

2021/7



MIDDLE EAST REGIONAL TECHNICAL ASSISTANCE CENTER

*REGIONAL NOTES
SEPTEMBER 2021*

Government Finance and Public Sector Debt Statistics in METAC Countries: State of Play, Key Challenges, and Priorities Ahead

**Nadine Aboukhaled, Nabila Akhazzan, Issam Alsammak, and
Djaima Costa**

Nadine Aboukhaled and Nabila Akhazzan are Senior Economists in the IMF's Statistics Department. Issam Alsammak is the Real Sector Statistics Advisor in METAC. Djaima Costa is an Economist in the IMF's Statistics Department.

Established in October 2004, The Middle East Regional Technical Assistance Center is a collaborative effort between the International Monetary Fund, member countries, and bilateral and multilateral development partners. The Center's strategic goal is to help its members strengthen their institutional and human capacity to design and implement macroeconomic and financial policies that promote inclusive growth and reduce poverty.

The purpose of *Regional Notes* is to enhance peer-to-peer learning and disseminate good practices across METAC's members. The opinions expressed in *Regional Notes* are those of the authors; they should not be attributed to the IMF, its management, or executive directors.



Middle East Regional Technical Assistance Center

METACSS@IMF.org; IMFMETAC.org

Government Finance and Public Sector Debt Statistics in METAC Countries: State of Play, Key Challenges, and Priorities Ahead

This note aims to inform policymakers, country compilers, and capacity development partners on the current state of play, key challenges, and future capacity development (CD) needs to promote the compilation and dissemination of Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS) in METAC countries, in line with the international standards—the GFS Manual 2014 (GFSM 2014) and the PSDS Guide for Compilers and Users 2011 (PSDSG 2011). It builds on the discussions at a webinar on the implementation of GFS and PSDS in METAC countries,¹ on the results of a GFS and PSDS survey distributed to METAC countries, as well as on other relevant information available to the Statistics Department of the IMF. Despite the different capacities and stages in statistics compilation, countries' key priorities are similar: increasing sectoral coverage, improving compilation methods, and enhancing access to data. To address these issues, there is a need to create an enabling environment through increased training, data-sharing agreements, and enhanced dissemination practices.

THE GFS FRAMEWORK²

Comprehensive, well-structured, and timely data provide policymakers with the information required to make sound fiscal policy decisions and monitor the implementation of their fiscal measures. The *GFSM 2014* is the international standard for GFS that provides guidance on the concepts, classification, and recording principles for the compilation of fiscal statistics. It also describes guidelines on how to present these statistics in a consistent analytic framework that captures economic reality rather than administrative and legal practices, and it applies to both government units and public corporations. In addition, the *PSDSG 2011* provides detailed guidelines for measuring public sector debt and presenting these statistics in a comprehensive manner.

The GFS framework is used by policymakers, analysts, and the public at large to assess the impact of fiscal policy on an individual economy, and to compare the public sector activities

across different economies. Similarly, reliable and transparent information on public sector debt is required to support the design of public debt management policies and to inform the financial markets and the public.

CURRENT STATE OF PLAY IN METAC COUNTRIES

METAC countries are at different stages of implementation of the GFS framework. Reflecting in part institutional capabilities and human resources constraints, countries varied in terms of their progress in compilation and dissemination of GFS and PSDS data. Egypt, Jordan, and Morocco compile monthly budgetary central government³ (BCG) data based mainly on the *GFSM 2001/2014*⁴ and are making good progress in compiling annual statistics for general government.⁵ Afghanistan, Algeria, Iraq, Lebanon, and West Bank and Gaza have developed bridge tables from their national presentations to the GFS classification system, and most of them submit annual BCG data to the

¹ The authors would like to thank participants in the webinar, which took place on December 15, 2020, as well as officials from the eight countries who worked on the survey (Afghanistan, Iraq, Jordan, Lebanon, Morocco, West Bank and Gaza, Tunisia, and Yemen).

² The GFS framework covers flows and stocks and includes both GFS and PSDS as discussed in this note.

³ BCG is often a single unit of the central government that encompasses the fundamental activities of the

national executive, legislative, and judiciary powers and is usually covered by the main budget.

