

INTERNATIONAL MONETARY FUND

Using the *GFSM 2001* Statistical Framework to Strengthen Fiscal Analysis in the Fund

Prepared by the Statistics and Fiscal Affairs Departments

(In consultation with other departments)

Approved by Robert W. Edwards and Richard Hemming

October 25, 2005

Contents	Page
Executive Summary	3
I. Introduction	5
II. <i>GFSM 1986</i> and Fiscal Analysis in Fund Staff Reports	6
III. Main Features of <i>GFSM 2001</i>	9
A. The <i>GFSM 2001</i> Analytical Framework	9
B. <i>GFSM 2001</i> Fiscal Tables	11
C. Valuation	13
D. Fiscal Indicators	14
E. Advantages of <i>GFSM 2001</i>	16
IV. Implementation of <i>GFSM 2001</i>	16
A. Fiscal Tables in Fund Reports	17
B. Reporting Fiscal Data to the Fund	18
C. Fiscal Targets Under Fund-Supported Programs	20
D. Coverage of Fiscal Statistics	21
E. Institutional Requirements	22
V. Using <i>GFSM 2001</i> Tables for Fiscal Analysis	24
A. Summary of Desk Studies	24
B. The Case for Pilot Studies	25
C. Training and Support	26
VI. Issues for Discussion	27

Tables

1. The <i>GFSM 2001</i> Analytical Framework	12
2. Bridge Between Typical Staff Reports and the <i>GFSM 2001</i> Presentation of Operations ...	19

Box

1. Country Experiences with the Accrual Reporting of Fiscal Statistics.....	23
---	----

Appendix

I. Detailed Results from Staff Desk Studies	48
---	----

Appendix tables

3. Uruguay: Statement of Combined Public Operations (<i>GFSM 2001</i>), 1999–2002	34
4. Uruguay: Balance Sheet for the Combined Public Sector based on the <i>GFSM 2001</i> , 2000–2002.....	35
5. Uruguay: Combined Public Sector Statement of Sources and Uses of Cash (<i>GFSM 2001</i>), 1999–2002	36
6. Malaysia: Statement of Consolidated General Government Operations (<i>GFSM 2001</i>), 1996–2003.....	36
7. Malaysia: Balance Sheet for the General Government based on the <i>GFSM 2001</i> , 2000–2003.....	38
8. Malaysia: Consolidated General Government Statement of Sources and Uses of Cash (<i>GFSM 2001</i>), 1996–2003	39
9. Mauritius: Statement of Central Government Operations, (<i>GFSM 2001</i>), 1995/96– 2001/02	40
10. Mauritius: Balance Sheet for Budgetary Central Government based on the <i>GFSM 2001</i> , 1994/95–2006/07.....	41
11. Mauritius: Budgetary Central Government (plus Privatization Fund) Statement of Sources and Uses of Cash (<i>GFSM 2001</i>), 1995/96–2001/02	42

EXECUTIVE SUMMARY

- 1. The *Government Finance Statistics Manual 2001 (GFSM 2001)*, an internationally recognized statistical reporting framework, provides a sound basis for fiscal analysis and can play a key role in strengthening the analytical basis of surveillance and Fund-supported programs.** To this end and to follow up on Executive Board discussion on public investment and fiscal policy, the present paper responds to the Board's call for greater consistency in fiscal reporting in line with *GFSM 2001*. In this context, the paper summarizes the framework, reviews the implementation process of the *GFSM 2001* framework by member countries and Fund staff, and proposes pilot studies. It seeks the support of the Board for gradual adoption of the framework as the basis for fiscal analysis in Fund staff reports.
- 2. Providing a sound basis for fiscal analysis, for instance in Fund staff reports, the *GFSM 2001* analytical framework can be summarized in a set of three fiscal tables containing core indicators.** Similar to business financial statements, the *GFSM 2001* summary tables comprise an operating statement, balance sheet, and cash statement. The tables contain four core fiscal indicators (the net operating balance, net lending/borrowing, net worth, and the cash surplus/deficit). At the same time, the *GFSM 2001* framework recognizes that a wider range of supplementary fiscal indicators may continue to be useful in particular circumstances. The framework focuses on the general government; however, it also encourages countries to report fiscal statistics that cover the public corporations sector and the public sector as a whole. Presenting the three tables in Fund staff reports would enhance the methodological soundness of the data used in Fund fiscal analysis.
- 3. The *GFSM 2001* statistical framework can strengthen the basis on which policy recommendations are made, including in Fund staff reports.** It strengthens fiscal sustainability analysis—that is, it allows analysts to evaluate changes in net worth presented in balance sheets that integrate stocks and flows. *GFSM 2001* supports the balance sheet approach to analyzing economic policy by bringing together stocks and flows in a transparent and consistent framework. Also, *GFSM 2001* is better suited for inclusion in a quantitative macroeconomic framework because it yields measures of government saving, investment, and consumption; these measures have been harmonized with the national accounts framework. In addition, the framework provides a basis for analyzing public investment. The net operating balance and net lending/borrowing in *GFSM 2001* are close counterparts to the current and overall balance, respectively. Thus, this distinction helps analysts to recognize that while investment creates assets, the debt accumulated to finance public investment need not reduce net worth.
- 4. *GFSM 2001* has additional strengths for the basis of fiscal policy recommendations.** It standardizes many adjustments made in staff reports, among other things eliminating asymmetries associated with “lending minus repayments.” Moreover, it presents a more comprehensive analytical framework, capturing noncash transactions coherently and consistently. It also provides a “common language” that fiscal analysts can

use to develop a consistent approach to handling new, and often complex, government operations that create challenges in fiscal reporting and analysis.

5. **Costs and risks to *GFSM 2001* implementation** include the learning curve for Fund economists to become comfortable with the framework and fiscal indicators, time and resources needed to fully implement *GFSM 2001*, and possible opportunities for creative accounting associated with the shift to accrual reporting.

6. **Implementation of *GFSM 2001* involves three sets of actions that can be initiated simultaneously but that have different time horizons: presentation (near-term), reporting (medium-term), and full implementation of accrual reporting and underlying systems (long-term).** Thus, implementing the framework is not only about shifting the emphasis to accrual reporting. While full *GFSM 2001* implementation on an accrual basis will take most countries many years to complete, aspects of the *GFSM 2001* framework have relevance whatever a country's implementation capacity. In short, it will be fairly easy to reclassify fiscal data to conform to the *GFSM 2001* presentation, but efforts to report accrual-based information will take more time.

7. **On presentation**, the first step will be to merely reclassify existing data. The transition from the current presentation to the *GFSM 2001* presentation should not compromise the quality of fiscal policy analysis in Fund staff reports. In view of policymakers' familiarity with the overall balance as the principal fiscal policy indicator in Fund work, a bridge table should be made available in staff reports to explain the differences between *GFSM 2001* "net lending/borrowing" and the traditional overall balance used in a particular country. In addition, the reports should document the way in which the current and *GFSM 2001* presentations are bridged and the way in which they each use source data. Conceivably, the changeover to the *GFSM 2001* presentation could produce a break in the time series of fiscal data. However, as countries continue along the path of implementing *GFSM 2001*, this break will fade to the past, as better data become available. Voluntary pilot studies proposed by staff would explore the modalities for presenting and analyzing *GFSM 2001* statistics in Fund staff reports.

8. **On reporting**, collaboration between the Fund and member countries is required. Member countries already are developing the capacity to report fiscal statistics to STA using the *GFSM 2001* framework. Reporting to area departments in the *GFSM 2001* format has just begun by a limited number of countries.

9. **On the full implementation of accrual reporting and underlying systems over the long term, the process remains the responsibility of the national authorities.** Full implementation of *GFSM 2001* will be a major task for most countries, requiring careful planning and management to avoid disrupting the flow of fiscal statistics. The proposed approach to *GFSM 2001* implementation should be a migration strategy, tailored to institutional capacity. In developing a migration strategy, lessons are to be learned from the experience of those countries that have already shifted to accrual reporting. Staff will continue to provide technical support and training to the authorities in their *GFSM 2001*

migration efforts. In addition, Fund internal training on *GFSM 2001* is under way and will be increased.

10. **The staff proposes to conduct pilot studies, on a voluntary basis over the course of two years, to map out more fully the process involved in shifting to the *GFSM 2001* statistical framework.** Desk studies already conducted by staff illustrate the potential gains for fiscal analysis from using the three *GFSM 2001* tables. However, this framework has not been fully tested across the membership. The estimated cost of the proposed pilot studies would be absorbed within the existing resource envelope. In this context, the staff also intends to continue to undertake *GFSM 2001*-related training and support. A joint STA/FAD Advisory Group on *GFSM 2001* would act as a one-stop resource for area departments. Area departments will continue to serve as a conduit for the technical dialogue between the Fund and the national authorities regarding fiscal statistics. In addition, they will increasingly use the *GFSM 2001* framework for fiscal analysis in Fund operational work. Staff would report to the Board on the outcome of these pilot studies and, on this basis, propose next steps on the use of the *GFSM 2001* to strengthen fiscal analysis in the Fund.

I. INTRODUCTION

11. **The *Government Finance Statistics Manual 2001 (GFSM 2001)*,¹ an internationally recognized statistical reporting framework, provides a sound basis for fiscal analysis and can play a key role in strengthening the analytical basis of surveillance and Fund-supported programs.** In particular, *GFSM 2001* will eliminate many country-specific adjustments to the presentation of fiscal statistics in Fund reports—adjustments that were necessitated by the methodological shortcomings of *GFSM 2001*'s predecessor, *A Manual on Government Finance Statistics*, published in 1986 (*GFSM 1986*). Moreover, implementing *GFSM 2001* can help member countries strengthen their capacity to formulate fiscal policy and monitor fiscal developments. Equally important, the framework forms an integral part of the effort to promote international standards for transparency in fiscal reporting.²

¹ International Monetary Fund, *Government Finance Statistics Manual 2001*, Washington, D.C., 2001; also available online at <http://www.imf.org/external/pubs/ft/gfs/manual/index.htm>. The result of years of discussions, *GFSM 2001* was prepared by STA, in collaboration with FAD and in close consultation with government finance statisticians in member countries and international organizations, as part of the international statistical effort to harmonize macroeconomic statistics with the methodology of the *1993 System of National Accounts (1993 SNA)*.

² For *Report on the Observance of Standards and Codes* data modules, *GFSM 2001* is the standard against which the methodological soundness of fiscal data is assessed. The *Manual on Fiscal Transparency* recommends *GFSM 2001*-based fiscal reporting. On the occasion of the Fifth Review of the Fund's Data Standards Initiatives, the Executive Board encouraged the adoption of *GFSM 2001* or an equivalent standard.

12. **Recognizing the potential advantages of *GFSM 2001*, management set up an interdepartmental task force to study its implementation in country work in the Fund.** The task force—comprising representatives from FAD, PDR, STA, and area departments—completed its report in August 2003. The report provides staff with (1) an overview of the main features of *GFSM 2001*, (2) an outline of the potential benefits of the *GFSM 2001* framework for fiscal analysis and Fund operations, and (3) some preliminary thinking on the implementation of *GFSM 2001* by countries and its adoption for presenting fiscal statistics in Fund reports.

13. **Countries are showing increased interest in implementing *GFSM 2001*, and the task force report has proved useful in educating staff about *GFSM 2001*.** Nevertheless, it has become clear that a more systematic approach to its adoption for operational work in the Fund would be useful, especially to achieve strengthened cross-country consistency in staff reports. **As a follow-up to recent Executive Board discussion on public investment and fiscal policy,³ the present paper responds to the call for greater consistency in fiscal reporting in line with *GFSM 2001*. To this end, it seeks the support of the Board for gradual adoption of the framework as the basis for fiscal analysis in Fund staff reports.**

14. **The paper is organized as follows.** Section II describes the traditional approach to fiscal analysis in Fund reports using the *GFSM 1986* framework. It also highlights some limits to this approach and typical adjustments made to fiscal data to deal with these limits. Section III presents the main features of the *GFSM 2001* analytical framework. Section IV describes the strategy that the authorities and the Fund staff could follow to implement fully *GFSM 2001*, stressing a gradual approach to implementation based on the institutional preparedness of countries, technical assistance, and training. Section V illustrates the strength of the policy conclusions that can be drawn from this analytical framework. The section also provides examples based on recent desk studies that compare the fiscal analysis in Fund staff reports with the more comprehensive and nuanced approach of *GFSM 2001*. This section also makes the case for pilot studies and describes Fund training and support activities. Section VI proposes issues for Executive Board discussion.

II. *GFSM 1986* AND FISCAL ANALYSIS IN FUND STAFF REPORTS

15. **The traditional approach taken by the staff to report fiscal statistics and to prepare fiscal analysis draws largely on concepts and guidelines provided in *GFSM 1986* and used by national authorities.** Since it is a cash-based system, *GFSM 1986* generates fiscal statistics that summarize the impact of cash flowing into and out of the government accounts. The key *GFSM 1986* fiscal indicator—the overall balance—measures the government’s financing requirements. This is useful information

³ This paper takes account of the Executive Board discussion of “Public Investment and Fiscal Policy” and “Public-Private Partnerships,” as well as the follow-up discussions that also covered government guarantees and risk.

from the point of view of liquidity management and can also be economically significant, particularly in countries facing financing constraints.

16. **From an operational standpoint, however, *GFSM 1986* has several shortcomings**—especially when it comes to analyzing the impact of fiscal policy on the government’s use of resources, aggregate demand, and fiscal sustainability.⁴ These shortcomings are attributable to the lack of explicit linkage between flows and stocks, classification ambiguities for certain transactions (such as “lending minus repayments for public policy purposes” and privatization), and reliance on cash statistics.

