



# Challenges and trends in PSA: Role of IMF

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# Introduction



- Good to reflect for a moment on where we came from
- Good to take stock of where we are now
- Good to think about the challenges ahead

# Role of IMF in Accounting reforms: Conceptual work

- 1993 System of National Accounts release got IMF actively involved in issues related to accrual reporting – Government Finance Statistics Manual 2001 followed
- Update of the 1993 SNA led to the **Task Force on Harmonization of Public Sector Accounting (TFHPSA)** established in October 2003



# Role of IMF in Accounting reforms: Conceptual work (2)

- Collaboration culminated in **2008 SNA** and **GFSM 2014**
  - ▶ Several unnecessary differences between accounting framework and statistical framework were eliminated
  - ▶ Annex 6 to GFSM 2014 added – Comparison of IPSASs and statistical guidelines
  
- **Collaboration continued** through the Government Finance Statistics Advisory Group and IMF observance status in IPSASB which resulted in:
  - ◆ IPSASB policy adopted to consider the statistical basis of reporting in the development of standards
  - ◆ IPSASB Dashboard of similarities and differences facilitates a regular stocktake
  - ◆ Discussion notes for next round of updates of statistical manuals

Symbiotic relationship between accounting standards, statistical guidelines and public financial reform advice to the benefit of all professions

# **Role of IMF in Accounting reforms: Operational work**

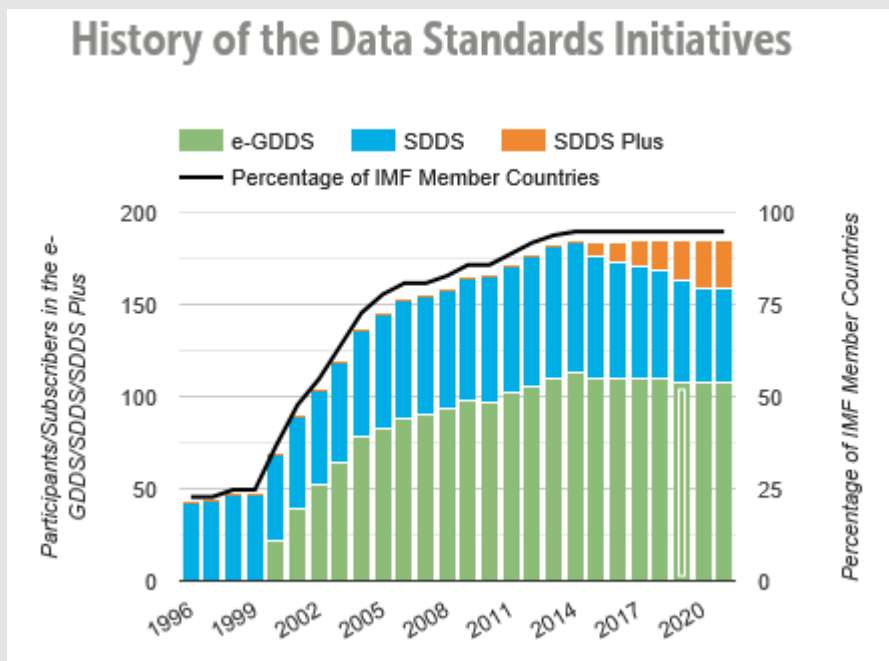
Indirectly the operation work of the IMF further supports and encourages the improvement of accounting for governments in member countries through:

- Surveillance work and financial support to members
- Data standards
- Capacity Development
- Advice, Research, and Analysis

# Role of IMF in Accounting reforms: Surveillance and financial support

- IMF Article of Agreement, Article VIII, Section 5
  - ▶ Requires members to furnish the IMF with such information as it deems necessary for its activities
  - ▶ Fiscal data requirements developed over time in terms of
    - ◆ Institutional Coverage
    - ◆ Coverage of flows and stock positions
    - ◆ Classifications
    - ◆ Basis of reporting
- IMF Article of Agreement, Article IV, Section 3 allows surveillance of member countries
  - ▶ Importance of fiscal data in surveillance activities grew over time
  - ▶ Fiscal reporting framework was tightened over time
  - ▶ Several Boardpapers and subsequent decisions contributed to improve fiscal reporting:
    - ◆ 2005 Using the GFSM 2001 Statistical Framework to Strengthen Fiscal Analysis in the Fund
    - ◆ 2010 Government Finance Statistics to Strengthen Fiscal Analysis
    - ◆ 2013 and 2017 Review of the Implementation of Government Finance Statistics Framework to Strengthen Fiscal Analysis
- IMF Article of Agreement, Article V, Section 3 deals with conditions governing use of the Fund's general resources
  - ▶ Member countries in need of financial support are often subject to conditionalities – including related to fiscal reporting

# Title Role of IMF in Accounting reforms: Data standards



Data standards initiatives evolved with the changing needs of policy makers

- Data standards supported countries to observe requirements with respect to coverage, periodicity, timelines, methodology, etc.
  - ▶ Special Data Dissemination Standard (SDDS) established in 1996
  - ▶ General Data Dissemination System (GDDS) established in 1997
  - ▶ SDDS Plus established in 2012
  - ▶ e-GDDS (aligned data categories with the common indicators for surveillance)
- These data standards are accompanied by metadata
- Since 2003 a Data Quality Assessment Framework was created – data quality is assessed using a six-part structure that spans institutional environment, statistical processes and characteristics of the statistical products



# Role of IMF in Accounting reforms: Capacity Development (CD)

Capacity Development (technical assistance) is provided following:

- Request by the authorities
- Request by the Country Teams

CD is provided through:

- Diagnostic tools, for example:
  - ▶ Fiscal Transparency Evaluation (FTE)
  - ▶ Public Investment Management Assessments (P
  - ▶ Fiscal Risk Toolkit
- Topical CD missions including topics on:
  - ▶ Accounting reforms
  - ▶ Standardized Chart of Accounts reforms
  - ▶ Debt management
  - ▶ Fiscal Reporting in General



# Role of IMF in Accounting reforms: Ad hoc Advice, Research, and Analysis (1)

- Ad hoc advice are provided to deal with specific economic events, for example:
  - ▶ In response to the pandemic conceptual notes and working papers were prepared



**Governments have to do whatever it takes. But they must make sure to keep the receipts.**

**Vitor Gaspar**  
Fiscal Affairs Department Director  
International Monetary Fund

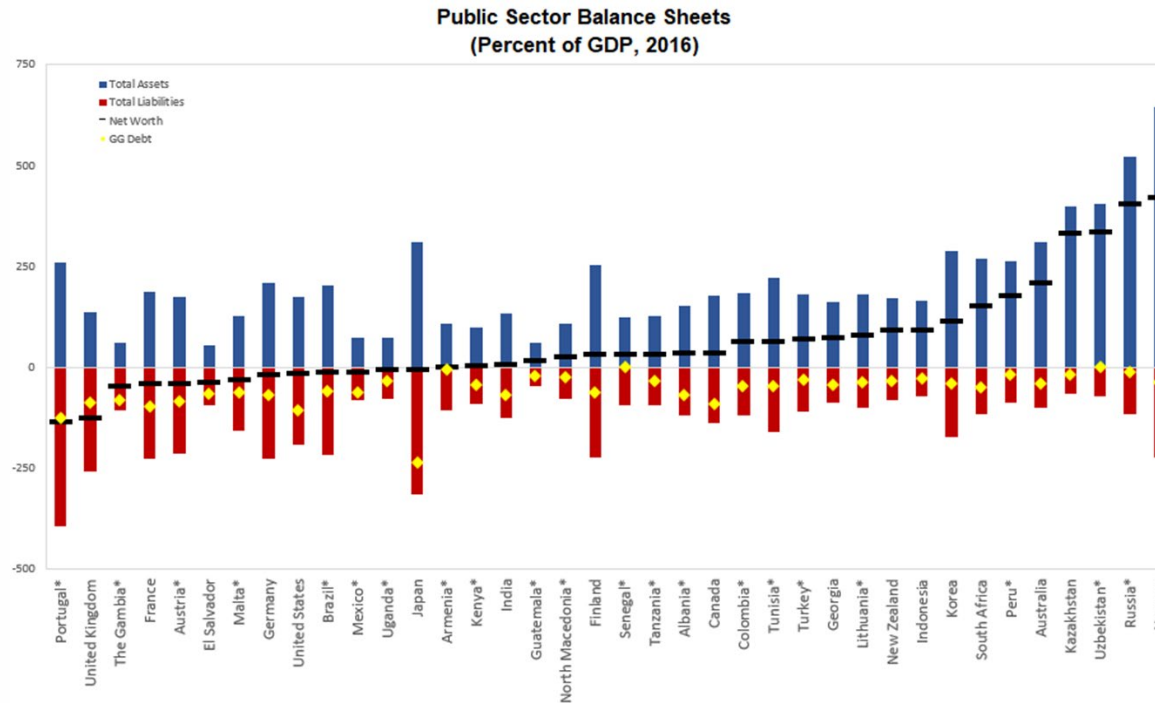
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# Role of IMF in Accounting reforms: Ad-hoc Advice, Research, and Analysis (2)

Public Sector Balance Sheet (PSBS) database is a good example of research and analysis conducted that further indirectly support reforms of the underlying accounting basis.

- Project estimated PSBS timeseries for 38 countries from publicly available information



Source: IMF Public Sector Balance Sheet Database.

\*Based on a single year of data, in most cases compiled as part of the Fiscal Transparency Evaluation: Albania, 2013; Armenia, 2016; Austria, 2015; Brazil, 2014; Colombia, 2016; The Gambia, 2016; Guatemala, 2014; Kenya, 2013; Lithuania, 2016; Malta, 2016; Mexico, 2016; Peru, 2013; Portugal, 2012; Russia, 2012; Senegal, 2016; Tanzania, 2014; Tunisia, 2013; Turkey, 2013; Uganda, 2015; Uzbekistan, 2016.

# **Role of IMF in Accounting reforms: Ad hoc Advice, Research, and Analysis (3)**

## Value of PSBS Database Analysis

- Illustrated the possibility of compiling these data for countries of all income levels
- Fiscal Monitor illustrated the usefulness of the data
- Clearly helped to identify gaps in underlying source data
- Provided an order of magnitude of public sector balance sheets
- Results emphasized the importance to not only look at performance information of governments, but also their financial position over time to determine fiscal sustainability
- Evoked an interest in PSBS stance

# Challenges

Many challenges remain:

- Old-school-thinking about fiscal analysis and decision making remains:
  - ▶ Priorities focused on shorter term
  - ▶ Traditional thinking about fiscal reporting prevails
  - ▶ Many accountant generals continue to focus only on reporting needs to comply with accounting standards – disregarding other reporting needs
- Adoption of new accounting standards often not followed by actual implementation
- Limited resources for implementation
  - ▶ Accounting reforms are costly
  - ▶ IT and staff constraints
  - ▶ Lack of knowledge – specifically knowledge on harmonized reporting are limited

**Thank you for your attention**

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