HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT

SEYCHELLES

Government Finance Statistics and Public Sector Debt Statistics Mission (APRIL 8–19, 2024)

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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: Seychelles last received technical assistance in government finance statistics (GFS) and public sector debt statistics (PSDS) in 2011. The International Monetary Fund's mission to Seychelles sought to revive the development of GFS and PSDS following a period of disruption caused by Covid-19, and high staff turnover. To that end, the mission provided a combination of formal training and technical assistance on the priority development areas, notably on the classification of stocks and flows, updating of the GFS bridge tables, narrowing down the statistical discrepancy, and designing of new GFS compilation tools to resume quarterly and annual fiscal statistics.

Background

1.   **In response to a request from the Seychellois authorities, and with the support of the IMF's African Department (AFR) a technical assistance (TA) mission was conducted in Victoria, Mahé from April 8–19, 2024.** The diagnostic mission assessed the government finance statistics (GFS) and public sector debt statistics (PSDS) compilation and dissemination practices and procedures aiming to assist the Ministry of Finance, National Planning and Trade (MOFNPT) in improving the compilation and dissemination of GFS and PSDS in accordance with the international statistical standards and best practices. The mission: (i) discussed and assisted in the delineation of the public sector to derive a draft public sector institutional table (PSIT); (ii) reviewed the data sources and compilation and dissemination practices and procedures for GFS and PSDS aiming to narrow down the statistical discrepancy and resuming the submission of GFS data to the IMF Statistics Department (STA); (iii) conduct fundamental GFS training; and (iv) assist with drafting a GFS and PSDS action plan which may guide the implementation of mission recommendations.

Summary of Findings

2.   **The institutional arrangements for the compilation and dissemination of the GFS in Seychelles are not well defined and formalized.** Currently the compilation of GFS is handled by the MOFNPT, Public Accounts Management, and Treasury (PAMT) Division. In this context, officials of the PAMT sought guidance from the mission on determining the right institution that should be responsible for the compilation and dissemination of the GFS—the MOFNPT or the National Bureau of Statistics (NBS). Internationally best practice usually ascribes the compilation of economic data sets with statistical agencies—which also provide sound measures of transparency and independence between data source providers and compilers, however in practice, based on the national circumstances, these arrangements are not always possible and pragmatic in the national context. The mission advised that the relevant agencies should have an internal discussion about the arrangements and that the decision should be guided by existing or amended legislation in deriving a final decision and allocation of responsibility.

3.   **The mission assisted the authorities to produce a draft public sector institutional table (PSIT) and encouraged them to refine it and finalize.** The mission also discussed the delineation of the public sector in Seychelles, illustrated how to perform the market test using the annual financial statements of the public enterprises (PEs), and how to distinguish between units that belong in the general government (GG) and the public corporations' sectors. The mission further advised and recommended the establishment of a GFS committee to facilitate interagency coordination in the areas of institutional sectorization, data coverage and comprehensiveness, data classification and methodology, and data timeliness and frequency. It recommended that the GFS committee be chaired by the MOFNPT with participation of the Central Bank of Seychelles (CBS) and the NBS. The mission left with the authorities a model terms of reference (TOR) for the establishment of such a committee.

4.   **The mission noted that the national budget presentation and the chart of accounts (COA) broadly conform to the** *Government Finance Statistics Manual 2001 (GFSM 2001).* The Financial Planning and Control Division (FPCD) prepares the national budget and is also in charge of the COA. FPCD designs the departmental budget submission templates and tools based on the structure of the COA and are broadly aligned with the *GFSM 2001*. Further analysis of the COA and the budget document reviewed indicated that while the documents are broadly aligned with the *GFSM 2001*, some

concepts are based on the *GFSM 1986*—for example 'net lending', which includes policy lending[1] The use of various methodological guidelines in the compilation and presentation of GFS complicates computation of fiscal balances such as surplus/deficit, the gross operating balance, and the net lending/net borrowing requirement and thus impairs policy analysis. As part of the review, the mission also noted inconsistencies in the detailed item classification of the economic segment of the COA. The COA and budget include revenue items according to economic classification and for expenditure it mainly aggregates three items—compensation of employees, use of goods and services and nonfinancial assets. The COA and budget tables will need to be updated to include all categories of revenue, expenditure, and financing as per the *GFSM 2014*.

