve the quality of survey responses for important information by (slightly) modifying the survey structure in some areas. A brief high-level assessment of aggregated data by subsector suggests that some aggregates are internally inconsistent (e.g. the totals for domestic borrowing), and that not all relevant flows and stocks may be covered. To improve the quality of the survey responses and to ensure that all relevant data is reported, the mission recommends to change the structure of the answer categories in some cases. The outline of the surveys could be based on the general GFS framework, but also reflect the structure of the respective source data frameworks (e.g. COAs or financial reports). The surveys should always allow for meaningful residual ("other") categories to allow respondents to check that totals are consistent.

20. Specifically, the following changes or additions are likely to contribute to data quality and completeness:

- a. Current Revenue and Expense transactions (operative flows) should be broken down into at least the main GFS economic classifications. They may be further subdivided into categories for national purposes (e.g. flows linked to specific legislative provisions or programs). A simplified breakdown may be sensible for nonfinancial public corporations, as analytical interest in these details is typically limited and financial reports often do not allow to fully break down operative flows into GFS categories.
- b. The split between current and capital spending should be based on international statistical standards and allow for a breakdown into at least the main asset categories (e.g. GFS

four-digit codes of nonfinancial assets). The survey structure may well differ by following sector-specific logic (e.g. separate “operative” and “development” spending), but should always allow to identify the economic nature of the flows (i.e. the distinction between flows affecting net worth, and those related to investment in nonfinancial assets).

- c. Information on financial transactions should be collected in a way to ensure that all relevant transactions (and possibly other economic flows) are captured and can be used for GFS reporting. The survey structure can be aligned with the respective source data logic, but all GFS categories should be captured and linkages should be clearly defined.
- d. Information on the stock values of nonfinancial assets, financial assets, and liabilities should be collected in a way that allows for classification of assets according to macro-economic statistical standards.
- e. The authorities could reconsider at which level of detail entities need to provide projected data. A limitation of projections to some key elements while keeping the details for historical and current (budgeted) data would certainly reduce the reporting burden and might in turn improve the overall quality of the data (for both historic and projected financials).

21. Table 3 shows a comprehensive high-level assessment of the current survey structure and lists the main changes that are recommended to facilitate GFS compilation standards:

Table 3. Assessment of Survey Structure and Recommended Changes

Sub-Sector	Current Structure	Recommended Changes and Notes
Extrabudgetary Central government (Statutory Bodies)	FLOWS Revenue/Receipts from Sales <ul style="list-style-type: none"> • Tax Revenue: CESS + Lump-sum other tax revenue • Non-Tax Revenue grouping only partially GFS compliant • Asset sales receipts only partially GFS compliant • Grants largely GFS compliant Expenditure (Current + Capital) <ul style="list-style-type: none"> • Current Expenses largely compatible with GFS classification • Capital Expenditure with some but not sufficient GFS breakdown • COFOG 	FLOWS Revenue/Receipts from Sales <ul style="list-style-type: none"> • Non-CESS taxes need to be GFS compliant, classified entity-by-entity • Social contributions by type of payer to be added • Use GFS categories for property income • Change to GFS classification for current and capital grants • Refine detail for asset sales Expenditure (Current + Capital) <ul style="list-style-type: none"> • Small structural changes for (current) expenses • Change to GFS asset classification for nonfinancial investment