17. **The only stock information provided in *GFSM 1986* is outstanding debt at face value.** Moreover, changes in these debt stocks may not be reflected in the main flow indicator, the overall balance.⁵ Thus, flows and stocks cannot be reconciled, making it difficult to identify data consistency problems and to undertake certain critical types of fiscal analysis, for example, on debt sustainability.

18. ***GFSM 1986* does not distinguish sufficiently between different types of revenue, expenditure, and financing, with the result that changes in the overall balance may not properly convey the economic impact of certain fiscal operations.** It mixes certain financial operations with expenditure in the form of “lending minus repayments” and thus introduces an asymmetry in the system.⁶ This mix also can give rise to nonuniform treatment of the same transactions, depending on judgments about whether the lending and consequent repayments were for public policy purposes. The treatment of the proceeds of privatization (whether the sale of equity or the disposal of nonfinancial assets) is a case in point.

19. **On the whole, the reliance of *GFSM 1986* on cash-based information fails to capture important transactions affecting fiscal policy and its aggregate demand impact.** Cash-based fiscal statistics record transactions only when receipts are credited and payments are made. Therefore, they fail to capture some policy actions that have an impact on the economy at moments other than when cash changes hands. A particular problem

⁴ In the early work of the Fund, cash-based statistics served the needs of the membership well, given the emphasis on short-term liquidity needs. With the increasing recognition of the importance of medium-term fiscal sustainability and balance sheet vulnerabilities, it became apparent that these fiscal indicators needed to be augmented by other indicators that capture noncash fiscal operations and obligations.

⁵ The lack of a direct nexus between the face value of debt and fiscal transactions is due not only to the incurrence of debt via noncash transactions (debt assumption, for instance), but also to discounts or premia when the debt was issued, indexation, and revaluations of foreign debt.

⁶ Lending minus repayments covered both lending and the acquisition of equity participation for public policy purposes, and the subsequent loan repayments and sales of equity. The asymmetry can be caused because policy lending (which when grouped with expenditure determine the overall balance) would be financed by borrowing or the use of cash balances (financing).

occurs when countries accumulate payment arrears. In addition, cash-based fiscal statistics do not cover transactions-in-kind (some examples are barter trade, food aid and other grants-in-kind, and the payment of government employees through the provision of housing, transportation, or uniforms). As a result, intersectoral consistencies, especially with the external and real sectors that incorporate accrual information, have been difficult to establish.

20. **To better represent the impact of fiscal policy, fiscal tables in Fund reports routinely incorporate adjustments to the fiscal statistics provided by national authorities and provide supplementary information.** The following have been most common:

- ***Treating privatization proceeds from the sale of equity as financing rather than revenue (or negative lending minus repayments).*** This adjustment reflects the fact that higher spending financed by equity or asset sales has similar fiscal implications to spending financed by bond sales. That is, taxes will have to rise in the future either to replace the income forgone by selling an equity asset or to pay for liabilities. Treating privatization proceeds as revenue or negative lending minus repayments (especially since these tend to be large and one-off) gives a misleading impression of the way privatization affects the overall balance and fiscal sustainability. While country teams have often reclassified privatization receipts as a financing item, the application of reclassification criteria has not been consistent across countries or over time.⁷
- ***Reporting spending on a payments-due basis and expenditure arrears as financing.*** This is done because an accumulation of arrears is, in effect, involuntary financing from suppliers and creditors who are not paid in full and from government employees and pensioners whose wages and pensions are withheld. Interest payments are usually reported on a payments-due basis, and the same treatment is often extended to other spending when there is quantifiable evidence of significant arrears. This move toward accrual reporting is an attempt to better reflect the impact of fiscal policy on the government's use of resources and on aggregate demand.

21. **Moreover, it is usual in Fund reports to supplement the overall balance with alternative fiscal indicators and, sometimes, to substitute the latter for the former as the prime focus of fiscal analysis.**⁸ Perhaps the most common alternative indicator is the

⁷ Privatization can also be conducted through the sale of fixed assets. The proceeds of these sales are also treated as financing items in staff reports instead of "lending minus repayments" because of the lumpiness and non-recurrent nature of these transactions.

⁸ Alternative indicators include (1) an adjusted overall balance that excludes grants, (2) a nonoil balance that excludes receipts from the sale of oil, or (3) an operational balance that excludes the component of interest payments compensating lenders for inflation and exchange rate movements. In each case, these alternative indicators exclude items that can complicate the analysis of fiscal policy, especially when such items are large and/or quite volatile. In OECD countries and some emerging market economies, attention also is paid to cyclically

(continued...)

primary balance (the overall balance excluding net interest payments), which the reports use in combination with public debt to analyze debt sustainability. However, this is done without the benefit of a fully integrated fiscal framework that links flows and stocks (i.e., deficits and debt) directly. Recent attention has also been drawn to the current balance (the overall balance excluding investment spending), which indicates the government saving (and net capital transfers) available to increase public investment without adding to the overall deficit (or reducing an overall surplus).⁹ But again, to assess the scope to increase public investment (either by increasing government saving or borrowing more), the reports could use the benefit of a framework that links borrowing, debt, and, ideally, asset accumulation.¹⁰

III. MAIN FEATURES OF *GFSM 2001*

22. ***GFSM 2001* provides a harmonized systematic basis for reporting and analyzing government finances.** Compared with *GFSM 1986*, *GFSM 2001* is a major step forward—it integrates flows and stocks through balance sheets and removes classification asymmetries. Further, it shifts the emphasis to accrual accounting, recording, and reporting (while maintaining information on a cash basis) and emphasizes economically meaningful fiscal indicators.

A. The *GFSM 2001* Analytical Framework

23. ***GFSM 2001* harmonizes the system used to report fiscal statistics with other macroeconomic statistical systems**—most notably with the national accounts (the *1993 SNA*) and, therefore, also the *European System of Accounts 1995 (1995 ESA)*. In this way, *GFSM 2001* formalizes and standardizes many adjustments made by Fund staff to the fiscal statistics provided by country authorities for inclusion in Fund staff reports. Moreover, fiscal accounting and reporting are brought closer into line with private sector practice (that is, a profit and loss statement, a balance sheet, and a cash statement). The linkages in the *GFSM 2001* framework are summarized in Table 1.

24. **A key feature of *GFSM 2001* is its distinction between transactions and other economic flows.** *Transactions* cover all exchanges or transfers that take place by mutual

adjusted or structural balances with a view to assessing the underlying stance of fiscal policy. These balances abstract from the impact of variations in output on fiscal developments and sometimes one-off measures (e.g., the receipt of spectrum license fees). *GFSM 2001* would not completely eliminate the need for some of these alternative fiscal indicators but would provide a coherent framework to make such indicators more comparable across countries.

⁹ See “Public Investment and Fiscal Policy” for further discussion.

¹⁰ Similarly, recent advances to develop further the Fund’s debt sustainability analysis have attempted to confront the lack of explicit linkage between traditionally measured flows and stocks without the full benefit of such a framework.

agreement and the consumption of fixed capital (the economic equivalent of “depreciation”). Mutual agreement does not mean that transactions have to be entered into voluntarily (the payment of taxes is treated as a transaction despite being compulsory). Additionally, transactions cover monetary exchanges and in-kind activity (such as the receipt of commodity grants and noncash remuneration). *Other economic flows* are the result of events that affect the value of nonfinancial assets, financial assets, and liabilities but that are not exchanges or transfers. These flows can reflect either price changes (including exchange rate movements) or volume changes due to one-off events (such as mineral discoveries or natural disasters).

25. **A set of well-defined relationships between flows and stocks—presented in integrated balance sheets—underpins *GFSM 2001*.** Specifically, the framework reconciles the government’s opening and closing balance sheets with the flows derived from government operations and the other economic flows.

26. **While countries can apply the *GFSM 2001* framework to cash data, ideally, transactions and other economic flows should be recorded on an accrual basis.** This means countries record these flows when the economic consequences associated with an event occur or when future consequences can be measured reliably. Thus they record an expense when the government uses resources. This recording will, in practice, usually be when government incurs an obligation to pay for those resources (e.g., when contracted goods are delivered as stipulated in the contract), rather than when it actually pays for the resources. An obligation to pay is distinct from a commitment, which occurs when contracts are signed, orders are placed, etc.

27. **Similarly, in principle, revenue should be recorded when a liability to government is exchanged and not when payment is made.** However, difficulties exist in identifying revenue on an accrual basis, and especially in determining precisely when an activity gives rise to a tax liability. In practice, governments would normally record a tax liability at the time of assessment and base it on the amount they realistically expect to collect. Governments also record transactions in nonfinancial assets, financial assets, and liabilities at the time assets change ownership and liabilities are incurred. Other economic flows accrue when an economic asset (or liability) is created, extinguished, or transformed. ***GFSM 2001* increases the comprehensiveness of fiscal data through accrual reporting, allows data inconsistencies to be detected, and thereby strengthens fiscal transparency—all of which will aid fiscal analysis.**

28. **At the same time, it should be emphasized that the *GFSM 2001* system continues to recognize the importance of monitoring cash flows and the crucial role these play in fiscal analysis.** Therefore, a separate statement on the sources and uses of cash is an integral part of the *GFSM 2001* statistical framework. This statement shows fiscal flows in terms of pure cash, while it follows the same basic structure as the statement on operations (Section III.B).

B. *GFSM 2001* Fiscal Tables

29. **The *GFSM 2001* analytical framework can be summarized as a set of three fiscal tables.**¹¹

- The *Statement of Government Operations* distinguishes between revenue and expense (or operating) transactions and among transactions in nonfinancial assets, financial assets, and liabilities. *Revenue* covers all transactions that increase net worth, and *expense* covers all transactions that decrease net worth (including importantly the consumption of fixed capital). In essence, this balance is akin to the government's profit and loss statement for a given year. *Transactions in nonfinancial assets, financial assets, and liabilities* are not included in revenue or expense.¹² Under *GFSM 1986*, transactions in nonfinancial assets—and in financial assets for public policy (as distinct from liquidity management) purposes—are treated as expenditure. But under *GFSM 2001*, they are not treated as an expense because they are exchanges that do not affect net worth. This removes the asymmetry that exists in the *GFSM 1986* system “above-“ and “below-the-line.”¹³

¹¹ Although *GFSM 2001* has four tables, one is a statement of Other Economic Flows, which can be integrated in the balance sheet (as noted in the main text).

¹² In *GFSM 1986*, capital expenditure covered capital transfers, purchases of fixed assets, stocks (strategic), land, and intangible assets. In comparison, in *GFSM 2001*, capital transfers are classified as expense (because they affect net worth), and the net acquisition of nonfinancial assets covers purchases and sales of all those nonfinancial assets, as well as valuables. (See also Table 2)

¹³ See also footnote 7. However, transfers of assets, which would occur for example when government securities are issued to recapitalize a bank but the government does not acquire an effective claim on the bank, are recorded as the incurrence of a liability (the securities) and a counterpart expense (transfer from government to the bank) because the transfer affects net worth. Any subsidy element in government lending also would be treated as an expense.

Table 1. The *GFSM 2001* Analytical Framework

Opening Balance Sheet		Government Operations	Other Economic Flows		Closing Balance Sheet
		Revenue			
		-			
		Expense			
		=			
		Net operating balance			
		=			
Net worth	+	Change in net worth due to revenue and expense transactions	+	Change in net worth due to other economic flows	= Net worth
=		=		=	=
Non financial assets	+	Net acquisition of non financial assets	+	Change in non financial assets due to other economic flows	= Non financial Assets
+		+		+	+
Net financial worth	+	Net lending/borrowing	+	Change in net financial worth due to other economic flows	= Net financial Worth
=		=		=	=
Financial assets	+	Net acquisition of financial assets	+	Change in financial assets due to other economic flows	= Financial assets
-		-		-	-
Liabilities	+	Net incurrence of liabilities	+	Change in liabilities due to other economic flows	= Liabilities

- The difference between revenue and expense is the ***net operating balance***. Subtracting the net acquisition of nonfinancial assets from the net operating balance yields ***net lending/borrowing***, which in turn is equal to the net acquisition of financial assets less the net incurrence of liabilities (that is, government's financing).
- The ***Balance Sheet*** shows the government's ***net worth*** at the end of a fiscal year, which is equal to the stock of nonfinancial assets plus net financial worth (i.e., the difference between the stocks of financial assets and liabilities). The change in net worth during a year is the sum of changes due to revenue and expense transactions and to other economic flows. An integrated balance sheet shows the opening balance of assets and liabilities, as well as transactions and other economic flows in these assets and liabilities that explain the closing balance of these assets and liabilities.
- The ***Statement of Sources and Uses of Cash*** shows purely cash flows associated with revenue and expense transactions and transactions in nonfinancial assets, which yields the ***cash surplus/deficit***. Adding cash flow transactions in financial assets (other than cash) and liabilities to the cash surplus/deficit gives the ***net change in the stock of cash***. This cash flow statement provides useful information to link the fiscal impacts with relevant monetary variables.

C. Valuation

30. **In general, flows and stocks should be valued at market prices in the *GFSM 2001* system.** This is the amount for which the goods, services, assets, labor, or the provision of capital are in fact exchanged (including the cash value of in-kind transactions). Flows should be valued at the prices current on the dates when the transaction accrues. Stocks should be valued at the prices current on the balance sheet date.¹⁴ Market prices are used to ensure consistency within the *GFSM 2001* system and across macroeconomic statistics.

31. **Although the balance sheet is to be valued at market prices, *GFSM 2001* provides for reporting the nominal value of the debt as a memorandum item.** The nominal value of the debt reflects the original (contractual) value of the debt and the impact of subsequent economic flows, such as transactions (e.g., accrual of interest, repayment of principal), revaluations, and other economic flows.¹⁵ As such, it measures the amount that debtors owe to creditors—relevant from the point of view of assessing the fiscal policy implications of debt. In particular, it is relevant to the extent to which a high debt level calls for fiscal adjustment to avoid solvency or liquidity problems or, more generally, to provide room for fiscal policy maneuver.

