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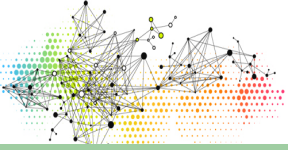**State Secretariat for Economic Affairs (SECO)**

2nd FINCOP meeting
Similarities and differences between GFSM2014/ESA2010/SNA & IPSAS/EPSAS

Deon Tanzer

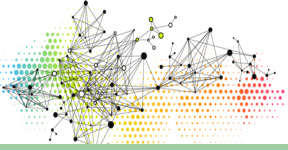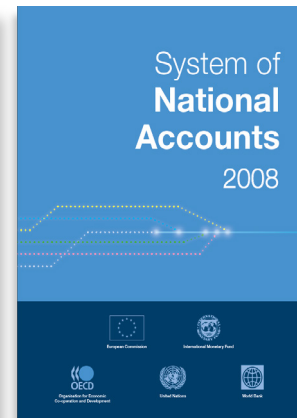IMF Government Finance Statistics Advisor, South East Europe
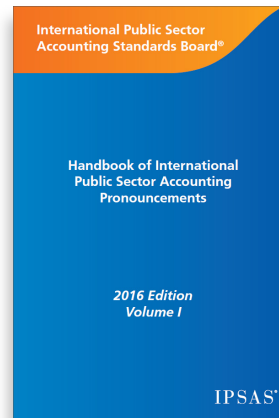
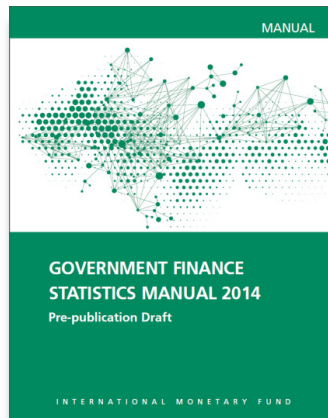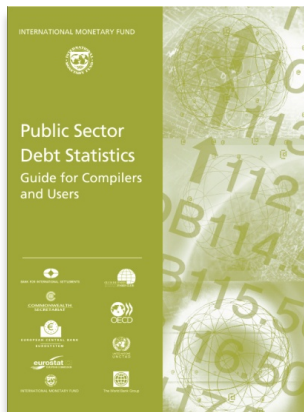Vienna: April 23, 2018

Overview presentation
GFSM2014/ESA2010/SNA2008 & IPSAS compared

- What is GFS?

- What is ESA 2010 / SNA 2008?

- How does GFS relate to fiscal cycle (budgeting / execution / reporting / forecasting)?

- Deriving ESA 2010 fiscal balance from Budget Law accounting

- GFS vs Accounting standards (IPSAS)

- Critical issues fiscal accounting

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International statistical & reporting standards

IPSAS / GFSM 2014 / ESA 2010 / SNA 2008

linked as standards

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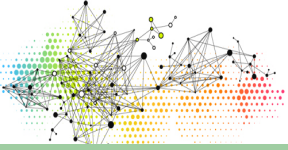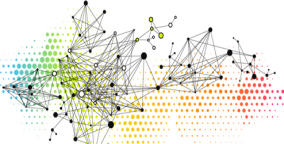Confederaziun svizra

What is GFS?
An overview

- Internationally compatible accounting framework on fiscal data

- Analyze development government operations & position over time

- Macroeconomic point of view – links with GDP estimation

- Generally not fully consistent with budget / national accounting standards

- Consistent with SNA 2008 / ESA 2010 – except classification

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What is GFS?
An overview

- GFS used to analyze
  - size of government = Maastricht deficit & debt
  - contribution to aggregate demand investment & saving
  - fiscal policy's impact on resource use, monetary conditions, fiscal burden, etcetera
  - social safety net
- GFS is essential input in measuring & monitoring
  - fiscal rules
  - structural deficits
  - fiscal sustainability – need to look after assets & liabilities
  - gross & net debt
- Intersectoral links
- Time series + research + forecasting

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What is SNA 2008 / ESA 2010?
An overview

- Internationally compatible accounting framework for a systematic and detailed description of the total economy, its components and its relation to other economies

- Can be used to analyze:
  - Structure of total economy (e.g. value added by industry, final consumption expenditure, imports & exports by product group)
  - Specific parts / aspects of economy (e.g. GFS, household savings and debt, the economy of regions)
  - Development of economy (e.g. GDP growth, inflation rates)
  - Relate with other economies (e.g. government deficit comparisons, interdependencies between EU economies)

