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

Summary of Discussion

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Session 1: Government Finance Statistics
State of Play and Future Directions

To support implementation of *GFSM 2014*, the Committee:

- Agreed on the need for the IMF to clearly articulate a set of broad principles for GFS that users and policy makers can understand (e.g., full coverage, correct time of recording, sensible valuations, economic reality).
- Recognized the importance of governance and institutional arrangements for production of GFS.
- Recommended that IMF fiscal data reporting requirements be more consistent and so avoid reporting multiple sets of GFS data to IMF staff.
- Advised the IMF to take a pragmatic and flexible approach, but also be ambitious in encouraging countries to compile GFS data according to *GFSM 2014*. 
Session 1: Government Finance Statistics—State of Play and Future Directions

- Advised that implementation of GFS in line with *GFSM 2014* may require that the GFS community enlist allies to encourage changes to fiscal reporting
  - Policy makers
  - Civil society
  - The auditing community
  - Others
Session 2: GFSM Implementation Strategies and Key Challenges

- In reviewing implementation practices in different regions the Committee:
  - Welcomed the progress being made.
  - Reemphasized the importance of political support, governance, and a key sense of direction and priorities, and, where requested, capacity building support from international organizations.
  - Welcomed and encouraged the focus on compiling general government data and noted that some economies were going beyond general government to also cover nonfinancial public corporations.
  - Advised on the need to consider GFS as part of the broader statistical system.
Session 2: GFSM Implementation Strategies and Key Challenges

• Highlighted the benefits that can accrue from the use of software management systems such as IFMIS.

  ▪ The secretariat will report back to the next meeting on progress made in implementing GFSM 2014.
Session 2: GFSM Implementation Strategies and Key Challenges

- Specifically the Committee discussed the implementation of accrual reporting in GFS. Recognizing that many countries are still recording GFS on a cash basis, the Committee:
  - Reemphasized that the accrual basis of recording provides a true and fair picture of government finances while recognizing that major challenges exist in its adoption. The costs of not moving to accrual accounting and so missing hidden liabilities was emphasized.
  - Advised that the move from cash to accrual data requires a change of culture, and political support.
  - Agreed that, as an aspiration, all countries should move towards using accrual basis of reporting in support of policy making—recognizing that there are intermediate steps, it will take time, and there are obstacles to overcome.
Session 2: GFSM Implementation Strategies and Key Challenges

• Acknowledged that improvements to the quality of cash data are an essential step prior to a phased move to accrual reporting, and that detailed and good quality cash data could support the estimation of GFS on an accruals basis.

• Asked the secretariat to report back at the next meeting on progress by countries in implementing accrual reporting.
Session 3: Communication with Users

- The Committee:
  - Recommended that the GFS community reach out to users and compilers of fiscal data to promote the benefits of data compiled in line with *GFSM 2014* for analyses and decision-making.
    - Articulate the benefits of greater transparency
    - Demonstrate how good quality fiscal data can enhance decision making, and foster sustainable public finances
    - Develop support among parliamentarians, journalists, civil society and others
  - Recognized the progress made by the accounting (IPSASB) and statistical communities (IMF and others) to align conceptual frameworks. However, the meeting felt that in practice, differences are often smaller and easier to overcome as presented in the tables prepared by the IMF/IPSASB Task Force on Alignment. Members emphasized the need to work towards eliminating the remaining differences and proposed that this work remains part of the GFS research agenda.
Session 4: Public Sector Coverage—A New Frontier

- The Committee:
  - Recognized the importance of public corporations, as a potential source of fiscal risks, but recognized that the relevance may vary among countries.
  - Stressed that while the idea of promoting public sector data should be on the GFSAC agenda, more thinking is needed about the issues it raises including for gross and net debt concepts. In this context, covering public financial corporations can be more problematic than covering public nonfinancial corporations.
  - Advised that practical experience suggests that information for large public corporations at a central level are more readily available than local or regional government level data in some instances and that there is a need for granular information to fully understand risks.
Session 4: Public Sector Coverage—A New Frontier

- Considered that more work is required to fully understand the implications of public sector data reporting and asked the secretariat to report back on these implications to the next meeting.
The committee discussed the issue of pension obligations of government and concluded:

- Implementing the treatment of employment related pension liabilities of government consistent with GFSM 2014 should remain on the agenda of the GFSAC.
- It is important that international organizations cooperate in taking this work forward on a step by step basis.
- Further clarification of the GFSM 2014 and the 2008 SNA on the recording of pension obligations would be welcome. Issues to address include criteria for recording (e.g., contractual arrangements) and methodological and measurement issues (e.g., discount rates and other projection factors).
- Dissemination of employment related pension liabilities of government is strongly encouraged.
- Data coverage should be enhanced through balance sheets.
The Committee:

- Strongly supported the matrix approach to the presentation of government and public sector debt data. It recommended that the approach be enhanced and supported by:
  - Promoting the approach with ratings agencies and the wider financial community, as a way to encourage widespread use of this tool.
  - Incorporating metadata on valuation and a detailed description of the financial instruments that each liability category includes, to further assist users in arriving at international comparability.
  - Taking account of the asset data when analyzing debt data.
- Recognized the importance of valuation when discussing public sector debt.
On contingent liabilities the committee agreed:
• That wider reporting of contingent liabilities of government should be encouraged.
• That reporting should proceed on a pragmatic basis, recognizing the value of basic estimates in preference to non-reporting.
• In taking this work forward, it will be important to coordinate with the work of the TFFS.

On concessional lending the committee agreed that:
• The discussion revealed complexities with the possible treatment of concessional lending that requires a discussion across various statistical domains including national accounts and balance of payments, as well as GFS.
Session 6: GFS Research Agenda

- The Committee broadly supported the research agenda and recognized the need for the GFSAC to shape the next round of updating international statistical manuals in issues where they have the comparative advantage.
  - Ensure the involvement of the GFS community in all decisions with an impact on fiscal statistics.
  - Foster ongoing collaboration with standard setters, such as in the AEG, BOPCOM, ILO, IPSASB, and TFFS.
  - Engage users in setting priorities within the research agenda.
  - Include remaining issues for alignment with IPSASB in research agenda.

- There was agreement with the proposal to establish formal mechanisms, involving GFSAC for providing additional guidance and clarification between updates to the Manuals.