Sub-Sector	Current Structure	Recommended Changes and Notes
	<p>Financial Transactions</p> <ul style="list-style-type: none"> • Staff Loans (Assets) • Equity investment (Assets) • Domestic and Foreign liabilities not systematically structured by instrument and counterparty (e.g. no separate flow information for bonds/securities) <p>STOCKS</p> <ul style="list-style-type: none"> • Only limited set of liabilities with non-systematic combination of instrument and counterpart information 	<p>Financial Transactions</p> <ul style="list-style-type: none"> • Use simplified GFS structure for acquisitions/disposals of financial assets • Use simplified GFS structure for incurrence/repayment of liabilities by instrument / counterparty (incl. residency) <p>STOCKS</p> <ul style="list-style-type: none"> • Use more comprehensive GFS breakdown for financial assets and liabilities (with counterpart information for loans)
State Governments	<p>FLOWS</p> <p>Revenue/Receipts from Sales</p> <ul style="list-style-type: none"> • Tax Revenue: Sufficient breakdown along state-level specific tax categories • Non-Tax Revenue: Broken down largely into GFS compliant categories, but large amounts of grant revenue split by supporting legislation <p>Expenditure (Current + Capital)</p> <ul style="list-style-type: none"> • Current expenditure with simplified but sufficient breakdown • Part of current expenditure covered under development expenditure • Capital (development) expenditure recorded by economic sector rather than asset type <p>Financial Transactions</p> <ul style="list-style-type: none"> • Lending • Repayment • Financing <p>STOCKS</p> <ul style="list-style-type: none"> • No information on stocks 	<p>FLOWS</p> <p>Revenue/Receipts from Sales</p> <ul style="list-style-type: none"> • Tax breakdown sufficient • Non-Tax Revenue: Breakdown property income along GFS categories • Confirm current/capital classification for grants related to specific legislation • Refine detail for asset sales <p>Expenditure (Current + Capital)</p> <ul style="list-style-type: none"> • Include breakdown of current development expenditure by economic category • Breakdown capital expenditure by GFS asset classification <p>Financial Transactions</p> <ul style="list-style-type: none"> • Apply (simplified) GFS classification for financial assets and liabilities applicable to state governments <p>STOCKS</p> <ul style="list-style-type: none"> • Record stocks of liabilities (and possibly financial assets) per simplified GFS classification

Sub-Sector	Current Structure	Recommended Changes and Notes
Local Governments	<p>FLOWS</p> <p>Revenue/Receipts from Sales</p> <ul style="list-style-type: none"> • Tax Revenue: Simplified tax breakdown • Non-Tax Revenue: Largely GFS compliant <p>Expenditure (Current + Capital)</p> <ul style="list-style-type: none"> • Current expenditure breakdown largely GFS compliant <p>Financial Transactions</p> <ul style="list-style-type: none"> • Simplified breakdown of loan financing and deposit related flows <p>STOCKS</p> <ul style="list-style-type: none"> • No stock information captured 	<p>FLOWS</p> <p>Revenue/Receipts from Sales</p> <ul style="list-style-type: none"> • Add detail for nonfinancial asset sales <p>Expenditure (Current + Capital)</p> <ul style="list-style-type: none"> • Add detail for current transfers (by receiving sector) • Add detail for capital transfers (by receiving sector) • Slightly modify nonfinancial asset categories per GFS breakdown for capital expenditure <p>Financial Transactions</p> <ul style="list-style-type: none"> • Slightly modify classification per (simplified) GFS classification <p>STOCKS</p> <ul style="list-style-type: none"> • Record stocks of liabilities (and possibly financial assets) per simplified GFS classification
Nonfinancial Public Corporations	<p>FLOWS</p> <p>Revenue/Receipts from Sales</p> <ul style="list-style-type: none"> • Operating revenue captured in total • Non-operating revenue separate flows from (federal) government <p>Expenditure (Current + Capital)</p> <ul style="list-style-type: none"> • Lump-sum operative expenses (excl. depreciation) • Simple breakdown of non-operating expenses • Capital expenditure at group level by total fixed assets (disposals separate), total direct or indirect acquisitions <p>Financial Transactions</p> <ul style="list-style-type: none"> • Breakdown of group level borrowing by simplified instrument / counterparty <p>STOCKS</p>	<p>FLOWS</p> <p>Revenue/Receipts from Sales</p> <ul style="list-style-type: none"> • Use total operative revenue for simplification • Exception: Break down property income by GFS category (4digit) <p>Expenditure (Current + Capital)</p> <ul style="list-style-type: none"> • Lump-sum classification of current expenditure • Exception: Breakdown of interest and dividend payments and income tax • Breakdown nonfinancial investment by GFS asset classification (split by domestic and foreign; split by group-level and assoc. companies) • Capture nonfinancial asset disposals by GFS classification <p>Financial Transactions</p> <ul style="list-style-type: none"> • Capture financial investment and disposal by GFS classification (incl. residency)

Sub-Sector	Current Structure	Recommended Changes and Notes
	<ul style="list-style-type: none"> Total debt outstanding by counterparty, and partially instrument 	<ul style="list-style-type: none"> Capture liability transactions by GFS classification (incl. residency) <p>STOCKS</p> <ul style="list-style-type: none"> Capture financial assets and liabilities by GFS classification (instrument, counterparty, residency) Capture FX-revaluation gains by asset type