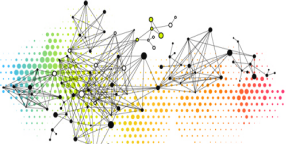- GFS is an essential building block for compiling SNA / ESA

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GFS & the fiscal cycle
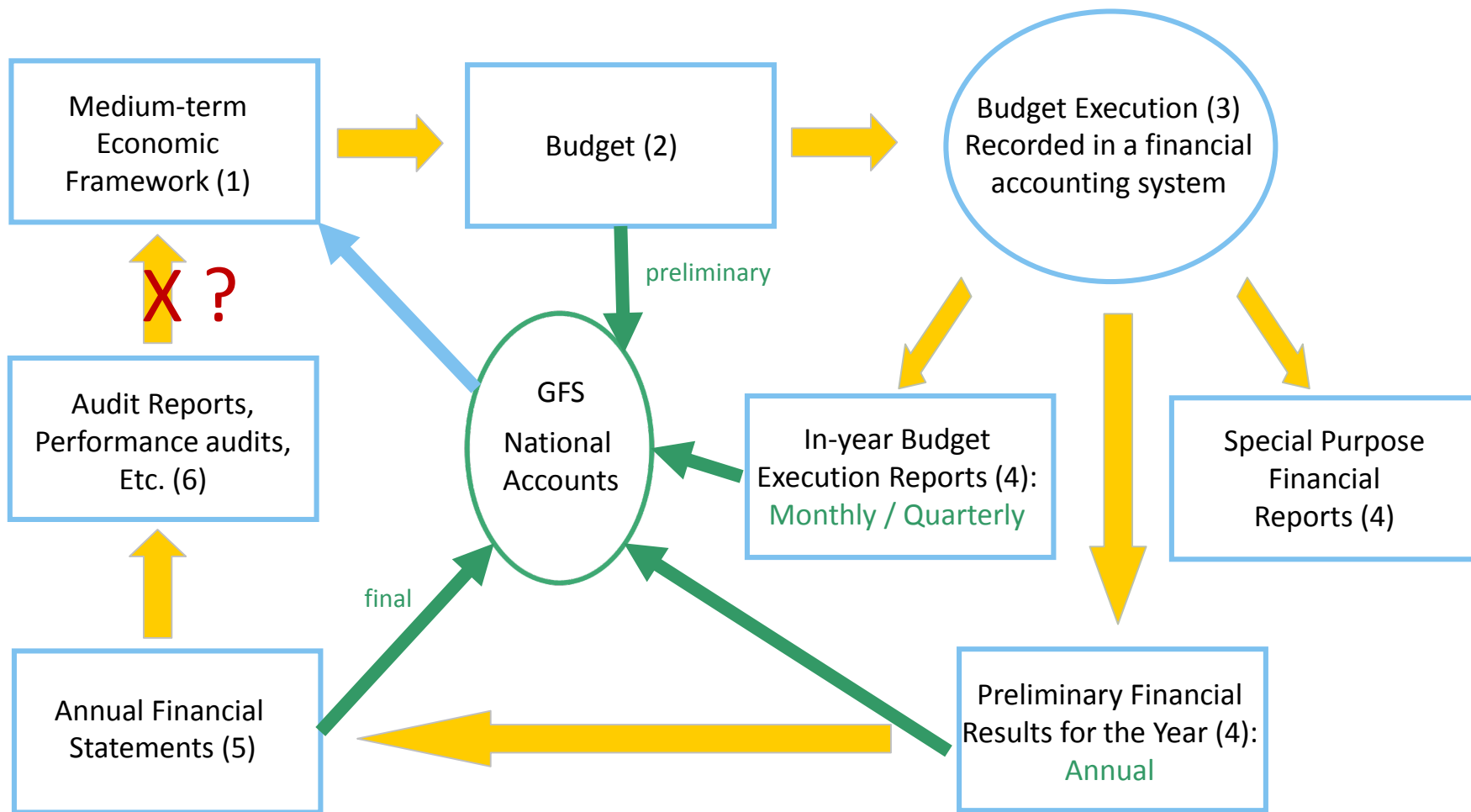## How do they relate?   1.

