TECHNICAL ASSISTANCE REPORT

PAPUA NEW GUINEA

Government Finance Statistics and Public Sector Debt Statistics Mission
(August 2–15, 2023)

MARCH 2024

Prepared By

Barend De La Beer and Eduard Moskalenko

Authoring Department

Statistics Department

MEMBERS

Cook Islands	Fiji	Kiribati	Marshall Islands	Micronesia	Nauru
Niue	Palau	Papua New Guinea	Samoa	Solomon Islands	Timor-Leste
Tokelau	Tonga	Tuvalu	Vanuatu		

PARTNERS

Contents

Abbreviations and Acronyms

AFS	Annual financial statements, also known as annual accounts (AA)
APD	Asia and Pacific Department, IMF
BCAD	Budget Coordination & Analysis Division, Department of Treasury
BCG	Budgetary Central Government
BOD	Budget Operations Division, Department of Treasury
BPNG	Bank of Papua New Guinea
COA	Chart of Accounts
CG	Central Government
COFOG	Classification of the Functions of Government
DOT	Department of Treasury
EBU	Extrabudgetary Unit of Government
FMD	Financial Management Division, Department of Treasury
FMIS	Financial Management Information System
FY	Fiscal Year
IFRS	*International Financial Reporting Standards*
IPSAS	*International Public Sector Accounting Standards*
GFS	Government Finance Statistics
GFSM 2014	*Government Finance Statistics Manual 2014, IMF*
GG	General Government
MEPD	Macroeconomic Policy Division, Department of Treasury
NEFC	National Economic and Fiscal Commission
PC	Public Corporation
PFTAC	Pacific Financial Technical Assistance Center
PNG	Papua New Guinea
PSDS	Public Sector Debt Statistics
PSIT	Public Sector Institutional Table
QEDS	Quarterly External Debt Statistics
QPSD	Quarterly Public Sector Debt
SG	State Government
SPD	Sectoral Policy Division, Department of Treasury
SOE	State-Owned Enterprise
STA	Statistics Department, IMF
TA	Technical Assistance

Summary of Mission Outcomes and Priority Recommendations

Background

1.   **In response to a request from the authorities of Papua New Guinea (PNG), an in-person technical assistance mission was conducted in Port Moresby during August 2–15, 2023.** The mission assisted the Department of Treasury (DOT) in improving the compilation and dissemination of government finance statistics (GFS) and public sector debt statistics (PSDS) and assessed the progress in implementing the recommendations made during the previous missions against the IMF Results Based Management framework. The mission was conducted under the GFS and PSDS workstream of the Data for Decisions (D4D) Fund, a multi-donor initiative aimed at strengthening the quality of national statistical outputs to better support economic policy making in low- and lower-middle income countries, and of the Pacific Financial Technical Assistance Center (PFTAC).

2.   **The initial success in the implementation of the international standards was followed by a period of limited development.** Since the start of the first capacity development project aimed at strengthening the country's fiscal and debt statistics in 2012, PNG has become one of the regional leaders in their production and dissemination. However, data limitations underpinned by the complexity of PNG's public sector have proved hard to resolve. These longstanding challenges were compounded by the effects of the Covid-19 pandemic, high staff turnover and a 2021 malware attack. In these circumstances, very limited progress has been made in recent years as the authorities' priority shifted from development to sustaining the compilation and rebuilding staff expertise.

3.   **The implementation of the recommendations made by this mission is essential for enhancing fiscal transparency.** The PNG authorities have demonstrated commendable resilience of the GFS compilation in the face of recent disruptions. However, the present set of the statistical outputs and their coverage remain incomplete. The preservation of the status quo would fail to meet a longer-term demand for data, as well as government's ambition to increase transparency across all tiers of government. Robust balance sheet estimates are particularly relevant in the context of the arrangements under the IMF Extended Credit Facility, which support strengthening PNG's debt sustainability. To succeed in this objective, the authorities must improve the measurement of the fiscal and debt data.

Summary of Findings

4.   **Although generally produced to an adequate standard, the GFS for the budgetary sector requires a resolution of the longstanding methodological issues.** The high granularity of the national government's financial data enables its reasonably accurate conversion to the GFS format. However, segments of the less robust estimates exist. These include but are not limited to fragmentary balance sheet information, an inconsistent treatment of transfers, and an imprecise allocation of expenditure to the functional categories. These deficiencies impair the usefulness of the statistical data and should be resolved at the earliest opportunity.

5.   **Quality assurance practices should be enhanced.** The dataset for the fiscal year (FY) 2021 contained material imperfections outside the aforementioned development areas. While not affecting the main aggregates, these deficiencies complicated the interpretation of the statistical data. To limit the scope for future errors, the authorities should enhance the quality assurance procedures and develop a set of quality checks, assigning a formal responsibility for them to the members of staff.

6.   The success of the coverage expansion is conditional on strengthening the institutional sector classification function. The boundary of fiscal statistics is broader than the boundary of the budgetary sector and should encompass all units under public sector control. With hundreds of statutory and commercial authorities at both national and subnational levels, PNG has no exhaustive list of public entities and their statistical classification. The missions emphasized the importance of creating a single public sector institutional list and establishing a formal committee that would assist the GFS compilers in putting together and maintaining such a list.

7.   GFS for the provincial government could be compiled from the information already in possession of the DOT. Notwithstanding the need to strengthen institutional sector classification, the DOT already collects the financial information from the 21 provincial governments and the Autonomous Region of Bougainville Government as part of the budgetary process. These data are sufficient to compile the GFS flow statements and the mission recommended that the development of the compilation methods should commence immediately.

8.   The authorities should make the full use of the available dissemination tools, notably the Quarterly Public Sector Debt (QPSD) database. The DOT have been disseminating the debt statistics through World Bank's Quarterly External Debt Statistics (QEDS) database. The database provides a focused view of the external debt, but it should be considered as just one piece within the wider collection of complementary datasets, each supporting specific streams of fiscal and macroeconomic analysis. It is important that the authorities should disseminate their debt and the broader balance sheet data through other available channels, including World Bank's QPSD and IMF's GFS annual databases.

9.   The coverage of the debt statistics should be extended to the state-owned enterprises (SOEs). The previous missions developed methods for compiling the SOE debt. This mission updated the estimates and handed over the production files to the DOT staff. The compilation of the SOE debt statistics is ready to be embedded into the regular production process. As such, the authorities should initiate the domestic compilation of these statistics, whilst the provision of further TA in this area may remain available as a mechanism for continuous upskilling of the relevant staff.

Summary of Recommendations

Table 1. Priority Recommendations

Priority Recommendation	Responsible Institutions	Target Completion Date
Disseminate the debt data through the QPSD and GFS databases	DOT—FMD	November 2023
Maintain the compilation and dissemination of the SOE debt data	DOT—FMD	January 2024
Establish a formal institutional sector classification committee	DOT—MEPD	June 2024

10.   Further details on the priority recommendations and the related actions/milestones can be found in the action plan under Detailed Technical Assessment and Recommendations.