5.   **The MOFNPT are using Visual Account Mate (VAM) and the Treasury Information System (TIS) as the government accounting software and are planning to procure new software**. VAM and TIS are owned and maintained by the Seychelles Department of Information, Communication and Technology (DCIT). The software has been in use for several years and the MOFNPT do experience system operational challenges. The system also requires numerous manual interventions for certain transactional interfaces and reporting. The mission was informed that the MOFNPT are in the process of procuring a new Integrated Financial Management Information System (IFMIS)—the new system will be modernized and streamlined and significantly improve the efficiency, transparency, and accountability of the financial management processes. The implementation of the new IFMIS is scheduled to take place within the next 12 months. STA stand ready to support the authorities with updating its COA and the automation of the GFS directly from the IFMIS.

6.   **The mission reviewed and updated the bridge tables aligned to the *GFSM 2014* methodology and derived the provisional GFS statements with an annual time series of 2017–2022 and the 2023 monthly data to date, with no statistical discrepancy.** The bridge table was updated for revenue, expenditure, and financing. The revised coding was applied to the raw data and the statistical discrepancy was eliminated from the previously reported GFS data. The mission requested the authorities to validate the data encouraged them to resume the submission of the annual GFS data to STA. Only the economic classification of transactions is currently compiled, and the mission recommended to the MOFNPT to expand the coverage to also include balance sheet information on financial assets and liabilities and the classifications of the functions of government (COFOG).

7.   **The mission conducted a three-day workshop and hands-on training with an introduction to the GFS, the GFS framework, institutional sectorization, revenue, expenditure, the balance sheet, and financing.** Officials from the MOFNPT, CBS, and NBS attended a three-day workshop where the mission presented the GFS conceptual framework and elaborated on the methodological background for fiscal statistics and introduced the basic logic for classification of stocks and flows. The two new GFS working files based on the revised COA mapping created during the mission were given to officials of the OAG, FPCD, and NBS, as a hands-on exercise.

8.   **The Debt Management Division (DMD) in the MOFNPT compile and disseminate a quarterly public debt bulletin.** The DMD compiles quarterly public debt of the central government and government guaranteed public debt and disseminates it on a timely basis on its website. The report also details the total debt stock by residency of creditor (domestic and external) and per creditor category (multilateral, bilateral—Paris and non-Paris Club, commercial banks, and private). It further details the financial instruments—primarily loans and debt securities as well as detailing the interest paid on Treasury Bills and Bonds. The DMD do not currently report on governments' other accounts payable

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[1] The government provide funding and development grants through its public sector investment program to public enterprises for their development projects.

portfolio as they are on the cash basis of accounting and are not recorded in VAM or Meridian[2]. Seychelles also participate in the joint IMF/World Bank quarterly public sector debt (QPSD) database and submit data on the central government debt portfolio. Since PEs produce audited financial statements, there is scope for expanding public sector debt statistics coverage by including the debt stock of PEs. However, the DMD is understaffed with only five officials (including the head of the unit) and expanding coverage in the near future will present challenges.

9. **The OAG in the MOFNPT is currently compiling the GFS statements but limited capacity and staff turnover hamper sustainability of GFS work in the immediate future.** The OAG in particular is heavily impacted by high staff turnover making it harder to address the immediate GFS compilation issues including reconciling statistical discrepancies. A principal accountant role was created on the establishment of the OAG—but this role is still vacant. The official to be appointed in this role is expected to be responsible for the compilation of GFS. The mission also noted that there are no complete business process documentation and handover notes available for the compilation of GFS. These will be essential to the success of compiling and sustaining the GFS.

Summary of Recommendations

Table 1. Priority recommendations

Target Date	Priority Recommendation	Responsible Institutions
June, 2024	*The institutional arrangements for the compilation and dissemination of the GFS should be well defined and formalized.*	*MOFNPT, NBS, CBS.*
August, 2024	*Establish and operationalize the GFS Committee.*	*MOFNPT, NBS, CBS.*
September, 2024	*Finalize the market test for public enterprises and complete the public sector institutional table (PSIT).*	*MOFNPT (lead), with input by the NBS/CBS.*
September, 2024	*Finalize the bridging of the new chart of accounts mapping to the GFS taxonomy.*	*MOFNPT.*
September, 2024	*Validate the provisional data prepared during the mission and transfer the data to the annual and high-frequency GFS questionnaires and submit the outstanding time series to STA.*	*MOFNPT.*

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[2] The Commonwealth Secretariat's new web-based debt management system was implemented in 2023.