¹⁴ A significant exception is nonmarketable loans, which should be valued at nominal prices in the *GFSM 2001* and other international statistical frameworks.

¹⁵ The nominal value of debt should not be confused with the face value of the debt, which is the amount to be repaid at maturity. The *External Debt Guide* defines debt identically and recommends the valuation of debt consistent with *GFSM 2001*. This promotes consistency between external and public debt.

32. As a practical consideration, valuation of nonfinancial assets can present some difficulties. However, national accountants and engineers in line ministries apply techniques that often provide reasonable estimates for such assets and the associated consumption of fixed capital.¹⁶ Underlying accounting information may also be useful. Nonetheless, this usually needs to be adjusted to consider the economic value of resource flows rather than the accounting principles that may be sensitive to the tax environment.

D. Fiscal Indicators

33. **The core *GFSM 2001* fiscal indicators are the net operating balance, net lending/borrowing, net worth, and the cash surplus/deficit.** With more than a single core balance, *GFSM 2001* does not refer to “above-the-line” or “below-the-line” transactions.

- The ***net operating balance*** indicates the impact of fiscal policy from operating transactions that affect net worth (including the consumption of fixed capital). However, frequently, data on the consumption of fixed capital are not available and the ***gross operating balance*** is used. The consumption of fixed capital is the economic equivalent of depreciation. It measures the decline in the current market value of the stock of fixed assets during the accounting period as a result of physical deterioration, normal obsolescence, and accidental damage.¹⁷ The techniques to measure the consumption of fixed capital vary across countries; nevertheless, the gross operating balance always remains internationally comparable.
- ***Net lending/borrowing*** is perhaps the single most important fiscal indicator, since it reflects the government’s financing operations. It summarizes the way in which fiscal policy in the operating transactions and the nonfinancial asset transactions affects the rest of the economy and the rest of the world—indicating the impact on the government’s use of resources and on aggregate demand. It is the closest comparable measure to the overall balance used in *GFSM 1986*.
- ***Net worth and the changes in net worth*** are relevant to analyzing fiscal sustainability in that, as opposed to focusing on debt alone, they take into account both the government’s

¹⁶In addition, for some nonfinancial assets, such as historical sites and monuments, the stock of the assets will be much less important for fiscal analysis than recording any associated flows. Most of these assets will never be sold and are rarely acquired. In short, the level of net worth (and net financial worth) is not as important for fiscal analysis as the trends in changes in net worth. To calculate the value of nonfinancial assets, some judgment is required to distinguish between minor repairs and maintenance (an expense) and major improvements to nonfinancial assets (acquisition of nonfinancial assets); however, this is a classification issue.

¹⁷ However, the counterpart to the consumption of fixed capital is the write-down of the nonfinancial asset. Thus, the *GFSM 2001* net lending/borrowing is unaffected.

assets and its liabilities.¹⁸ However, debt and debt sustainability remain important, since governments can run into solvency and liquidity problems independently of their net worth, in part because some assets may not be readily marketable. For that reason, fiscal analysts will focus mainly on net financial worth (the difference between financial assets and liabilities), which abstracts from changes in nonfinancial assets.

- The *cash surplus/deficit* measures the change in the government's liquidity position owing to revenue and expense transactions and transactions in nonfinancial assets, based purely on cash flows. It is thus the cash equivalent of net lending/borrowing. The net change in the stock of cash reflects the cash flow associated with the net acquisition of financial assets (other than cash) and the net incurrence of liabilities. It also measures the change in the government's overall liquidity position. As such, it better indicates the cash-flow implications of government operations.

34. ***GFSM 2001* recognizes that a wider range of supplementary fiscal indicators may continue to be useful in particular circumstances.** For example, analysts can adjust net lending/borrowing to yield a primary balance and other indicators judged analytically useful in the previous framework.¹⁹ Another possibility would be to derive an overall balance from net lending/borrowing. That is, analysts could group transactions in financial assets, undertaken for public policy purposes, with transactions in nonfinancial assets, treating sales of nonfinancial assets as transactions in financial assets.²⁰ The principal advantage of deriving such an overall balance would be that it signals the impact of fiscal policy in a familiar way. Thus, as a transitional arrangement, its use should continue only until some experience has been gained and a certain comfort level achieved using *GFSM 2001* fiscal indicators. In the traditional fiscal analysis, problems have arisen when recording economic events, such as investment in nonfinancial assets with dubious value and loans that are unlikely to be repaid. In the past, staff have had to make adjustments to the data to account for these events. However, by using market prices (Section III.C) and recognizing holding gains or losses as other economic flows, *GFSM 2001* contains mechanisms to record such events consistently and transparently.

¹⁸ For example, the discovery of petroleum resources on public land would add to the government's stock of nonfinancial assets (through other economic flows) and increase its net worth. This discovery may lead to increased spending in anticipation of future oil sales, decreasing net worth (through expense). The net worth indicator summarizes all of the operating transactions and other economic flows that affect net worth.

¹⁹ See Box 4.1 of *GFSM 2001* for more details.

²⁰ Note that these adjustments could be described as moving transactions from *above-the-line* to *below-the-line*, and vice versa. However, these terms are not part of the *GFSM 2001* terminology, because there is no single "line," and the use of these terms, therefore, should be phased out.

E. Advantages of *GFSM 2001*

35. The *GFSM 2001* framework can enhance the quality of fiscal analysis:

- (1) **Foremost, it provides a basis for strengthening fiscal sustainability analysis through evaluation of the changes in net worth.** To this end, the Fund's debt sustainability template would need to fully integrate stocks and flows comparably to the *GFSM 2001* framework.
- (2) ***GFSM 2001* yields measures of government saving, investment, and consumption that are better suited for inclusion in a quantitative macroeconomic framework than the analogous *GFSM 1986* concepts were.** This is because *GFSM 2001* has been harmonized with the national accounts framework in the *1993 SNA*. In the past, staff have had to adjust (often quite arbitrarily) the traditional fiscal variables for this purpose.²¹
- (3) **Since the net operating balance and net lending/borrowing in *GFSM 2001* are counterparts to the current balance and the overall balance respectively, they are well suited to drawing more attention to public investment.** The framework also provides a basis for recognizing that public investment creates assets and that debt accumulated to finance public investment need not reduce net worth. More generally, *GFSM 2001* supports a shift to a balance sheet approach to analyzing economic policy.
- (4) ***GFSM 2001* standardizes many adjustments already made in staff reports.** The framework eliminates the asymmetries in the previous set of fiscal data, enhancing clarity in the analysis. More comprehensive analytically, the framework captures noncash transactions coherently and consistently.
- (5) **Finally and in a similar vein, *GFSM 2001* provides a "common language" that fiscal analysts can use to develop a consistent approach to handling new, and often complex, government operations**—operations that create challenges in fiscal reporting and analysis (e.g., bank recapitalization, securitization, and public-private partnerships).

IV. IMPLEMENTATION OF *GFSM 2001*

36. **Implementation of *GFSM 2001* involves three sets of actions that can be initiated simultaneously but that have different time horizons: presentation (near-term), reporting (medium-term), and full implementation of accrual reporting and the associated underlying systems (long-term).** Adoption of the *GFSM 2001 presentation*, especially in Fund staff reports, essentially would reclassify existing fiscal data so that all transactions in nonfinancial assets and in financial assets are placed into separate groups. This activity would require few resources and can be accomplished

²¹ STA has developed an explicit mapping of these concepts between the two systems.

relatively quickly. *GFSM 2001 reporting* to the Fund necessitates close collaboration between the authorities and the Fund. *Full GFSM 2001 implementation* is longer-term in nature. It relates to developing key institutional features of a modern public expenditure management (PEM) framework, thereby, assuring analysts that government accounting and classification systems are capable of supporting statistical reporting that is fully *GFSM 2001* compliant. However, implementation is not only about the shift in emphasis to accrual reporting. **While full *GFSM 2001* implementation of accrual reporting and associated systems will take most countries many years to complete, aspects of the *GFSM 2001* framework have relevance whatever a country's implementation capacity.**

A. Fiscal Tables in Fund Reports

37. **The ultimate objective is that fiscal tables in Fund reports will be presented in *GFSM 2001* format and in accordance with *GFSM 2001* concepts.** Fund staff reports typically present the government accounts on a basis consistent with the national presentation (often similar to *GFSM 1986* as well), albeit with some modifications, such as for privatization proceeds. Countries that have well-developed accrual accounting, recording, and reporting systems may be able to produce a set of *GFSM 2001* tables. However, the vast majority of countries will need time to achieve this result. In the interim, all countries can quickly make a simple mapping of their existing data into the *GFSM 2001* format. Thus, staff propose to pilot this gradual adoption of *GFSM 2001* presentation in staff reports, beginning initially with countries that volunteer for this exercise (see Section V).

38. **The easiest first step will be to merely reclassify the existing data.** This involves moving most of the capital revenue and expenditure items to net acquisition of nonfinancial assets and moving lending minus repayments to net acquisition of financial assets, as illustrated in Table 2. If possible, data compilers could make distinctions between financial assets and liabilities. This would immediately yield a *GFSM 2001* statement of government operations. This and two other fiscal tables are outlined in Section V, which explores using *GFSM 2001* for fiscal analysis. Whatever fiscal tables are presented, it is necessary at all times for compilers to indicate the table coverage, the accounting basis of the information reported (i.e., pure cash, full accrual, or something in between), and any significant departures from the coverage and basis indicated.

39. **The transition from the current presentation to the *GFSM 2001* presentation should not compromise the quality of fiscal policy analysis in Fund staff reports.** In view of country familiarity with the overall balance as the principal fiscal policy indicator in Fund work, analysts should make available a bridge table explaining the differences between *GFSM 2001* "net lending/borrowing" and the traditional overall balance used in a particular country. Analysts should also document this bridge table and the ways in which source data are used. The bridge table and its documentation will be needed until the information requirements of *GFSM 2001* are well understood and can routinely be met.

40. **The changeover to the *GFSM 2001* presentation could nevertheless produce a break in the time series of fiscal data.** If past fiscal statistics are available in sufficient

detail, data compilers should find it straightforward to bring the past presentation into line with the *GFSM 2001* presentation. However, in practice, the required data may not be available, and the prospects for constructing historical series could range from difficult to impossible. Consequently, a break may have to exist in the time series of fiscal data. For the period (or periods) in which this occurs, some overlapping fiscal data should be presented and the differences should be fully documented. A break in the data would limit the scope to analyze longer-term fiscal trends. However, as countries continue along the path of implementing *GFSM 2001*, this break will fade to the past, as better data become available.

B. Reporting Fiscal Data to the Fund

41. **Member countries are developing the capacity to report fiscal statistics to STA using the *GFSM 2001* framework.** STA has disseminated the *GFSM 2001* methodology among data compilers through training courses and technical assistance. Dissemination also takes place during the annual interaction between staff and member country compilers when preparing data submissions for publication in the Fund's *Government Finance Statistics Yearbook (GFSY)*. Evidence of the progress is reflected in the growing number of countries that have reported annual data for the *GFSY* using the *GFSM 2001* framework. In 2002, STA assisted 22 countries (mainly in Europe) to report data in the *GFSM 2001* framework, by taking available fiscal data (e.g., reported to Eurostat) and bridging them to the *GFSM 2001* framework. Of the 99 member countries that reported data for publication in the *GFSY* for the 2003–04 yearbooks, about 79 percent (78 countries) submitted data using the *GFSM 2001* framework (reporting both flows and stocks). Among those reporters, about 70 percent were in developing and emerging market countries.

42. **In addition, STA has initiated work on developing a higher frequency fiscal database (monthly and quarterly), using the *GFSM 2001* framework.** STA is focusing initially on collaborating with Eurostat and developing an integrated data transmission framework to be used for monitoring fiscal performance. While this work is intended to affect fiscal data presented in the *International Financial Statistics*, work has not yet begun to modify the presentation of fiscal data in the *World Economic Outlook* database.

