

# CAPTAC-DR NEWS

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# The Integration of Stocks and Flows within the Framework of the GFSM 2014 [1]

By Mario Silva

## 1. Introduction

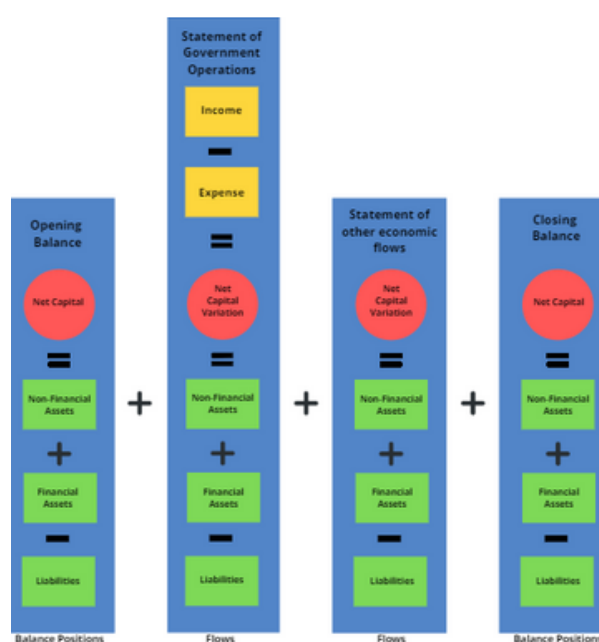
Within the framework of the Regional Project for the Harmonization of Government Finance Statistics and Public Sector Debt Statistics (GFS/PSDS) and the support of CAPTAC-DR, most of the countries of Central America, Panama, and the Dominican Republic (CAPDR) region are working in the compilation and dissemination of revenue, expenditure, and financing statistics with different degrees of institutional coverage, using the IMF's Government Finance Statistics Manual 2014 (GFSM 2014).

The project's work agenda also includes the compilation of balance sheet for public sector institutional units. The balance sheet is a statement of the balances of assets and liabilities held by an institutional unit, a subsector, or the public sector in general at a given point in time and thus allows measuring their net worth. The process of compiling the balance sheet has just begun in a couple of countries in the region and follows the international standard of the GFSM 2014. The complete record of flows and stocks allows to fully complete the analytical framework of the GFSM 2014, explaining and reconciling them.

## 2. Importance of the Stock-Flow Integration

Unlike the 1986 Government Finance Statistics Manual (GFSM 1986), in which the analysis focuses on a single indicator or a single outcome item, such as the overall deficit/surplus, the GFSM 2014 introduces several performance items

Image 1. GFSM Analytical Framework



Source: Department of Statistics of the International Monetary Fund.

or indicators that allow the analysis of the public sector or its subsectors. Besides calculating the overall fiscal result, other relevant fiscal indicators are also included in the GFSM 2014. These include the following (GFSM 2014):

- a) *Net operating income*, which is revenue minus expenditure. This indicates the effects on net worth resulting from transactions. It is an indicator of the fiscal situation prior to considering the net investment in non-financial assets.
- b) *The net lending (+) / net borrowing (-)* is calculated by subtracting from the net operating result the net investment in non-financial assets.

[1] The conceptual aspects of this note are based on the International Monetary Fund's 2014 Government Finance Statistics Manual.

Another form of calculating this indicator is the difference between the net acquisition of financial assets and the net incurring of liabilities. It is also equivalent to total financing.

**c) Net financial worth, net financial equity:** equivalent to the balance position in financial assets minus the balance position in liabilities.

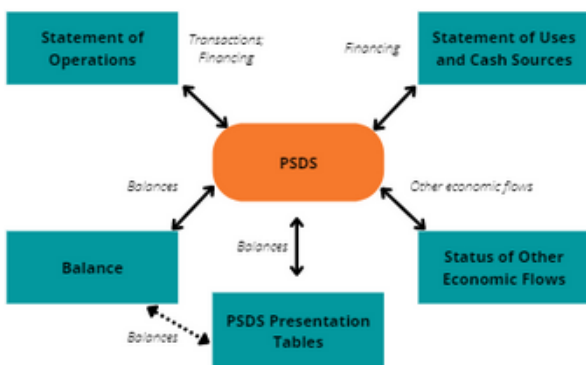
**d) Net equity:** the balance in assets minus the balance position in liability at the end of the reporting period.

