



**MACROECONOMIC DATA REQUIREMENTS FOR  
UNDERTAKING MULTILATERAL FISCAL SURVEILLANCE  
FRAMEWORK IN THE COMESA REGION**

**BY**

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# **MACROECONOMIC DATA REQUIREMENTS FOR UNDERTAKING MULTILATERAL FISCAL SURVEILLANCE FRAMEWORK IN COMESA REGION**

## **I. Introduction**

Macroeconomic Convergence in COMESA Region as in other African RECs is pursued in the context of its programme for establishing monetary union among its member countries. In order to assess progress towards macroeconomic convergence, a number of convergence criteria which are consistent with the criteria developed by the African Monetary Cooperation Programme (AMCP) were formulated, with a view of gauging the progress being made by member states in the implementation of the programme.

The revised Macro-economic convergence criteria are divided into primary and secondary criteria. The criteria as well as their definitions are contained in annex I of this report.

The programme considers fiscal and monetary discipline as the overriding principle for achieving macroeconomic convergence. In order to enhance macroeconomic convergence in the region COMESA Head of States and Governments adopted COMESA Multilateral fiscal Surveillance Framework in 2012. Implementation of the framework requires member countries to provide CMI with relevant information in the format to be determined by CMI to enable it to prepare and assess fiscal and other macro-economic developments in member countries in discharge of its mandate to service the surveillance process for the convergence council. The framework also requires that member countries to formulate their macroeconomic policies within a comprehensive Medium Term Financial Management Framework, comprising a set of four separate frameworks: a Medium Term Macroeconomic Framework, a Medium Term Fiscal Framework (MTFF), a Medium Term Budget Framework (MTBF), and a Medium Term Expenditure Framework.

The objective of this paper is to elaborate on data requirements for the implementation of the COMESA Multilateral Macroeconomic Convergence Framework. Section II of this paper outlines the specific features of various accounts which are needed for the implementation of the programme. Section III examines outstanding issues for the improvement of macroeconomic statistics in COMESA member countries. Section III discusses the way forward.

## **II. Specific Required Features of various accounts for Implementation of the COMESA Multilateral Fiscal Surveillance Programme**

The data requirement for assessing the level of macroeconomic convergence in the COMESA region comprise information on government fiscal operations , money and banking statistics, development in the external sector such as the balance of payments , external debt, and exchange rate movements. In addition, information on output and prices in the real sector are also required. (The format for reporting data are contained in annex II of this report).

### **1. Output**

The framework's core data needs comprise data series indicative of the level of economic activity in the economy. The COMESA Monetary Institute's analytical framework is the national income/expenditure accounting in accordance with the SNA 93. Thus the key needs are for good quality real and nominal national expenditure and income (as well as production) data on an annual basis with a lag of not more than 12 months.

## **2. Fiscal Data**

The Institute requires data on government expenditure, revenue and fiscal deficit as well as their financing modalities. A complete coverage is essential to assess the actual fiscal stance. The classification scheme follows largely the 1986 Manual on Government Finance Statistics and it is expected that most COMESA member countries with participation in the GDDS will gradually adopt the 2001 or the latest version of this manual.

## **3. Price Data**

CMI requires price data on the basis of regional indices such as Harmonised Consumer Price Index (HCPI). To gauge inflation, member countries should also make effort to produce a range of prices and cost indicators. Policy formulation in the region is constrained by the paucity of alternative inflation measures such as producer (input and output) prices, capital good prices, and real estate (residential, commercial and rural prices) to name some. In the medium term, there is scope to develop the various measures of prices to facilitate the tracking of cost and price developments through the various phases of production.

## **4. Financial Sector Data**

Financial sector data required include the balance sheet of the Central Bank, balance sheet of deposit money banks and the monetary survey, which is a consolidated balance sheet of the banking system. Details are also required on foreign assets and liabilities of the banking system to assess the gross and net foreign reserve positions. The analytical framework is based on measure of broad money and factors that affect changes in money especially domestic credit and external assets and liabilities. This data set is expected to be of good quality and available with limited lags.