Recommendations

Table 2. Recommendations of The Mission

Priority	Action/Milestone	Responsible Institutions	Target Completion Date
Outcome: Legal and institutional environment are adequate for the compilation and dissemination of statistics			
High	*Priority recommendation: Establish a formal institutional sector classification committee*	DOT—MEPD	June 2024
High	*Identify the public sector entities that are likely to be institutional units, i.e., are not advisory groups with no economic substance*	DOT—MEPD	November 2024
Medium	*Create an exhaustive list of all public sector entities operating at both the national and sub-national levels*	DOT—MEPD	September 2024
Outcome: A new data set has been compiled and disseminated internally and/or to the public			
High	*Priority recommendation: Disseminate the debt data through the QPSD and GFS databases*	DOT—FMD	November 2023
High	*Priority recommendation: Maintain the compilation and dissemination of the SOE debt data*	DOT—FMD	January 2024
High	*Develop a draft mapping of the provincial chart of accounts to the GFSM 2014 taxonomy*	DOT—MEPD	January 2024
Medium	*Reinstate the dissemination through the International Financial Statistics (IFS) database*	DOT—MEPD	November 2023
Low	*Validate the preliminary market test of the SOEs accomplished by the mission*	DOT—SPD	December 2023
Outcome: Methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices.			
Medium	*Break down the expenditure on grants in accordance with the underlying functional purpose in the COFOG presentation*	DOT—MEPD	November 2023
Medium	*Estimate transactions in cash using the actual data, instead of treating them as a residual item*	DOT—MEPD	November 2023

Priority	Action/Milestone	Responsible Institutions	Target Completion Date
Medium	*Populate the GFS balance sheet with all information available to the DOT, including on government equity holdings*	DOT—MEPD	November 2023
Medium	*Remap expenditure to COFOGs at a sufficiently granular level to avoid the data being reported under 'not elsewhere classified' or other summary categories*	DOT—MEPD	November 2023
Medium	*Review the transactions recorded as subsidies, grants and other transfers to ensure their mapping is aligned with the GFSM 2014 terminology*	DOT—MEPD	November 2024
Low	*Separate out payments under the social insurance schemes, including employment-related old age benefits, from social assistance*	DOT—MEPD	November 2023
Outcome: Statistical techniques are sound			
Medium	*Compile a comprehensive list of data sources for each of the GFS and PSDS statements*	DOT—MEPD	August 2024
Medium	*Compile a full set of business process documentation for GFS and PSDS*	DOT—MEPD	August 2024
Medium	*Establish data verification procedures to ensure the year-on-year consistency of the GFS reporting*	DOT—MEPD	November 2023

Detailed Technical Assessment

A. Methodological Issues

Background

11.   The authorities produce fiscal statistics for the budgetary central government (BCG) sector to an adequate standard, but limited progress had been made in resolving some of the longstanding data issues. Since the rollout of the *Government Finance Statistics Manual 2014 (GFSM 2014)* framework at a national government level, both the fiscal tables of the National Budget and the outturn fiscal data have been presented using the GFS taxonomy. However, the scope of these statistics remains incomplete: by way of example, the balance sheet information remains fragmentary and several methodological issues, such as the recording of arrears, are yet to be resolved.

12.   The GFS dataset for the fiscal year (FY) 2021 contained additional irregularities, prompting a closer review of the methodology. The data for the FY 2021, as presented in the National Budget and as originally transmitted to the IMF, contained several material anomalies and internal inconsistencies. While some had been fixed in the final submission to the GFS annual database at the request of the IMF staff prior to the mission, a broader analysis and the data and methods was required to validate the dataset. This section of the TA report details the major areas for development, both new and those identified by the previous missions, and provides guidance on their resolution.

Findings

13.   Transactions in cash should be based on the actual data and the statistical discrepancy should be calculated. One of the most visible features of the PNG dataset is the fact that although the data for transactions in financial assets and liabilities is only partially available, the statistical discrepancy is reported as zero. This is achieved by using the transactions in cash assets as a residual and disregarding the real data that are available to the statistical authorities. In general, forcing the statistical discrepancy to zero is masking potential issues with the estimates of other transactions and as such it cannot be considered as good practice. In the case of PNG, the absence of a statistical discrepancy is simply inconsistent with the fact that large segments of the balance sheet and the associated transactions in assets and liabilities are known to be missing. It would be more transparent to use the actual data for transactions in cash and explain any discrepancy that this may entail instead of suppressing it.

14.   On-lending of Special Drawing Rights (SDR) should be recorded as a transaction in loans between the central bank and BCG. In August 2021, the Bank of Papua New Guinea (BPNG) in its capacity as a fiscal agent of the National Government of PNG was credited with 252 million of SDRs, worth about 1.2 billion kina (Papua New Guinean kina, hereafter PGK) in the national currency. The BPNG then on-lend an equivalent amount in PGK to the National Government. In fiscal statistics, on-lending between the central bank sector and the BCG sector in the national currency should be recorded as a transaction in loans, whereby an acquisition of a loan asset is recorded in the public financial corporation sector's accounts with a matching incurrence of a loan liability recorded for the BCG sector. It follows that for the purposes of the PSDS, the BCG balance sheet should reflect a liability in the form of loans rather than SDRs.

15.   The rollover of funds into the following year's budget should not give rise to transactions in other accounts receivable/payable. PNG continues to compile the BCG accounts on a cash basis. In its pure form, cash accounting does not give rise to other accounts payable/receivable—these entries are

typically used under the accrual basis of reporting to capture either a claim or a commitment that has arisen but has not yet been settled. Although some nonzero entries under other accounts payable/receivable are possible if a modified cash basis of accounting were used, the rollover of budget funding for a particular economic activity from one year to another should not, in any case, give rise to a transaction and stock position in this category. Furthermore, it is unlikely that any accounting entries, either above-or-below-the-line, should be needed to reflect the rollover of funding: the unspent cash in the year *t-1* should simply lead to lower expenditure and higher remaining cash asset balance at the year end, which would also be an opening cash asset balance in the year *t*. When the cash is ultimately utilized in year *t*, an above-the-line expenditure transaction would be recorded alongside the below-the-line disposal of the cash asset.

16. **Employer's social contributions and social benefits should be consistently delineated.** The fundamental difference between employers' social contributions and social benefits is that the former transaction generally creates employees' entitlement to a future benefit whereas the latter provides income in the present. As such, social benefits represent a final payout to a household and are not subsequently reinvested in a pension scheme, whereas any household income from social contributions is typically channeled to a social insurance scheme and is not available for immediate consumption. The authorities should delineate between those two types of transactions in terms of having sufficient granularity in the financial management information system (FMIS) to identify and map the two types separately.

17. **Within social benefits, social assistance should be delineated from social insurance.** The authorities stated that the recent budgets contained significant amounts of retirement benefits to ex-members of the armed forces and other public servants, which led to spikes in the estimates for social assistance benefits. However, the scope of social assistance should be limited to non-contributory, tax-funded schemes for the general population. On the contrary, payments made in consideration of a current or past employer-employee relationship fall under the definition of social insurance, and specifically under 'employment-related social benefits in cash'. This transaction category, which is presently missing from the National Budget (Volume I) fiscal tables, should be added.

18. **The sector coverage of each statistical table must determine whether a particular expense should be recorded as a grant or itemized in accordance with its underlying economic purpose.** The fiscal tables of the National Budget (Volume I) appear to present government expenditure in a way that is neither fully consolidated nor fully unconsolidated. As a general principle, sector coverage should be the defining factor in deciding whether a particular expense should be presented as a grant to other general government (GG) units or mapped in accordance with the ultimate economic purpose of the transaction, such as payments of wages and salaries. By way of example, the estimate of grants paid by the BCG subsector should include the full amounts advanced to the provincial governments, districts, and all other nonmarket entities, such as statutory authorities and public schools, operating at all tiers of government. It follows that as far as the BCG accounts are concerned, those expenses should not be recorded in accordance with their ultimate economic purpose, even if known at the time of the payment, and should instead be categorized as either current or capital grants. At the GG level, the net estimate for the grants to other GG units should be consolidated to zero and all expenses should be itemized.

19. **The institutional identity of the grant recipients should be established.** Owing to the lack of an institutional unit table discussed further in this report, the simple principle outlined in the previous paragraph can be hard to apply. In the fiscal tables of the National Budget (Volume I), some payments to the provincial tier of government are recorded as grants, whereas others are consolidated out. The authorities indicated that the nonconsolidated payments may be made to the regional equivalents of the extrabudgetary units (EBUs)-provincial-level entities that are separate from the provincial governments.