22. The current surveys do not fully leverage the source data potential, specifically with respect to more comprehensive balance sheet information. The analysis of available source data per subsector suggests that much richer data than currently gathered should be available for all subsectors but the state governments. Statutory bodies, local governments, and nonfinancial public corporations all use accrual accounting and should hence have balance sheet information on nonfinancial assets and financial assets and liabilities available. The mission recommends that the authorities consider the potential to expand the scope of the collected stock information. This is particularly sensible given that such information will shortly be available for the federal government, and state governments are also planning to move towards accrual accounting in the near future. Hence a comprehensive general government (or nonfinancial public sector) balance sheet is within reach.

23. The authorities could also consider to capture (major) components of other economic flows. The nature of the relevant events will differ by subsector (e.g. revaluations due to price changes or obsolescence are more likely for public corporations) and a detailed assessment would be needed to prepare the data collection and processing. Eventually the gathering of such information would allow the authorities to comprehensively break down the changes of net worth and thereby to greatly improve the substance and presentational transparency of fiscal data.

24. It is recommended that the authorities consider information and training events as well as collecting feedback on the revision of the surveys. One or more information event(s) for (major) statutory bodies, state governments, and possibly some major state-owned enterprises (SOE) is likely to be beneficial to achieve understanding and buy-in for a more comprehensive data collection effort going forward. A more pragmatic approach will be needed for local governments. The authorities might consider a well-written survey documentation and guide or a webinar/web-based presentation.

25. The mission reviewed the current survey-based data and concluded that it may be possible to compile historical time series for general government and nonfinancial public sector level with some simplifications and restrictions. The review of the existing data structure revealed that the data in many analytically relevant areas is compliant to a GFS presentation, and could thus—with some assumptions or limitations—be used to create a historical time series at least for parts of the GFS tables. The mission recommends to consider preparing such a compilation in the future.

26. The mission would like to highlight the fact that the transition of federal government accounting and financial reporting to include accrual basis is a perfect complement to the expansion of fiscal statistics within the GFS framework to the general government and public sector. By collecting (integrated balance sheet) fiscal data on all fiscal sectors in a systematic manner, the valuable information at the federal government level can be completed to yield a comprehensive macro-economic view. Structural analysis of the fiscal position and performance will cover all macro-relevant subsectors and thus be more relevant and precise. The GFS framework is particularly well-suited to work with different data sources (e.g. the combination of cash-based accounting records at the state level for the time being with accrual-based information for all other sectors going forward).

Target Date	Recommendation	Responsible Institutions
April 2019	<i>Modify the surveys for extra budgetary central, state, and local governments, and nonfinancial public corporations.</i>	MOF in alignment with DOSM
April 2019	<i>Align data collection for general government subsectors and nonfinancial public corporations between MOF and DOSM, and develop workflow scheme for potential data sharing (incl. legal arrangements and memorandum of understanding if required).</i>	MOF and DOSM
June 2019	<i>Issue new survey and begin new data collection.</i>	MOF
December 2019	<i>Compile (unconsolidated) GFS data for all general government subsectors.</i>	MOF
December 2019	<i>Compile (simplified) GFS historical time series for (unconsolidated) general government sub-sectors and possibly also nonfinancial public corporations.</i>	MOF

C. Consistency Between Macroeconomic Statistics

27. As part of the conjoint workshop with the DOSM and the MOF, the mission analyzed causes for differences in published public investment data. Data for nonfinancial

investment differs materially between the MOF reports and the national accounts. In 2016 for instance, the MOF reported “Development Expenditure” of the nonfinancial public sector of RM 142,798m whereas the DOSM reported gross fixed capital formation (GFCF) of the public sector of RM 105,504m.