43. **Reporting to area departments in the *GFSM 2001* format has just begun.** The main task will be to determine how this can be done without compromising surveillance and program activities in the short term, yet making surveillance and programs more effective over the longer term. Country compilers could use various approaches to report fiscal data to area departments for surveillance and program purposes, depending on country circumstances. Most countries would reclassify their currently available fiscal data into *GFSM 2001* format. Others will rely mainly on accrual-based national accounts data

Table 2. Bridge Between Typical Staff Report and GFSM 2001 Presentation of Operations

Typical Staff Report		GFSM	
GENERAL GOVERNMENT OPERATIONS		STATEMENT OF GENERAL GOVERNMENT OPERATIONS	
			GFSM 2001 codes
Total revenue and grants	62,600	62,300 Revenue c/	1
of which: Capital revenue a/	300	e	
Total expenditure and lending minus repayments	78,500	72,700 Expense d/	2
Current expenditure	68,800		
Capital expenditure	9,000	-10,400 Gross operating balance e/	GOB
Capital transfers	3,900		
Purchases of fixed assets b/	5,100	4,800 Net acquisition of nonfinancial assets f/	31
Lending minus repayments	700		
Overall	-15,900	-15,200 Net lending / borrowing g/	NLB
Financing	15,900	-7,200 Net acquisition of financial assets h/	32
Domestic (net)	6,800	-7,200 Domestic h/	321
Changes in cash and deposits	4,400	0 Foreign	322
Domestic borrowing (net)	2,400	8,000 Net incurrence of liabilities i/	33
External borrowing (net)	5,600	2,400 Domestic	331
Sale of equity (privatization)	3,500	5,600 Foreign	332

- a/ Consists of sales of fixed capital assets, strategic stocks, land, and intangibles in this example, thereby assuming capital transfers received from nongovernment sources are zero. Capital transfers from nongovernment sources are classified to GFSM 2001 Revenue.
- b/ Consists of purchases of fixed capital assets, strategic stocks, land, and intangibles.
- c/ GFSM 2001 Revenue = Total revenue and grant minus Capital revenue (sales of fixed assets, strategic stocks, land, and intangibles). [62,300=62,600-300]
- d/ GFSM 2001 Expense = Total expenditure and net lending minus Purchases of fixed assets minus Net lending. [72,700=78,500-5,100-700]; or GFSM 2001 Expense = Current expenditure plus capital transfers. [72,700=68,800+3,900]
- e/ Gross operating balance = Revenue minus Expense (excluding Consumption of fixed capital). [-10,400=62,300-72,700]
Net operating balance = Revenue minus Expense (including Consumption of fixed capital). In this example, Consumption of fixed capital is not available and thus the Net operating balance is not calculated.
- f/ GFSM 2001 Net acquisition of nonfinancial assets = Purchases of fixed capital assets, strategic stocks, land, and intangibles minus Capital revenue (Sales of fixed capital assets, strategic stocks, land, and intangibles). [4,800=5,100-300]
- g/ Net lending (+) / borrowing (-) = Gross (Net) operating balance minus Net acquisition of nonfinancial assets. [-15,200=-10,400-4,800]
Note that in the staff report, the overall balance is equal, but with an opposite sign, to total financing; whereas the GFSM 2001 Net lending/borrowing is equal and with the same sign as Net acquisition of financial assets minus Net incurrence of liabilities.
- h/ GFSM 2001 Net acquisition of financial assets comprises domestic and foreign Net lending, Sales of equity (such as privatization proceeds), and Changes in cash and deposits. In this example, for simplicity, it is assumed that there are no transactions in financial assets held abroad. Accordingly, in this example, domestic Net lending [700] and Sales of equity [3,500] are classified, along with Changes in cash and deposits held domestically [4,400] to equal Net acquisition of financial assets (domestic): [700-4,400-3,500=-7,200].
In the staff report, a decrease in financial assets classified as financing is shown with a positive sign and an increase with a negative sign. In the GFSM 2001 presentation, a decrease in financial assets is shown with a negative sign and an increase with a positive sign.
- i/ GFSM 2001 Net incurrence of liabilities = Net domestic borrowing and Net foreign borrowing. [8,000=2,400+5,600].

that will need to be supplemented with additional information gathered by ministries of finance and others. A few countries that have developed accrual-based data collection systems should be able to move quickly to reporting fully on a *GFSM 2001* basis. While these options are clearly appropriate for surveillance countries, they may not be appropriate in a program context. Introducing the *GFSM 2001* framework in the context of ongoing Fund programs could pose risks if two sets of fiscal data were to be presented for analysis simultaneously.

C. Fiscal Targets Under Fund-Supported Programs

44. **Shifting to *GFSM 2001* fiscal tables and indicators can benefit program design and monitoring.** Clearly, using fiscal statistics that are fully *GFSM 2001* compliant for program purposes (provided they are timely) would bring all the advantages that *GFSM 2001* offers for fiscal transparency and fiscal analysis more generally. It would reduce the country-specific adjustments needed in staff reports, enhance cross-country comparability by eliminating asymmetries in fiscal statistics, and promote intersectoral consistencies. By integrating stocks and flows, *GFSM 2001* allows earlier identification and preparation of measures to address fiscal data quality problems, as well as possible circumvention of fiscal performance criteria and misreporting, than at present. This advantage increases with the amount of accrual information that is reflected in fiscal statistics. Also increased is the usefulness of *GFSM 2001* fiscal indicators—compared to the overall balance—in conveying information about the impact of fiscal policy.²²

45. **Nevertheless, data quality is a key consideration in designing fiscal performance criteria under Fund-supported programs.** Of the various dimensions of data quality, timeliness is usually the binding constraint, given the needs of program design and monitoring. This has meant that program targets are mainly specified in terms of cash-based or commitment/adjusted cash-based fiscal indicators. Moreover, no reason exists to expect any significant difference in this regard while countries are implementing *GFSM 2001*. The only likely difference in the short term is that countries will make a start toward defining fiscal targets and performance criteria in terms of *GFSM 2001* fiscal indicators. However, in this connection, a considerable premium has to be placed on building confidence in working with *GFSM 2001* fiscal tables and indicators and on developing an awareness of operational risks they might entail. The risks arise primarily from additional opportunities for creative accounting that result from the shift to fiscal

²² An FAD/PDR report on “The Quality of Fiscal Data and Designing Fiscal Performance Criteria in Fund-Supported Programs,” November 22, 2000, provides examples of transactions that have been used to bypass fiscal performance criteria (see Box 2 of the report). *GFSM 2001* provides a basis for detecting most of the transactions described.

indicators; such accounting includes accrual adjustments subject to some discretion (e.g., in calculating consumption of fixed capital).²³ This being the case, using the *GFSM 2001*

statistical framework in new programs would only start after country teams gain more experience. **Moreover, once a decision is taken to shift to the *GFSM 2001* presentation, changes in the fiscal tables and indicators used for program purposes should only be considered for new programs**

D. Coverage of Fiscal Statistics

46. **The core focus of *GFSM 2001* is the general government.** All countries should achieve comprehensive coverage of central government on a cash basis—as a minimum reasonable objective—for fiscal reporting purposes. However, when subnational governments are of clear fiscal policy relevance, countries would be well advised to expand coverage to include at least the most significant parts of subnational governments. Many countries already do so. Countries should routinely expand coverage from the central to the general government. For many, the capacity to implement *GFSM 2001* will be greater at the central government level than for subnational governments; however, capacity limitations in subnational governments will ultimately determine the overall pace of *GFSM 2001* implementation. Countries should eventually seek to report *GFSM 2001*-compliant fiscal statistics for the general government.

47. ***GFSM 2001* also encourages countries to report fiscal statistics covering the public corporations sector and the public sector as a whole.** Given that any public enterprise is a potential source of fiscal risk (if not now, then possibly in the future), countries should report and monitor the operations of all public enterprises in the fiscal statistics. Achieving this objective could meet significant resistance, especially if countries have not done this in the past. Resistance may reflect information and capacity problems, a need to strengthen fiscal management, or different priorities. (For example, it may be more important to cover extrabudgetary or subnational government fiscal activities.) The aim should be to focus in the first instance on enterprises (and subsectors of the general government) that pose the largest fiscal risk. Coverage can then be expanded further as priorities change. However, in principle, fiscal indicators and targets used for Fund surveillance and program purposes²⁴ should cover all public enterprises that pose significant fiscal risk.

²³ However, dual-entry accrual accounting of credits and debits, the *GFSM 2001* integrated framework of stocks and flows (horizontal checks), and additional vertical checks should make discrepancies (including the old above-versus below-the-line) easier to identify and eliminate or reconcile.

²⁴ See “Public Investment and Fiscal Policy” and “Public Investment and Fiscal Policy—Lessons from the Pilot Country Studies” for further discussion of coverage issues. In this context, the Executive Directors broadly endorsed a revised approach to including public corporations in fiscal indicators and targets, with its greater focus on fiscal risks posed by their operations. Most Directors agreed that testing the revised criteria in a limited, but

(continued...)

E. Institutional Requirements

48. **Implementing the full *GFSM 2001* remains the responsibility of the national authorities.** All countries will be encouraged by the Fund staff to develop a migration strategy that has, as its ultimate objective, producing fiscal tables and the corresponding detailed data consistent with *GFSM 2001*.

49. **Fully implementing *GFSM 2001* will be a major task for most countries. The task will require careful planning and management to avoid disrupting the flow of fiscal statistics.** Further, the capacity of governments to train, recruit, and retain skilled staff to work for national statistical agencies, ministries of finance, other government agencies, and, where appropriate, the wider public sector will be important at every stage of migration to *GFSM 2001*.

50. **The proposed approach to implementing *GFSM 2001* should be a migration strategy tailored to institutional capacity.** The basic elements of such a strategy are the following:

- (1) reorganizing and presenting existing statistical information using the *GFSM 2001* framework;
- (2) developing a legal environment that provides for compiling cash- and accrual-based fiscal statistics and that assigns institutional responsibility for compiling statistics on the public sector and its subsectors; and
- (3) introducing improvements in the underlying accounting and classification systems, including introducing a chart of accounts, a general ledger, accrual-based accounting standards, and an automated financial management information system.

51. **In developing a migration strategy, lessons are to be learned from the experience of those countries that have already shifted to accrual reporting.** The box ahead summarizes a staff review of country experiences with incorporating accrual accounting, recording, and reporting into the statistical framework. Australia and Iceland were the first to introduce full accrual reporting in line with *GFSM 2001*. New Zealand has had long experience with accrual accounting but has only recently initiated a project to compile data using *GFSM 2001*. More recently, the United Kingdom introduced a comprehensive system of resource accounting on an accrual basis. Also, other countries in the OECD, Latin America, and Asia have initiated adoption of accrual accounting for reporting government operations. Incorporating accrual accounting in the methodology of compiling fiscal statistics is part of a broader initiative of public sector accountants and statisticians to achieve greater harmony between international accounting and statistical

representative, sample could inform the design of an implementation strategy within staff resource constraints. A few Directors called for a standardized approach, even in a Fund-supported program context.

Box 1. Country Experiences with the Accrual Reporting of Fiscal Statistics

Australia—During the 1990s, Australian central, state, and local governments progressively introduced national accounting standards that required adopting an accrual basis of accounting. Starting in 1998–99, the Australian Bureau of Statistics (ABS) has compiled and disseminated annual fiscal statistics on an accrual basis. In general, the accrual framework follows the principles contained in *GFSM 2001*, and these data have been published in the Fund’s *2004 GFS Yearbook (2004 GFSY)*. The ABS began to publish quarterly fiscal data in 2004.

Iceland—Central and local government annual data have been presented on an accrual basis for several decades. However, monthly and quarterly data for the budgetary central government and the general government are compiled only on a cash basis. Iceland is introducing the *GFSM 2001* framework and has reported fiscal data to the Fund for publication in *2004 GFSY*. Recently, Iceland has been working to incorporate these *GFSM 2001* data in its budget documents.

New Zealand—In 1989 the authorities began producing financial statements on an accrual basis. The country prepared the first accrual financial statements for the central government for the six-month period ending in December 1991. The process was completed in 1994. In addition, legal amendments moved budgeting to an accrual basis. The authorities initiated a project to compile fiscal statistics on an accrual basis and have released these data in the *2004 GFSY*.

United Kingdom—Having introduced resource accounting, the United Kingdom has fully implemented accrual accounting in government in 2002. The country has reported the accrual-based data to the Fund for publication in *2004 GFSY*.

Other European Union Countries—While many other European countries are studying the possible migration of their public accounting and budget reporting systems to accrual accounting, at present they follow a wide variety of accounting conventions. National statistical offices closely supervise the methods used to transform the source information into the *European System of Accounts 1995* data, which are considered to be on an accrual basis. These offices gather much of the underlying information on a cash basis and adjust the data to reflect accrual principles. Reporting of accrual fiscal statistics to Eurostat in line with the guidelines of the *Deficit and Debt Manual* is generally compatible with the requirements of *GFSM 2001*. European Union countries have reported *GFSM 2001* data to the Fund for publication in *GFSY 2004*.

Other OECD Countries—Other OECD countries, such as Japan, have embarked on introducing accrual accounting in government, either in part or in full. The Japanese authorities have reported data with some adjustments and gaps in the *GFSM 2001* format for publishing in the *2005 GFSY*.

Latin American Countries—Many countries are considering compiling fiscal data on an accrual basis, and several countries already have compiled parts of their fiscal data using accrual information (especially the reporting of interest and expense). Work is relatively advanced in Argentina, Colombia, the Dominican Republic, El Salvador, and Panama. Work on fiscal balance sheets has progressed in Brazil, El Salvador, and Uruguay. Chile also has progressed in implementing the *GFSM 2001* analytical framework. Eighty-five percent of countries from this region that submit data for publication in the *GFSY* use the *GFSM 2001* framework and some accrual-based information.

Other Countries—Several countries (such as Thailand and South Africa) have initiated programs to move the accounting and reporting system to accruals. In many cases the countries have found useful the exercise of preparing fiscal data in the *GFSM 2001* format using existing data sources, for identifying data compilation gaps as part of the migration process. Several of these countries also reported data in the *GFSM 2001* format for publication in the *2004 GFSY*.

standards.²⁵ These experiences underscore the long-term nature of the process to implement accrual reporting.

V. USING *GFSM 2001* TABLES FOR FISCAL ANALYSIS

52. **Fiscal data that are compiled using the *GFSM 2001* framework can be presented for each member country in three tables—an operating statement, an integrated balance sheet, and a cash statement.** Staff have conducted desk studies to experiment with converting existing fiscal data into these three tables, yielding the following:

- (1) presenting fiscal data using the three *GFSM 2001* tables enables strengthened policy conclusions despite evidence of gaps in the information;
- (2) converting existing data rapidly to the *GFSM 2001* analytical framework is feasible; and
- (3) developing reliable and more complete information is best done from source data, in collaboration with the compiling authorities.

53. **In addition, these tables can provide the basis for developing a future work program to improve the available fiscal statistics and lay the foundation for migration to full implementation of *GFSM 2001*.**

A. Summary of Desk Studies

54. **To test the strength of the *GFSM 2001* framework relative to the traditional approach, the staff recast fiscal data shown in Article IV staff reports into three fiscal tables in *GFSM 2001* format for Uruguay, Malaysia, and Mauritius.**²⁶ A summary of the analysis of fiscal policies follows, and the appendix provides more detail.