- GFS is an integral component of fiscal cycle

- Mutually links with accounting data

- Accounting & GFS compatible?
  - No → budget planning & monitoring can be hampered – e.g. fiscal rules use GFS & GDP
  - E.g. does chart of accounts link with GFSM 2014 / ESA 2010 classification?

- Scope of government
  - Budgetary central vs general government
  - Extrabudgetary units & agencies
  - Public corporations defined as part of government?

- Budget Law, Public Debt Law, Public Finance Management Law – same accounting standards?

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GFS & the Fiscal Cycle
How do they relate?

2.

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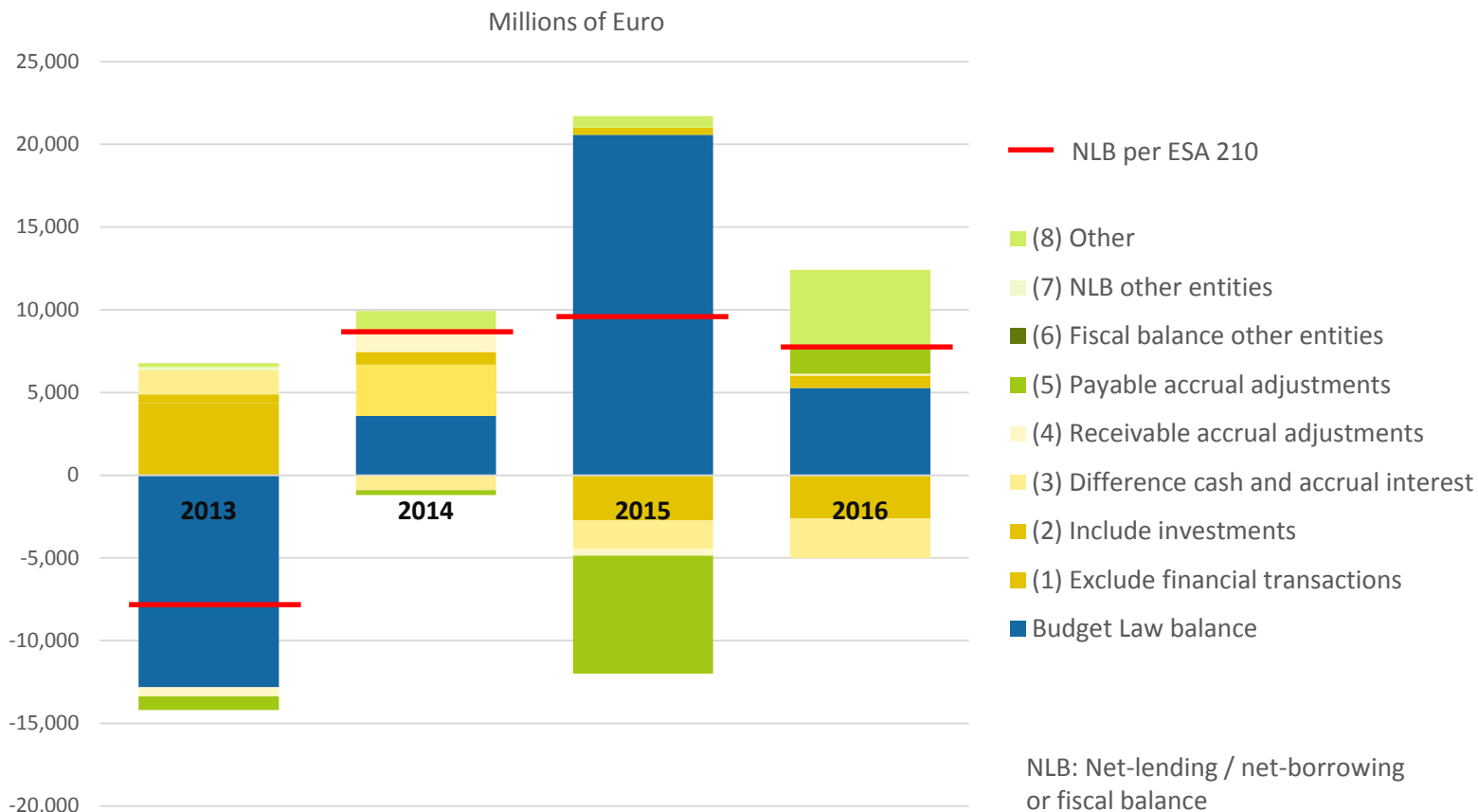IMF Statistics Department

