



مركز الإحصاء
STATISTICS CENTRE

Government Finance Statistics

Methodology

www.scad.gov.ae



| adstatistics

Table of Contents

Overview.....	3
Importance.....	3
Objectives.....	3
Concepts & Definitions.....	4
Geographical Coverage.....	6
Frequency.....	6
Classifications.....	6
Main Data Sources.....	7
Questionnaires.....	8
Data Collection.....	8
Data Editing	8
Indicators Calculation	9
Timeliness.....	12
Dissemination.....	13

Overview

The government finance statistics provide data users with a comprehensive and coherent picture of the overall economic performance of the government sector in the Emirate of Abu Dhabi and the financial performance of Abu Dhabi Government. These financial statistics are predicated on a number of concepts, definitions, regulations, manuals and accounting rules which constitute an internationally agreed standard. The general government sector is one of the five main sectors constituting the local economy of Abu Dhabi Emirate. The System of National Accounts 1993 comprehensively and restrictively classifies the assessed institutional units in the economy into five main sectors. These units in each sector have similar objectives which differ in turn from the objectives of the units in other sectors; the general government sector is one of these units.

In the system of national accounts 1993, government units are defined as institutional units having legal entities of unique types that are instituted by political processes and exercise legislative, judicial and executive powers over other institutional units in a particular area. If viewed as institutional units, government functions assume the responsibility of providing goods and services to the community or to the individual, along with providing finance for these goods and services from taxes and other revenues, redistributing income and wealth via transfers and engaging in non-market production .

The general government sector consists of all the government units and all non-profit institutions which are not engaged in market production and are chiefly controlled and financed by government units.

Importance

This methodology has been prepared by the Statistics Centre- Abu Dhabi and aims to provide economic and financial indicators for the government sectors to support policies and economic decision-making in the Emirate of Abu Dhabi. The methodology also aims to measure developments in this sector and the extent to which it contributes to the economy of the Emirate of Abu Dhabi, and to provide the basic data and information necessary for the preparation of national accounts statistics.

Objectives

- Providing economic and financial indicators to measure the economic performance of the government sector in the Emirate of Abu Dhabi.
- Providing estimates to support decision- and policy makers, researchers and those interested in updated statistics and indicators.
- Providing revised government finance statistics of the previous reference year, based on the actual data of government entities.
- Measuring the economic developments and economic growth of the government sector in the Emirate of Abu Dhabi to guide government policies.
- Measuring the direct impact of the government sector on the economy of the emirate and identifying the extent of development taking place in this sector.
- Contributing towards building a national statistical system in the United Arab Emirates by providing these indicators.

Concepts and Definitions

- **Public Sector:** The public sector consists of the general government sector and all the public companies owned, or whose decisions are controlled, by the government.
- **General Government Sector:** The general government sector consists of all the government units and non-profit institutions which do not engage in market production and are chiefly controlled and financed by government units.
- **Government Units:** These are unique types of legal entities instituted by political processes and have legislative, judicial and executive powers over other institutional units in a particular area. The main functions of the government, if viewed as institutional units, are to assume the responsibility of providing goods and services to the community or individual households and finance their provision from taxes and other revenues along with redistributing income and wealth via transfer and engaging in non-market production.
- **Output of the General Government Sector:** The system of National Accounts 1993 defines production generally as a process assumed under the responsibility, control and management of an institutional unit where labor and assets are used to convert the inputs of goods and services into outputs of goods and services.

Outputs of the units constituting the general government sector consist of:

- **Collective, non-market outputs:** These are goods and services provided to society as a whole or a large section of households; most of these services are provided freely.
- **Individual non-market outputs:** These are individual services provided to individual households and are mostly provided at prices with no economic significance.

The fact that the production of the government is not sold on the market makes it difficult to evaluate this production at market prices and, hence, the production of this sector is evaluated by the cost of production.

- **The Cost of Output of the General Government Sector:** All the outputs of government units are evaluated by the total cost of their production in the system of national accounts, i.e., the sum total of (intermediate consumption, employee compensations, consumption of capital and other taxes minus aid to production).
- **Intermediate Consumption of the Government General Sector:** This is the value of goods and services used as inputs to the process of production excluding the fixed assets whose consumption is considered consumption of fixed capital. The goods and services used may be transformed or wholly used in the production process and some services may reappear after having been transformed or integrated into outputs. There are inputs that might be consumed wholly such as electricity and similar services where intermediate consumption of inputs to the production process (of goods, services) is considered consumed during the accounting period.
- **Value-added:** The value-added is defined as the value of all goods and services produced during the production period, but have not been used immediately in the production process of that period.