By implication, this would put such units outside the present boundary of the fiscal tables and make the recording of the associated grants conceptually appropriate. However, the metadata is insufficient to verify the institutional identity of the grant recipients, and it remains for the DOT to establish it. Should those grants be found to be paid to the provincial governments themselves, they should be treated consistently with other payments from the national to the provincial government and consolidated in the GG-level reporting.

20.   **Data on arrears should be broken down by the type of the underlying economic activity.** For a prolonged period, the PNG government has had a significant stock of arrears. Despite the progress made with the establishment of the Arrears Verification Committee, considerable difficulties remain in measuring the total value of the arrears-related liabilities. Separately, a more localized and manageable issue exists in relation to the recording of the associated flows. Under cash accounting, payments in arrears are viewed as an above-the-line transaction at the time they take place. Historically, property rental arrears had been among the largest components of the total stock but arrears on other forms of operating and project expenditure are also material. The classification of those non-rental arrears continues to present a challenge for the GFS compilers: they are not indefinable within the total payments in arrears as reported on the FMIS. As such, they are not allocated to the appropriate economic transaction category, being instead included within uses of goods and services irrespective of the nature of the underlying economic activity. The authorities should revise the practice of mapping all payments in arrears to a single natural account in the FMIS given that more detailed information is often available to the DOT. Noting that at least some arrears were likely related to acquisitions of nonfinancial assets, their misclassification as uses of goods and services would likely lead to difficulties in reconciling the flows and stocks of nonfinancial assets.

21.   **Operating expenses should be mapped to the classification of the functions of government (COFOG) taxonomy at a sufficiently granular level to avoid the data being reported under 'not elsewhere classified' or other summary categories.** The PNG authorities assign COFOGs to project expenditure at such a level of granularity that they are able to achieve a virtually unprecedented level of precision for the region. However, the accuracy of the project expenditure allocation is counterbalanced by the approximate COFOG mapping of baseline operating expenses. Within those, large amounts are reported within single COFOG categories, which in turn leads to their allocation to 'not elsewhere classified' or equivalent summary categories. By way of example, about half of the expenditure on health is reported as 'health not elsewhere classified'. Within education expenditure, a significant proportion is mapped to 'subsidiary services to education', which suggests both a misclassification—the authorities indicated that the amounts in question mostly relate to transfers to schools—and a lack of granularity that prevents splitting the amounts between primary and secondary education. The mission understands that the information required to produce an accurate split is often available to the DOT but is sometimes lost during processing and data aggregation. The business process should be restructured in such a way as to maintain the correct functional mapping of all expenditure transactions.

22.   **The expenditure on grants should be broken down in accordance with the underlying functional purpose in the COFOG presentation.** A related issue continues to affect the recording of grants to other GG units. In the COFOG tables disseminated to the IMF for inclusion in the GFS annual database, grants are often reported under 'transfers of general character between levels of government' within 'general public services'. This category should be reserved for the general budget support, whereas grants that have an identifiable functional objective—as the majority of grants in PNG do—should be reported under the corresponding functional category, such as 'community development' or 'transport'. The authorities are already compiling a supplementary table detailing the functional purpose of the grants to provincial and local government for the budget document; yet this information had not

been retrofitted into the statistical tables disseminated by the DOT. Those tables need to be updated to make use of the available information about the functional purpose of the grants.

Recommendations

Table 3. Recommendations Relating to Methodological Issues

Priority	Action/Milestone	Responsible Institutions	Target Completion Date
Outcome: Methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices.			
Medium	*Break down the expenditure on grants in accordance with the underlying functional purpose in the COFOG presentation*	DOT—MEPD	November 2023
Medium	*Estimate transactions in cash using the actual data, instead of treating them as a residual item*	DOT—MEPD	November 2023
Medium	*Populate the GFS balance sheet with all information available to the DOT, including on government equity holdings*	DOT—MEPD	November 2023
Medium	*Remap expenditure to COFOGs at a sufficiently granular level to avoid the data being reported under 'not elsewhere classified' or other summary categories*	DOT—MEPD	November 2023
Medium	*Review the transactions recorded as subsidies, grants and other transfers to ensure their mapping is aligned with the GFSM 2014 terminology*	DOT—MEPD	November 2024
Low	*Separate out payments under the social insurance schemes, including employment-related old age benefits, from social assistance*	DOT—MEPD	November 2023

Institutional Coverage

Background

23.   The statistical boundaries of the public sector and its subsectors remain vague owing to PNG's institutional complexity. With its 21 provincial level governments, the Autonomous Region of Bougainville (hereafter Bougainville), and several hundred statutory and commercial authorities operating at both the national and subnational level, PNG has no exhaustive list of public sector bodies and their statistical classification. Despite the work of the previous TA missions, limited progress had been reached in this area.

24.   The PNG authorities endeavor to roll out the GFS reporting framework to the provincial tier of government. Since the start of the first capacity development project aimed at strengthening the country's fiscal and debt statistics in 2012, PNG has become one of the regional leaders in their sustained production. However, limited resources had been available for the expansion of coverage

beyond the BCG subsector in the past. More recently, the ongoing deployment of the FMIS to the provincial governments and the increased focus on the subnational financial reporting have given a new impetus to the rollout of the GFS framework at the lower tiers of government.

Findings

25.   An exhaustive list of public sector units is a pre-requisite for expanding the sector coverage of the GFS. The boundary of the fiscal statistics is considerably broader than the boundary of the budgetary sector and should encompass all units deemed to be under public sector control. The previous missions emphasized the importance of having a single list of all public entities and their statistical classification, often termed public sector institutional table (PSIT). This mission reaffirmed the lasting relevance of the recommendation as a necessary step for any future expansion of the statistical coverage.

26.   The team bearing the overarching responsibility for the GFS compilation should maintain the institutional unit list. The previous missions discussed with the authorities the ownership of the PSIT and recommended that the coordinating role should be assigned to the Sectoral Policy Division (SPD) within the DOT as the unit overseeing the establishment of PNG's statutory and commercial authorities. However, frequent staff changes at the SPD area of the DOT, and the remoteness from the broader GFS compilation process hindered the implementation of the missions' recommendations. In the view of this mission, and on account of limited historic progress, the responsibility for maintaining the PSIT should rest with the team that leads the GFS compilation. This role is presently performed by the Fiscal and Monetary Policy Branch within the Macroeconomic Policy Division (MEDP) of the DOT, although the authorities indicated that the establishment of a designated GFS team remains under consideration.

27.   A formal classification committee should assist the GFS compilers in producing and maintaining the PSIT. The allocation of the classification coordination function to the GFS compilers is considered good practice internationally: the classifications should be based on the principles outlined in the *GFSM 2014* and be invariant to the legal form of public entities. As such, a body described as a public corporation in the national legislation may be classified as part of the government sector for statistical purposes, or vice versa, in reflection of the economic nature of its activities. Just as it is unlikely that any team other than the one compiling the GFS would poses sufficient understanding of the *GFSM 2014* framework to perform the classification, it is also doubtful that the same team would have a deep understanding of the economic activities of all entities it tries to classify. To that end, the previous missions recommended that a classification committee should be created from the representatives of all relevant authorities that would assist the GFS compilers in establishing the appropriate sector classification of public entities. This mission shared a model terms of reference (TOR) document for such a group, included in the Annex 2 of this report, to accelerate the process of putting the committee in place.