⁴ Few concepts of the GFSM 1986 are still being used.

⁵ The general government includes all government units of central, state, and local government, and social security funds imposed and controlled by those units, as well as all non-market nonprofit institutions controlled by government units.

IMF's GFS database. Progress in other METAC countries has been very limited.

Inter-agency collaboration is rather limited in most METAC countries. The Ministries of Finance (MoF) are the agencies in charge of GFS compilation and dissemination in most countries. However, interactions between MoF and other relevant data provider agencies (e.g., statistical offices, central banks) are usually very limited, which often obstructs access to the broad range of source data needed by compilers. In addition, there is usually no legal framework that explicitly states the responsibilities related to GFS compilation, dissemination, and data sharing. Although many countries have internal GFS technical working groups, in most cases these groups are either inactive or have membership from within the MoF only (e.g. budget, treasury, and accounting departments).

The number of staff dedicated to GFS compilation varies considerably across countries. Out of the eight countries that responded to the survey, two have only one staff dedicated to the task; two countries have two or three staff; and the remaining countries have about five compilers.

There is insufficient coverage of fiscal statistics in nearly all METAC countries. The focus in the majority of countries remains on the BCG subsector. Among the 14 METAC countries, only four have compiled statistics for the general government⁶ and none has compiled a comprehensive balance sheet.⁷ In addition, none of the surveyed countries have a complete public sector institutional table,⁸ which is a prerequisite for expanding data coverage beyond the BCG. Finally, coverage of public

corporations is missing in METAC countries' fiscal statistics.

Timeliness and source data quality need to improve in the majority of METAC countries. Responses from the survey suggest that few countries have access to sufficiently detailed source data that would allow the compilation of GFS according to the GFS framework. Furthermore, few of them have developed an Integrated Financial Management Information Systems (IFMIS) to support GFS compilation. Inconsistencies between transactions in revenue and expenditure (above-the-line transactions) and transactions in financial assets and liabilities (below-the-line transactions) are reported to be the most critical data quality issue in the region. The basis of recording varies across countries between cash and modified cash, as none of them have moved to the accrual basis of recording. Table 1 gives an overview of a few indicators, including timeliness of the annual data submitted to the IMF's GFS database.

Institutional and instrument coverage of PSDS are very limited in most METAC countries. The survey results suggest that most countries report debt statistics (Table 2) for the BCG subsector only, covering mainly loans and debt securities. Only Lebanon and Morocco report debt data to the joint IMF/World Bank Quarterly Public Sector Debt database. However, in some countries, comprehensive—often quarterly—debt reports are compiled and published in national websites with detailed information about residency, currency of denomination, and maturity, but information on debt by instrument is sparse. Almost all METAC countries value debt at face value.

⁶ Jordan (2019), Egypt (2015), Tunisia (2012), Afghanistan (2017).

⁷ Except for Jordan which started collecting data on the stocks of financial assets and liabilities as a first step towards constructing a comprehensive financial balance sheet.

⁸ Public sector institutional table is a complete list of public entities classified by sector (i.e. general government and its subsectors, financial and nonfinancial public corporations).

Table 1. Selected GFS indicators for METAC countries

Countries	Most recent year for GFS submission	Versions ⁹ of GFS manuals being used	Balance Sheet	IFMIS
Afghanistan	2017	GFSM 2014	No	Yes
Algeria	2011	N/A	No	N/A
Djibouti	N/A	N/A	N/A	N/A
Egypt	2015	GFSM 2001*	N/A	N/A
Iraq	2019	GFSM 2014	No	No
Jordan	2019	GFSM 2014	Financial BCG	Yes
Lebanon	2019	GFSM 1986	No	N/A
Libya	N/A	N/A	N/A	N/A
Morocco	2019	GFSM 2001	No	Yes
Sudan	N/A	N/A	N/A	N/A
Syria	N/A	N/A	N/A	N/A
Tunisia	2012	GFSM 1986	No	No
West Bank and Gaza	2019	GFSM 2001	No	No
Yemen	2014	GFSM 2001	No	No

Sources: METAC GFS Survey and IMF GFS Database.

