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

Beyond General Government—Compiling Data of State-Owned Enterprises

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Beyond General Government – Compiling Data of State-Owned Enterprises


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Outline

1. Introduction and Background

2. Key Issues in the compilation of data on State owned Enterprises

3. Possible Solutions to overcome the major compilation challenges

4. Country/Regional Experiences. Uganda and EAC.

5. Points for Discussion
1. Introduction and Background

• **What is a state owned enterprise?**

• **State owned enterprises Vs public corporations: Definition challenges**
  - Context: State-owned Enterprises (SOEs) or Public Corporations as commercial entities owned or controlled by the Government
  - However at a country or political level the definition and classification of State-Owned Enterprises may not be in line with international standards. In some cases, EBU’s and/or Corporations form part of SOE’s. This causes compilation problems and misunderstandings under the GFS 2014 framework.

• **Why is it important to compile SOE statistics according to the GFS 2014 framework**
  - To enable a comprehensive evaluation and analysis of public sector performance and fiscal policies.
  - They can be a source of substantial fiscal risk as they may be in control of substantial amount public resources.
  - Contribute to compilation of overall Public Sector Statistics including Public Debt Statistics.
2) Key Issues in the compilation of data on State owned Enterprises owned

- These issues have been classified in three main categories, viz:

I. Issues Associated with source data

II. Insufficient Coverage

III. Inadequate Legal and Institutional Frameworks
2. Key Issues in the compilation of data on State owned Enterprises—Cont’d

I. Issues Associated with source data

- Accounting systems, Chart of accounts, and standards used to compile data by SOE’s is sometimes different from what is used in BCG and LG on cash vs SOEs on accrual.

- Accounting systems, Chart of accounts, and standards used to compile data by SOE’s is sometimes different and inconsistent with those used by Budgetary Central Government and not according to GFS 2014 framework.

- Unavailability of SOE data on a timely basis which makes it difficult to produce Public Sector GFS data with the frequency required.

- Consolidation challenges caused by intra Public Corporations’ transactions.

- Problems in SOE source data which sometimes does not provide the level of detail required for the GFS 2014 Classification and compilation.

- The above challenges are exacerbated by inadequate IT systems and where they exist, lack of interfaces between systems of the Central Government and SOEs.
2. Key Issues in the compilation of data on State owned Enterprises—Cont’d

II. Insufficient Coverage

➢ Differences in reporting periods between SOEs and other institutions such as the BCG

➢ Unavailability/lack of access to data of some the SOEs due to weak Government controls, monitoring and enforcement mechanisms.

➢ Incomprehensiveness of Public Sector Institutional Unit Tables (PSIT) due to insufficient information available to compilers to enable the right sectoralization.
2. Key Issues in the compilation of data on State owned Enterprises—Cont’d –

III. Inadequate Legal and Institutional Frameworks.

III (a). Legal Framework

- Inadequacy in existing laws and regulations which do not require SOEs to compile and report according to required standards, e.g. required frequency or in regard to the quality of financial reporting (standards and formats).

- Inadequacies' in enforcement and compliance with existing legal and regulatory frameworks
2. Key Issues in the compilation of data on State owned Enterprises - Cont’d –

III. Inadequate Legal and Institutional Frameworks contd.

III (b). Institutional Framework

- Low appreciation and understanding of the new GFS 2014 framework particularly at policy making levels within Ministries of Finance and across government entities
  ✓ Hence managers of SOEs do not see the need to keep required data and to provide required detailed financial reports

- Capacity gaps among GFS compilers (mainly statisticians, economists and accountants) in mapping SOE reports to the GFS framework.

- Differences in the criteria used in sectorization of Institutional units by GFS compilers vis-à-vis accountants in the PSIT

- Lack of strong coordinating entities which makes coordination and standardization of reporting difficult and complicates compilation of SOE data.
3. Possible Solutions to overcome the major compilation challenges

I. Improving Source Data

II. Reforms in the Legal, Regulatory and Institutional Framework

III. Improving Coverage

IV. Advocacy to secure commitment for reforms by stakeholders
3. Possible Solutions to overcome the major compilation challenges – Cont’d

1. Improving Source Data

- Development of harmonized or standardized financial reporting templates to facilitate data capture by SOEs according to GFS 2014 data requirements.

- Accounting reforms to support the migration from cash basis to accrual accounting particularly for BCGs and LGs to facilitate consolidation of SOE data into overall Public Sector data.