- **Employee Compensations:** This includes all amounts payable to employees in return for performing work whether in cash or in-kind before any deductions such as social security contribution, taxes and the like.
- **Public Administration and Defense Sector - Compulsory Social Security (Government Sector):** This sector includes establishments that work in governmental activities, and are operated by the central government and also includes compulsory social security.
- **General Government Final Consumption Expenditure:** This is the expenditure of the general government sector including expenditure on individual and collective consumer goods and services. The value of this expenditure equals the value of non-market outputs minus the value of sales revenue. This revenue may come from selling some goods and services at prices of no economic significance or selling a small amount of goods and services at prices of economic significance (selling secondary market outputs).
- **Gross Fixed Capital Formation:** This is the total value of a producer's acquisition of fixed assets less the value of the producer's disposal of fixed assets (acquisitions disposals) during the accounting period plus additions to the value of non-produced assets such as land reform, developing and extending forests, farming, orchards, etc, which take a period of more than one year. This also includes animal wealth as regards animal husbandry and animal lactation, etc. It also includes ownership transfer with respect to buying and selling lands, mines, forests, etc.
- **Fixed Assets:** These are produced assets used recurrently or continuously in productive processes for a period of more than a year. Fixed assets do not include machines and equipment only; but also include different assets such as trees, animals used repeatedly or continuously to produce other products such as milk. They also include intangible assets such computer programs and original artworks used in production.
- **Consumption of Fixed Capital:** This represents decline in the value of fixed assets used in production during the period of accounting or the financial period as a result of material deterioration or obsolescence or normal wear and tear. This consumption may be deducted from gross fixed capital formation to obtain net fixed capital formation.
- **Marketed Goods and Services:** The value of goods and services sold on the market or essentially produced to be sold on the market at a price whose aim is to cover the cost of production. They include all goods and services produced locally or imported except direct purchases from abroad by the government and families.
- **Non-Marketed Goods and Services:** This is the value of other goods and services offered at a price that does not cover the cost of producing them (free or nominal price). Most of these are produced by government services producers and private entities that do not seek to make profits and serve families.
- **Income Type Value Added Tax:** This is the total incomes of production factors contributing to the production process, taxes on production and imports and the value of the contribution of fixed assets to the production process (consumption of fixed capital) during a specific period which is mostly a year.

- **Constant Prices:** This refers to the real time series obtained by removing the effect of price changes over time from the values of flows or stocks of goods and services which have been purchased for resale.
- **Current Prices:** This refers to a series being valued at the prices current at the time the activity takes place.
- **Dirham:** This is the currency of the United Arab Emirates (|Emirati Dirham- AED)

Geographical Coverage

The Emirate of Abu Dhabi including its region (Abu Dhabi region, Al Dhafra region and Al Ain region).

Frequency

- Quarterly
- Annually

Classifications

A classification is defined as a set of graded, interrelated categories used in data collection according to similarity. Classification constitutes the basis of data collection and dissemination in various statistical fields such as (economic activity, products, expenses, professions or health... etc.). Classifying data and information allows for assigning them to meaningful categories to produce useful statistics as collection of data requires a meticulous and methodic arrangement in accordance with their common characteristics whereby statistics become credible and comparable.

- **Classification of the Function of Government (COFOG):** The classification of the function of government, which is compatible with the system of national accounts issued by the United Nations in collaboration with the Organization of Economic Cooperation and Development, is one of the pillars of the manual as it classifies "government expenditure" according to its functional nature to measure the extent to which government expenditure has achieved its general objectives as regards helping analysts and controllers of the performance of government bodies in assessing the efficacy of government spending.
- **System of National Accounts:** The Centre is working on shifting from the system of 1993 to the system of 2008, which is one of the most up-to-date systems. Generally speaking, the differences between the two systems are not essential in the domain of calculating gross domestic production. This manual focuses on defining production and the requirements of production in every economic activity, guides to record numbers of prices, functional classification of government spending, classification of family spending according to purpose and others. Also, some systems are applicable while others represent a challenge to applying them.
- **Government Finance Statistics Manual:** The *Government Finance Statistics Manual 2014* issued by the Department of Statistics in the International Monetary Fund is an update of the edition issued in 2001 of the Government Finance Statistics Manual. The purpose of this manual

is to serve as a reference to the system of government finance statistics and cover concepts, definitions, classifications, accounting rules and provide a comprehensive analytical framework according to which data can be summarized and presented in a form suitable to analysis, planning and deciding policies.