Table 2. Selected indicators on PSDS in METAC countries

Countries	Reported to the WB Quarterly Public Sector Debt (as of March 21, 2021)	Instrument coverage	Institutional coverage of debt data
Afghanistan	No	Loans	BCG
Algeria	No	N/A	N/A
Djibouti	No	N/A	N/A
Egypt	No	Loans, debt securities, other types of borrowings	GG**
Iraq	No	Loans, debt securities	BCG
Jordan	No	Loans, debt securities, other accounts payables	CG*
Lebanon	Yes	Loans, debt securities, other accounts payables	BCG
Libya	No	N/A	N/A
Morocco	Yes	Loans, debt securities, insurance payment and standard guarantee schemes	GG
West Bank and Gaza	No	Loans, debt securities, insurance payment and standard guarantee schemes, other accounts payable	CG
Sudan	No	N/A	N/A
Syria	No	N/A	N/A
Tunisia	No	N/A	N/A
Yemen	No	Loans	N/A

Sources: METAC GFS Survey except for Egypt ([Ministry of finance's website](#)), and the [World Bank website](#). *Not all extrabudgetary units are covered. **General government domestic debt net of accounts receivables from other public sector entities.

⁹ Countries that are still using the GFSM 1986 have developed bridge tables to the GFSM 2014 for dissemination to the IMF GFS database.

KEY CHALLENGES IN IMPLEMENTING THE GFS FRAMEWORK

Compiling sound fiscal statistics poses several challenges for METAC countries. According to the survey, the top five challenges faced by METAC countries do not differ significantly from those in other regions: (i) large statistical discrepancies,¹⁰ (ii) inadequate sectorization of institutional units, (iii) limited coverage, (iv) lack of an appropriate basis of recording, and (v) difficulty in applying the economic and functional classifications according to the *GFSM 2014*. Figure 1 summarizes countries' responses that explain the weaknesses of fiscal reporting in these countries, which often translates into low-quality fiscal statistics. Additionally, countries also noted a lack of adequate resources and business process documentation. Box 1 gives a broad overview about the main steps countries could follow for a successful and phased implementation of the GFS framework.

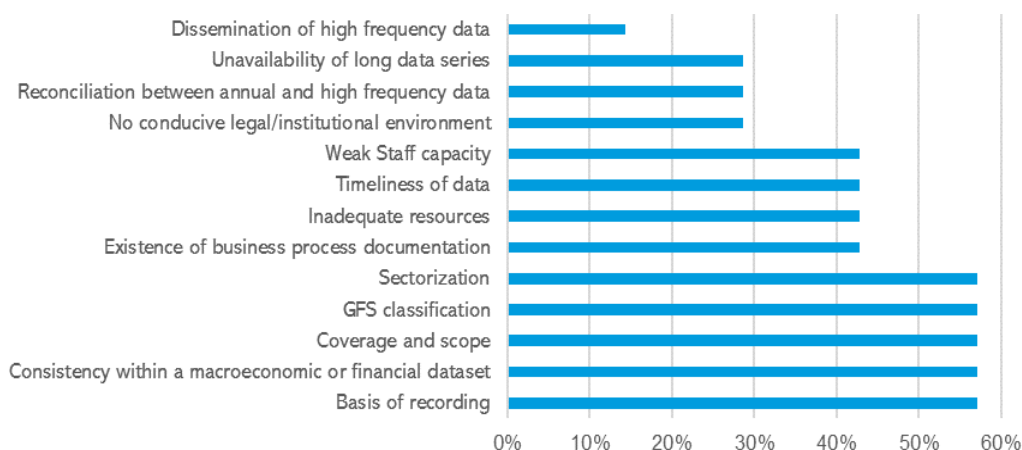
PRIORITIES AHEAD

Many METAC countries have launched ambitious structural reforms to further enhance public

finance management and fiscal reporting in line with international standards. Some countries are reforming their Chart of Accounts to comply with the *GFSM 2014* framework and are putting in place an IFMIS that covers not just BCG units, but also extrabudgetary units, social security funds, and state and local governments. However, progress in many other countries is still lagging. Progressive and country-specific approaches are therefore recommended to further advance countries' efforts to compile sound fiscal statistics to support evidence-based policymaking (see Box 1).

