



**EU Twinning Project  
IS12/ENP-APFI/o8**

**Support to the Israeli Central Bureau of Statistics  
in the development of National Accounts, Education Statistics,  
Survey Methodology, ICBS Website and  
Coordination of Israel National Statistical System**

**Component A  
National Accounts**

**Sub-component  
Government Accounts and  
Financial Accounts**

**Activity A.1  
Review of general government accounts**

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## Other annexes produced for the mission (external to the report)

Annex A1.5	Accrual Principle (Kristina Stæhr Vest)
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## List of Abbreviations

BC	Beneficiary Country (Israel)
CBS	Central Bureau of Statistics (Israel)
ESA	European System of Accounts
GFS	Government Finance Statistics
MS	Member State
OFI	Other Financial Intermediaries
SNA	System of National Accounts

## 1. General comments

This mission report was prepared within the EU Twinning Project between the Israeli Central Bureau of Statistics and Statistics Denmark. It was the third activity devoted to the subcomponent on Government Accounts and Financial Accounts within the general National Accounts component A: National Accounts.

The purpose of the A.1 mission was to assess the current situation, to identify problems and indicate possible solutions to solve these.

The results from the mission will be evaluated during the planned A.3 mission, which is planned to take place in the beginning of 2014.

The MS Experts would like to express their thanks to all officials and individuals met for the kind support and valuable information which they received during the stay in Israel, and which highly facilitated their work.

The views and observations stated in this report are those of the MS Experts and do not necessarily correspond to the views of EU or Statistics Denmark.

## 2. Assessment and results

### 2.1 CBS production

Concerning yearly data CBS currently produces:

- Yearly non-financial accounts for all subsectors.
- Yearly financial accounts for budgetary government and social security funds.
- Flash version for year  $t$  is produced by the end of December the same year ( $t$ ) and an updated flash in March the following year ( $t+1$ ).

The Infrastructure Department in the CBS receives accounting data from the Ministry of Interior for local government at ( $t+14$  months). The debugging and validation of primary accounting data for local government is performed by the Infrastructure Department.

The Infrastructure Department also collects detailed non-audited accounting reports in the period from ( $t+8$ ) months to ( $t+14$ ) months from 155 local government units (survey). After validation etc. data is delivered to the Macroeconomic Department in the CBS for the yearly compilation of GFS and SNA statistics. Yearly data based on final accounts are published on ( $t+18$ ) months.

Concerning quarterly data CBS produces:

- Quarterly non-financial accounts for budgetary government and the social security funds.
- Quarterly financial accounts for budgetary government and social security funds.

For the production of quarterly accounts, the macroeconomic department uses complimentary data from the Ministry of Finance and the Ministry of Defence including use of a new database developed by the Ministry of Finance.

### 2.2 Meeting with the Ministry of Finance

Representatives from the Ministry of Finance (MoF) were present at the first day, mainly representing the users' needs regarding Government Finance statistics etc. It was the overall impression that the MoF is satisfied with the data quality and supply from the CBS, but the

MoF find that other users experience difficulties using the CBS website when trying to find and retrieve data.

The CBS website is currently under reconstruction, which should resolve this issue. Another meeting with the MOF was agreed upon, in order to explore possibilities concerning the exchange of data, for example the possibility of MOF providing data on accrued interests to the CBS.

### ***2.3 Meeting with the Ministry of Interior***

The CBS does not currently receive accounting data concerning the local government units from the Ministry of Interior on a quarterly basis.

In the Ministry of Interior, the following data exist:

- Yearly data
  - Till 2013, detailed audited data from the local government units begin to become available from June, year (t+1), and by October approximately 80 percent is completed. In 2013, the complete primary accounting data for 2012 will be published in October 2013.
- Half yearly data
  - In future, the half-yearly data will be available 60 days after the end of the first and second half year (these data have a higher degree of validation than the quarterly data).
- Quarterly data
  - Detailed, not audited data from the local government units are available at (t+60) days for all local government units.
- More?
  - To be investigated in a joint working working group between the Ministry of Interior and the CBS.

The above information was provided by the Ministry of Interior during the meeting that was conducted in a very productive and fruitful atmosphere, on the third day of the mission. This meeting gave reason to believe in an improved cooperation with respect to data exchange between the Ministry of Interior and the CBS.

## **3. Conclusions and recommendations**

### ***3.1 Joint Working Group***

The MS Experts highly recommend the establishing of a joint Working Group between the Ministry of Interior and the CBS. An example of a Terms of Reference for such a Working Group is added to this report as Annex A1.4.

The meetings during the mission indicated that forming a joint Working Group on data exchange is in the interest of both the Ministry of the Interior and the CBS, as the quality of the data is of the utmost importance for both parties.