55. The **Uruguay** desk study illustrates that the *GFSM 2001* presentation captures the impact on the public sector of the banking crisis in 2002 more comprehensively than the staff's best efforts to estimate an "augmented deficit." The latter, which appeared as a memorandum item, did not include public sector capital transfers (other expense)

²⁵ STA chairs the international Task Force on the Harmonization of Public Sector Accounting Standards (TFHPSA). The task force was formed in June 2003 to explore the possibilities for achieving greater harmonization between the international statistical and accounting standards in the public sector and to make recommendations on the revision of the *1993 System of National Accounts*. More information on the TFHPSA can be found on <http://www.imf.org/external/np/sta/tfhpsa/index.htm>.

²⁶ It should be emphasized that these preliminary desk studies would benefit from thorough verification with country compilers.

equivalent to about 3 percent of GDP that affected the gross operating balance and net lending/borrowing. The *GFSM 2001* presentation highlights the reduction in net worth (in the balance sheet) and the increase in the cash deficit (in the cash statement). It also shows clearly that government liquidity support is merely a financial transaction, altering the composition of the balance sheet but not the core balances. Finally, the *GFSM 2001* presentation explicitly records write-offs as other economic flows that negatively affect net worth and net financial worth in the balance sheet. These losses in the value of assets were difficult to capture in the traditional analysis in staff reports.

56. The *GFSM 2001* presentation of the fiscal data for **Malaysia** does not alter the major trends reflected in the staff reports but does suggest that the magnitudes of the key balances are slightly different. The authorities and the staff registered privatization proceeds as part of non-tax capital revenue. However, the transactions represent the sale of equity shares in public corporations; therefore, they should not affect the core operating balances. Reclassifying privatization proceeds out of revenue (and to the disposal of shares and other equity) results in an increase of the net borrowing position of ½ percent of GDP during 1997–2003. Privatization is neutral to net worth because it is an exchange of one asset (equity) for another (cash), as clearly shown in an integrated balance sheet. At the same time, the sale of domestic equity contributes to the increase in the stock of cash, reflected in the cash statement.

57. The **Mauritius** desk study shows that the *GFSM 2001* presentation provides a more comprehensive framework for the analysis of fiscal sustainability, including the dynamics of public debt. The 2002 selected issues paper contained a *GFSM 2001* presentation, showing the evolution of budgetary central government operations. It showed the effects of those operations on its balance sheets, including debt liabilities during 1994/95–2000/01 and (staff) projections through 2006/07. These data in the selected issues paper reveal the country's steady incurrence of debt liabilities during 1995/96–1999/2000, primarily through the accumulation of domestic debt in loans and government paper. The projections reinforce the staff report's main argument that the baseline fiscal path would not yield sustainable debt; however, the *GFSM 2001* analytical framework may have presented the case more forcefully.

B. The Case for Pilot Studies

58. **While the desk studies illustrate the potential gains for fiscal analysis from using the three *GFSM 2001* tables, this framework has not been fully tested across the membership.** To broaden experience with the use of this framework as the standard for Fund operational work, the staff, in collaboration with country authorities, could undertake pilot studies in countries that have migrated to accrual reporting (such as Australia, United Kingdom, Iceland, New Zealand) and countries that draw heavily on the national accounts for developing their fiscal statistics (such as EU countries and the United States). They could also undertake pilot studies in countries that continue to have cash-based statistics but either compile their data applying the *GFSM 2001* framework (for

instance, South Africa, Thailand) or map their data into the *GFSM 2001* framework after their data have been compiled using another methodological framework. (This process was followed by many countries in the context of the *GFSY*.) Thus, the pilot studies would review the experiences of countries across the spectrum of accounting and statistical sophistication.

59. **The specific pilot countries would be selected on a voluntary basis, taking into account the existence of significant policy issues in the fiscal area to which the staff and the authorities could usefully apply the *GFSM 2001* framework.** In particular, staff and the authorities could focus on using the analytical framework to draw policy conclusions about the fiscal implications of bank restructuring, debt restructuring, relations with public corporations (including equity injections/recapitalizations or privatization), and the portfolio management of public sector assets and liabilities to maximize economic growth and the public sector's financial soundness and fiscal sustainability. Initially, the selection of volunteer countries for the pilot studies would include surveillance and program countries, the latter being restricted to countries entering new programs. The pilots also should cover a spectrum of countries across income levels. Staff and the authorities would need to collaborate closely to identify volunteers and conduct the studies.

60. **In conducting these pilot studies, the staff considers it important that the three *GFSM 2001* tables appear in parallel with the traditional fiscal tables when possible, allowing comparisons of the data and analytical approaches.** While the basic skeleton of the tables would be similar because they follow *GFSM 2001*, the details listed for any individual country would depend critically on the fiscal policy issues under discussion. *GFSM 2001* data could appear initially as an appendix to the staff report, as part of the accompanying selected issues papers, or directly in the main staff report. While a parallel presentation is feasible for surveillance countries, it would cause confusion in program countries. This being the case, *GFSM 2001* fiscal tables would not be presented in program staff reports or other program documentation.

61. **It is envisaged that three-and-a-half staff years could be required to complete these pilot studies over the course of two years and to undertake related training and support activities, which would be absorbed by STA and FAD within the existing resource envelope.** Collaboration with area department staff and the authorities would be an integral component of a pilot study. The proposed pilot studies would explore the modalities for presenting and analyzing *GFSM 2001* statistics in Fund reports. Staff would report to the Board on the outcome of these pilot studies and, on this basis, propose next steps on using the *GFSM 2001* to strengthen fiscal analysis in the Fund.

C. Training and Support

62. **While the responsibility for compiling and reporting fiscal statistics remains with the national authorities, IMF training and support for their efforts to implement *GFSM 2001* will be required.** STA will continue to provide technical support to the

national authorities, through statistical products and preparation of papers on methodological issues as companion materials to *GFSM 2001* that are posted on the Fund's website.²⁷ Simultaneously, FAD would continue to assist countries seeking to strengthen their accounting and classification systems. Together, STA and FAD would work with the authorities to promote sound fiscal data when the data are reclassified into the *GFSM 2001* framework. In addition, FAD and STA would advise country compilers and area departments on how to properly record economic events in the fiscal data and, collaborating with the INS, train them on these matters. The INS will review internal and external training courses (such as financial programming) that might need modifying to reflect the changeover to *GFSM 2001*, and efforts in this area will be increased.

63. In addition, **a joint STA/FAD Advisory Group on *GFSM 2001* would act as a one-stop resource for area departments.** Area departments will continue to serve as a conduit for the technical dialogue between the Fund (including STA and FAD) and the national authorities regarding fiscal statistics. In addition, they will increasingly use the *GFSM 2001* framework for fiscal analysis in Fund operational work. The Advisory Group will also seek to ensure that related work deriving from each department's specific responsibilities is properly taken into account in implementing *GFSM 2001*. Responsibilities include the harmonization of statistical standards in the case of STA, Fund surveillance and program design in the case of area departments, PDR and FAD, and the implementation of fiscal transparency standards in the case of FAD.

VI. ISSUES FOR DISCUSSION

- Do Directors agree that *GFSM 2001* provides a comprehensive and nuanced analytical framework that would augment the current fiscal policy analysis for Fund surveillance and program work and enhance cross-country comparability? Further, do Directors agree, in principle, that Fund staff should move in a phased way to presenting fiscal data using the *GFSM 2001* statistical framework in staff reports?
- As first a step, do Directors support a pilot approach to exploring *GFSM 2001*-based fiscal analysis in Fund operational work and, to this end, encouraging staff (STA, FAD, and area departments) to conduct pilot studies and external and internal training? In this context, do Directors support exploring the inclusion of the *GFSM 2001* operating statement, integrated balance sheets, and cash statement in the Article IV consultation reports on a pilot basis?

²⁷ The *GFSM 2001* companion material website is <http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm>. Companion materials to *GFSM 2001* have included guidance notes outlining in detail the linkages between *GFSM 2001* and *GFSM 1986* and between *GFSM 2001* and *1995 ESA*. A note also has been prepared on consolidation. Companion materials currently in the pipeline are expected to cover topics such as data preparation, derivation and bridge tables, coverage and sectorization of public entities, and social protection schemes. In addition, STA and FAD staff are preparing detailed guidance for country compilers and Fund staff to fully implement *GFSM 2001*, taking into account country circumstances.

- Do Directors agree that the migration path proposals to fully implement the methodology of *GFSM 2001* should be pursued over several years?
- Do Directors support ongoing TA work that would provide guidance to country compilers in reporting operational data to the Fund using the *GFSM 2001* framework and that would help to strengthen underlying accounting and classification systems?

Detailed Results from Staff Desk Studies

To test the strength of the *GFSM 2001* framework relative to the traditional approach, staff have conducted three desk studies to recast fiscal data shown in Article IV staff reports into the *GFSM 2001* presentation for Uruguay, Malaysia, and Mauritius. For each of the countries, three tables were derived: an operating statement, an integrated balance sheet, and a cash statement. The results demonstrate that *GFSM 2001* provides a more nuanced and systematic analysis of the impact of fiscal policies and of the sustainability of these policies over time. The following sections summarize the results for Uruguay, Malaysia, and Mauritius, and the tables are attached.

These desk studies were prepared using data from a variety of sources. They included staff reports of Article IV consultations, data reported to the Statistics Department for dissemination in the Fund's *Government Finance Statistics Yearbook*, and data disseminated on national websites. The data used in the desk studies are not based on accrual information and therefore the studies show the essentially cash-based data in the *GFSM 2001* framework. It should be emphasized that the data are provisional and that these preliminary desk studies would benefit from thorough verification with country compilers.

A. Bank Restructuring in Uruguay

The impact on the public sector of the banking crisis in Uruguay in 2002 can be explained fully by the *GFSM 2001* presentation (Appendix tables 3–5). In the staff report analysis of the bank restructuring that took place, the staff made adjustments to the traditional framework to reflect a fuller fiscal picture of several macroeconomic events. Thus, for 2002, the staff report table (February 2004) on government operations included an “augmented deficit” as a memorandum item. It was a best effort by WHD to deal with large one-off transactions related to bank restructuring costs. The *GFSM 2001* framework shows the full extent of the bank restructuring costs in each of the *GFSM 2001* statements, without resorting to such adjustments.

In 2002 in Uruguay, the public sector engaged in three types of economic activities vis-à-vis the banks: (1) **capital transfers and subsidies** from the public sector mainly to recapitalize the banks and provide liquidity assistance, (2) **financing operations mainly to provide liquidity** to distressed banks, and (3) **the write-off of assets** or loans by the public sector when it was recognized that the assets were not likely to be recovered.

The staff report showed a deficit of 4.6 percent of GDP in 2002, in contrast with net borrowing of 7.6 percent of GDP in the *GFSM 2001* operating statement. Public sector capital transfers accounted for 3 percent of GDP. This is recorded in the *GFSM 2001* presentation as part of other expense (see Appendix Table 3), which directly affects the gross operating balance and net lending/borrowing. The *GFSM 2001* operating statement shows that significant borrowing from foreign creditors financed the larger net borrowing.

The *GFSM 2001* presentation also shows a reduction in net worth on the balance sheet (Appendix Table 4) and a deterioration in the cash deficit (Appendix Table 5). Both the operating statement and the balance sheet show that foreign borrowing was used to reduce domestic liabilities and to build up domestic assets. The February 2004 staff report presentation included only part of this transaction in the “augmented deficit.” All other transactions that involved liquidity support from the public sector to the banks were financial operations. The public sector made loans or equity injections to the banks, and these exchanges involved claims on those banks. In the *GFSM 2001* presentation these financial transactions had no effect on the gross operating balance or net lending/borrowing. However, the composition of the public sector balance sheet showed the increased claims on banks as the acquisition of equity or loan assets financed through bond issues and foreign borrowing (liabilities). This also is reflected in the balance sheet and in the cash statement. In addition, the cash statement shows clearly that the public sector cash position was inadequate to cope with the magnitude of these transactions.

The *GFSM 2001* presentation records write-offs as other economic flows (“other volume changes”) that negatively affect net worth and net financial worth on the balance sheet. In the initial stages of the crisis, there were no write-offs of the claims on the banks. However, the change in the value of assets acquired by the public sector needed to be recorded. In some cases, when banks had been liquidated, the equity stake of the public sector and nonperforming loans had to be written off. The losses on the value of assets were difficult to capture in the traditional analysis in staff reports; proxies for the rate of recovery of nonperforming loans had to be estimated using assumptions.

B. Recording Privatization in Malaysia

The advantages of using *GFSM 2001* fiscal indicators for fiscal policy analysis can be illustrated by reference to the statistical treatment of privatization proceeds which partly funded the significant investment in non-financial assets that occurred during the period, especially between 2000–2003. While *GFSM 1986* treats privatization proceeds as revenue (or negative net lending), Fund staff reports, which have evolved over time, usually treat these proceeds as financing for analytical purposes. The Malaysia staff report was an exception to this practice. This was done in part because it was made consistent with the authorities’ view that these were not one-off transactions resulting from a large-scale privatization plan but were part of a portfolio rebalancing that did not dilute the authorities’ fiscal consolidation efforts.