## **5. External Sector data**

In the external sector, the balance of payments is required. Balance of payment data are generally viewed as critical for monetary policy as they provide important information on the overall macroeconomic imbalances in the economy through feed backs in aggregate income and expenditure. The data required are the detailed balance of payment data based on BPM5.

### **III. Outstanding Issues for Improvement of Macroeconomic Statistics**

There are concerns on the quality of data and also on the measurement of core convergence criteria. The main areas where there are measurement problems are with; National accounts, inflation, the fiscal out turn and the determination of central bank financing of fiscal deficit, as well as the derivation of reserves- months of import cover. The following are some of the outstanding issues which need to be addressed:

#### **a) National accounts**

- The inconsistency in some countries of national accounts with other macroeconomic accounts;
- Long lag in producing National Accounts Data
- National accounts do not include informal sector
- Autonomously managed government institutions are not covered in some countries
- The base year used for calculation of National accounts are not the same in all member countries and outdated in some countries
- Quarterly national accounts are not available in most member countries.

#### **b) Inflation**

- The consumer price index, which is the main measure for inflation in member countries, covers mostly the low-income population in urban areas, usually in capital and some big cities.
- The household consumption surveys on which the CPI basket is based are deemed to be out dated, in most countries.
- Different base years are in use in different member countries.

#### **c) Money and Banking statistics**

The compilation of monetary in most countries is in accordance with the IMF's Monetary and Financial Statistics Manual. The periodicity and timeliness of the monetary survey broadly follow the GDDS recommendations

#### **d) External Sector Data**

- Most Central Banks are not yet very familiar with methodology used in surveys.
- Under recorded data and smuggling are rarely recorded in merchandise trade data.
- The level of reserve import cover is assessed based on current level of imports of goods and service and not based on projected imports. It is more appropriate to compute import cover of reserves based on projected imports. This convention hinges on the fact that reserves provide insurance against unexpected future shocks to the foreign exchange position of a country.
- Data on private capital flows are scanty in many countries.
- Data on official grants, loan disbursements and repayments are relatively available and reliable.

#### **e) Government Finance Operations**

Most member countries have current information on central government revenue and expenditure. The following are some of the issues that need to be addressed:

- (i) Discrepancies between net credit data as recorded in the central bank monetary accounts and government accounts (Central Treasury).
- (ii) Data on outstanding domestic government arrears are scanty. It may therefore be difficult to determine the level of domestic indebtedness and proposing remedial measures;
- (iii) Some countries present data for the central government only, others report for all the public sector, including state and local governments. Where the financial flows between the different tiers of government are significant, the reliability of assessing the overall fiscal outcome may be compromised
- (iv) Many countries have not started compilation of fiscal data according to the new GFS Manual of the Fund.

### **IV. Recommendations for the Way forward to Improve Data Reported for Convergence Monitoring**

The foregoing highlights the need for accelerated efforts to improve the quality of data in the COMESA region to enhance macroeconomic management in general and also improve the comparability of data across countries. Two broad phases of actions are therefore identified for dealing with these problems in the COMESA region. First and most immediate is for countries to improve on the data reported and provide them timely to CMI for the monitoring

of macroeconomic convergence. The second is the need to harmonise concepts to support zone-wide macroeconomic analysis and management.

**a) Improve quality of data reported for convergence monitoring**

Although members share the same methods of compiling major macroeconomic accounts in accordance with standard international practice, differences exist mainly in the coverage and timeliness of the data reported.

Indeed, member countries are currently making efforts to address the above mentioned outstanding issues in data compilation. However the pace of these efforts needs to be accelerated to support the COMESA monetary integration process.