**e) Total net worth variance:** net worth at the end of the current reporting period minus net worth at the end of the previous reporting period.

As previously indicated, the countries of the CAPDR region have so far compiled a part of the entire GFS framework, namely, at the transaction level (flows) and the general government sector as institutional coverage, which is still in the process of being completed. However, national authorities, through the Council of Ministers of Finance (COSEFIN, by its acronym in Spanish), have committed to moving forward in the medium term to implement a fully integrated framework.

The road ahead is still long and complex. However, the roadmap set out in the Regional Harmonization Plan has been drawn up, and, it is expected that the countries will eventually be able to build complete and integrated balance sheets that can be published and support the policy decision-making process.

**Image 2. PSDS as part of the GFS system**



Source: Department of Statistics of the International Monetary Fund.

The GFSM 2014's analytical framework facilitates a more integrated analysis of the impact of public sector activity on economic activity, liquidity and in general for the sustainability of fiscal policy. The use of accruals, as well as the integration of stocks and flows allows a better understanding of the implications of fiscal policy and determine whether it is sustainable over time. In other words, if as a result of its implementation, the net worth of public sector is significantly increased or reduced. All of the above, without disregarding the importance of traditional information, such as the cash basis, which is intended to maintain the analysis of the impacts of fiscal policy on the liquidity of the economy.

# Perspectives of care in the National Accounting System

By Jovana Palacios

## 1. Introduction

The recognition of the universality of rights as a historical process of constant evolution, as well as the respect to the diversity of individuals and social groups, underpin the construction of *gender indicators*. The valuation of unpaid work, its visibility, and consideration in the National Accounts have been a topic for many years. The 1985 World Conference on Women emphasized the need to recognize household work's value and assessed its importance in the national accounting.

This same recommendation was part of the Beijing agreements of 1995, two years after the adoption of the System of National Accounts 1993 (SNA1993), which recognized domestic and personal services as a productive activity in an economic sense. In 1997, the United Nations Economic and Social Council (ECOSOC) adopted gender mainstreaming as the methodology that the entire United Nations system should abide by to advance on women and gender equality goals. Shortly after that, in 2000, the United Nations released the Household Sector Accounts Handbook to support the quantification of the concept.

## 2. The economic dimension of care

Care can be conceptualized as an action that implies helping yourself or another being, trying to improve the well-being, and preventing harm; action which consumes a great deal of time and physical and mental energy. The cultural differences surrounding this concept vary widely depending on the country, social status, age, gender, ideologies, etc.

Even in relatively homogeneous countries regarding ethnicity, language, cultural tradition, and social class, there are significant differences in how care is provided, and the sense of right and duty with which people apply it.

Thus, care has many dimensions, of which the economic one is not exclusive, but it is crucial and often overlooked. While its measurement faces difficulties and limitations, its context is of particular interest due to the new conditions established by international conventions on women, social problems, and analytical requirements to support the construction of inclusive public policies. The National Accounts framework and its extension through satellite accounts [2] (SCN2008) are the most appropriate references for macroeconomic analysis.

Unpaid work in households, mainly by women, is a combination of domestic and market economy that increases the availability of goods and services in the economy for the benefit of individuals, households, and society. Its quantification (dimension, composition, and trend) within the framework of the SNA [3] allows it to be incorporated into the macroeconomic analysis and public policy design (with a gender approach). This, with the aim of having a complete picture of how households are transformed by changes in the institutional structure of each country's economic system.

[2] Satellite accounts are developed under a sectoral vision or the need to extend the boundary of some concepts.