Participants from the CBS should include:

- The Macro Economic statistics department
- The Department of Infrastructure

Participants from Ministry of Interior should include

- The Auditing unit
- The Budget unit
- The Research and Information unit

An inter-institutional Steering Committee should be established to agree upon the Terms of Reference and a time-table for milestones etc. related to the work of the working group. The Terms of Reference in Annex A1.4 could be used as inspiration. However, the MS Experts suggest the following to be among the tasks for the working group:

1. Documentation concerning data availability from the Ministry of Interior, including both final and preliminary data
  - Type of data available
  - The level of detail in the available data
  - Timetable concerning the availability of the data for the CBS
  - The degree of completion of the data
    - Coverage of data
    - Auditing level of data
  - The format of the data files
  - The possibilities for transmission of data from the Ministry of Interior to the CBS
2. Documentation concerning data needed for future improvements of the macro economic statistics in the CBS, including detailed audited accounts data from the local government units.
3. Development of methodologies reflecting the availability and quality of the data.
4. Time schedule concerning future data deliveries from the Ministry of Interior to the CBS.
  - Type of data to be delivered
  - Timeschedule for regular datasupplies from the Ministry of Interior to the CBS.

The Working Group is to define what type of data is relevant for the production of the macro economic statistics compiled by the CBS, including detailed audited accounts data from the local government units.

The Steering Committee is to be established at a high level meeting of directors from the Ministry of Interior and the CBS.

While the MS Experts are aware that other issues that relate to the cooperation between the Ministry of Interior and the CBS are important too, they recommend that the work in this Working Group focus entirely on the exchange of data on local government units. Other issues may rather be discussed in separate working groups, also referring to the general Steering Committee.

In order to ensure the continued consistency between data collected, data needs and usage of the data, it is important to keep having meetings on a regular basis between the involved parties, also after the working group has been dissolved. If relevant, such a group could be expanded to include other relevant parties such as for example one of the larger local government units.

### **3.2 Other recommendations**

The data from the survey concerning the detailed non-audited yearly accounting reports, made by the Department of Infrastructure in the CBS, can with good results, be collected from June (t+1), as soon as the audited accounts from the corresponding local government unit becomes available in the system of the Ministry of the Interior.

Referring to the Danish experience, the MS Experts also recommend CBS to consider using outside assistance in the validation of data, both in order to save time and to improve the quality of the data of the macro economic statistics, by using the expertise from others.

As for the level of detail of the published data, it was decided that CBS based on the existing data should produce statistics for at least two years of the Government Finance statistics on the second COFOG level. The results should be sent in advance to the Danish experts implementing the A.3 activity within the Twinning framework, along with a description of the methodology used in order to overcome possible problems with the primary data.

#### **4. Road map - time plan**

It is suggested to initiate the cooperation between the Ministry of Interior and the CBS very soon. In order to initiate the work, it is foreseen that an introductory meeting at top level be organized in order to establish a Steering Committee.

Thereafter, the Steering Committee will meet to decide on Terms of Reference for the joint Working Group between the two institutions.

It is foreseen that the next activity A.3 within the subcomponent on Government Finance accounts and Financial Accounts will take place around February 2014. Before then a complete overview of the data that may be made available for CBS by the Ministry of Interior should be produced.

The next step will have to be an analysis of the available data based on a pilot study of quarterly and annual historical data. This will lead to conclusions regarding the perspectives of making the most use of the available data as well as the necessity for developing adequate methodologies reflecting the quality of the data.

The conclusions regarding the available data and the quality of these data, including the methodological implications, should be agreed upon before 1 August 2014 in order to reach the mandatory results of the Twinning project.

Before the A.3 activity in the beginning of 2014, the COFOG classification should, on experimental basis, be used to produce statistics on the second level, and the results should be sent to the Danish experts implementing the A.3 activity.

## **Annex A1.1. Terms of Reference**

### **Mandatory results (MR) related to the mission**

MR1: Definition of the structure of improved government finance accounts crossclassified by subsectors and COFOG functions

MR2: Presentation of EU experience on inter-institutional arrangements between National Statistics Offices and Ministries of Finance with regard to cooperation and data exchange

### **Expected output of the A1 mission**

Report with recommendations for a work plan for improving general Government Accounts

### **Description in the contract of the sub-component**

The scope of Government Accounts needs to be broadened. At present, full non-financial accounts are prepared for the General Government, while the financial accounts cover only central government. In addition, not all the transactions are recorded on accrual basis and need to be improved. The accounts need to cover also local government.

ICBS needs to decide how to collect and integrate information for these additional sectors in order to produce General Government Accounts. In addition, while the expenditure side of the accounts is well covered, there is a need to improve information on the revenue side.

For financial accounts, recommendation for improvement of data coverage, especially as regards commercial banks will be made. Therefore, data reporting channels need to be developed, and methods of treating data quality and coverage problems need to be selected.

The project will assist ICBS in optimising the inter-institutional arrangements with the Ministry of Finance.

