

Harmonizing Government Statistics in the Region (Success case of Government Financial Statistics in Phase II)

Countries have taken initial steps to fortify public sector statistics and developed a strategy for regional harmonization over the medium-term. The goal is to enhance fiscal analysis, country comparability, and the policy framework. Close collaboration between producing institutions of statistics and focus on public debt statistics are key for future success.

A. Initial situation

1. Countries strongly embraced the work stream in government finance statistics that was launched in August 2017. At the time, they required stronger statistics to enhance the fiscal policy framework, especially in the areas of transparency, programmatic budgeting, debt sustainability, regional comparability, and analysis, among others. The statistics faced important deficiencies related to ad-hoc national definitions and practices, partial coverage of the public sector, irregular publication, and compilation inconsistencies. Key shortcomings comprised:

- Member countries narrowly used the statistics to inform fiscal policy analysis, due to a limited quality of the statistics and/or shortage of technical skills among statisticians. There was a lack of coordination and limited sharing of primary data among the producers of statistics, such as the finance ministry, central bank, and the statistics office;
- Countries lacked an institutional definition of the public sector aligned with best practice, and utilized up to six different coverages of the public sector in compiling statistics, generating serious inconsistencies and inhibiting comparability across the region;
- The region generated public debt statistics that were highly inconsistent and did not follow international guidelines; particularly in the coverage of institutions and financial instrument, residence criteria, and valuation;
- Some countries (Guatemala, Honduras, Panama) did not disseminate statistics consistent with the *GFSM 2001, 2014* for the IMF's Government Finance Statistics Yearbook (GFSY); only one country (El Salvador) disseminated high frequency statistics, albeit partial, to the IMF; and
- Countries failed to fully harmonize government statistics with other sectoral statistics (real, monetary, and external sectors), generating quality gaps in macroeconomic statistics.

B. Actions for success

Supported by strong ownership of country authorities, the Center designed a CD program that could address needs at the country and regional levels. During the remaining of Phase II, the Center conducted key elements of this program, specifically:

At the country level,

- Carried out a regional seminar (September 2017) and country diagnostics to assess priorities. This effort revealed a similar development of statistics across the region, helped design well-sequenced and tailored action plans for countries, but found that bilateral progress could be uneven due to various degrees of country capacity and technical skills, particularly for the public debt statistics;
- Emphasized that improvements in statistics should have a clear contribution to fiscal policy analysis, while adhering to international standards (i.e., the *GFSM 2014, 2008 SNA*). Logframes were agreed with countries for each project to ensure the focus on capacity building results;
- Raised awareness on the need for close collaboration among producing institutions, and provided extensive customized training to facilitate progress in capacity building and the usage of statistics for policy analysis; and
- Focused on the implementation of initial milestones to improve: (i) the institutional definition for the coverage of the government statistics; (ii) the methodology of compilation of annual and quarterly data of the budgetary central government and preparation for publication; and (iii) the capacity to gradually address deficiencies in the compilation of public debt statistics.

At the regional level,

- Conducted extensive consultation with the regional councils (COSEFIN, CMCA) to outline the scope for regional harmonization and extent of collaboration among producing institutions. The Center then assisted in designing the strategy for regional harmonization of statistics and articulating a work plan for the period 2018-23, which were approved by the regional councils in November 2018; and
- Supported the creation of an interinstitutional working group (*Grupo Técnico de Estadísticas de Finanzas Públicas, GTEFP*) to lead the strategy on harmonization. The group comprises senior officials from all finance ministries and central banks in the region as well as the statistical office of Panama.

C. Progress achieved

Despite the short period of implementation, the region has delivered significant improvements in statistics, although there are indications of uneven progress across the region:

- Member countries have shifted to a single institutional table for the coverage of the public sector, consistent with best practice; Costa Rica and the Dominican Republic have formalized the use of the new institutional table as the guide for the future compilation of statistics;

- Countries now disseminate annual government statistics in the IMF's GFSY under the format of GFSM 2001 or 2014, with Panama disseminating for the first time and Honduras resuming dissemination. Countries are close to disseminating regularly monthly or quarterly budgetary central government data in line with GFSM 2014 (the Dominican Republic became the first country to publish in November 2018);
- Country officials have upgraded their technical skills through participation in CAPTAC-DR's training. Over 160 officials had benefited from regional training on government statistics, and nearly 200 officials across the region (but Nicaragua) have received customized training in public debt statistics. Nicaragua is scheduled to receive this training by August 2019; and
- The GTEFP set out milestones for the regional strategy in November 2018 and agreed on the publication of the central government statistics through a regional platform by September 2019. The group will follow up on progress during the next meeting in March 2019.

D. Next steps

The ambitious strategy of regional harmonization of statistics is expected to guide progress at the country level during the period of Phase III. Close collaboration among producing institutions of statistics, led by the finance ministers, is a key element for future success. There is a risk of uneven future progress across the region, as countries have different levels of capacity to generate the required enhancement in statistics, particularly in public debt. The region is expected to work on the following agenda for harmonization:

- With the support of the CMCA, COSEFIN plans to develop a platform for publication of fiscal statistics and comparative analysis for the region, produced by the GTEFP;
- Countries need to ensure full collaboration between the technical staffs of the finance ministries and central bank (the finance ministry and the statistical office in Panama) in the compilation of government and public debt statistics, focusing on the consistency of data and the broadening of institutional and transactional coverage;
- Countries need to move forward with the implementation of their action plans to support the regional harmonization agenda, particularly on the three agreed dimensions: annual and high frequency government statistics, and public debt;
- Under the proper coverage of institutions and transactions, countries are expected to disseminate the monthly operations of the nonfinancial public sector, with full conciliation between above and below the line. Moreover, they need to gradually move towards a stock-flow approach to the publication of fiscal statistics; and
- Countries need to gradually develop capacity to use the harmonized government and public debt statistics for fiscal policy and comparative regional analysis.