There is a need for technical assistance to enhance compilation and dissemination of GFS and PSDS in the region. This was highlighted by all countries that responded to the survey, which captured their immediate priorities pertaining to the compilation and dissemination of fiscal statistics. Figure 2 summarizes the survey responses and key priorities into four main categories: creating an enabling environment; increasing coverage and sectorization; improving compilation methods and data consistency; and enhancing dissemination practices.

Figure 1. Key Challenges for GFS and PSDS compilation in METAC countries



Source: METAC GFS Survey.

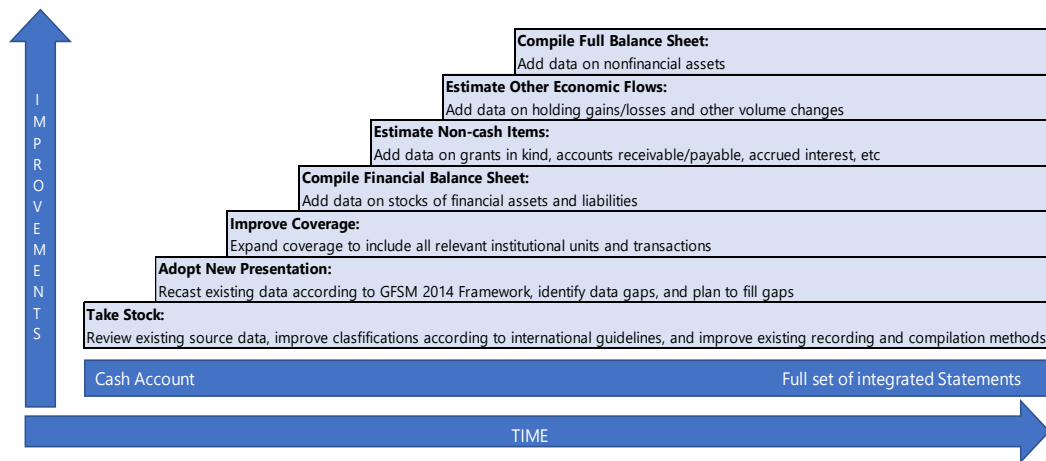
¹⁰ Inconsistencies between above-the-line and below-the-line transactions.

Box 1. Implementing the GFS Framework

The full implementation of the GFS Framework is a long-term process, but one that does not have to start from scratch. Rather, it involves converting data compiled according to existing national presentations, usually inspired by the *GFSM 1986*, to the presentation recommended by the *GFSM 2014*. The latter allows a phased implementation of accrual accounting while also supporting needed improvements in the compilation of cash-based fiscal statistics for the general government sector and the public sector.

Countries are encouraged to develop a migration plan towards the full implementation of the GFS framework, which will likely include: (i) improving existing cash-based data systems to address known discrepancies; (ii) adopting the new classification structure; (ii) making adjustments to existing data for serious deficiencies; and (iv) progressively developing balance sheet information (including public sector debt statistics). The chart below illustrates the different building blocks towards the implementation of the GFS framework and countries are encouraged to follow a step-by-step approach based on their needs and resources.