28.   The same or a separate committee should assist the GFS compilers in applying the correct transaction classifications. Under the *GFSM 2014* framework, the transaction classification is often interrelated with the sector classification of the units involved in the transaction. Likewise, the correct classification of expenditure in accordance with the COFOG breakdown relies on a detailed understanding of the activities of the public sector units. Such knowledge may not always exist within the team responsible for the data compilation. Instead, a formal mechanism involving a wider set of stakeholders should exist to assist the GFS compilers in obtaining the relevant information. Depending on the membership of the institutional sector classification committee, it may be appropriate to extend its remit to the transaction and COFOG classification, or to form an altogether separate advisory group for this purpose.

29.   Group classifications are a permissible and practical way of defining the public sector and its subsectors' boundaries. There are about one thousand legal entities operating at the national and provincial levels of the PNG government. Many are boards and committees endowed with advisory or decision-making powers but lacking the economic substance: they do not engage in economic transactions, and it is not possible to compile a meaningful set of accounts for them. Such entities would fail to meet the criteria for being institutional units in statistics and would instead be automatically considered as part of their parent units. Still, the number of entities that require a full classification assessment is likely amount to several hundred and may thus be so high as to render individual analysis impractical. To further narrow the list down, the mission recommended that a small sample of each type of entities operating at a provincial level should be examined. To facilitate the classification assessment, the authorities should collect financial information from a small number of entities of each type. Once the information has been collected, the authorities retain the option of requesting bilateral assistance from PFTAC if they should require expert advice on the sector classification.

30.   The list of public entities operating at a provincial level should be refined. The previous missions worked with the authorities to produce a list of statutory and commercial authorities. Although the list includes many authorities operating at a provincial level, such as education boards or road boards, it may fail to exhaustively capture certain types of public units, particularly those incorporated at a regional level. The mission understands that the relevant information would be held by the provincial budget teams, and the DOT should, in consultation with the National Economic and Fiscal Commission (NEFC), enhance the existing list such that it becomes truly exhaustive and includes all entities under the control of the provincial governments, irrespective of their exact form of incorporation.

31.   Notwithstanding the task of creating the PSIT, the DOT should seek to compile the annual GFS for the state tier of government using the information already in its possession. Delimitation of the public sector remains a longstanding challenge for the statistical authorities. Nevertheless, it only affects the authorities' ability to produce exhaustive EBU and public corporation (PC) subsector statistics. As for the narrowly defined state government—a regional equivalent of the budgetary unit of central government—the DOT already collects the budget information from the 21 provincial and the Autonomous Region Bougainville governments for approval by the Minister for Treasury. These data, which contain the actuals as well as the budget estimates, are sufficiently granular to compile the basic GFS statements for the narrow, budgetary part of the state government sector, albeit without the balance sheet information. Furthermore, the ongoing deployment of the FMIS at the provincial level enhances DOT's ability to both access the data in real time and automate their conversion to a *GFSM 2014*-compliant format. Noting the increased focus on the provincial governments' financial reporting as well as the modest amount of work required to extract the information from the provincial budget documents on an annual basis, the mission recommended that the compilation of the state government GFS should commence at the earliest opportunity and without waiting for the full transition to the use of FMIS in all regions.

32.   A mapping of the provincial chart of accounts to the GFS taxonomy must be developed so that the compilation could commence. Given that the information about the provincial revenue and expenditure is already collected by the DOT, the main precondition for the state government sector GFS compilation is the mapping of these data to the *GFSM 2014* taxonomy. This task is considerably simplified by the fact that the provincial governments use a harmonized chart of accounts and even those that are still providing information to the DOT offline rather than via the FMIS, do it in consistent format**.** The authorities should utilize the mapping of the national chart of accounts to create a draft mapping for the state sector. Should the authorities require assistance in mapping or quality assuring the results, they should bilaterally request such assistance from PFTAC.

33.   The headings of the *GFSM 2014*-based tables in the National Budget should be clarified to reflect their actual sector coverage. The National Budget (Volume I) contains fiscal tables detailing the centrally funded expenditure by the national government, provincial government, as well as statutory and commercial authorities. Its coverage does not extend to all public entities that would form part of the GG sector in accordance with the *GFSM 2014* framework, notably the district authorities or state schools. Consequently, the labelling of the fiscal tables as relating to GG is conceptually inexact and complicates the interpretation of the data. By way of example, grants to the district authorities are correctly recorded as grants to other GG units because the districts are not consolidated within the budget's fiscal table. However, as explained earlier in this report, if the tables truly covered the entire GG sector as their heading would suggest, this economic category would be expected to contain no data: being both the expense and the revenue at the GG level, the grants would be netted to zero, by means of elimination and consolidation.

Recommendations

Table 4. Recommendations Relating to Institutional Coverage

Priority	Action/Milestone	Responsible Institutions	Target Completion Date
Outcome: Legal and institutional environment are adequate for the compilation and dissemination of statistics			
High	***Priority recommendation****: Establish a formal institutional sector classification committee*	DOT—MEPD	June 2024
High	*Identify the public sector entities that are likely to be institutional units, i.e., are not advisory groups with no economic substance*	DOT—MEPD	September 2024
Medium	*Create an exhaustive list of all public sector entities operating at both the national and sub-national levels*	DOT—MEPD	September 2024
Outcome: A new data set has been compiled and disseminated internally and/or to the public			
High	*Develop a draft mapping of the provincial chart of accounts to the GFSM 2014 taxonomy*	DOT—MEPD	January 2024

B.   Balance Sheet Reporting

Background

34.   The PNG authorities are yet to make the full use of the data and dissemination tools available to them. Pure cash accounting remains prevalent in PNG's public sector with the notable exception of the SOEs operating at a national level. This limits the comprehensiveness of the available balance sheet information: those financial instruments that would form part of an accrual-based balance sheet, such as imputed loans associated with finance leases, are not being recognized. Notwithstanding the general limitations of the bash-based accounting, there is a wealth of balance sheet data available to the DOT that is not being utilized in the compilation of the PSDS and the broader *GFSM 2014*-based balance sheet. Likewise, not all of the dissemination tools are being employed. Despite the assistance by the previous missions, the progress in this area has been limited.

Findings

35.   The compilation of the debt of state-owned enterprises (SOEs) should be embedded into the regular production process. The previous sections of this report contained recommendations on obtaining and mapping financial data such that the coverage could be expanded to the state government (SG) subsector. The equivalent work for the SOEs operating at a national level had been accomplished with the assistance of the previous missions. This mission updated the estimates to reflect the latest developments in the SOE data and handed over the revised production files to the authorities. No further development is required in this area, and the compilation of the SOE debt statistics should now be embedded into the regular production process. The low labor intensity of the process enables the Financial Management Division (FMD) within the DOT, which bears the responsibility for producing the broader public sector debt statistics, to start the compilation of the annual SOE debt statistics in the short term. In the longer term, the continuous provision of TA in this area may remain a useful mechanism for upskilling the relevant staff and improving the quality of the outputs.

36.   The SOE data availability has increased but does not extend to all entities likely to be classified as PCs. Since the time of the previous mission, Kumul Consolidated Holdings (KCH), a public body overseeing the majority of PNG's SOEs on behalf of the national government, has considerably improved the dissemination of the annual financial statements (AFS), most notably with the publication of the AFS of Air Niugini Limited. Still, the source data remain incomplete as far as the PC sector is concerned. Kumul Petroleum Holdings Limited and Kumul Minerals Holdings Limited, while not SOEs in a legal sense, would likely meet the criteria for the inclusion in the PC sector in accordance with the *GFSM 2014*. Similarly, the subsidiaries of the SOEs, as well as some of the commercial authorities, are also likely to fall under the statistical definition of PCs. The DOT, in consultation with the relevant ministries, should endeavor collect the AFS of these entities to assess their classification status for potential inclusion in the PC sector debt statistics.

