HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

REPUBLIC OF SERBIA

Report on Government Finance Statistics Technical Assistance

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Prepared By
David Bailey

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Statistics Department

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The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.

ABSTRACT: In 2022, Serbia introduced a new budget system law with fiscal rules based on general government, as defined in the international statistical standards. The Serbian Ministry of Finance is committed to upgrading their fiscal reporting so as to report against these fiscal rules by 2025. Against this background, the International Monetary Fund's Statistics Department has provided technical assistance during 2022 and 2023 to assist the MOF to extend and improve their monthly government finance statistics, in accordance with the *Government Finance Statistics Manual 2014,* to cover all materially significant general government units.

Background

1.   In October 2021, Serbia began disseminating monthly cash-based government finance statistics (GFS) for the consolidated budgetary general government. The monthly GFS are compliant with the *Government Finance Statistics Manual (GFSM 2014)*, although there remain some gaps to meeting all elements of the *GFSM 2014* standard for general government reporting. The compilation process and systems were designed with the technical assistance of the International Monetary Fund's (IMF's) Statistics Department (STA). The budgetary general government consists of the Republican Budget, the local governments, the autonomous province of Vojvodina, the four social security funds, *Putevi Srbije* (Roads of Serbia) and *Koridori Srbije* (Corridors of Serbia).

2.   In 2022, Serbia introduced a new budget system law with fiscal rules based on general government, as defined in the international statistical standards. Accordingly, the Serbia Ministry of Finance (MOF) is committed to upgrading, standardizing, and automating general government fiscal reporting, consistent with the *GFSM 2014*, by 2025. Implementing these new fiscal rules requires the sectoral coverage of the current monthly GFS to be extended beyond the current budgetary coverage. This expansion is being undertaken in phases over 2023 and 2024.

3.   GFS TA missions in November 2022 and September / October 2023 have supported the Serbian MOF in their work to expand and improve their high-frequency GFS. At the request of the MOF, IMF's STA has provided TA through an initial mission conducted in Belgrade during November 7–18, 2022, and a follow up mission during September 25–October 6, 2023. The TA was led by Mr. David Bailey (STA senior economist) and the missions engaged not only with staff from the MOF but also from the Statistical Office of the Republic of Serbia (SORS) and the National Bank of Serbia (NBS). SORS and NBS are responsible in Serbia for the compilation of accrual-based annual and quarterly GFS and public sector debt statistics (PSDS), while the MOF has responsibility for the monthly cash-based GFS and PSDS which are the basis of reporting against national fiscal rules.

Summary of Findings

4.   The expansion of GFS coverage from the current budgetary general government targets the inclusion of all materially relevant general government units. In order to implement this, the Serbian authorities were first required to compile a comprehensive list of all public sector entities by statistical subsector. Initially, more than one such list was in use within Serbia for different administrative purposes but, in accordance with TA advice, these multiple lists have now been consolidated into a single list which is maintained and published by SORS. Based on this list and the current coverage of the budgetary general government statistics, the expansion to all materially relevant general government units is proceeding through two parallel processes.

5.   First, expansion requires inclusion of the own-revenues, and related expenditures, of a large number of indirect budget users. Indirect budget users receive significant transfers from the budget but may have additional sources of own-revenue which they can use to support their economic activities. The Treasury Administration (Treasury) in the MOF is responsible for collecting budget data and is expanding, between January 2023 and January 2025, the coverage of its data collection to include the own-revenues and related expenditures of these indirect budget users (mainly educational institutions) while a similar expansion to consolidate the beneficiaries of funds from the Republic Health Insurance Fund (HF) was achieved by the HF in January 2023.

6.   **Second, data on the operations of extrabudgetary units must be consolidated with the budgetary data to arrive at a full picture of the economic activities of the general government sector.** The Treasury, with the support of TA, has conducted materiality assessments to identify which extrabudgetary units should be included within the monthly general government GFS. Over 500 extrabudgetary units are included in the comprehensive list of all general government units, but following a careful review it was identified that only around 100 of these units were sufficiently material, in size of their economic activities, to merit monthly data collection.

7.   **A new data collection system is being built to capture data on extrabudgetary units, which by their nature cannot be brought into the existing budgetary reporting systems.** The TA missions worked with the Treasury to identify how best to collect high-quality monthly data from these extrabudgetary units without introducing excessive reporting burdens. The approach agreed upon is to use a data collection template based on the format of the cash flow statement, which extrabudgetary units are familiar with completing as part of their annual financial statements. Additional data items and splits are to be requested only when required for the monthly GFS reporting. Importantly, the monthly data are to be captured electronically in a standardized template through a bespoke web portal, which facilitates automation of the GFS compilation process.

8.   **To ensure an efficient and sustainable monthly GFS compilation process it is critical to have as much automation as possible.** The TA missions have worked with the authorities to develop bridge tables which allow data reported using national codes to be translated into *GFSM 2014* codes. These bridge tables are currently being applied through MS Excel workbooks, but the Treasury have begun to build them directly into database reports to reduce the risk of compilation errors and to allow staff to focus on data quality and not data compilation.

9.   **The new fiscal rules also require the PSDS to cover the general government sector.** The current national debt coverage includes both direct liabilities of the budgetary general government but also publicly guaranteed debt of the Republican government. Some of the debt of extrabudgetary units is guaranteed and so already included in the government debt statistics, but there remains a need to collect data on the non-guaranteed debt. The TA recommended to collect these data by using the same systems and processes being established by the Treasury to collect GFS data from extrabudgetary units.

Summary of Recommendations

10.   **As part of the TA, a roadmap of necessary steps in the expansion and improvement of GFS and PSDS was drawn up and the MOF are continuing to deliver against this roadmap.** The MOF made good progress between the November 2022 mission and the 2023 mission in delivering against both the roadmap and the TA recommendations. It is important that this momentum is maintained in order to deliver the required general government fiscal statistics by the planned date of January 2025.

11.   **An important first step in this roadmap is to prepare a technical document detailing the reporting basis for the fiscal targets.** The new Budget System Law has identified fiscal rules based on a general government coverage, but clarity is needed on not only the precise institutional coverage that will be used when reporting against these fiscal rules, but also on additional technical aspects, such as the concepts and definitions, accounting basis, methodological treatments, and approach to revisions. The preparation of such a technical document is strongly recommended both to guide the process of expanding the current GFS and PSDS and to provide transparency to users on how the fiscal rules will be measured.

12.   A key aspect of the roadmap, is the design, build and testing of the processes and systems to collect data from extrabudgetary units. The Treasury has already built a prototype data collection system and begun using it to collect data from 27 public agencies. It is essential that this system is further tested and refined, which will require piloting with a wider range of extrabudgetary units.

13.   To assure data quality and inform users, it is strongly recommended to develop a series of reconciliation tables to demonstrate the relationship between the published fiscal statistics. In Serbia, fiscal statistics are published by the MOF, SORS and NBS and these statistics will vary due to differences in terms of coverage, methodology and data vintages. It is important therefore to demonstrate quantitatively to users the reason for the differences between the publications, thereby generating user confidence in the statistics. The exercise of reconciliation is also a good way for the compiling agencies to monitor and improve data quality.