Overall, the required short and medium term actions for improving data quality are enumerated in the attached action plan in annex III. These include among others the following:

- (i) Undertake household expenditure surveys in member countries where the existing one is outdated, to provide a basis for construction of an upto date and nationwide CPI.
- (ii) All member countries adopt SNA 1993 as a minimum requirement and also reduce the long lag in national accounts.
- (iii) Sustain the ongoing regular reconciliation between the Central Bank and Ministry of Finance Data.
- (iv) Expand monetary survey to include non-bank financial institutions
- (v) Improve recording of capital and financial transaction through regular surveys to capture information on foreign direct investment
- (vi) Reduce the lag in the BOP accounts to at most six months
- (vii) Adopt the latest IMF Balance of Payment Manual for compilation of BOP Statistics.
- (viii) Adopt the GFS latest Manual for compilation of fiscal data.
- (ix) Harmonise fiscal data from various sources, namely central bank, the Central Bureau of Statistics, Ministry of Finance, Revenue Authority
- (x) Introduce an integrated information technology to harmonise data from various sources.
- (xi) Introduce Integrated Financial Management Information System (IFMIS) to link all fiscal data generation departments.
- (xii) When reporting it is necessary to include notes on the compilation methodology
- (xiii) Member countries need to show commitment to improving capacity in the production and dissemination of statistics. This would require conscious efforts at providing resources such as financial allocations for statistical capacity building and pursue technical assistance from International donors such as IMF.

## ANNEXES

### ANNEX I

#### COMESA MACROECONOMIC CONVERGENCE CRITERIA

##### a) Primary Convergence criteria

##### 1. Inflation Rate, Point-to-point, of single digit

Inflation is defined as the increase in the price level based on annual percentage change in the average consumer price index. The consumer price indices are based on a given basket derived from a household consumer survey preferably with a national coverage and up to date base year. CMI's recommendation is that the base year should not be more than 10 years.

##### 2. A restriction of the Overall Budget Deficit (excluding grants) as a ratio of the gross domestic product (GDP) at current market prices to no more than 5 percent

Overall Budget Deficit is defined as the total revenue excluding grants minus the total central government recurrent and capital expenditure including net grants:

Total Revenue is defined as:

- Revenue from taxes on income and other remuneration
- Other taxes
- Non tax revenue (excluding grants and divestiture receipts)
- Other non-classified receipts (to be listed by each country)

Divestiture or privatization receipts are excluded from total revenue and recorded under financing item below the line.

Total expenditure is defined as the sum of current expenditure, capital expenditure and net lending.

##### 3. Minimise the Central Bank financing of the budget towards 0% target

Central bank financing of the budget deficit represents borrowings from the central bank by government (including state and local governments, but excluding non-financial public enterprises). It is reflected in the monetary survey as the change in net claims on government between two successive periods.

The net claims positions is defined as gross claims (central bank holdings of treasury bills, other government securities, loans and advances and other claims) less government deposits with the central bank.

#### **4. A Floor on Foreign Exchange Reserves of at least four months of current Imports (CIF) of Goods and Services**

The stock of foreign exchange reserves is expressed in months of current annual imports of goods and services bill. The stock is defined in line with the IMF Balance of Payments (BOP) manual (5<sup>th</sup> ed.) as the sum of monetary gold, SDR holdings, Reserves with the IMF, Foreign currency holdings, foreign bank balances and holdings of foreign securities.

#### **b) Secondary Convergence Criteria**

##### **1. Exchange Rate Stability**

Nominal exchange rate should not deviate by more than 1% on a monthly basis.

##### **2. Real GDP Growth**

Achievement of sustainable real growth rate of real GDP of not less than 7.0%

##### **3. Total Revenue / GDP $\geq$ 20%**

- a. Total revenue should amount to total tax and non-tax revenue collected by the central government
- b. GDP should be at current market prices

##### **4. Domestic Investment**

Domestic investment not less than 20%. Domestic investments include both public and private investments

##### **5. Positive Real Interest rate**

Defined as the average of the minimum and maximum savings deposit rates less the inflation rate at end of period