- **International Standard Industrial Classification of All Economic Activities (ISIC 4):** This is a statistical classification relying on the international standard classification of all economic activities as this standard classification is the reference classification of productive activities. It defines economic activity as being (all those actions and services carried out by a facility to achieve material returns. Sometimes the facility does not earn material gains from its actions as is the case with charitable societies that depend on donations).
- **Central Product Classification (CPC Version 2.1):** The central product classification is a complete classification including goods and services. This classification is an international standard for assembling and tabulating all kind of data requiring product detail including industrial production, national accounts, service industry, domestic and foreign trade in basic goods, international trade in services, balance of payment, consumption and price statistics and other basic purposes to provide a framework for international comparison and promote the harmonization of various types of statistics related to goods and services.

Main Data Sources

The sources of data sources used in producing indicators of government financial statistics are:

- **Administrative Data:** The financial data of government entities are used in conformance to the definition given by the government in the national accounts to extract the indicators of economic performance whose main source is the Department of Finance and the Ministry of Finance.

The sources of economic performance indicators of the general government sector in the Emirate of Abu Dhabi are focused on the following:

- **The Government of the Emirate of Abu Dhabi:** Government entities affiliated to the Emirate of Abu Dhabi are divided into two main parts, which are:
 - I. **Local government entities and departments affiliated to Abu Dhabi Department of Finance:** the data of these entities are collected via Abu Dhabi Department of Finance; sometimes this required communicating directly with these entities.
 - II. **Autonomous local government entities and authorities:** the data of these are estimated or the entities and authorities are contacted directly in case the financial data are effective as regards aggregate data.
 - **Federal Government entities: the entities affiliated to the federal government are divided according to data sources into two main sections:**
 - I. **Ministries and government entities directly under the control of the Ministry of Finance:** the data of these entities is provided via the Ministry of Finance and by these same entities directly if the need arises.

- II. **Autonomous federal government entities and authorities:** the aggregate data of these entities are provided via the Ministry of Finance and by these same entities directly if the need arises.

Indicators of the financial performance of Abu Dhabi government rely on: the financial records available at Abu Dhabi Department of Finance including the financial data of local government entities in the Emirate of Abu Dhabi.

Questionnaires

- Official emails to collect administrative data.
- Connectivity systems with government entities.

Data Collection

- Administrative records.

Data Editing

Generally, data is audited through

- **Logical editing of data:** This is performed in the analysis stage to ensure the consistency of data with the time series.

In this process, the quality of output products is verified according to the frame of general quality. The verification activities include:

1. Verification of the rates of coverage and response and that they are as required.
2. Comparison with the statistics of previous cycles (if available).
3. Verification of metadata.
4. Comparing the numbers of the data produced with other related data (internal and external alike).
5. Ensuring that there is no conflict with statistics.
6. Verifying the validity of comparing statistical forecasting.

Quality of the government financial statistics: It is difficult to pass an absolute judgment on any statistical work; however, international recommendations refer to the necessity of applying some criteria specific to the quality of statistical data to ensure that these data represent reality to a high degree of credibility. With this as a point of departure and to ensure the quality of the government financial statistics, the practice is to adhere to the International Monetary Fund Data Quality Assessment Framework (IMF DQAF). The Centre works on adhering to the basic conditions of quality and the dimensions of quality. There are five dimensions of quality:

- **Objectivity guarantees:** This dimension basically focuses on professional competence and transparency. In this respect, the Centre focuses on employing personnel of high level in terms of experience and competence in the domain of national accounts,

qualifying employees with training programs on this subject and giving them opportunities to be acquainted with the experiences of others via participating in external relevant events