The *GFSM 2001* presentation of the fiscal data for Malaysia does not alter the major trends reflected in the staff reports but does suggest that the magnitudes of the key balances are slightly different. The authorities and the staff registered privatization proceeds as part of (non-tax) capital revenue. However, the transactions represent the sale of equity shares in public corporations. Thus, relative to the authorities’ figures and the data in the staff report, reclassifying privatization proceeds out of revenue (and to the disposal of shares and other equity) consistent with the *GFSM 2001* framework resulted in an increase of the net

borrowing position of ½ percent of GDP during 1997–2003 (from -4.6 percent of GDP to -5.1 percent of GDP in 2002). This illustrates how the *GFSM 1986* presentation could mask the underlying fiscal position by focusing on the improved cash position owing to privatization proceeds as if they were government revenue. In the *GFSM 2001* presentation, revenue is only recognized when it arises from a transaction that increases the net worth of government; privatization is neutral to net worth because it is an exchange of one asset (equity) for another (cash).

Privatization affects the core balances for Malaysia in the three *GFSM 2001* fiscal tables. When privatization takes place as the sale of equity (as opposed to the sale of fixed assets), the operating balance and net lending/borrowing are unaffected (shown in the operating statement, Appendix Table 6). Moreover, net worth and net financial worth are unaffected (shown in the integrated balance sheet, Appendix Table 7), because the sale merely represents the swap of equities to cash. This change in the composition of general government assets may have an impact on the operations of government in the future, depending on the relative rates of return of these assets. The return on the equity sold should be compared with the return on the assets acquired following privatization (such as interest accrued on cash deposits or returns on other assets purchased).²⁸ However, the sale of domestic equity contributed to the increase in the stock of cash (shown in the cash statement, Appendix Table 8). An improved cash position has an impact on overall liquidity in the economy through its monetary effects (or foreign inflows, if sales are to nonresidents). This is why all three *GFSM 2001* statements need to be presented and analyzed in tandem.

The *GFSM 2001* presentation also illustrates some important data gaps, and therefore the tentative measures of net worth and net financial worth should be taken with caution. In particular, owing to the absence of available data, the integrated balance sheet does not fully capture the stock of large equity holdings by the general government in publicly listed government-linked companies, including Petronas. Also, it does not fully reflect transactions between government and these companies. These omissions would affect both the level and trends in changes in net worth (and net financial worth).

C. Debt Analysis in Mauritius

***GFSM 2001* provides a more comprehensive framework for the analysis of fiscal sustainability, including the dynamics of public debt.** The stock of debt is defined as all (explicit) liabilities excluding both financial derivatives and equity and other shares. In principle, all liabilities (debt and nondebt) should be recorded in the *GFSM 2001* balance

²⁸ However, if assets are not purchased or sold at market prices, or spending from the cash proceeds (particularly public investment) yields low rates of return, net worth would be affected and assessments of fiscal sustainability would need to be revised. On the other hand, by focusing on deficit and debt indicators only, the traditional approach does not allow full consideration of a potentially strong asset position of the public sector balance sheet. Using *GFSM 2001* would, therefore, fill important data gaps and would give a more complete picture of Malaysia's overall public sector net worth or net financial worth.

sheet.²⁹ Moreover, the public sector balance sheet should also reflect the net acquisition of assets (both nonfinancial and financial). Thus, the balance sheet framework provides the tools for analysis of fiscal sustainability (solvency as measured by changes in net worth or net financial worth) in addition to the partial balance sheet analysis of the liability side—mainly debt sustainability.³⁰ Placing a series of integrated balance sheets back-to-back yields a time series of stocks and corresponding flows that could provide information on the debt dynamics and reveal how the portfolio of the public sector evolved.

The Mauritius 2002 Article IV Staff Report and Selected Issues Paper (IMF Country Report No. 02/144) contained a presentation of the fiscal data using the *GFSM 2001* presentation. These data show the evolution of budgetary central government operations (Appendix Table 9) and the effects of those operations on its balance sheets (Appendix Table 10), including debt liabilities during 1994/95–2000/01 and (staff projections) through 2006/07. The operating statement shows the steady incurrence of debt liabilities during 1995/96–1999/2000, primarily through the accumulation of domestic debt in loans and government paper. The integrated balance sheet also reflects these operations. While the operations in 2000/01 did not lead to further debt accumulation, the projections for 2000/01–2006/07 reinforce the staff report’s main argument that the baseline fiscal path would not yield sustainable debt.

***GFSM 2001* data may have presented more forcefully the fiscal policy points made in the staff report. These data provide a broader perspective on fiscal sustainability, because they also show the evolution of assets in a series of integrated balance sheets.** At the same time that debt liabilities have been accumulating rapidly (1994/95–1999/2000), the authorities also increased their holdings of nonfinancial and financial assets. Nevertheless, the substantial deterioration in net financial worth (financial assets minus liabilities), to about negative 24 percent of GDP, revealed that this shift in the budgetary central government’s portfolio increased fiscal frailties. Unless the nonfinancial assets acquired with the increased liabilities would yield high returns in the future, the government was on an unsustainable path.

²⁹ Memorandum items to the balance sheet include contingent liabilities, debt at market value, debt at nominal value, and obligations for social security benefits.

³⁰ Appendix 2 in *GFSM 2001* also provides guidance on the treatment of complex transactions involving debt forgiveness, debt restructuring, and debt-equity swaps.

These trends were reinforced in 2000/01, and the baseline fiscal path painted an increasingly risky situation. For example, the dynamically linked integrated balance sheets show the liabilities-to-total-assets ratio increasing steadily from about $\frac{1}{2}$ to over 1 at the end of the projection period.

Table 3. Uruguay: Statement of Combined Public Operations (*GFSM 2001*), 1999–2002

	1999	2000	2001	2002
(In millions of Uruguayan pesos)				
Transactions affecting net worth:				
Revenue	78,558	78,103	83,091	83,591
Taxes	47,263	47,026	50,377	53,918
Taxes on income, profits and capital gains	9,296	9,502	9,088	10,388
Taxes on property	7,502	7,383	8,121	10,202
Taxes on goods and services	30,506	30,705	33,322	33,850
Taxes on international trade and transactions	2,242	1,968	2,428	2,730
Other taxes	-2,283	-2,532	-2,582	-3,252
Social contributions	14,967	15,085	14,381	12,836
Other revenue	16,328	15,992	18,333	16,837
<i>of which: dividends from non financial public enterprises</i>	<i>9,823</i>	<i>10,143</i>	<i>13,083</i>	<i>11,563</i>
Expense	77,946	79,333	84,023	96,565
Compensation of employees	19,907	20,138	21,091	21,425
Use of goods and services	13,120	11,298	12,833	12,057
Interest	4,867	6,308	7,276	12,163
Social benefits	37,013	38,430	39,220	39,961
Other expense	3,039	3,160	3,603	10,959
<i>of which: capital transfers to banks</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>7,773</i>
Gross operating balance 2/	612	-1,230	-931	-12,974
Transactions in nonfinancial assets				
Net acquisition of nonfinancial assets 3/	10,536	8,748	9,433	6,890
Net lending/borrowing 4/	-9,924	-9,979	-10,364	-19,864
Transactions in financial assets and liabilities (financing):	-5,148	-12,483	-9,022	-20,029
Net acquisition of financial assets	-1,367	-3,639	5,444	29,384
Domestic	-2,566	-6,110	-417	24,255
Currency and deposits	-3,243	-2,714	-1,191	4,055
Securities other than shares	852	-2,230	899	-3,541
Loans	-175	-1,166	-125	23,740
Foreign	1,199	2,471	5,861	5,129
Currency and deposits	1,199	2,471	5,861	5,129
Net incurrence of liabilities	3,781	8,844	14,466	49,413
Domestic	7,221	-1,157	4,592	-21,526
Currency and deposits	5,187	1,591	4,917	-34,401
Securities other than shares	-1,742	-4,052	-2,888	-5,620
Loans	3,776	1,304	2,564	18,496
Foreign	-3,439	10,001	9,874	70,939
Currency and deposits	-598	-620	-1,843	47,815
Securities other than shares	-1,272	9,317	11,165	3,707
Loans	-1,569	1,304	553	19,417
(In percent of GDP)				
Revenue	33.1	32.1	33.3	31.9
Expense	32.9	32.6	33.7	36.9
<i>of which: Interest</i>	<i>2.1</i>	<i>2.6</i>	<i>2.9</i>	<i>4.6</i>
Gross operating balance 2/	0.3	-0.5	-0.4	-5.0
Net acquisition of nonfinancial assets 3/	4.4	3.6	3.8	2.6
Purchases of nonfinancial assets	4.4	3.6	3.8	2.6
Sales of nonfinancial assets	0.0	0.0	0.0	0.0
Net lending/borrowing 4/	-4.2	-4.1	-4.2	-7.6
Primary Net lending/borrowing	-2.1	-1.5	-1.2	-2.9
Transactions in financial assets/liabilities (financing)	-2.2	-5.1	-3.6	-7.6
Net acquisition of financial assets	-0.6	-1.5	2.2	11.2
Net incurrence of liabilities	1.6	3.6	5.8	18.9
Domestic	3.0	-0.5	1.8	-8.2
Foreign	-1.5	4.1	4.0	27.1
Memorandum items:				
GDP at market prices (millions of Pesos)	237,143	243,027	249,231	261,987
Gross operating balance/Net acquisition of nonfinancial assets (ratio)	0.1	-0.1	-0.1	-1.9
Staff Report Overall balance (in percent of GDP)	-4.2	-4.1	-4.1	-4.6
Staff Report Augmented Overall balance (in percent of GDP)	-21.4

Sources: IMF Country Report No. 04/172 and STA staff estimates.

1/ The Combined Public Sector includes the Central Government, Extrabudgetary Funds, Social Security Funds, Local Governments, Non financial Public Enterprises, and the Central Bank.

2/ The net operating balance equals revenue minus expense, when expense includes the consumption of fixed capital. The gross operating balance equals revenue minus expense other than consumption of fixed capital.

3/ Acquisitions minus disposals and consumption of fixed capital.

4/ Net lending/borrowing equals the net operating balance minus the net acquisition of nonfinancial assets. It is also equal to the net acquisition of financial assets minus the net incurrence of liabilities. Discrepancies are due to different data sources.

Table 4. Uruguay: Balance Sheet for the Combined Public Sector based on the *GFSM 2001*, 2000–2002 1/

(In millions of Uruguayan pesos)

	2000				2001			2002				
	Opening balance 2/	Transactions	Other economic flows 2/	Closing/Opening balance 3/	Transactions	Other economic flows 2/	Closing/Opening balance 3/	Transactions	Holding Gains and Losses	Other volume changes	Residual	Closing balance 3/
Net worth and its changes:	-39,602	-3,734	-176	-43,512	410	-17,228	-60,330	-13,139	-95,172	-13,398	3,263	-178,776
Nonfinancial assets	47,534	8,748	0	56,283	9,433	0	65,715	6,890	0	0	0	72,605
Net Financial Worth:	-87,136	-12,483	-176	-99,795	-9,022	-17,228	-126,045	-20,029	-95,172	-13,398	3,263	-251,381
Financial assets 4/	34,067	-2,473	7,278	38,872	5,569	6,923	51,363	29,384	-1,369	13,895	-3,866	89,407
Currency and deposits	31,105	-243	4,781	35,643	4,670	7,167	47,479	9,185	-1,369	13,895	-4,389	64,801
Securities other than shares	2,962	-2,230	2,497	3,229	899	-244	3,884	-3,541			7,341	7,685
Loans								23,740			-6,818	16,922
Liabilities 4/	121,203	10,010	7,454	138,666	14,591	24,151	177,408	49,413	93,803	27,293	-7,128	340,789
Currency and deposits	37,063	972	1,850	39,885	3,074	7,252	50,211	13,414	-14,461	4,594	-6,425	47,333
Securities other than shares	55,450	5,265	5,790	66,505	8,276	11,937	86,718	-1,914	71,215	238	294	156,551
Loans	28,689	3,774	-186	32,276	3,241	4,962	40,479	37,913	37,049	22,461	-998	136,904
Memorandum items:												
Net worth (in percent of GDP)	-16.7			-17.9			-24.4					-68.2
Net financial worth (in percent of GDP)	-36.7			-41.1			-51.0					-96.0
Financial assets (in percent of GDP)	14.4			16.0			20.6					34.1
Liabilities (in percent of GDP)	51.1			57.1			71.2					130.1
Change in Net worth (in percentage)	...			-1.2			-6.5					-43.8
Change in Net financial worth (in percentage)	...			-4.3			-9.9					-45.0
Liabilities/Assets ratio	1.49			1.46			1.52					2.10
Liabilities/Financial Assets ratio	3.56			3.57			3.45					3.81

Sources: IMF Country Report No. 04/172 and STA staff estimates.

1/ The Combined Public Sector includes the Central Government, Extrabudgetary Funds, Social Security Funds, Local Governments, Non financial Public Enterprises, and the Central Bank.

2/ Other economic flows record holding gains and losses and other changes in the volume of assets and liabilities. For 2000 and 2001 information is available to break this aggregate into its two components.

3/ Data from IMF Country Report No. 03/247 August 2003, Table 15. Uruguay: Public Debt, plus own estimates of monetary liabilities of the BCU based in official data.

4/ The breakdown in domestic and foreign was not available for this case study, but it is reported by the Uruguayan authorities.