## ANNEX II

### TEMPLATES FOR MACROECONOMIC DATA REPORTING

**TABLE 1: COUNTRY: Government Fiscal Operations**  
(In millions of local currency units)

	2012	2013	2014	2015	2016
<b>Total Revenue and Grants</b>					
Domestic Revenue					
Tax on income					
Internal levies and tax on goods & services					
Import tax					
Other tax revenues					
Non-tax revenue					
Income from enterprises & sale of assets					
Other receipts: royalties, licenses, road user fees					
Grants					
<b>Total Expenditure and Net Lending</b>					
Total Expenditure					
Total domestic financed expenditure					
Currents Expenditure					
Wages and salaries					
Interest on gov't debt					
Domestic					
External					
Other goods, services and transfers etc.					
o/w DDR					
Capital/Investment Expenditure					
Domestically Financed					
Externally Financed					
Net Lending					
Budget Deficit(Incl. Grants) Commitments basis					
Budget Deficit(excl. Grants) Commitments basis					
Primary Domestic Balance					
Financing					
Domestic					
Banking System					
Central Bank					
Commercial Banks					
Non-bank Borrowing					
Privatization Receipts					
Change in Domestic Arrears					
External Sources					
Drawings/Borrowing					
Amortisation Due					
Debt Relief					
Change in foreign Arrears					
Float/unaccounted					
<i>Memorandum items</i>					
Overall deficit (commitment basis incl.grant)/GDP (%)					
Overall deficit (commitment basis incl. grant)/GDP (%)					
Primary domestic balance/GDP%					
Total Revenue(excl.grant)GDP%					
Grants/GDP%					
Grants/Total Receipts					
Total Expenditure and Net Lending/GDP%					
Tax revenue/GDP at Current Market Prices (%)					
Wages and salaries/Tax revenue (%)					
Domestic Investment expenditure/Total revenue					
Nominal GDP Current Market prices(Leones mils)					
Central bank financing/yt-1 tax rev					

**TABLE 2: COUNTRY: Monetary Survey**  
(In millions of local currency units, end of period)

	2012	2013	2014	2016	2017
<b>Accounts of the Central Bank</b>					
Net Foreign Assets					
Foreign Assets					
Foreign Liabilities					
Net Domestic Assets					
Domestic credit					
Claims on Government					
Treasury Bills					
Stock and Bonds(TBB)					
Ways and means advances					
Government Deposits					
Claims on Deposit Money Bank					
Claims on Public Enterprises 1/					
Claims on Private Sector*					
Other items, net (assets +)					
<b>Reserve Money (RM)</b>					
Currency outside banks					
Bank Reserves/Deposits					
Cash in vault					
Deposits					
Required Reserves					
Excess/shortfall of reserves					
Non-Bank Deposits					
<b>Accounts of Deposit Money Banks</b>					
Net foreign Asset					
Foreign Asset					
Foreign Liabilities					
Net Domestic Asset/1					
Domestic Credit					
Claims on Government (Net)					
Total Claim's on Government					
Treasury Bills					
Stocks and Bonds (TBB)					
Other (Loan & Advances)					
Government Deposits					
Claims on Private Sector*					
Claims on Public Enterprises					
Holdings of Central Bank Bills (+Asset)					
Credit from Central Bank (-Liability)					
Reserves					
Cash in vault					
Deposits with Central Bank					
Other Items, Net (Assets+)					
<b>Total Deposits Liabilities</b>					
Demand Deposits					
Time and Saving Deposits					
Foreign Currency Deposits					
*Includes: NMF1					
<b>Banking System Monetary Survey</b>					
<b>Net Foreign Assets</b>					
Foreign Assets					
Foreign Liabilities					
<b>Net Domestic Assets</b>					
Domestic Credit					
Claims on Government(Net)					
Total Claims on Government					
Treasury Bills					
Stocks and Bonds					
Ways and Means Advances					
Overdraft					
Others(Loans & Advances)					
Government Departments					
Government Deposits					
Claims on Public Enterprises					
Claims on private Sector					
Other items. Net (Assets+)/1					
<b>Broad Money</b>					
Narrow Money					
Currency with public					
Demand Deposits					
Quasi Money					
Time and Savings Deposits					
Foreign Currency Deposits(FCDs)					
Time Savings & FCDs					