### **Activity A.1 Review of general government accounts**

#### **Subject / purpose of the A.1 activity**

Assessment on current situation and identification of problems and how to solve them.  
Presentation on general government non-financial and financial accounts incl. local government, as ICBS is interested in improving these accounts.

The Ministry of Finance will be invited to take part in the workshop which relates to data supply. Likewise, Ministry of Interior will be invited to discuss possible ways of data supply.



## Annex A1.2. Programme, 30 September – 3 October 2013

Date	Place	Time	Event
Mon 30/9	CBS	09:00	Welcome and introduction to CBS and this part of component A
		09:15	BC: Introduction to Macroeconomic department and National Accounts
		09:30	BC: Overview of General Government accounts in Israel in the SNA and GFS frameworks
			* Presentation of the existing government accounts
			* Analyzing of current situation and identifying the problems
		10:30	Coffee break
		11:00	BC: The use of general government data (presentation by MoF)
		12:00	Lunch break
		13:30	MS: Government Accounts in Denmark
		14:30	Coffee break
Tue 1/10	CBS	15:00	Accrual interest: meeting with debt unit of MoF
		09:00	Financial accounts for General Government
		10:30	Coffee break
		11:00	Adjustments for statistical discrepancies
		12:00	Lunch break
		13:30	Preparation for meeting with Ministry of Interior
			* Explanations regarding the requirements for data supply
			* Units involved in the meeting
Wed 2/10	CBS	14:30	Coffee break
		15:00	Conclusions and decisions
		09:00	Welcome and introduction
		09:15	BC: An overview of local government accounts in macroeconomic statistics
		09:30	BC: Data collection
		10:00	BC: An overview of data needs for quarterly reports and the importance of the data for OECD and IMF reports
		10:30	Coffee break
		11:00	MS: Annual and quarterly Local Government accounts in Denmark
			* Data collection, data processing, data sources, accounting systems and reports
			* Use of data in National Accounts and GFS
		12:00	Lunch break
		13:30	Presentation and discussion with Ministry of Interior on quarterly data.
Thu 3/10	CBS		* The quarterly reports drawbacks
			* Establishing data channels
		14:45	Coffee break
		15:00	Conclusions and decisions
		09:00	Summary of the meeting with Ministry of Interior and writing preliminary report on local authorities data supply
		10:00	Conclusions and preliminary work plan for Government Accounts
		11:00	Presentation of the proposed recommendations and plans
	CBS	12:00	Lunch break
		13:30	Debriefing and discussion on working plans with ministries
		14:45	Coffee break
		15:00	Finalizing work plan for further development of Government Accounts

## **Annex A1.3 Persons met**

### **CBS**

Olivia Blum

Batia Attali

Oz Shimoni

Galina Braverman (Seleznev)

Meital Peretz

Malka Lewinger

George Kun

Shulamit Maximof

...

### **Ministry of Finance**

Nimrod Etzioni, Assistant Director, Risk Management

Lev Druker, Head of Macro and Forecasting Department

### **Ministry of Interior**

Sivan Lehavi, Budget Unit

Shira Mizrahi, Auditing Unit

## **Annex A1.4 Draft Terms of Reference for Joint Working Group**

### **Joint Working Group**

*between*

**Ministry of Interior (MoINT)  
and Central Bureau of Statistics (CBS)**

*on*

### **Data exchange on Local Government Accounts**

### **Terms of Reference (draft)**

The Working Group is established by and refers to the Steering Committee with members from Senior Management of the Ministry of Interior of the State of Israel and the Israeli Central Bureau of Statistics.

Each of the two institutions will assign its' participants in the Working Group according to the information and qualifications needed for the Working Group to be successful.

The purpose of the Working Group is to analyze the Ministry of Interior's quarterly and yearly data on Local Government Accounts with respect to their possible use for statistical purposes, and in this way lead to an agreement regarding future, regular data transmissions from the Ministry of Interior to the Central Bureau of Statistics.

The Working Group will, on its' first meeting, discuss the work program and time schedule. This plan will be presented to the Steering Committee for its' approval. The work program will include the following goals:

- Description of the actual data needs in the light of national and international demands for Government Finance statistics;
- Complete overview of the actual available primary data, i.e. the level of detail of the quarterly, half-yearly and yearly primary data;
- An analysis of the degree of completeness, during the year, of the quarterly and yearly primary data;
- Development of methodologies corresponding to the available data at any time.

It is foreseen that conclusions regarding these short term goals are ready no later than 1 August 2014. A quarterly status is provided every quarter, and the first status will be made no later than 1 February 2014.

In the long run, a regular data format and data transmission mechanism should be discussed. Likewise, arrangements should be made as to how the Ministry of Interior should be informed on statistics to be published by CBS where the Local Government Accounts data are used.

The working group will meet on a regular level – in the beginning with no more than 5-6 weeks intervals. CBS will be responsible for the drafting of the Agenda for each meeting of the Working Group and for writing the minutes from the meetings.