37.   The authorities should compile debt statistics for the SOEs whose data are available, while simultaneously working with the relevant agencies on obtaining information about the remaining entities. The available information about the SOEs indicates a significant stock of gross debt, and it would serve the interest of fiscal transparency to disseminate these data at the earliest opportunity. Despite the longstanding challenges in obtaining information about some public entities, the authorities should not defer the compilation and dissemination of the available data on SOE debt until the full coverage can be achieved. Rather, the limitations of the statistical dataset should be transparently reported in the metadata and supplementary notes while the efforts to secure data provision from the remaining entities remain ongoing.

38.   The gross debt of the nonfinancial SOEs exceeded 4.7 percent of GDP in FY 2021—a material amount that should be reported transparently alongside GG debt. Using the information contained in the available AFS, the mission compiled a time series of the SOE gross debt stock covering the period from FY 2018 to FY 2021. Table 5 presents the summary estimates, which are likely to be lower than the total debt of the complete public nonfinancial corporation subsector, as explained earlier in this report. Furthermore, the estimates exclude PNG Power Limited, the AFS for which had not been available to the mission at the time of the compilation, and Kumul Agriculture Limited, which fails the market test over a multiyear period and should therefore be considered as an EBU. The gross debt stock of the remaining market SOEs, mainly in form of loans and other accounts payable, increased by PGK 205.4 million between 2020 and 2021, reaching 4.7 percent of GDP by the end of 2021—an increase of 0.2 percentage points. Across the four-year time series, the average gross debt stock of the market SOEs stood at 4.5 percent of GDP. The magnitude of these estimates reinforces the recommendation to formalize their regular compilation.

39. **The scope of the balance GFS balance sheet should be extended to include all financial instruments for which the information is available.** While the work on expanding the sector coverage of the debt statistics remains ongoing, the PNG authorities have been compiling adequate statistics on the narrow measure of debt for the BCG sector, comprising liabilities in domestic and external loans and debt securities. However, the application of the cash-based accounting at the BCG level complicates the transition to the broader balance sheet measurement: the estimates exclude accounts payable and other instruments that would only be recognized as liabilities under the accrual (or modified cash) basis of accounting, such as finance lease liabilities. More importantly, the information about the assets is sparce and generally not available from a single source. Still, the DOT holds more data on both the assets and the liabilities than it presently reports in the GFS balance sheet. By way of example, the information on the national government's equity holdings is being regularly collected, as is the information about on-lending to the SOEs. These readily available data should be included in the GFS balance sheet on an annual basis.

40. **The PNG authorities should make the full use of the dissemination tools available to them.** The FMD unit within the DOT have been disseminating their debt statistics via the World Bank's QEDS database. The database provides a focused view of the external debt, but it should be viewed as just one piece within the wider collection of the statistical datasets, each presenting the data from a specific angle and serving a specific aim of supporting the various streams of fiscal and macroeconomic analysis. As such, it is important the authorities should also disseminate their debt and the broader balance sheet data through another World Bank database, QPSD, and populate the balance sheet section of the GFS annual questionnaire template.

Table 5. Preliminary Estimates of Gross Debt Stock of Public Nonfinancial Corporations

Gross Debt Stock - Public Nonfinancial Corporations - Papua New Guinea [1]

Kina' Million		2021	2020	2019	2018
Current liabilities		**1,911.3**	**1,830.2**	**1,601.9**	**1,273.4**
6304CL	Liability: Loans	372.5	294.0	303.3	198.4
6308CL	Liability: Other Accounts Payable	1,538.9	1,536.1	1,298.6	1,075.0
Non-current liabilities		**2,388.8**	**2,264.6**	**2,342.3**	**1,722.1**
6304NCL	Liability: Loans	1,445.1	1,399.0	1,547.9	872.8
6308NCL	Liability: Other Accounts Payable	943.7	865.5	794.4	849.3
Total gross debt instruments		**4,300.2**	**4,094.7**	**3,944.2**	**2,995.5**
Total gross debt instruments (as % of GDP)		**4.7%**	**5.0%**	**4.7%**	**3.8%**
Increase in gross debt instruments year-on-year (2018 to 2021)		**205.4**	**150.6**	**948.7**	
Gross Domestic Product [2]		**92,321.6**	**82,515.0**	**83,846.0**	**79,404.7**
Memorandum items					
GFSM 2014 Provisions [3]		39.2	33.8	54.1	59.8

Source: Audited Financial Statements

1. Includes: Air Niugini Ltd., BMobile, EDA Ranu, PNG DataCo., Ports PNG, Telikom, and Water PNG. The data excludes PNG Power Ltd., and any subsidiaries under the control of these units, as the data was not available at the time of compilation.
2. Total nominal GDP by economic activity. Actual GDP: National Statistics Office and Projections: Department of Treasury.
3. Include provisions for amongst others: employment benefits, lease payments, and taxes payable. These are not regarded actual liabilities in *GFSM 2014*.

Recommendations

Table 6. Recommendations Relating to Balance Sheet Reporting

Priority	Action/Milestone	Responsible Institutions	Target Completion Date
Outcome: A new data set has been compiled and disseminated internally and/or to the public			
High	*Priority recommendation*: Disseminate the debt data through the QPSD and GFS databases	DOT—FMD	November 2023
High	*Priority recommendation*: Maintain the compilation and dissemination of the SOE debt data	DOT—FMD	January 2024
Medium	*Reinstate the dissemination through the International Financial Statistics (IFS) database*	DOT—MEPD	November 2023
Low	*Validate the preliminary market test of the SOEs accomplished by the mission*	DOT—SPD	December 2023

C.   Business Process

Background

41.   The PNG authorities demonstrated strong resilience of the statistical production, but the progress on establishing formal business continuity procedures and desk instructions has been slow. Across the wider South Pacific region, the fragility of the statistical production has become an

emerging issue that demonstrated the importance of sustainable and replicable business processes. The DOT has shown a good example of business continuity: while the ransomware attack in 2021 led to the interruption in the quarterly submissions to the IMF International Financial Statistics (IFS) database, in part owing to the increased effort required to compile the sub-annual data, the domestic compilation continued, and the annual GFS submission remained largely unaffected. At the same time, the longstanding objective of creating comprehensive business documentation and formal business continuity procedures had not been fulfilled.

42.   **The quality assurance procedures and capacity rebuilding have come into focus owing to the irregularities in the recent data submissions.** While the recent disruptions demonstrated the resilience of the business process at large, the internal data verification procedures should be strengthened to reduce the number of misclassifications and erroneous entries in the GFS data submissions. The high staff turnover in recent years has also led to some loss of conceptual expertise, particular at junior levels, and increased the demand for capacity rebuilding. As such, the provision of conceptual and applied training to the authorities has emerged as an immediate priority.

Findings

43.   **The sustainability of statistical production should be strengthened by creating comprehensive business process documentation.** The DOT are adequately resourced to produce the existing statistical outputs, both in terms of staff headcount and their skills. Although the recommended expansion of scope and coverage may bring about additional demands, the mission noted that the PNG authorities were able to sustain the GFS compilation in the event of unplanned disruptions, such as the 2021 ransomware attack on the government system or the high staff turnover. This places the PNG authorities in a leading position within the broader region with regards to the resilience of compilation. However, the absence of progress on establishing comprehensive desk instructions creates undue reliance on a small group of key individuals, whose unavailability may put the GFS and PSDS compilation at risk. This is particularly true because the GFS framework remains a niche area of expertise across government, and it may prove hard to rebuild the competency through external recruitment. To better safeguard itself from a possible disruption in the future, the DOT should produce comprehensive business process documentation detailing data sources, compilation, and quality assurance procedures.