[3] Measurement in the SNA involves choosing, in addition to a method, the relevant prices for imputing value to an economic event that "is not performed" but will have a monetary expression. It means applying the concepts and measurement techniques to integrate all aggregates of the system, which will depend on the information available, the characteristics of each country's national accounts, and its socioeconomic environment.

These activities are easily visualized when time is considered. Measuring the overall workload will help estimate the total hours spent on paid and unpaid work. It also helps to visualize the distribution between women and men for different types of households, socioeconomic levels, and life stages. In that sense, the studies about the “use of time” have been decisive in visualizing the quantitative dimension, based on the acknowledgement that the said activity is dedicated to *caring for human life*.

### **3. National Accounts**

The SNA provides an overview of the global economy, stakeholders’ behavior, their interrelationships, and the results of their activity. It has even made these analytical demands more flexible, proposing the development of satellite accounts that accommodate additional or different concepts from those of the core system.

Measuring the production of unpaid work in national accounts implies choosing the appropriate method and prices for attributing value to an activity carried out without economic recognition and which therefore, has no monetary value. It means applying accounting concepts and techniques to make the best possible imputation in search of their integration with the aggregates of the system. These decisions depend on the information available, the characteristics of each country’s national accounts, and the corresponding socioeconomic environment.

The Inter-Secretariat Working Group on National Accounts (ISWGNA) addresses these multidimensional issues in the context of sustainability and well-being directly linked to the 2008 SNA update. The unpaid domestic work area is one of five groups that focus on “well-being and sustainability.” Their progress can be reviewed at <https://unstats.un.org/unsd/nationalaccount/RAconsultation.asp?clD=10>.

### **4. CAPTAC-DR Contribution**

In April 2022, as part of the training program, CAPTAC-DR developed a virtual seminar on satellite accounts and other SNA extensions for national account compilers. The seminar’s purpose was to exchange experiences in this area and share experiences from Colombia, Mexico, Peru, and Spain. Along the same lines, progress will be made soon to bring best practices to the CAPDR region and support their implementation in the available macroeconomic indicators.

# Summary of Capacity Development Activities

## Tax Administration

- El Salvador received assistance on auditing procedures, compliance with fiscal obligations, and risk management. Panama received assistance in the legal creation of large taxpayers and their tax compliance. In Nicaragua support was provided in audit procedures, while in the Dominican Republic and Costa Rica assistance was given in tax obligations and taxpayer registration.
- Three regional seminars were given about risk management, control of tax obligations, and international-auditing practices.

## Customs Administration

- Costa Rica reviewed its organizational structure in light of the new General Customs Law. Honduras began the definition of a computer system to improve the management of customs debts. The Dominican Republic carried out a sectoral risk identification exercise to strengthen its border physical inspection criteria and post-clearance audits.
- At the regional level, the Customs Directors-General of the region were presented with the results of the first study on gender equality in customs administrations prepared by CAPTAC-DR with the support of the World Customs Organization (WCO), the Institute for Fiscal Studies (IFS), and the accompaniment of the Superintendency of Tax Administration of Guatemala, which has held the Vice Chair of the WCO for the region.

## Joint Activities

In October, two face-to-face workshops were held in Antigua Guatemala, as part of the “Advanced Course on Tax and Customs Administration Management”, organized in conjunction with the IMF’s Fiscal Affairs Department and the IFS. This course had the support of strategic partners such as the National Open and Distance University (UNAD), the Inter-American Development Bank, the Global Trade Facilitation Program SECO-WCO, the Spanish Agency for International Development Cooperation, and the Inter-American Center of Tax Administrations. The objective was to provide managers with basic training to manage a modern tax or customs administration focused on promoting voluntary compliance, considering that strengthening the management function is crucial for developing these administrations.



Officials participate in the 4th edition of the Executives Course.

## Public Finance Management

- Technical assistance was provided to Honduras in the following areas: i) preparation of the convergence plan of the Public Sector Accounting Standards, ii) formulation of the cash program for the fiscal year 2023, and iii) improvements to the process of closing public trust funds. In Costa Rica, support was given to formulating the methodological guide for budgeting with a gender approach. In Guatemala, support was given to the mission of the Department of Fiscal Affairs (FAD) on an assessment of fiscal transparency.
- A virtual regional seminar on good practices in asset and liability management was held. Officials from the treasury, public credit, and budget departments from five member countries attended the seminar.