Source: Central Bank

**TABLE 3: COUNTRY: Analytical Balance of Payments**  
(In millions of dollars)

	2012	2013	2014	2015	2016
<b>Current Account</b>					
Merchandise Export (fob)					
Traditional					
o/w diamonds					
Non traditional					
Merchandise Imports (fob)					
Oil					
Non-oil					
Trade balance					
Service (Net)					
Factor Services					
Non-factor services					
Private transfers					
Official transfers					
Current Account Balance					
Excluding official transfers					
Including official transfers					
<b>Capital Account</b>					
Official capital (net)					
Inflows/disbursements					
Amortisation due					
Other capital flows (net)					
Direct and portfolio investment					
Private borrowing (net)					
Short term capital					
Capital Account Balance					
Errors and Omissions					
<b>Overall Balance</b>					
Financing					
Net International reserves					
User of Fund Credit					
Disbursements					
Repayments					
Exceptional Financing/debt relief					
Other (including holdings of SDR)					
<i>Memorandum items</i>					
Imports of goods (cif)					
Imports of goods and services (cif)					
Current account/GDP					
Gross International Reserve (\$million)					
End of Period (US \$Millions)					
In months of import cover					
End of period exchange rate (le/\$)					
Average exchange rate (le/\$)					
Nominal GDP (\$million)					

Source: Country Authorities

**TABLE 4: COUNTRY: External Debt Position**  
*(In millions of US Dollars)*

	2012	2013	2014	2015	2016
<b><u>Total External Debt Outstanding (Inc. Comm. Arrears)</u></b>					
<b>Source</b>					
<b>Bilateral</b>					
<b>Multilateral</b>					
<b>International capital market</b>					
<b>Others, specify</b>					
<b>Tenor (Maturity)</b>					
Long term					
Medium term					
Short term					
<b>Creditor</b>					
Paris club					
London club (Commercial creditor)					
Others, specify					
<b>Memorandum items</b>					
i) Debt Service Payments					
Capital Repayments (Principal)					
Interest Payment					

Source: Country Authorities

**TABLE 5: COUNTRY: Output**  
(In millions of local currency units)

	2012	2013	2014	2015	2016
<b>Determination of GDP</b>					
<b>Final Consumption</b>					
Household					
Government					
NPISH					
<b>Gross Capital Formation</b>					
Gross fixed Capital Formation					
Private					
Public					
Change in inventories					
<b>Exports of Goods and Services</b>					
<b>Less: Imports of Goods and services</b>					
GDP at Currents Market Price					
GDP at Constant Price					
Real GDP Growth Rate					
GDP deflator					
<b>Sectoral Distribution of GDP</b>					
<b>Primary Sector</b>					
Agriculture					
Livestock					
Fishing					
Forestry					
<b>Secondary Distribution of GDP</b>					
Mining and Quarry					
Manufacturing					
Energy					
Construction					
<b>Tertiary Sector</b>					
Transport and communication					
Trade					
Banking and Finance					
Other Business Services					
Non-profit services					
Import Duties					
GDP at current market prices					
GDP at Constant 1990 prices					
GDP Deflator					
Real GDP Growth Rate					

Source: National Statistics Offices

TABLE 6: COUNTRY: Selected Interest Rates

MRR/Bank Rate	Tbill Rate (91 days)	Inter-bank Rate	Savings Rate			Time Deposits	Time Deposits	Commercial Lending Rate		
			Min	Max	Average	(3Months Average)	(12 Months Average)	Min	Max	Average
<b>Year</b>										
Jan										
Feb										
Mar										
Apr										
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										

Source: Central Bank

TABLE 7: COUNTRY: Exchange Rates

Year	Official Interbank/Auction		Forex Bureau		Parallel Market	
	Average LCU/\$	End period LCU/\$	Average LCU/\$	End Period LCU/\$	Average LCU/\$	End period LCU/\$
<b>Year</b>						
Jan						
Feb						
Mar						
Apr						
May						
Jun						
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						

Source: Central Bank

TABLE 8: COUNTRY: Consumer Price Index

Period	Overall Index		Index		Inflation Rate	
	End period	Average	Food	Non-food	End Period	Annual Average
<b>Year</b>						
Jan						
Feb						
Mar						
Apr						
May						
Jun						
Jul						
Aug						
Sep						
Oct						
Nov						
Dec						

Source: National Statistics Offices

TABLE 9: COUNTRY: Domestic Debt Data  
(In millions of local currency units, end of period)