44.   **Compiling a comprehensive list of data sources should be prioritized within the broader task of creating business documentation.** As a first step in creating business process documentation, a detailed list of data sources, per economic transaction of stock category, should be generated. This is particularly relevant in the context of the balance sheet compilation, where multiple data sources are required to populate the statistical tables. Aside of being part of the desk instruction, the list of sources would serve an additional aim of identifying any gaps in the data collection at a granular level and shaping priorities for the future development of fiscal and debt statistics.

45.   **The quality assurance procedures of the *GFSM 2014*-based tables in both the National Budget and the statistical releases should be strengthened.** The latest submissions to the IMF GFS annual database suffered from a number of quality issues, mostly caused by the misclassification of economic transactions and stocks. Similar anomalies were present in the fiscal tables included in the National Budget (Volume I). Some of those issues concerned advanced areas of the GFS methodology and would have required advice from an IMF economist or a resident advisor for the region to resolve. The authorities already maintain a line of communication with the IMF and, provided the country experts are available, receive technical advice prior to finalizing the dataset. Yet a significant number of data anomalies caused visible discontinuities in the time series and could have been identified as part of the internal data validation phase if the values were compared with those for the previous years. The mission understood that while the authorities put every effort in ensuring that the aggregate revenue, expenditure,

and the stock of liabilities match the expected amounts, the detailed economic classification is sometimes overlooked. This causes bias at an economic transaction level and discontinuities in the time series. To limit the scope for such errors, the authorities should be conducting quality assurance of their time series on a line-by-line basis and assign a formal responsibility for the process to a member of staff.

46.   Building the technical capability of junior staff members is essential for increasing the resilience and efficiency of statistical production. Although sustaining the compilation process in a mechanical way presented little difficulty to even the new members of staff thanks to the good management practices at the DOT, the loss of the conceptual expertise at the junior staff level was felt more deeply. Because the PNG authorities adopted a *GFSM 2014*-based presentation of the budget estimates and also prepare the fiscal forecasts on a national accounts' basis, the training was delivered to a broad group of officials. The mission focused on rebuilding the conceptual knowledge and delivered an equivalent of 2.5 days of formal training on both introductory and advanced topics, such as the institutional sector classifications. Strengthening the conceptual knowledge of the *GFSM 2014* framework among the junior staff is essential for decreasing the reliance on the already overloaded senior staff and creating additional capacity for improving the quality assurance procedures as explained earlier.

Recommendations

Table 7. Recommendations Relating to Business Process

Priority	Action/Milestone	Responsible Institutions	Target Completion Date
Outcome: Statistical techniques are sound			
Medium	*Compile a comprehensive list of data sources for each of the GFS and PSDS statements*	DOT—MEPD	August 2024
Medium	*Compile a full set of business process documentation for GFS and PSDS*	DOT—MEPD	August 2024
Medium	*Establish data verification procedures to ensure the year-on-year consistency of the GFS reporting*	DOT—MEPD	November 2023

Annex 1. Officials Met During the Mission

Mission Attendance List

Name	Department	Job Title
Hermon Sam	DOT / BOD	Senior Budget Officer
Michael Kaulei	DOT / BOD	Budget Officer
Earau Iru	DOT / SPD	Acting Assistant Secretary
Lumbe Silai	DOT / FMD	Assistant Secretary
Jeffrey Walua	DOT / FMD	Acting First Assistant Secretary
Welyn Wape	DOT / SPD	Data & Statistics Officer
Muntai Kawage	DOT / SPD	Analyst
Jacob Pora-Schimdt	DOT / SPD	Acting Assistant Secretary
Stanley Brown	DOT / FMD	Assistant Economist
Priscilla Philip	DOT / FMD	Assistant Economist
Colin Bilio	DOT / FMD	Economist
Ephraim Danny	DOT / MEPD	Acting Assistant Secretary
Germain Ruigi	DOT / MEPD	Economist
John Uware	DOT / ECONOMIC POLICY	Acting Deputy Secretary
Enoch Savaro	DOT / MEPD	Economist
Margaret Loipio	DOT / BCAD	Senior Budget Analyst
Hans Margis	DOT / BOD	Acting First Assistant Secretary
Swartz Buf	DoT / MEPD	Acting Assistant Secretary
Abel Melton	DoT / BCAD	Acting Assistant Secretary

Officials Who Attended the Training

Name	Department	Job Title
Enoch Savaro	DOT / MEPD	Economist
Charisma Kurangkewe	DOT / MEPD	Senior Economist
Oviamba Baria	DOT / BCAD	Budget Analyst
Simon Vene	DOT / FMD	Financial Analyst
Jacob Pora-Schmidt	DOT / SPD	Acting Assistant Secretary
Muntai Kawage	DOT / SPD	Analyst
Welyn Wape	DOT / SPD	Data & Statistics Officer
Hermon Sam	DOT / BOD	Senior Budget Officer
Daniel Kopel	DOT / BOD	Assistant Budget Officer
Ellison Darby	DOT / BCAD	Senior Budget Analyst
Hannu Nambakele	DOT / BCAD	Budget Analyst
Vanessa Dopsie	DOF / FCD	Financial Accountant
Damaris Haurom	DOT / FMD	Financial Analyst
Atkerria Painap	DOT / FMD	Acting Assistant Secretary
Emmanuel Ambia	DOT / FCD	Financial Accountant
Justin Gabi	NSO / National Accounts	Statistics Officer
Melkie Tuka	NSO / Trade Statistics	Statistics Officer
Pennela Lawrence	DOT / MEPD	Administrative Officer
Lumbe Silai	DOT / FMD	Assistant Secretary
Soge Yori	DOT / FMD	Financial Analyst
Michael Kaulei	DOT / BOD	Budget Officer
Susan Hamambi	DOT / FMD	Financial Analyst
Martin Napilo	DOT / FMD	Financial Analyst
Paul Mampa	DOT / FMD	Financial Analyst
Diane Wauyani	DOT / FMD	Administrative Officer
Niandruan Kilepak	DNPM / DCMD	Policy Officer
Kopsy Issae	DNPM / DCMD	Policy Officer
Frank Awape	DNPM / PBD	Budget Policy Officer
Swartz Buf	DOT / MEPD	Acting Assistant Secretary

Annex 2. Model Terms of Reference for the Statistical Classification Committee

Background

1.   The [agency e.g. statistics bureau] is mandated, through the provisions of the [list the appropriate act, for example the statistics act or PFM that mandate the unit] to collect and compile statistics for all macroeconomic sectors; that is, national accounts and price statistics, external sector statistics, government finance statistics, public sector debt statistics, and monetary and financial sector statistics.

2.   The [agency] has, in accordance with that mandate, been collecting and compiling government finance statistics (GFS) and public sector debt statistics (PSDS), which it disseminates to the International Monetary Fund (IMF) Statistics Department for worldwide dissemination. The data collected for GFS and PSDS purposes may also be used in the compilation of other macroeconomic statistics, including, and not limited to the national accounts, prices and trade statistics.

3.   The compilation of the GFS and PSDS requires a high level of coordination between the compilers of fiscal statistics, main users, and the data suppliers. It is in this regard that the [list the agency as in par 1 and 2], are setting up a technical working group ("the Committee") to steer the process of improving the quality, comprehensiveness, and coverage of GFS and PSDS currently compiled and disseminated by the [list the agency as in par 1 and 2].

4.   The Committee shall be chaired by a senior representative of [insert agency], an agency with the overarching responsibility for the production and dissemination of [in the case of a decentralized compilation model, amend the criteria as appropriate] the GFS and PSDS. The chair shall be responsible for conveying the Committee meetings [periodicity, e.g. quarterly] and agreeing the individual membership of the Committee with the participating agencies. The membership should include both managerial representatives and subject matter experts, but it is envisaged that different agencies may nominate representatives at different levels depending on the need. For example, a data supplier may only routinely nominate a technical expert to provide conceptual insights into the input data.