Possible Path for the Implementation of the GFS Framework



Source: *GFSM 2014*

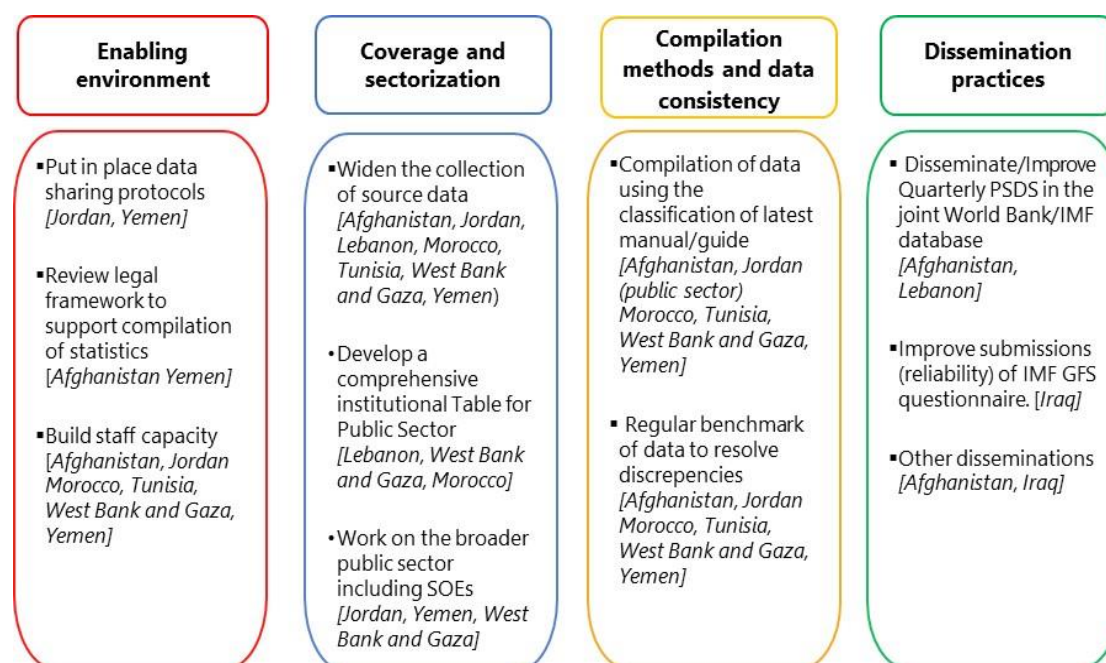
Broader coverage and the need to compile fiscal statistics beyond the BCG is a key priority for most METAC countries. Almost all survey responses and discussions with participants during the webinar highlighted the need to conduct a comprehensive sectorization exercise to extend coverage to the broader public sector, including extrabudgetary units and state-owned enterprises. The design of well targeted fiscal policies and the management of fiscal risks have often been constrained by the lack of fiscal and debt data beyond the central government, as highlighted in the METAC regional note *Improving Fiscal Management in the METAC*

Region: The Role of Macro-Fiscal Units¹¹.

Reducing inconsistencies in fiscal data through improved compilation methods is another priority. Most METAC countries expressed the need for further capacity development in compilation of data in line with the classification framework of the *GFSM 2014*. More thorough compilation methods in line with *GFSM2014* guidelines, together with improved source data, are needed to achieve consistency in fiscal data reporting and enhance their reliability.

¹¹<https://www.imfconnect.org/content/dam/METAC/RegionalNotes/RN5.pdf>

Figure 2. Priority actions in METAC countries



Source: METAC GFS Survey.

Countries have also identified the need for an enabling environment for the compilation of GFS and PSDS, mainly through improving staff's skills and knowledge, allocating adequate resources, and addressing shortcomings in data sharing among public entities through legislation. Fiscal data transparency should be the ultimate objective of all METAC countries. Indeed, most countries need to enhance their dissemination practices, mostly through higher reporting frequency, and wider dissemination on their national websites as well as on the IMF and World Bank databases.

METAC will continue to play an important role in assisting countries in strengthening their fiscal statistics. A GFS advisor would, possibly, join METAC in 2022 to help countries compile GFS and PSDS that are in line with the latest international standards and address the data needs of policymakers.

Building synergies and leveraging the work done by other CD providers is essential for improving fiscal statistics in a sustained manner.

Improving the quality of fiscal statistics would ultimately depend on the ongoing public financial management reforms in METAC countries, including: (i) adoption and implementation of a new chart of accounts; (ii) broadening the coverage of the IFMIS beyond the central government; and (iii) reviewing legal frameworks to support the compilation and dissemination of fiscal statistics.

Flexible CD delivery modalities would need to be tailored to countries' current situations and evolving needs. Given that more than 50 percent of METAC countries are fragile states and that there are significant baseline differences in the status of their GFS and PSDS, CD activities will have to target specific country needs and be aligned with countries' implementation plans, priorities, and timelines. Regional and in-country training will aim to support METAC countries' ongoing efforts to build human and institutional capacities dedicated to the improvement of the quality of fiscal statistics in the region.



Regional Notes

Note 2021/7

Middle East Regional Technical Assistance Center
metacss@imf.org; imfmetac.org