- **Methodology soundness:** This dimension focuses on applying international methodology and sound practices. The Centre undoubtedly focuses on following-up the most up-to-date developments, abiding by aligning the methodologies used in its work with international recommendations and matching global criteria in this field.
- **Accuracy and Reliability:** This dimension focuses on having the results reflect the reality of economy. Here it must be pointed out that the Centre focuses on collecting data including most or all government entities in a detailed manner to guarantee the highest level of quality.
- **Serviceability:** This dimension focuses on periodicity and data consistency. In conformance to this, the Centre issues the annual and quarterly data of the government sector in a constant periodic with improvement in the period between the reference year and issuing results. As regards consistency, the Centre works on revising the internal consistency of data and comparing the government data with secondary sources.
- **Accessibility:** After finishing the calculation of the economic and financial indicators of the government sector and performing consistency and revision processes, the Centre works on providing decision-makers with data via all means of dissemination to make it available to all users according to the approved policy of dissemination in the Centre.

Indicators Calculation

A. Methodology of producing financial performance indicators

The financial performance indicators are calculated on the basis of the financial data of the trial balance issued by Abu Dhabi Department of Finance including the revenue and expenditure of the Department and the local government entities in the Emirate.

- Revenue: This is the increase in the net value resulting from a transaction; it is the money earned by the government of the state from various sources and entities. Revenue may be generated from taxes or non-tax revenue. By another concept, it is the sum of all transactions recorded in the resources frame approved at departments and the Ministry of Finance including payable taxes on current accounts and payable capital recorded in the capital account. By referring to the revenue of Abu Dhabi government, we find that there are four major types of revenue, which are:
 1. Taxes and other compulsory transfers imposed by government units.
 2. Earnings from equity derived from ownership of equity stake
 3. Selling goods and services.
 4. Voluntary transfers

Revenue indicators are thus produced according to the following:

1. Oil revenue and tax returns
 2. Current revenue of departments
 3. Capital revenue
- Expenditures (expenses): This is a decline in net value resulting from a transaction. Governments assume two public responsibilities in the economic field: the responsibility of providing select goods and services for all on a non-market basis and redistributing income and wealth through transfer payments.

Abu Dhabi Government Performance Output Indicators

- Revenue of Abu Dhabi local government
- The relative importance of Abu Dhabi government revenue
- The rate of growth of Abu Dhabi government revenue
- The value of the general expenditure of Abu Dhabi local government by economic classification
- The relative importance of Abu Dhabi government revenue by economic classification
- The general expenditure of Abu Dhabi local government by type
- The relative importance of Abu Dhabi government revenue by type

B. Methodology of Producing Indicators of Economic Performance

The government sector comprises activities of governmental nature usually performed by the public administration. This comprises laws and their interpretations along with issuing the special regulations specific to these laws and managing the programs build on them. It also comprises legislative activities, taxes, national defense, public order and safety, immigration service, management of governmental programs and foreign affairs. This sector also includes the activities of compulsory social security.

The Centre produces the economic indicators of the government sector detailed according to the Classification of the Functions of Government (COFOG) by three main functions:

1. The functions or activity of the general administration, defense and compulsory social security.
 2. The function or activity of education
 3. The function or activity of health.
- Government Sector Production: The production of the government is calculated in a different way from calculating costs in the rest of the economic sector. The government produces services that serve public purposes and does not target profit. According to the system of national accounts, the production of the government sector is estimated by the "cost of production" method since the government production is not sold on the market and hence it is difficult to assess its production by market prices. Accordingly, the production of this sector is calculated by the

aggregate of its production, i.e. (aggregate of intermediate consumption, employee compensations, capital consumption and other taxes less subsidies on production).

The production of the government sector in the Emirate of Abu Dhabi is obtained by calculating the production of the local government of the Emirate of Abu Dhabi plus Abu Dhabi's share of the production (output) of the federal government.

The mathematical equation: intermediate consumption + employee compensations + capital consumption + other taxes – subsidies on production.

- Intermediate consumption of the general government sector: intermediate consumption consists in operational expenditure and other items of expenditure after reclassifying the items of expenditure of the detailed budget data of the budget chapters (trial balance) coming from the data sources referred to in the methodology, which are incorporated in intermediate consumption under the system of national accounts. The calculation of the intermediate consumption in the Emirate of Abu Dhabi is calculated by: calculating the intermediate consumption of the Emirate of Abu Dhabi and its share in the intermediate consumption of the federal government.