5.   Where appropriate and beneficial to the Committee, other non-participating agencies or expert individuals may be invited to attend the Committee meetings as participants or observers. As such, representatives of state-owned enterprises or other entities falling within the scope of the GFS and PSDS may be invited to attend specific meetings should the Committee require more information about the activities of such entities for the purpose of the GFS and PSDS production.

Scope

6.   The Committee shall facilitate interagency coordination and data sharing to make improvements to the GFS and PSDS in the following broad areas:

- **Data coverage** — the public sector is understood to comprise all economic entities that are controlled by government. These include entities involved in non-market activities such as core departments and ministries of state, as well as entities involved in the provision of goods and services on a market basis, provided their general corporate policy is determined by government. Where the coverage of the GFS or PSDS remains narrower than public sector - for example, with

certain GFS outputs limited to the budgetary central government entities - it should be expanded through the identification of suitable source data, establishment of the methodology and the assignment of the formal responsibility for the collection and compilation of such data to the appropriate agency or agencies.

- **Institutional sector classification** — public sector is broken down into institutional sectors and subsectors, such as general government (including central government budgetary entities, state and local governments, and extrabudgetary units), public corporations and the social security fund. For statistical purposes, entities are classified into sectors and subsectors according to their economic nature and not to their form of incorporation or the national legislation. The sector classification principles are consistent across the statistical frameworks and manuals that are harmonized with the United Nations' 2008 System of National Accounts (2008 SNA), including the Monetary and Financial Statistics Manual and Compilation Guide 2016 (MFSMCG 2016) and the Balance of Payments Manual 6 (BPM6). To promote the correct sectoral classification in GFS and PSDS and beyond, the Committee should maintain and regularly review [specify periodicity, annually at minimum] a public sector institutional table, and share the table with all compliers of macroeconomic statistics.

- **Data comprehensiveness** — data-driven fiscal policy requires information about the transactions of all public entities, but also their balance sheet data. The latter can often be challenging to capture comprehensively. It is, however, important that the balance sheet data included in the GFS and PSDS are not limited to the instruments that can be easily captured, such as the government borrowing through loans and debt securities but comprises a full set of assets and liabilities identified by the macroeconomic statistics framework. Some of these stocks may be imputed along with the associated imputed expense transactions rather than recognized in a legal sense, but their omission would hamper proper monitoring of the country's fiscal position. The Committee should therefore facilitate the inclusion of all stocks and flows recognised under the statistical framework in the GFS and PSDS outputs.

- **Data classifications and methodology** — international best practices recommend classifying fiscal operations in accordance with the *Government Finance Statistics Manual 2014 (GFSM 2014)* and the *Public Sector Debt Statistics Guide 2013 (PSDSG 2013)*, both aligned with the *2008 SNA*. These international frameworks further prescribe what methodology, such as the time of recording or the valuation basis, should be applied to each category of economic transaction or stock. Where the data fall short of the full compliance with the *GFSM 2014* and the *PSDSG 2013*, the Committee should request the participating agencies to bring the statistical treatment into alignment with the international statistical guidance. Such misalignments often exist where non-statistical, administrative or finance data are used as a source without the appropriate conceptual adjustments.

- **Data timeliness and frequency** — the usefulness of the GFS and PSDS to policy making depends on the timeliness and frequency of the data. Monthly data published with a lag of several weeks are likely to be a valuable tool for informing domestic fiscal policy, even when subject to subsequent minor revisions, whereas annual data produced with a lag of over a year might be more reliable but of limited practical interest. The Committee should explore the most timely and

frequent sources of data for each type of public sector entities and evaluate any potential gains in timeliness or frequency against the implications on the quality of the outputs.

Objectives

7. In view of promoting improvements to the GFS and PSDS in the aforementioned areas, the Committee shall have the following main objectives:

- Promote the expansion of the GFS and PSDS coverage to public sector;

- Facilitate the comprehensive coverage of the GFS and PSDS through the inclusion of all stocks and flows recognized under the statistical framework;

- Promote the higher frequency and better timeliness of the GFS and PSDS through the identification and suitability assessment of new and emerging data sources;

- Foster data sharing among institutions involved in the compilation of the GFS and PSDS;

- Facilitate institutional coordination in the production of GFS and PSDS through the exchange of information about methodology and business processes;

- Maintain and update the public sector institutions table and promote its use across all macroeconomic statistics compiled in accordance with the *GFSM 2014, 2008 SNA*, *BPM6* and the *MFSMCG 2016*.

Participating agencies

1. [Agency 1]

2. [Agency 2]

3. [Agency 3

Annex 3. Progress made with Respect to Previous Mission Recommendations

A.   Status of recommendations made—January 2022 mission

#	Column Head	Responsible authority	Comments	Status as at August 2023
1	Respond to the World Bank QPSD invitation letter and complete QPSD for CG (2020-Q4& Q-to date) and submit to the World Bank (Immediate).	DOT–FMD	The authorities continue to disseminate the external debt statistics through the QEDS database but are yet to start using the QPSD database for dissemination.	1-Not achieved
2	Collect the outstanding AFS for SOEs and update the balance sheet data started during the mission (February 2022).	DOT–SPD, DOT–FMD	The annual financial statements (AFS) of the national SOEs are now being published on the website of Kumul Consolidated Holdings, with the exception of Kumul Agriculture Limited whose report for the latest years remains unavailable.	3-Largely achieved
3	Collect financial information for provincial governments (PGs), local governments (LGs) and statutory authorities and resume institutional unit classification and completion of the public sector institutional table (June 2022).	DOT, NEFC	Limited progress has been made: the flow information of the provincial governments continues to be collected, and the deployment of the FMIS to provinces has facilitate the data collection. However, little information remains available on the equivalents of the extrabudgetary units operating at a provincial level, as well as on all units operating at a local level.	2-Partly achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
4	DOT—SPD with support of DOT—MEPD, BPNG, and the NSO should collect the financial information for statutory authorities, PGs and LG's, perform the market test and progress with the classification of public sector units to advance the completion of the PSIT.	DOT–SPD, DOT–MEPD, NEFC, NSO, BPNG	With the exception of the national-level SOEs, the market test for which had been conducted with the assistance of the previous missions, no progress on the institutional sector classification has been made. Furthermore, the very list of entities under potential public sector control remains incomplete, with only fragmentary information about non-statutory regional units.	1-Not achieved
5	The DOT—FMD should reconcile the debt tables published in the national budget with the Statement G—Borrowing annex to the government annual financial statements.	DOT–FMD	The inconsistences are yet to be resolved. Different data vintages are a likely cause for at least some of the discrepancies.	1-Not achieved
6	The DOT—MEPD should reconcile the expenditure arrears numbers presented in the 2022 national budget.	DOT–MPD	The work on estimating the value of arrears remains an internal priority for the DoT and is ongoing. Despite the best efforts, the complexity of this longstanding issue means that the authorities do not yet poses a single, robust estimate of arrears across the government sector.	2-Partly achieved
7	The DOT—FMD should reintroduce the table on other economic flows and publish it as part of the statistical tables to the national budget.	DOT–FMD	With the relatively week balance sheet accounting, the information on non-transactional flows is only partially available and is not comprehensively disseminated.	1-Not achieved
8	The DOT—FMD to follow up with the Secretary for the	DOT–FMD	The authorities continue to disseminate the external debt	1-Not achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
	Treasury to acknowledge receipt of the World Bank request to participate in QPSD and start submitting the data to the World Bank.		statistics through the QEDS database but are yet to start using the QPSD database for dissemination.	
9	The DOT—MEPD to formally request via the Secretary for the DOT to the Secretary for the DOF, accounts payable balances for all national and subnational governments as well as statutory authorities at year end. The information should be provided as a standard annual best practice under the auspices of the public financial management act (PFMA).	DOT-MEPD	Strengthening data sharing arrangements remains an area for development. Separately, the continued application of the cash accounting leads to the ad hoc nature of any data relating to the accrued concepts, even when partial information is occasionally complied.	1-Not achieved
10	The DOT, to maintain and implement the actions included in the PSDS action plan.	DOT-FMD, DOT-MPD	The DOT continues to maintain the preexisting debt compilation and dissemination arrangements, however little to no progress has been made on implementing the recommendations of the recent missions.	1-Not achieved
11	The DOT—SPD, MPD, FMD, should collect the outstanding AFS completed from the KCH and complete the times series of the balance sheet in the SOE working file compiled during the mission. Refer to Appendix II for outstanding AFS.	DOT–SPD, DOT–MPD, DOT–FMD	The exercise has been completed by the August 2023 mission with the exception of one SOE whose accounts were unavailable at the time of the mission. However, the compilation of these data had not been embedded into the regular business process at the time of the mission.	2-Partly achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
12	Verify the data completed during the mission (the working file-summarized in table 6 of the report).	DOT-FMD	The quality assurance of the SOE data compiled by the previous missions had not been undertaken.	1-Not achieved
13	DOT—SPD, MEPD, FMD verify entities included the market test sectorization file and complete the rest of the units not completed during the mission.	DOT–SPD, DOT–MEPD, DOT–FMD	The market test of the national-level SOEs had been conducted with the assistance of the previous missions and reaffirmed by the August 2023 mission. No other sectorization work had taken place.	1-Not achieved
14	DOT—SPD, MEPD, FMD should collect subsidiaries AFS associated with SOEs and determine the relationship for including the data in the public sector (as relevant).	DOT–SPD, DOT–MEPD, DOT–FMD	No sectorization work had taken place other than relating to the SOEs themselves.	1-Not achieved
15	DOT—FMD to reconcile SOE loan liabilities, as on-lend arrangements, with government loans receivable.	DOT–FMD	No progress has been made. The task may require in-depth methodological analysis due to application of cash accounting at the BCG level and the accrual, International Financial Reporting Standards (IFRS)-based accounting by the SOEs.	1-Not achieved
16	DOT—FMD, to compare the data of individual SOEs with the balance sheet of the General Business Trust.	DOT–FMD	The action remains incomplete. However, with the improved overall availability of the SOE data, its priority has decreased.	1-Not achieved