## Banking Supervision and Regulation

- Technical assistance to the Superintendency of Banks of Guatemala on the regulation and supervision of bank recovery plans continued. The Center also trained the Superintendency of Securities (SUGEVAL, for its acronym in Spanish) in Costa Rica on regulating financial derivatives.
- At the regional level, supervisors were trained on gender-related issues and the role of the financial supervisor, and credit risk supervision based on Basel Committee principles. Finally, assistance to the Central American Council of Banking Supervisors, Insurance Companies, and Other Financial Institutions for implementing International Financial Reporting Standards continued.

## Central Banking Topics

- Technical assistance was provided to the Bank of Guatemala to evaluate the monetary policy implementation framework. Virtual support was also provided to the Central Bank of Nicaragua in evaluating exchange rate policy operations and collecting and analyzing exchange market data. An activity to evaluate and update the Nowcasting models began at the Central Bank of El Salvador (BCR). Jointly with the IMF's Monetary and Capital Markets Department (MCM), support to operationalize the BCR's its emergency liquidity provision framework, including evaluating funding alternatives, continued.



Seminar on "Management and Supervision of Credit Risk".



FOTEGAL (2022)



Cristina Pailhé, short-term expert, at the Seminar on "Management and Supervision of Credit Risk".



## Real Sector Statistics

- Virtual technical assistance was provided to the National Institute of Statistics and Census of Panama (INEC, for its acronym in Spanish), as they are carrying out the project to change their base year and update the basket of the Consumer Price Index in the framework of the 2018 Income and Expenditure Survey, and its project to change the base year of the National Accounts. The assistance had important results in defining the basket and its weights, updating the classifiers, and implementing the recommendations of the IMF's 2020 Consumer Price Index Manual.

## Government Finance Statistics

- Support was provided to El Salvador in identifying areas for improving the consistency of public finance and public sector debt statistics (GFS/PSDS) and related metadata. Guatemala was also assisted in evaluating the improvement in the coverage and reliability of nonfinancial public sector data. In Costa Rica, the status of the compilation and dissemination of GFS/PSDS was evaluated. The mission also updated, with the Ministry of Finance authorities, the 2022-25 work plan, in line with the commitments set out in the country's financial agreement with the IMF.
- In October, the 8th Regional meeting of the GFS Working Group was held, as well as its joint meetings with the Ad Hoc Groups on Macroeconomic Statistics. The region's progress in harmonizing GFS/PSDS and the preparation and dissemination of the Regional Public Finance Statistics Report were discussed.

## Institute for Capacity Development

- With the support of the IMF Institute for Capacity Development, the Regional Course on Inclusive Growth was held in Panama City. This is a topic that is part of the Center's efforts to expand and diversify its capacity development work and the issue of inclusive growth is part of our emerging areas agenda.



Inclusive Growth Course with the Institute for the Development of Capacities

## Meet the new members of the CAPTAC-DR team

### **Andrew Trejo - Technical Assistant and Economist**



Andrew is a bachelor's degree candidate in Business Economics at Universidad Rafael Landívar (URL), Guatemala. He is finalizing his undergraduate thesis, which deals with public spending on education and its relationship to income inequality in Guatemala. Andrew worked in the Office of the Supervisor of Insurance and Private Pensions at the Ministry of Finance of Belize. He has worked on research on systemic risk management and monitoring of the banking system, as well as on measuring the gender wage gap among men and women in Guatemala. Andrew joined CAPTAC-DR as technical assistant for Macroeconomic Statistics in September 2022.

### **Jimena Lopez - Technical Assistant and Economist**



Jimena is a bachelor's degree candidate in Business Economics at URL. Her thesis focuses on determining the effect of the use of technology on coffee production processes in Central America. Jimena has experience as a researcher and principal consultant in the Economic Department of the Social Studies and Research Association (ASIES, for its acronym in Spanish) of Guatemala.