	2012	2013	2014	2015	2016
<b>Total Domestic Debt Outstanding</b>					
<b>By Maturity</b>					
<b>Short Term (one year or less)</b>					
Treasury Bills (91 days)					
Treasury Bills (182 days)					
Treasury Bills (1 year)					
Short term advances from Central Bank					
Other					
<b>Total</b>					
<b>Medium/Long Term (Over 1 year)</b>					
Government Stocks					
Bonds					
Revaluation Stocks					
Other					
<b>Total</b>					
<b>By Holder</b>					
Central Bank					
Deposit Money banks					
Non-Bank Public					
<b>Total</b>					

Source: Central Bank



## ANNEX III

## ACTION PLAN FOR IMPROVEMENT OF MACROECONOMIC STATISTICS IN THE COMESA REGION

Programme	Objectives	Components	Activities	Commencement	Completion	Implementing Agency	Remarks
<b>Statistical Harmonisation and Database</b>	Continuation of Harmonisation of macroeconomic statistics for convergence surveillance and expediting actions to develop the statistical architecture that will support a common monetary policy operation of the COMESA Region.	National accounts harmonisation in collaboration with AfDB international comparison project (ICP)	<p>a) Improve content classifications, methodology for compilation of GDP (value added and expenditure approaches).</p> <p>b) Implementing SNA 93–</p> <ul style="list-style-type: none"> <li>• Undertake institutional sectors/establishment surveys</li> <li>• Inconsistency in some countries national accounts with other macroeconomic accounts corrected.</li> <li>• Start producing quarterly national accounts</li> <li>• Revision of national accounts with a new base year if the old one is outdated</li> <li>• Improve data dissemination quality through internet and website</li> </ul>	On-going	2018	COMESA Member States: National Statistics Offices	CMI monitors implementation in collaboration with COMESA Statistics client

Programme	Objectives	Components	Activities	Minimum Requirements	Commencement	Completion	Implementing Agency	Remarks
		Harmonisation of price statistics (CPI)	<p>a) Harmonise classification structure of CPI</p> <p>b) Update household survey and base year in countries where they are outdated</p> <p>c) Coverage of CPI</p> <p>d) Improve data dissemination quality through internet and website.</p>	<p>Adopt HCPI</p> <p>Surveys at most 5-7 years old</p> <p>Composite national index</p>	<p>On-going</p> <p>On-going</p> <p>On-going</p>	2016	National Statistics Offices of COMESA Member countries	CMI monitors implementation in collaboration with COMESA statistics client

Programme	Objectives	Components	Activities	Commencement	Completion	Implementing Agency	Remarks
		Money and Banking, Financial markets and related statistics	<p>a)Expand monetary survey to include non-banking financial institutions</p> <p>b)Improve data dissemination quality through internet and websites</p>	On-going	2017	Central Banks	

Programme	Objectives	Components	Activities	Minimum Requirements	Country Requirements	Commencement	Completion	Implementing Agency	Remarks
		Balance of Payments, International Reserves and the External Statistics	<p>a) Develop the reporting requirements of CMI (data set, timeliness and periodicity)</p> <p>b) Central banks get familiar with methodology used in surveys and learn from other countries that have successfully conducted surveys for BOP purpose.</p> <p>c) Improve the coverage of goods data such as estimating under recorded data and smuggling.</p> <p>d) Improve data dissemination quality through internet and websites</p>	Implementation of BPM's	National Central Banks to collaborate with CMI	On-going	2017	Central Banks of member countries	

Programme	Objectives	Components	Activities	Minimum Requirements	Commencement	Completion	Implementing Agency	Remarks
		Fiscal Statistics	<p>a) Promote quality of government finance statistics reported for macroeconomic surveillance by ensuring sufficient breakdown of revenue and expenditure by economic classification. Functional classification of expenditure is encouraged to be provided.</p> <p>b) Harmonise data from various sources, namely; the central bank, the central Bureau of statistics, Ministry of Finance (MoF) and Revenue Authority</p> <p>c) Introduce Intergrated Financial Management Information Systems (IFMIS) to link all data generating departments of MoF.</p> <p>d) An intergrated information technology to harmonise data from various sources.</p> <p>e) Improve data dissemination quality through internet and websites.</p>	Compilation of the GFS according to the new GFS manual of the Fund	On-going	2017	CMI Member countries	