28. The mission reviewed the plausible causes for the discrepancies with workshop participants. The following points were discussed:

- a. **Conceptual differences:** While the national accounts measure “gross fixed capital formation” as increases in the (domestic) capital stock, GFS (and fiscal statistics) define nonfinancial investment more comprehensive by including non-fixed assets (e.g. most importantly naturally occurring assets) and foreign assets. The reason for this difference is presentational and is linked to different analytical objectives. As the national accounts are concerned with the measurement of production activity of an economy, the ownership exchange of non-produced assets (such as land) and acquisitions of assets in other economies are reported on separately in the sector capital accounts. For fiscal analysis, however, it is important to distinguish operative expenses from transactions that are net worth neutral. Therefore, spending on land, other non-produced or foreign assets would be presented as investment. Apart from this, however, the definitions of capital formation/investment should be the same and could thus be based on the same data.
- b. **Classification issues:** The assessment revealed that the MOF mainly starts to identify investment of the federal government by relying on the distinction between current and development spending in the budget presentation. The DOSM, in contrast, applies a detailed assessment of spending based on the accounts from the general ledger. While the MOF does adjust for some elements (e.g. capital transfers) it is likely that the bulk of the existing differences stem from inconsistent classification of capital spending flows of the federal government.
- c. **Coverage issues:** The assessment of the survey practices revealed that some coverage differences between the MOF and the DOSM exist. Some minor differences exist in the numbers for local governments. Finally, the MOF runs the survey for nonfinancial public corporations only at the group level and includes currently 28 companies based on legally provided selection criteria. In contrast, the DOSM runs surveys on capital formation on an entity level and includes all public corporations
- d. **Data collection issues:** Finally, the different survey structure, timing, and response rates could explain some differences in the numbers.

29. An important step to improve the consistency of reported public investment data would be to quantitatively assess the causes for the discrepancies in the reported numbers.

The mission suggested to set up a simple comparison matrix to assess the materiality of the

above-mentioned possible causes for deviations using collected data for recent years. This approach will facilitate taking steps to improve the consistency (see Table 4).

Table 4. Assessment of Survey Structure and Recommended Changes

RM million	2016		2017	
	Development Expenditure (MOF)	Gross Fixed Capital Formation (DOSM)	Development Expenditure (MOF)	Gross Fixed Capital Formation (Domestic)
Federal Government	41,995		45,962	
Statutory Bodies	N.A.		N.A.	
State Governments	8,408		12,445	
Local Governments	N.A.		N.A.	
Total General Government	49,931		56,188	
Nonfinancial Public Corporations	94,867		95,309	
Total NFPS	142,798	105,504	151,497	

Source: MOF Economic Report (2017), DOSM National Accounts—Gross Fixed Capital Formation 2010–2016

30. Depending on the results of the quantitative assessment different steps could be derived to improve the situation:

- a. Differences within the Federal Government subsector are most likely related to different classification decisions. This is very likely, given that the DOSM applies a detailed classification bridge whereas the MOF mainly starts from the budget-related split of current vs. development spending (with some adjustments being done). Given that the source data allows for an asset-breakdown of flows related to nonfinancial investment, and identifies foreign investment, it should be possible to ensure that both units report data based on the same classification scheme. Differences arising from conceptual definitions, such as spending on non-fixed assets and foreign assets, could be shown and explained to users.
- b. Differences in the other subsectors of the general government sector might be related to a mixture of the above-mentioned classification issues or sample coverage issues. An ideal solution would be to use the same source data going forward. This would require the source data to capture the necessary asset-breakdown to measure both: GFCF and net nonfinancial investment.
- c. Differences in the Nonfinancial Public Corporations Sector are most likely due to a combination of coverage issues (the MOF only reports a sample of corporations, and only at

a group level), source data issues that may lead to different classification, and the conceptual differences arising from spending on different types of assets, and domestic vs. foreign investment. The solution here would be to align data collection efforts and to gather data in a sufficient level of detail to allow the preparation of bridge tables to separate out differences related to the nature of assets, the geographic location of the assets, and sample-related differences. The MOF could also consider using the DOSM data for their Economic Report to cover all public investment activity in their macro-fiscal analysis.

31. To ensure the greatest possible consistency for public investment data, the mission recommends the use of the same source data going forward, wherever possible, and to align their compilation (and presentation of results). The discussion concluded that the revised GFS surveys should accommodate the needs of national accounts compilers with respect to the timing and level of detail. While the national accounts staff might need to complement the data to include additional units, at least for the selected coverage, the data basis would then be consistent. Remaining conceptual differences (see above section) could be explained to users through a bridge table (e.g. by breaking down the data into produced and non-produced assets).