She has also worked on sustainability issues with the private sector in Guatemala and coordinated entrepreneurship-related projects at the URL. She has been a consultant on international trade, migration and remittances, and tourism and has produced several publications. Jimena joined CAPTAC-DR in October 2022 as a technical assistant in monetary operations, and banking supervision and regulation.



## Free online courses in Spanish from the IMF Training Institute



### Financial Development and Financial Inclusion (FDI)

Apply online before:

- **January 27, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course, taught by the Institute for Capacity Development, shows the macroeconomic importance of financial development and financial inclusion. It begins with an analysis defining the role of finance in the economy, and then examines the theoretical and empirical work on the impact of finance on macroeconomic performance and growth.

### Government Finance Statistics (GFSx)

Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course, delivered by the Department of Statistics, focuses on the conceptual framework of government finance statistics (GFS), in accordance with the IMF's Government Finance Statistics Manual 2014 (GFSM 2014), and on practical aspects of the data compilation.

### VITARA - Strategic Management (VITARA- SMG) (VITARA-SMG)

Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This module is of an introductory level and provides fundamental knowledge on the concepts related to the strategic management of a tax administration. Likewise, the module highlights the different plans that the tax administrations create in relation to their strategy and its implementation, to then go on to explain the content, the schedule, the resources and the tasks necessary to prepare a plan together with the different phases, of planning and the hierarchy of plans.



## Free online courses in Spanish from the IMF Training Institute



### Balance of Payments and International Investment Position Statistics (BOP- IIPx)

Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course, presented by the Department of Statistics, covers the fundamental aspects necessary to compile the international accounts. The course introduces the conceptual statistical framework for the balance of payments and international investment position (IIP), as presented in the sixth edition of the Manual of Balance of Payments and International Investment Position Statistics (BPM6), which is consistent with other macroeconomic statistical frameworks.

### Online: Debt Sustainability Framework for Low Income Countries (LIC DSFX)

Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course, which consists of a single module, will allow participants to understand this framework, and therefore interpret the results presented in the World Bank and IMF reports. The course explains all the steps to apply the low-income country debt sustainability framework. The necessary data and tools used to realistically assess the plausibility of macroeconomic projections are determined.

### Public Sector Debt Statistics (PSDSx)

Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

Course Description:

- This course covers the fundamentals needed to compile and disseminate comprehensive public sector debt statistics (PSDS), useful to decision and policy makers, as well as other users. The course introduces the conceptual statistical framework for PPS—included in Public Sector Debt Statistics: A Guide for Compilers and Users—in the context of the Government Finance Statistics (GFS) framework, harmonized with other macroeconomic statistical frameworks.



## Free online courses in Spanish from the IMF Training Institute



### RA-GAP - Tax Gap Analysis (VGAPx)

#### Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

#### Course Description:

- This online course, delivered by the Fiscal Affairs Department, teaches how to prepare and run the VAT Gap Estimation Model (VGEM) of the IMF's Revenue Administration Tax Gap Analysis Program (RA-GAP). The course is divided into five modules covering the following topics: An overview of the VAT gap modeling method.

### Financial Programming and Policies, Part 1: Accounts and Macroeconomic Analysis (FPP.1x)

#### Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

#### Course Description:

- How healthy is an economy? What can economic policy do to maintain or restore the health of an economy? These questions are at the center of financial programming. In our PPF course you will learn the fundamental concepts to answer these questions.

### Programming and Financial Policies, Part 2: Program Design (FPP.2x)

#### Apply online before:

- **March 4, 2023**

- **Government officials, register [here](#).**
- **General public, register [here](#).**

#### Course Description:

- This course builds on the PPF.1x course and focuses on the design and application of macroeconomic and financial policies. Simple forecast methods are presented for each macroeconomic sector; The basic assumptions for the diagnosis of macroeconomic performance are explained, and the preparation of a macroeconomic adjustment program for a country case study is examined.