Table 5. Uruguay: Combined Public Sector Statement of Sources and Uses of Cash
(GFSM 2001), 1999–2002

	1999	2000	2001	2002
	(In millions of Uruguayan pesos)			
Cash flows from operating activities:				
Cash receipts from operating activities (inflows +)	78,558	78,103	83,091	83,591
Taxes	47,263	47,026	50,377	53,918
Social contributions	14,967	15,085	14,381	12,836
Other receipts	16,328	15,992	18,333	16,837
Cash payments for operating activities (outflows -)	77,946	79,333	84,023	96,565
Compensation of employees	19,907	20,138	21,091	21,425
Purchases of goods and services	13,120	11,298	12,833	12,057
Interest	4,867	6,308	7,276	12,163
Social benefits	37,013	38,430	39,220	39,961
Other payments	3,039	3,160	3,603	10,959
<i>of which: capital transfers to banks</i>				7,773
Net cash inflow (+) from operating activities	612	-1,230	-931	-12,974
Cash flows from investments in nonfinancial assets:				
Purchases of nonfinancial assets (cash outflows -)	-10,536	-8,748	-9,433	-6,890
Net cash outflow (-) from investments in nonfinancial assets	-10,536	-8,748	-9,433	-6,890
CASH SURPLUS (+)/DEFICIT (-) 3/	-9,924	-9,979	-10,364	-19,864
Cash flows from financing activities:				
Net acquisition of financial assets other than cash (cash outflows -)	-677	3,396	-774	-20,199
Domestic	-677	3,396	-774	-20,199
Securities other than shares 4/	-852	2,230	-899	3,541
Loans 5/	175	1,166	125	-23,740
Foreign	0	0	0	0
Net incurrence of liabilities (cash inflows +)	-807	7,873	11,393	35,999
Domestic	2,034	-2,748	-325	12,875
Securities other than shares 4/	-1,742	-4,052	-2,888	-5,620
Loans 5/	3,776	1,304	2,564	18,496
Foreign	-2,841	10,621	11,717	23,124
Securities other than shares 4/	-1,272	9,317	11,165	3,707
Loans 5/	-1,569	1,304	553	19,417
Net cash inflow (+) from financing activities	-1,484	11,268	10,618	15,800
NET CHANGE IN THE STOCK OF CASH 6/	-11,407	1,290	254	-4,064
Memorandum:				
Stock of cash (end of the fiscal year) 7/	2,944	4,233	4,487	423

Sources: IMF Country Report No. 04/172 and STA staff estimates.

1/ The Combined Public Sector includes the Central Government, Extrabudgetary Funds, Social Security Funds, Local Governments, Non financial Public Enterprises, and the Central Bank.

2/ Assumes previously recorded data were strictly on a cash basis.

3/ Net cash inflow from operating activities less the cash outflow from investments in nonfinancial assets.

4/ Information is available to break this aggregate into its components as shown in Table 5 of the Staff Report: long-term bonds and short-term bills.

5/ Information is available to break this aggregate into its components as shown in Table 5 of the Staff Report: commercial banks, official loans, IMF, etc.

6/ Cash surplus/deficit plus the net cash inflow from financing activities.

7/ Assumes the stock of cash equaled 14351 at the end of 1998.

Table 6. Malaysia: Statement of Consolidated of General Government Operations
(GFSM 2001), 1996–2003 1/

Table 1.1. Malaysia: Statement of Consolidated General Government Operations (GFSM 2001), 1996–2003 1/

	1996	1997	1998	1999	2000	2001	2002	2003
							Prel.	Prel.
(In millions of ringgit)								
Transactions affecting net worth:								
Revenue	69,356	77,420	68,067	69,335	74,370	90,021	94,912	104,887
Taxes	50,297	57,158	48,679	48,855	50,983	65,591	71,145	69,179
Taxes on income, profits and capital	25,851	30,432	30,015	27,246	29,156	42,098	44,351	43,016
Taxes on property	1025	973	899	985	1163	1012	1106	1156
Taxes on goods and services	12,779	14,448	9,424	11,235	12,104	13,510	16,333	15,175
Taxes on international trade and	7,356	7,778	4,702	5,581	4,853	4,284	4,793	5,399
Other taxes	1767	1936	1967	2041	2009	1925	1870	1800
Other	19,060	20,263	19,389	20,480	23,386	24,431	23,767	35,708
<i>of which</i> : dividends from non financial public enterprises	3,100	3,100	4,100	4,100	4,100	5,910	5,390	5,100
Expense	50,419	49,982	54,340	60,728	69,807	73,732	79,018	90,724
Compensation of employees	18,794	17,479	18,492	19,020	21,108	23,946	27,458	29,524
Use of goods and services	10,467	11,405	10,545	13,468	14,327	19,502	21,502	26,459
Interest	7,018	6,618	7,061	8,093	9,180	10,821	10,633	11,607
Subsidies	8928	8919	8711	8648	12811	12512	13258	18596
Grant	434	373	3,507	4,082	4,079	199	-538	2,382
Social benefits	3,925	4,497	4,625	5,120	5,980	4,788	5,502	195
Other expense	853	691	1,399	2,297	2,322	1,965	1,203	1,961
Gross operating balance 2/	18,937	27,438	13,727	8,607	4,563	16,289	15,894	14,163
Transactions in nonfinancial assets								
Net acquisition of nonfinancial assets 3/	16,620	17,510	17,639	18,583	25,036	34,465	34,333	33,356
Net lending/borrowing 4/	2,317	9,928	-3,912	-9,976	-20,473	-18,176	-18,439	-19,193
Transactions in financial assets and liabilities (financing):	2,31	9,92	-	-	-	-	-	-
Net acquisition of financial assets	19	2,93	87	-	1,47	13	1,92	1,90
Domesti	19	2,93	87	-	1,47	13	1,92	1,90
Currency and deposits	3,051	4,540	2,484	605	2,661	1,567	3,824	2,594
Loans	1,827	-238	781	200	-291	190	-140	-290
Shares and other equity	-4,683	-1,363	-2,387	-1,536	-891	-1,624	-1,764	-399
Foreign	0	0	0	0	0	0	0	0
Net incurrence of liabilities	-	-	4,79	9,24	21,952	18,309	20,359	21,098
Domesti	22	-	3,21	6,56	21,467	12,014	12,337	24,807
Currency and deposits	-1,068	-3,100	-7,821	1,141	8,754	-1,319	6,233	4,632
Securities other than	1,291	-2,048	8,000	3,324	12,714	14,400	7,100	23,250
Loans	0	0	3,040	2,099	-1	-1,067	-996	-3,075
Foreign	-	-	1,57	2,68	48	6,29	8,02	-
Securities other than	-674	-697	1,112	3,057	1,114	6,178	7,382	-3,709
Loans	-1,671	-1,144	481	-376	-629	117	640	0
(In percent of GDP)								
Revenue	27.3	27.5	24.0	23.1	21.7	26.9	26.2	26.6
Expense	19.9	17.7	19.2	20.2	20.3	22.0	21.9	23.0
<i>of which</i> : Interest	2.8	2.3	2.5	2.7	2.7	3.2	2.9	2.9
Gross operating balance 2/	7.5	9.7	4.8	2.9	1.3	4.9	4.4	3.6
Net acquisition of nonfinancial assets 3/	6.6	6.2	6.2	6.2	7.3	10.3	9.5	8.5
Purchases of nonfinancial assets	7.2	7.1	6.7	6.7	7.8	10.8	10.0	9.9
Sales of nonfinancial assets	-0.6	-0.8	-0.5	-0.5	-0.5	-0.5	-0.5	-1.4
Net lending/borrowing 4/	0.9	3.5	-1.4	-3.3	-6.0	-5.4	-5.1	-4.9
Primary Net lending/borrowing	3.7	5.9	1.1	-0.6	-3.3	-2.2	-2.2	-1.9
Transactions in financial assets/liabilities (financing)	0.9	3.5	-1.4	-3.3	-6.0	-5.4	-5.1	-4.9
Net acquisition of financial assets	0.1	1.0	0.3	-0.2	0.4	0.0	0.5	0.5
<i>of which</i> : sales of shares	-1.8	-0.5	-0.8	-0.5	-0.3	-0.5	-0.5	-0.1
Net incurrence of	-0.8	-2.5	1.7	3.1	6.4	5.5	5.6	5.4
Domestic	0.1	-1.8	1.1	2.2	6.3	3.6	3.4	6.3
Foreign	-0.9	-0.7	0.6	0.9	0.1	1.9	2.2	-0.9
Memorandum								
GDP at market prices (millions of ringgit)	253,732	281,795	283,243	300,764	343,215	334,404	361,624	394,200
Gross operating balance/Net acquisition of nonfinancial assets	1.1	1.6	0.8	0.5	0.2	0.5	0.5	0.4
Staff Report Overall balance (in percent of GDP)	2.0	4.0	-0.8	-2.9	-5.6	-5.0	-4.6	-4.4

Source: Staff estimates.

1/ General Government includes Central Government, Extrabudgetary Funds, Local Governments and State Governments.

2/ The net operating balance equals revenue minus expense, when expense includes the consumption of fixed capital. The gross operating balance equals revenue minus expense other than consumption of fixed capital.

3/ Acquisitions minus disposals and consumption of fixed capital.

4/ Net lending/borrowing equals the net operating balance minus the net acquisition of nonfinancial assets. It is also equal to the net acquisition of financial assets minus the net incurrence of liabilities.

Table 7. Malaysia: Balance Sheet for the General Government based on the *GFSM 2001*, 2000–2003 1/ 2/

Table 1.2. Malaysia: Balance sheet for the General Government based on the *GFSM 2001*, 2000–2003 1/ 2/

(In millions of ringgit)

	2000				2001			2002			2003		
	Opening balance	Transaction	Other economic flows 3/	Closing Opening balance	Transaction	Other economic flows 3/	Closing Opening balance	Transaction	Other economic flows 3/	Closing balance	Transaction	Other economic flows 3/	Closing balance
Net worth and its changes:	82,808	4,56	8,67	96,041	16,289	-	110,693	15,894	1,15	127,743	14,163	-	139,230
Nonfinancial assets	173,589	25,036	0	198,625	34,465	0	233,091	34,333	0	267,424	33,356	0	300,779
Net Financial Worth:	-	-	8,67	-102,584	-	-	-122,398	-	1,15	-139,681	-	-	-161,549
Financial assets	21,781	1,47	0	23,260	13	0	23,393	1,92	0	25,313	1,90	0	27,218
Domesti	21,781	1,479	0	23,260	133	0	23,393	1,920	0	25,313	1,905	0	27,218
Currency and deposits	17,193	2,661	0	19,854	1,567	0	21,421	3,824	0	25,245	2,594	0	27,839
Loans	2,550	-291	0	2,259	190	0	2,449	-140	0	2,309	-290	0	2,019
Shares and other equity	2,038	-891	0	1,147	-1,624	0	-477	-1,764	0	-2,241	-399	0	-2,640
Foreign	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilitie	112,562	21,952	-	125,844	18,309	1,63	145,791	20,359	-	164,994	21,098	2,67	188,767
Domestic	93,778	21,467	-8,423	106,822	12,014	2,567	121,403	12,337	-5,055	128,685	24,807	-2,009	151,483
Currency and deposits	3,983	8,754	-8,423	4,314	-1,319	2,567	5,562	6,233	-5,055	6,740	4,632	-2009	9,363
Securities other than	84,656	12,714	0	97,370	14,400	0	111,770	7,100	0	118,870	23,250	0	142,120
Loans	5,139	-1	0	5,138	-1,067	0	4,071	-996	0	3,075	-3,075	0	0
Foreign	18,784	485	-247	19,022	6,295	-929	24,388	8,022	3,899	36,309	-3,709	4,684	37,284
Securities other than	11,076	1114	-150	12,040	6178	-536	17,682	7382	3,610	28,674	-3709	3224	28,189
Loans	7,708	-629	-97	6,982	117	-393	6,706	640	289	7,635	0	1,460	9,095
Memorandum													
Net worth (in percent of GDP)	27.5			28.0			33.1			35.3			35.3
Net financial worth (in percent of GDP)	-30.2			-29.9			-36.6			-38.6			-41.0
Financial assets (in percent of GDP)	7.2			6.8			7.0			7.0			6.9
Liabilities (in percent of GDP)	37.4			36.7			43.6			45.6			47.9
Change in Net worth (in percentage)	...			0.5			5.1			2.2			0.0
Change in Net financial worth (in percentage)	...			0.3			-6.7			-2.0			-2.4
Liabilities/Assets	0.58			0.57			0.57			0.56			0.58
Liabilities/Financial Assets ratio	5.17			5.41			6.23			6.52			6.94

Source: Staff estimates.

1/ General Government includes Central Government, Extrabudgetary Funds, Local Governments and State Governments.

2/ Assumes all items in the balance sheet were equal to zero at the end of 1986.

3/ Other economic flows record holding gains and losses and other changes in the volume of assets and liabilities. Information is available to break this aggregate into its two components.