Target Date	Recommendation	Responsible Institutions
April 2019	<i>Make a quantitative assessment of discrepancies for public investment data.</i>	MOF with support of DOSM
April 2019	<i>Develop a strategy to align investment data between the MOF and the DOSM going forward.</i>	MOF and DOSM

D. Public Sector Debt Statistics

32. The mission assessed the possibility for Malaysia to report data to the Quarterly Public Sector Debt (QPSD) Statistics database. While the published data of BNM is not directly sufficient to compile data for the QPSD template, with additional information data can be reported rather straightforward for budgetary central government. The mission developed a simple template to process data from BNM for QPSD reporting.

33. For budgetary central government BNM Tables 3.1.4 and 3.1.6 can be used as data sources with specifically identified assumptions or separate information, as necessary. Specifically, Table 3.1.4 does provides data on the outstanding amount of Treasury bills and the split between resident and nonresident counterparties. Table 3.1.6 provides information on the amount of debt maturing within one year from the reference period and the currency of denomination (see Table 5 for details).

34. For consolidated central government, additional information on the debt outstanding for statutory bodies is available, however consolidation information would be required. Some debt of the federal government is held by statutory bodies (extrabudgetary

units) and some debt of statutory bodies is held by the federal government. In addition, information on the term structure and maturity profile of those instruments would be needed to populate the corresponding QPSD-table for consolidated central government. The mission recommends that the MOF collaborates with the BNM to gather the aggregated values required to populate QPSD Table 1.1.

Table 5. Additional Information and Assumptions Required for PSDS-Reporting

Sub-Sector	Information Requirements/Assumptions
Budgetary Central Government	<p>Table 1.1.1: Gross Budgetary Central Government Debt Position</p> <p>Short-term by original maturity</p> <ul style="list-style-type: none"> All Treasury-Bills are short-term by original maturity Treasury-Bills are the only instrument with original maturity of < 1 year (specifically all loans have a longer original maturity) <p>→ <i>The data in table 3.1.4 is sufficient to populate the table</i></p> <p>Long-term by original maturity</p> <ul style="list-style-type: none"> Separate information is available on all loans maturing within one year or less (currently and in the near future: none) <p>→ <i>The data in table 3.1.6 is sufficient to identify all long-term debt maturing in one year or less (currently only debt securities). All loans can be identified from table 3.1.4. All long-term debt securities maturing in > 1 year can be identified from as a residual from information in both tables</i></p>

35. The mission recommends for the authorities to report QPSD data on an ongoing basis. First submissions could be limited to the budgetary central government sector. But it would be desirable to collect data required to add the outstanding debt for statutory bodies, and particularly to gather data needed for consolidation.

Target Date	Recommendation	Responsible Institutions
April 2019	<i>Initiate QPSD reporting for the budgetary central government sector.</i>	MOF, with support of BNM
April 2019	<i>Expand coverage of QPSD reporting to the consolidated central government sector.</i>	MOF, with support of BNM

E. Officials Met During the Mission

Ministry of Finance—Fiscal and Economic Division	
En. Mohd Hassan Bin Ahmad	FPO (MOF)
En. Mohamad Reezal Bin Ahmad	FPO (MOF)
En. Mohd Hanif bin Mastuki	FPO (MOF)
En. Mohd Fakhruallah bin Nik Ab Kadir	FPO (MOF)
Puan Azlin binti Ismail	FPO (MOF)
Puan Mazrina Misri	FPO (MOF)
Puan Rahayu Ali	FPO (MOF)
Puan Noor Aidawati binti Hussin	FPO (MOF)
En. Muhamad Syah bin AB Raub	FPO (MOF)
Puan Noor Hazrina binti AB Hamid	FPO (MOF)
En. Md Farishzan bin Ismail	FPO (MOF)
En. Muhammad Akram bin Abd Aziz	FPO (MOF)
Cik Wong Seow Kim	FPO (MOF)
Puan Raja Dayana binti Raja Idris	FPO (MOF)
Cik Nor Hannanah binti Jiman	FPO (MOF)
Nuur Rasyiqah Zainuddin	MAKRO (MOF)
Ministry of Finance—Economic Planning Unit	
Wan Mohd Syahrol bin Wan Ab Rahman	EPU
Muhammad Azhan Mohd Nor	EPU
Nadian Rasali	EPU
Accountant General's Department	
Mohd Sabree Yaakub	AG
Deisigan Shammugam	BNM

Department of Statistics Malaysia

Mohd Yazid Kasim	DOSM
Mohd Firdaus Bin Zaini	DOSM
Hezlin Suzliana Abdul Halim	DOSM
Maizura Bt Abdul Jabar	DOSM
N. Rajkumar a/l V. Nagathiram	DOSM