- Improve Information Technology (IT) capacity in SOEs and public sector as a whole to enable timely reporting, disaggregation and classification.
  - Increase coverage of IT systems, e.g. IFMS,
  - Creating interfaces where required with different software systems.

- Holistic Approach required – Coordination between International bodies, GFSAC, IPSASB and macro-fiscal experts in setting international standards, including agreeing on definitions and classification.
3. Possible Solutions to overcome the major compilation challenges –Cont’d

II. Reforms in the Legal, Regulatory and Institutional Framework

➢ Improve corporate governance of state-owned enterprises by improving the legal and regulatory frameworks
  ✓ Transparency, accountability and ethics
  ✓ Clear and strict timelines to ensure SOE data provision to facilitate timely compilation and dissemination.

➢ Improve monitoring and evaluation of SOE to ensure strict implementation of the legal and regulatory framework and requirements.

➢ Improve institutional effectiveness through coordination and capacity building among GFS compilers and source data providers.

➢ Capacity building of GFS compilers, accountants, economists and statisticians from relevant entities needs to be collectively enhanced – to improve understanding of GFS 2014 definitions and standards.
3. Possible Solutions to overcome the major compilation challenges –Cont’d

III. Improving Coverage

- To improve coverage, comprehensive lists of all SOEs within the overall PSITs need to be jointly compiled and regularly updated (possibly annually) by GFS compilers and discussed and agreed upon by all relevant institutions.

- Technical assistance is required to enable proper classification/sectorization in the Institutional Unit Tables according to GFS 2014 framework.
3. Possible Solutions to overcome the major compilation challenges –Cont’d

IV. Advocacy to secure commitment for reforms by stakeholders

- Increase appreciation and understanding of the need/usefulness of the GFS 2014 framework in fiscal and budget analysis, macroeconomic management, planning, and policy making among the major stakeholders that is;
  - Top management of the Ministries of Finance, Planning and Economic Development, Central Banks and Statistics Bureaus
  - Management of SOE’s to ensure implementation of reforms,
  - Politicians and other policy makers

- GFSAC should advocate for wider adoption of GFS 2014 framework within the IMF. IMF staff should be encouraged to gradually use the new framework during their surveillance missions and staff visits.
4. Country/Regional Experiences – East African Community

- Main motivation for the adoption of the GFS 2001 and 2014, was the establishment of the East African Monetary Union (EAMU)
  - Which necessitated the monitoring of progress in the implementation and achievement of the EAMU macroeconomic convergence criteria before introduction of the EAC single currency planned for the year 2024.
  - There was recognition of the need to adopt the GFS 2014 methodology in reporting fiscal data for the EAMU macroeconomic convergence criteria to facilitate comparability across EAC Partner States.
  - At same time would meet international standards and best practices and would also be consistent with other macroeconomic statistical systems.
4. Country/Regional Experiences – East African Community (Contd..)

➢ With support and Technical support from the IMF (particularly IMF AFRITAC East) – some progress has been achieved in compilation of GFS public sector data (including SOE data):

✓ Most of the EAC Partner States produce Annual General Government Data, albeit with a lag of slightly above one year.

✓ Currently, four countries (Kenya, Rwanda, Uganda, and Tanzania) are at different stages of expanding coverage to the entire public sector.

  • Kenya and Rwanda – have already made their first attempt to compile annual public sector data
  • Uganda to make first attempt by end of FY 2019/20
  • Major area of weakness is slow progress in transitioning to accrual accounting and budgeting for BCG – so far countries have developed road maps for transition.
4. Country/Regional Experiences – East African Community (Contd..)

✓ EAC region has developed guidelines to domesticate GFS 2014 to region/country context – although still work in progress, it has helped to harmonize approach to borderline cases.

✓ Most of the countries have developed GFS migration work plans with milestones and target dates – which helps in planning and monitoring progress by Partner States themselves and by IMF AFRITAC East.

✓ Sharing experiences among EAC countries through regional workshops and attachments for compilers has facilitated peer to peer learning.
• Points for discussion

1. What has been your experience in adopting full accrual accounting system by Government to enable ease of consolidation of Public corporation data?

2. What type of institutional framework (set-up) would facilitate SOE data compilation and its consolidation into the overall public sector data as required under the GFS 2014 framework?
THANK YOU