Table 8. Malaysia: Consolidated General Government Statement of Sources and Uses of Cash (*GFSM 2001*), 1996–2003 1/ 2/

Table 1.3. Malaysia: Consolidated General Government Statement of Sources and Uses of Cash (*GFSM 2001*), 1996-2003 1/ 2/

	1996	1997	1998	1999	2000	2001	2002	2003
							Prel.	Prel.
	(In millions of ringgit)							
Cash flows from operating activities:								
Cash receipts from operating activities (inflows +)	69,356	77,420	68,067	69,335	74,370	90,021	94,912	104,887
Taxes	50,297	57,158	48,679	48,855	50,983	65,591	71,145	69,179
Social contributions	0	0	0	0	0	0	0	0
Grant	0	0	0	0	0	0	0	0
Other receipts	19,060	20,263	19,389	20,480	23,386	24,431	23,767	35,708
Cash payments for operating activities (outflows -)	-	-	-	-	-	-	-	-
Compensation of employees	-18,794	-17,479	-18,492	-19,020	-21,108	-23,946	-27,458	-29,524
Purchases of goods and services	-10,467	-11,405	-10,545	-13,468	-14,327	-19,502	-21,502	-26,459
Interest	-7,018	-6,618	-7,061	-8,093	-9,180	-10,821	-10,633	-11,607
Subsidies	-8,928	-8,919	-8,711	-8,648	-12,811	-12,512	-13,258	-18,596
Grant	-434	-373	-3,507	-4,082	-4,079	-199	538	-2,382
Social benefits	-3,925	-4,497	-4,625	-5,120	-5,980	-4,788	-5,502	-195
Other payments	-853	-691	-1,399	-2,297	-2,322	-1,965	-1,203	-1,961
Net cash inflow (+) from operating activities	18,937	27,438	13,727	8,607	4,563	16,289	15,894	14,163
Cash flows from investments in nonfinancial assets:								
Purchases of nonfinancial assets (cash outflows -)	-18,176	-19,873	-18,941	-20,134	-26,669	-36,077	-36,184	-38,906
Sales of nonfinancial assets (cash inflows +)	1,556	2,363	1,302	1,551	1,633	1,612	1,851	5,550
Net cash outflow (-) from investments in nonfinancial assets	-16,620	-17,510	-17,639	-18,583	-25,036	-34,465	-34,333	-33,356
CASH SURPLUS (+)/DEFICIT (-) 3/	2,31	9,92	-	-	-	-	-	-
Cash flows from financing activities:								
Net acquisition of financial assets other than cash (cash outflows -)	2,85	1,60	1,60	1,33	1,18	1,43	1,90	68
Domesti	2,856	1,601	1,606	1,336	1,182	1,434	1,904	689
Loans	-1,827	238	-781	-200	291	-190	140	290
Shares and other equity	4,683	1,363	2,387	1,536	891	1,624	1,764	399
Foreign	0	0	0	0	0	0	0	0
Net incurrence of liabilities (cash inflows +)	-	-	12,611	8,10	13,198	19,628	14,126	16,466
Domesti	1,291	-2,048	11,040	5,423	12,713	13,333	6,104	20,175
Securities other than shares	1,291	-2,048	8,000	3,324	12,714	14,400	7,100	23,250
Loans	0	0	3,040	2,099	-1	-1,067	-996	-3,075
Foreign	-2,345	-1,841	1,571	2,681	485	6,295	8,022	-3,709
Securities other than shares	-674	-697	1,112	3,057	1,114	6,178	7,382	-3,709
Loans	-1,671	-1,144	481	-376	-629	117	640	0
Net cash inflow (+) from financing activities	1,802	-2,288	14,217	9,440	14,380	21,062	16,030	17,155
NET CHANGE IN THE STOCK OF CASH 4/	4,11	7,64	10,305	-	-	2,88	-	-
Memorandum:								
Stock of cash (end of the fiscal year) 5/	5645	13,285	23,590	23,054	16,961	19,847	17,438	15,400

Source: Staff estimates.

1/ General Government includes Central Government, Extrabudgetary Funds, Local Governments and State Governments.

2/ Assumes previously recorded data were strictly on a cash basis.

3/ Net cash inflow from operating activities less the cash outflow from investments in nonfinancial assets.

4/ Cash surplus/deficit plus the net cash inflow from financing activities.

5/ Assumes the stock of cash equaled zero at the end of 1986.

Table 9. Mauritius: Statement of Central Government Operations
(GFSM 2001), 1995/96–2001/02

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
	Prel.					
	(In millions of rupees)					
Transactions affecting net worth:						
Revenue	12,832	16,475	18,501	21,329	23,500	22,707
Taxes	11,488	14,001	15,686	17,900	20,373	20,189
Taxes on income, profits and capital gains	1,973	2,287	2,409	2,700	2,881	3,039
Taxes on property	895	976	1,102	1,209	1,206	1,324
Taxes on goods and services	3,710	5,157	6,007	8,005	9,339	9,466
Taxes on international trade and transactions	4,899	5,570	6,157	5,973	6,935	6,349
Other taxes	11	11	12	13	12	11
Social contributions	81	92	101	114	120	123
Grants	221	63	217	135	161	199
Other revenue	1,043	2,319	2,498	3,180	2,846	2,195
Property income	646	1,954	2,074	2,246	1,862	1,660
Expense	15,425	18,259	20,062	22,940	24,777	28,523
Compensation of employees	5,293	5,897	6,508	7,457	7,763	8,181
Use of goods and services	1,719	2,132	1,920	2,180	2,354	2,735
Interest	2,332	2,875	3,503	3,626	3,856	5,527
To nonresidents	301	473	512	501	453	401
To residents other than general government	2,031	2,402	2,992	3,125	3,403	5,125
Subsidies	827	1,063	1,306	1,641	2,008	2,231
To public corporations	70	120	175	312	313	315
To private enterprises	757	943	1,131	1,329	1,695	1,916
Grants	658	709	679	744	763	798
Social benefits	3,802	4,731	5,263	6,245	6,891	7,364
Social security benefits	1,612	2,235	2,508	2,933	3,260	3,566
Social assistance benefits	1,266	1,430	1,547	1,928	2,012	2,118
Employer social benefits	924	1,066	1,208	1,384	1,619	1,680
Other expense	795	852	883	1,047	1,141	1,686
Gross operating balance 1/	-2,593	-1,784	-1,561	-1,611	-1,277	-5,816
Transactions in nonfinancial assets						
Net acquisition of nonfinancial assets 2/	1,783	2,091	1,810	2,617	2,866	2,898
Net lending/borrowing 3/	-4,376	-3,876	-3,371	-4,227	-4,143	-8,714
Transactions in financial assets and liabilities (financing):						
Net acquisition of financial assets	859	1,663	-47	-672	296	-8,831
Domestic	859	1,663	-47	-672	296	-8,831
Currency and deposits	-101	126	-299	33	129	-157
Loans	960	2,284	252	-705	167	-1,574
Shares and other equity	0	-748	0	0	0	-7,100
Foreign	0	0	0	0	0	0
Net incurrence of liabilities	5,235	5,538	3,324	3,555	4,439	-118
Domestic	2,861	5,340	3,599	4,725	4,949	3,466
Securities other than shares	1,708	4,216	2,374	5,721	2,133	4,581
Loans	1,155	1,114	1,332	-1,538	2,708	-1,116
Other accounts payable	-3	10	-107	543	108	0
Foreign	2,374	198	-275	-1,170	-510	-3,584
Loans	2,374	198	-275	-1,170	-510	-3,584
	(In percent of GDP)					
Revenue	17.3	19.7	19.6	20.1	20.9	18.2
Expense	20.8	21.8	21.3	21.6	22.1	22.9
Gross operating balance 1/	-3.5	-2.1	-1.7	-1.5	-1.1	-4.7
Primary gross operating balance	-0.4	1.3	2.1	1.9	2.3	-0.2
Net acquisition of nonfinancial assets 2/	2.4	2.5	1.9	2.5	2.6	2.3
Net lending/borrowing 3/	-5.9	-4.6	-3.6	-4.0	-3.7	-7.0
Net acquisition of financial assets	1.2	2.0	0.0	-0.6	0.3	-7.1
Net incurrence of liabilities	7.0	6.6	3.5	3.4	4.0	-0.1
Domestic	3.8	6.4	3.8	4.5	4.4	2.8
Foreign	3.2	0.2	-0.3	-1.1	-0.5	-2.9
Memorandum items:						
GDP at market prices (millions of Rupees)	74,305	83,763	94,167	106,042	112,290	124,665
Gross operating balance/Net acquisition of nonfinancial assets (ratio)	-1.45	-0.85	-0.86	-0.62	-0.45	-2.01

Sources: Mauritian authorities; and staff estimates.

1/ The net operating balance equals revenue minus expense, when expense includes the consumption of fixed capital.

The gross operating balance equals revenue minus expense other than consumption of fixed capital.

2/ Acquisitions minus disposals and consumption of fixed capital.

3/ Net lending/borrowing equals the net operating balance minus the net acquisition of nonfinancial assets. It is also equal to the net acquisition of financial assets minus the net incurrence of liabilities.

Table 10. Mauritius: Balance Sheet for Budgetary Central Government based on the *GFSM 2001*, 1994/95–2006/07 1/
(In millions of rupees)

	1994/95-99/00				1999/00-00/01				2000/01-06/07		
	Opening balance	Transactions	Other economic flows 2/	Closing/Opening balance	Transactions	Other economic flows 2/	Closing/Opening balance	Transactions	Other economic flows 2/	Closing balance	
Net worth and its changes:	14,328	-8,781	-187	5,360	-5,816	0	-455	-9,673	0	-10,128	
Nonfinancial assets	18,475	13,669	0	32,144	2,898	0	35,041	32,624	0	67,665	
Fixed assets	18,475	13,238	0	31,712	2,813	0	34,526	31,624	0	66,150	
Nonproduced assets	0	431	0	431	84	0	515	1,000	0	1,515	
Net Financial Worth:	-4,146	-22,450	-187	-26,783	-8,714	0	-35,496	-42,297	0	-77,793	
Financial assets	12,515	2,458	0	14,973	-8,831	0	6,142	3,176	0	9,318	
Domestic	12,515	2,458	0	14,973	-8,831	0	6,142	3,176	0	9,318	
Currency and deposits	321	278	0	599	-157	0	442	0	0	442	
Loans	4,346	2,927	0	7,274	-1,574	0	5,700	3,176	0	8,876	
Shares and other equity	7,848	-748	0	7,100	-7,100	0	0	0	0	0	
Foreign	0	0	0	0	0	0	0	0	0	0	
Liabilities	16,661	24,908	187	41,756	-118	0	41,638	45,473	0	87,111	
Domestic	16,489	24,661	187	41,337	3,466	0	44,803	40,065	0	84,867	
Securities other than shares	5,265	17,204	187	22,656	4,581	0	27,237	19,570	0	46,807	
Loans	10,827	7,836	0	18,663	-1,116	0	17,548	20,494	0	38,042	
Other accounts payable	397	-379	0	18	0	0	18	0	0	18	
Foreign	173	247	0	419	-3,584	0	-3,165	5,408	0	2,243	
Loans	173	247	0	419	-3,584	0	-3,165	5,408	0	2,243	
Memorandum items:											
Net worth (in percent of GDP)	21.5			4.8			-0.4			-4.6	
Net financial worth (in percent of GDP)	-6.2			-23.9			-28.5			-35.7	
Liabilities/Assets ratio	0.54			0.89			1.01			1.13	
Liabilities/Financial Assets ratio	1.33			2.79			6.78			9.35	

Sources: Mauritius authorities and Fund staff estimates.

1/ Assumes all items in the balance sheet were equal to zero at the end of 1973/74.

2/ Other economic flows record holding gains and losses and other changes in the volume of assets and liabilities. The only entries in this illustrative balance sheet refer to the residual revaluation estimated from the stock of domestic budgetary central government securities other than shares (domestic debt). The residual equals the closing balance for domestic debt minus the opening balance minus recorded domestic debt transactions for the period. More complete estimates require consistent application of market valuation of assets and liabilities.

Table 11. Mauritius: Budgetary Central Government (plus Privatization Fund) Statement of Sources and Uses of Cash (*GFSM 2001*), 1995/96–2001/02 1/

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01 Prel.
	(In millions of rupees)					
Cash flows from operating activities:						
Cash receipts from operating activities (inflows +)	12,833	16,474	18,501	21,329	23,500	22,707
Taxes	11,488	14,001	15,686	17,900	20,373	20,189
Grants	221	63	217	135	161	199
Other receipts	1,124	2,410	2,599	3,294	2,966	2,318
Cash payments for operating activities (outflows -)	-15,425	-18,259	-20,062	-22,940	-24,777	-28,523
Compensation of employees	-5,293	-5,897	-6,508	-7,457	-7,763	-8,181
Purchases of goods and services	-1,719	-2,132	-1,920	-2,180	-2,354	-2,735
Interest	-2,332	-2,875	-3,503	-3,626	-3,856	-5,527
Subsidies	-827	-1,063	-1,306	-1,641	-2,008	-2,231
Grants	-658	-709	-679	-744	-763	-798
Social benefits	-3,802	-4,731	-5,263	-6,245	-6,891	-7,364
Other payments	-795	-852	-883	-1,047	-1,141	-1,686
<i>Net cash inflow (+) from operating activities</i>	-2,593	-1,785	-1,561	-1,611	-1,277	-5,816
Cash flows from investments in nonfinancial assets:						
Purchases of nonfinancial assets (cash outflows -)	-1,783	-2,091	-1,810	-2,617	-2,866	-2,898
<i>Net cash outflow (-) from investments in nonfinancial assets</i>	-1,783	-2,091	-1,810	-2,617	-2,866	-2,898
CASH SURPLUS (+)/DEFICIT (-) 2/	-4,376	-3,876	-3,371	-4,227	-4,143	-8,714
Cash flows from financing activities:						
Net acquisition of financial assets other than cash (cash outflows -)	-960	-1,536	-252	705	-167	8,674
Domestic	-960	-1,536	-252	705	-167	8,674
Foreign	0	0	0	0	0	0
Net incurrence of liabilities (cash inflows +)	5,235	5,539	3,324	3,555	4,439	-118
Domestic	2,861	5,341	3,599	4,725	4,949	3,466
Foreign	2,374	198	-275	-1,170	-510	-3,584
<i>Net cash inflow (+) from financing activities</i>	4,275	4,003	3,072	4,260	4,272	8,556
NET CHANGE IN THE STOCK OF CASH 3/	-101	126	-299	33	129	-157
Memorandum:						
THE STOCK OF CASH (end of the fiscal year) 4/	610	737	438	470	599	442

Sources: Mauritian authorities, and Fund staff estimates.

1/ Assumes that the values recorded by the IMF African Department are on a cash basis only.

2/ Net cash inflow from operating activities less the cash outflow from investments in nonfinancial assets.

3/ Cash surplus/deficit plus the net cash inflow from financing activities.

4/ Assumes the stock of cash equaled zero at the end of fiscal year 1973/74.