B.   Status of Recommendations made by the June 2021 Mission

#	Column Head	Responsible authority	Comments	Status as at August 2023
1	Collect outstanding financial statements from SOEs to expand coverage for IU	DOT–FMD, DOT–SPD, DOT–MEPD	Good progress has been made by the authorities in the publication of the SOE financial	3-Largely achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
	classification purposes and inclusion in PSDS (October 2021).		statement. The accounts of Kumul Agriculture Limited for the latest years remains unavailable, which may potentially be related to a restructure of the unit.	
2	Review the Quarterly BCG GFS compilation and resolve statistical discrepancies (September 2021).	DOT–MEPD	The discrepancies are eliminated through mechanical adjustments to the changes in cash data. At the same time, the balance sheet, and thus the associated transactions in financial assets and liabilities, remains incomplete, which prevents even the estimation of the statistical discrepancy in an internally consistent way.	2-Partly achieved
3	Incorporate recommendations and improvements to Budget Volumes I and II (January 2022).	DOT–BCAD	The action remains mostly outstanding but superseded by the recommendations of the 2023 mission.	2-Partly achieved
4	Continue with the classification of IUs with inputs of all agencies in the IU committee (January 2022).	DOT–SPD	With the exception of the national-level SOEs, the market test for which had been conducted with the assistance of the previous missions, no progress on the institutional sector classification has been made. Furthermore, the very list of entities under potential public sector control remains incomplete, with only fragmentary information about non-statutory regional units.	1-Not achieved
5	Invite representatives from DOT-Macroeconomic Policy Division (MEPD) and Sectoral Policy Division (SPD), NSO, DOF, NEFC,	DOT–MEPD	The committee has not been created and the sectorization work has not progressed.	1-Not achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
	KCH and BPNG to the IU sectorization committee.			
6	Collect outstanding financial statements from SOEs.	DOT–SPD	Good progress has been made by the authorities in the publication of the SOE financial statement. The accounts of Kumul Agriculture Limited for the latest years remains unavailable, which may potentially be related to a restructure of the unit.	3-Largely achieved
7	Collect comprehensive data from statutory bodies and continue IU classification process.	DOT–SPD, NEFC	Limited progress has been made: little information remains available on the equivalents of the extrabudgetary units operating at a provincial level, as well as on all units operating at a local level.	1-Not achieved
8	Prepare a formal request to the IMF STA Department for further assistance in completing IU classification (on the condition that all the financial information is collected, and the IU committee has continued to classify the outstanding units).	DOT–SPD, DOT–MEPD	The list of units under potential public sector remains incomplete, and the financial information is only available for a small subset of such units.	1-Not achieved
9	Review the formulas for calculating the aggregate 'net transactions in financial assets and liabilities' and report the correct figures in the next submission through ICS.	DOT–MEPD	Specific formula errors have been corrected; however the general quality assurance arrangements should be strengthened as recommended by the August 2023 mission.	4-Fully achieved
10	The DOT to continue with the compilation and dissemination of BCG quarterly GFS.	DOT–MEPD	Following an interruption caused by the ransomware attack in 2021, the DoT has resumed the compilation of the quarterly GFS statements.	1-Not achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
11	The DOT and the BPNG should discuss and reconcile the balances between the public accounts and the cash balances kept by the central bank for the government.	DOT–MEPD, DOT, BPNG	The exercise has been completed by the August 2023 mission with the exception of one SOE whose accounts were unavailable at the time of the mission. However, the compilation of these data had not been embedded into the regular business process at the time of the mission.	2-Partly achieved
12	Greater use of the donor aid template shared with DOT in the January 2020 mission.	DOT	No additional information is being collected on the donor aid, which results in its imperfect treatment in the GFS. Notably, a split between in-cash and in-kind is not always available; the ratio between current and capital is also being estimated.	1-Not achieved
13	Review the mapping of the COFOG codes to have at least four-digit detail for each account.	DOT	Expenditure on specific projects is mapped to the COFOG at a reasonably detailed level. However, this partial accuracy is counterbalanced by the assignment of the baseline operating expenses to COFOGs at a relatively high level of aggregation. This leads to the reporting of a large proportion of expenditure as 'not otherwise classified' in the detailed COFOG tables.	2-Partly achieved
14	Maintain an updated COFOG mapping table.	DOT	The COFOG mapping is actively maintained for the new projects. A review of the operating expenditure mapping is yet to be undertaken.	2-Partly achieved
15	DOT (MEPD, BCAD and BOD) officials should work on implementing the	DOT–MEPD, DOT-BOD, DOT–BCAD	The action remains mostly outstanding but superseded by	1-Not achieved

#	Column Head	Responsible authority	Comments	Status as at August 2023
	proposed changes to budget book volume I and II.		the recommendations of the 2023 mission.	
16	The DOT should invest in the development of the business process documentation, by compiling proper compilation and dissemination guidelines for GFS and PSDS.	DOT–MEPD, DOT–FMD	The production of the business documentation remains outstanding. The August 2023 mission reiterated the importance of creating and maintaining comprehensive desk instructions.	1-Not achieved
17	Make the business process document available for internal users.	DOT	The production of the business documentation remains outstanding.	1-Not achieved