The mathematical equation of intermediate consumption = aggregate government expenditure on buying goods and services (consumer goods).

- Employee Compensations: This is the entitlements of employees as a result of their participation in the production process whether these entitlements are received in cash or in-kind; this includes the benefits granted to employees such as accommodation and contributions paid on behalf of employees such as medical insurance, saving funds and other social contributions. In a simple, other conceptual sense, employee compensation figures in the financial data in chapter one (salaries and wages) of the budget of government entities after reclassifying the expenditure items of the detailed financial data of the budget chapters (trial balance) mentioned in the data sources referred to in the methodology; this detailed financial data is incorporated in the concept of employee compensations under the system of national accounts.
- **The Value-added of the Government Sector: The value-added of the government is calculated by the income method whereby employee compensations is added to the estimated capital consumption for the reference year divided by the fixed assets of the government. As the government does not target profit and there are no operating surplus and taxes on production and imports, calculating value-added is based on its components as mentioned before. The value added by the government sector in the Emirate of Abu Dhabi is determined by calculating the value-added of the local government of the Emirate of Abu Dhabi and calculating the share of the Emirate of Abu Dhabi in the value-added of the federal government; data on both are available at the Department of Finance of the local government and the final statement of the federal government.**

The mathematical Equation: value added by the government = employee compensations + consumption of fixed assets.

- **Gross fixed capital formation:** This is measured by the sum of what a producer possesses of fixed assets less the value of the assets he/she disposes of during the accounting period plus some additions to the value of non-productive assets, which result from a productive activity of institutional units such land reform and improvement or increasing its productivity, etc. Capital formation is presented in the financial data in chapter three (Capital Expenditure) in the budget of government entities after reclassifying expenditure items of the detailed financial data of the budget chapters (trial balance) mentioned in the data sources referred to in the methodology, which is incorporated in the concept of fixed capital formation referred to under the system of national accounts, where the fixed capital formation of the general government sector of the Abu Dhabi government and the Emirate of Abu Dhabi share in the fixed capital formation of the federal government are calculated.
- **Final consumption expenditure of the general government sector:** This is what the general government spends on self-consumed goods and services, i.e. it equals the value of gross production of the government less the total value of marketed and non-marketed sales taking into consideration that the gross value of government production equals the gross value of intermediate consumption of goods and services and the value of employee compensations, fixed capital consumption and the net value of indirect taxes. The calculation of the final consumption of the government sector of the Emirate of Abu Dhabi is carried out by calculating the final consumption of the government of the Emirate of Abu Dhabi and its share in the final consumption of the federal government.

The mathematical Equation: intermediate consumption + employee compensations + capital consumption + other taxes – subsidies on production – the total value of marketed and non-marketed sales.

The Economic Performance Indicators Outputs of the Emirate of Abu Dhabi

- The government sector output by functional classification
- Intermediate consumption of the government sector by functional classification
- Value-added of the government sector by functional classification
- Expenditure on the final consumption of the government sector by functional classification

Timelines

- Annual estimates after the end of the reference year by three months (90 days)
- Quarterly estimates after the end of the reference year by three months (90 days)
- Actual findings after the end of the reference year by six months maximum.

Dissemination

The finance statistics of the Abu Dhabi local government as absolute figures are confidential and off-the-record and only decision-makers are provided with these statistics. However, these statistics are disseminated in the form of percentages to all data users. As for the finance statistics of the government of the Emirate of Abu Dhabi, which measure economic performance, they are disseminated in the reports and bulletins of the national accounts. In disseminating its statistics, the Statistics Centre- Abu Dhabi depends on the policy of dissemination approved by the Centre with statistics disseminated in different forms: a report, bulletin, statistical tables, graphics, diagrams, or in the form of news. Statistics are disseminated via the following means:

- The official website of the Statistics Centre- Abu Dhabi on: <http://www.scad.gov.ae>
- Customer Happiness portal
- FedNet
- Press lines
- Different platforms of the Statistics Centre- Abu Dhabi in the social media
- Official letters



مركز الإحصاء
STATISTICS CENTRE

رؤيتنا: الريادة والابتكار في الإحصاء
Our Vision: Leadership and Innovation in Statistics



www.scad.gov.ae

    adstatistics