GFS use of accounting data
Public accounting standards not always = GFS

- Fiscal accounting data are compiled within the context national budget or fiscal law …

- … and/or other supporting laws

- Laws often fit national budget policy purposes → execution is generally reported to legislature

- Fiscal accounting data output often designed outside ESA 2010 / GFSM 2014 context

- Often several accounting standards within public sector at large (e.g. different standards for budget users; indirect budget users; public corporations)
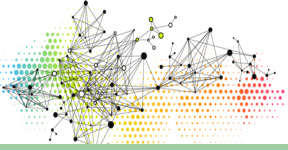
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Compiling NLB from accounting
Germany 2013-2016, adjustments required

Millions of Euro

Legend:
- —— NLB per ESA 210
- (8) Other
- (7) NLB other entities
- (6) Fiscal balance other entities
- (5) Payable accrual adjustments
- (4) Receivable accrual adjustments
- (3) Difference cash and accrual interest
- (2) Include investments
- (1) Exclude financial transactions
- Budget Law balance

NLB: Net-lending / net-borrowing
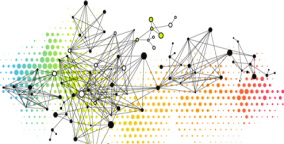or fiscal balance

Source: Eurostat
http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables

What is IPSAS?
On overview

- Set of accounting standards for public sector entities to prepare financial statements.

- Based on IFRS

- Compatible with international statistical standards

- Aims to improve quality of general purpose financial reporting, leading to
  - better informed assessments for resource allocation decisions
  - increased transparency & accountability

- Comprehensive accrual accounting standards

- Basis for a GFS reporting

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GFS vs Accounting standards (IPSAS)
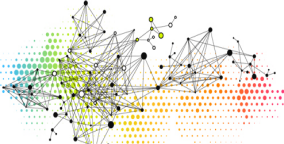## Similarities & differences

- Similarities
  - Accrual accounting
  - Comprehensive financial statement (Income statement, balance sheet, cash flow statement)
  - Coverage (general government / public sector)
  - Periodic reporting
- Differences
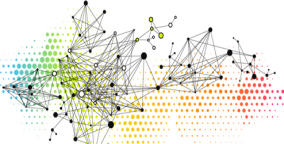 - Objectives – economic impact vs fin. performance & position
  - Reporting entity – (sub)sector vs cons. economic entity
  - Recognition criteria – provisions, impairments, deferments
  - Valuation – market/nominal vs fair/historic
  - Revaluations – other economic flows vs (un)realized gains
  - Accounting for reserves, own source funds

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Accounting standards (IPSAS) vs GFS
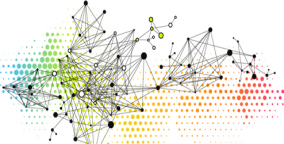## Example: recognition criteria - provisions

- Accounting uses continuity principle accrual accounting, whereby

  - Provisions represent current obligations underpinned by probable future outflows or service potential. The timing and amount is uncertain.

- ESA 2010 uses actual time of economic event as principle accrual accounting

  - when economic value is created, transformed, or extinguished

  - when claims & obligations arise, are transferred or cancelled

  - no provisions are thus recorded

IPSAS vs GFS – example
ED 63 on social benefits – proposed definitions
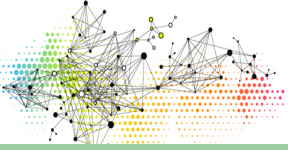
- Social benefits - IPSAS excludes (addressed elsewhere)
  - Employee benefits
  - Government employee pensions
  - Universal healthcare
  - Disaster relief
- Social benefits – GFSM 2014 includes
  - Employee benefits covering social risk (e.g. maternity leave)
  - All pensions covered by government (State pensions, government employee pensions,…)
  - Universal healthcare …
  - … although, direct household payments are not included
  - Current expenses of disaster relief

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Fiscal accounting & GFS
Critical issues

- Timely, consistent, & comprehensive data

- Off balance? State Owned Enterprises / PPPs / Road Funds / Indirect budget users

- (Super)dividends / privatizations / capital injections

- Hospitals / universities / social security / pensions

- Nonfinancial assets – balance sheet difficult to compile

- Revenue (taxes, social contributions) estimations

- Transition to IPSAS – step-by-step

Questions?