Appendix I. Data Sources and Data needs for GG/NFPS Coverage

Sub-Sector	MOF	DOSM
Budgetary Central Government (Federal Government)	<p>Data Sources:</p> <ul style="list-style-type: none"> AG/General Ledger (monthly) <p>Frequency/Timing: Monthly/Quarterly</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Cash Transactions (Actual) Debt Instrument (Actual) 	<p>Data Sources:</p> <ul style="list-style-type: none"> AG/General Ledger (monthly) BNM <p>Frequency: Monthly/Quarterly</p>
Extra budgetary Central government (Statutory Bodies)	<p>Coverage: 80 SB (Fed. Gov.)</p> <p>Data Sources:</p> <ul style="list-style-type: none"> Annual Survey Some Financial Reports <p>Frequency/Timing: Annual for June (sent out in April)</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Cash Transactions (GFS Economic, + COFOG) <i>2y Actual, current revised + 1y projection</i> Debt Instruments <i>2y Actual, current revised + 1y projection</i> 	<p>Coverage: 83 (Fed. Gov.)</p> <p>Data Sources (frequency):</p> <ul style="list-style-type: none"> Audited Financial Reports (with some gaps) <p>Frequency/Timing: Annual for March</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Detailed Transactions, <i>Actual (Y-1, Y-2)</i> Gross Fixed Capital Formation <i>Actual (Y-1, Y-2)</i> Other, <i>Actual (Y-1, Y-2)</i>
State Governments	<p>Coverage: 13 State Governments</p> <p>Data Sources:</p> <ul style="list-style-type: none"> Annual Survey Some Financial Reports (unaudited and audited) <p>Frequency/Timing: Annual for June (sent out in April)</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Cash Transactions (GFS Economic, + COFOG) <i>2y Actual, current revised + 1y projection</i> 	<p>Coverage: 13 State Governments</p> <p>Data Sources (frequency):</p> <ul style="list-style-type: none"> Audited Financial Reports (with some gaps) For Y-1 roughly 50% Budget Documentation <p>Frequency/Timing: Annual for March</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Detailed Transactions, <i>Actual (Y-1, Y-2)</i>

Sub-Sector	MOF	DOSM
	<ul style="list-style-type: none"> Debt Instruments <i>2y Actual, current revised + 1y projection</i> 	<ul style="list-style-type: none"> Gross Fixed Capital Formation <i>Actual (Y-1, Y-2)</i> Other, <i>Actual (Y-1, Y-2)</i>
Local Governments	<p>Coverage: 150 Municipal Governments</p> <p>Data Sources:</p> <ul style="list-style-type: none"> Sample annual Survey (covering roughly 80% of total Revenue) Selected Financial Reports (audited) <p>Frequency/Timing: Annual for June (sent out in April)</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Cash Transactions (GFS Economic, + COFOG) <i>2y Actual, current revised + 1y projection</i> Debt Instruments <i>2y Actual, current revised + 1y projection</i> 	<p>Coverage: 152 Municipal Governments</p> <p>Data Sources (frequency):</p> <ul style="list-style-type: none"> Audited Accounts (with gaps) Budget Documentation <p>Frequency/Timing: Annual for March</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Detailed Transactions, <i>Actual (Y-1, Y-2)</i> Gross Fixed Capital Formation <i>Actual (Y-1, Y-2)</i> Other, <i>Actual (Y-1, Y-2)</i>
Nonfinancial Public Corporations	<p>Coverage: 28 Corporations at Group Level</p> <p>Data Sources:</p> <ul style="list-style-type: none"> Annual Survey Some Financial Reports <p>Frequency/Timing: Annual for June (sent out in April)</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Limited Set of Transactions <i>2y Actual, current revised + 1y projection</i> Debt Instruments <i>2y Actual, current revised + 1y projection</i> 	<p>Coverage: > 1.900 Corporations at Entity Level</p> <p>Data Sources (frequency):</p> <ul style="list-style-type: none"> Audited Accounts (with gaps) Budget Documentation <p>Frequency/Timing: Annual for March</p> <p>Transactional Coverage:</p> <ul style="list-style-type: none"> Gross Fixed Capital Formation <i>Actual (Y-1, Y-2)</i>