

# Glossary

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*Accrual accounting.* Generally, an accounting method in which revenues, expenses, lending, and borrowing are recorded when they are earned, accrued, or incurred regardless of when payment is made or received.

*Adjustment transactions.* Transactions requiring adjustment to total government receipts and payments so as to remove revenue refunds paid out during the period, amounts recovered of previous payments made, private trust transactions, and transactions carried out in an agency capacity for others, that is, without discretion as to the amounts collected or to be paid out.

*Agency transactions.* Financial transactions a government undertakes in the capacity of agent for others, that is, without discretion as to the amounts collected or paid. For purposes of this Manual such transactions are to be excluded from both revenue and expenditure data of the agent government, though they should be shown as memorandum items.

*Allocations and allotments.* Authorizations or distributions of funds made by the chief executive or his designee—for example, the finance minister or the budget director—to the ministries permitting them to either commit or pay out funds, or both, within a specified time period and within the amounts appropriated and authorized.

*Ancillary departmental enterprises.* Departmental enterprises mainly engaged in supplying goods and services to other units of government. They are thus industrial activities in government which are ancillary in nature, furnishing to the government itself goods and services of a kind that are often provided by business establishments. See also Departmental enterprises.

*Appropriations.* The budget approved by the legislature and subsequent additions to it. This may order the executive to make the specified expenditures or authorize the executive to make expenditures up to the amounts specified. The authorization to spend may be given to individual ministries or departments or it may be granted specifically to the chief executive or his representative who retains the freedom to subsequently authorize spending by the ministries.

*Appropriations-in-aid.* Usually nontax revenues from fees, charges, and proceeds of nonindustrial sales arising in the course of operations of government departments or agencies and treated as negative expenditures in their administrative accounts so as to show remaining costs or needs for appropriations. For purposes of this Manual, such nontax revenues are shown under their appropriate revenue classification, and expenditures should reflect the full amount of payments undiminished by offsets of such negative expenditures.

*Available central government.* A portion of central government for which data may be combined in a consistent time series more currently or for periods of greater frequency than for all of central government.

*Bill.* “A security that gives the holder the unconditional right to receive a stated fixed sum on a specified date, and is issued and traded at a discount, depending on the rate of interest and the time of maturity.” (SNA, p. 230)

*Bond.* “A security that gives the holder the unconditional right to a fixed money income [or an income linked to some index], and, except for perpetual bonds, . . . an unconditional right to a stated fixed sum [or a sum linked to some index] on a specified date or dates.” (SNA, p. 230)

*Budget.* See Appropriations.

*Budget proposal or estimates.* A request presented by the executive to the legislature or legislating executive council for spending authority, accompanied by an estimate of expected revenue whose collection must also be authorized in some countries. The request may be subject to revision by the legislature, which can be unlimited or limited by such constitutional provisions as the requirement that revenue be increased to match any increase in expenditure.

*Budget year.* The period of time for which a budget makes appropriations. Actual allocations, commitments, deliveries, and payments for a particular budget's expenditure programs may extend well past the year in which they were originally appropriated. In some budgetary systems, assignment of such transactions to the budget of original appropriation may continue for years. In others, such assignment back to the original budget year may not exist or may be limited to a complementary period of relatively short duration. For purposes of this Manual, government receipts and payments should be included in the time period in which they actually take place rather than being assigned to the budget year in which they were authorized.

*Capital account.* See Capital expenditure.

*Capital budget.* See Capital expenditure.

*Capital expenditure.* Expenditure for acquisition of land, intangible assets, government stocks, and nonmilitary, nonfinancial assets, of more than a minimum value and to be used for more than one year in the process of production; also for capital grants. Capital expenditure is frequently separated (in some cases along with certain revenue) into a separate section or capital account of the budget or into an entirely separate budget for capital expenditure, that is, the capital budget. This separation may sometimes follow different criteria, however.

*Capital formation.* See Gross capital formation and Gross fixed capital formation.

*Capital grants.* Nonrepayable, unrequited transfers received by government from governments or international organizations for the purpose of financing the acquisition of nonfinancial capital assets by the recipients, compensating the recipients for damage or destruction of capital assets, or increasing the financial capital of the recipients. The term grants is used in this Manual to refer only to transfers between governments or international organizations.

*Capital revenue.* Proceeds from the sale of nonfinancial capital assets, including land, intangible assets, stocks, and fixed capital assets of buildings, construction, and equipment of more than a minimum value and usable for more than one year in the process of production, and receipts of unrequited transfers for capital purposes from nongovernmental sources. This Manual does not include any taxes in capital revenue.

*Capital transfers.* Nonrepayable, unrequited payments that are designed to finance the acquisition of nonfinancial capital assets by the recipient, compensate the recipient for damage or destruction of capital assets, or increase the financial capital or cover accumulated debts or losses of the recipient, or that are nonrecurrent and distinctly irregular for donor or recipient.

*Cash basis reporting.* The recording of transactions when payment is made or received. Statistics for revenue and expenditure based on transactions as close to the payment stage as possible. For revenue, data should represent payments received by government, net of refunds paid out, during the period covered. For expenditure, data at the stage of checks paid or issued or cash disbursed represent the most desirable basis on which to depict the government's financial transactions reconcilable with the monetary accounts. When data cannot be obtained on this basis, statistics based on warrants issued, payment orders, or deliveries are an acceptable measure of government expenditure. Also referred to as payments basis.

*Cash operating deficit or surplus.* The difference between operating revenues from a departmental enterprise's sales to the public and its corresponding operating expenses, calculated in this Manual without allowance for consumption of fixed capital or noncash revenues or expenses.

*Central bank.* The government-owned and/or government-controlled bank performing monetary authorities' functions in the issuance of currency, management of international reserves, and acceptance of deposit liabilities to other banks and acting as their lender of last resort, and, frequently, providing fiscal agent services for the central government.

*Central government.* All governmental elements (see the definition of the generic term "government") that are agencies or instruments of the central authority of a country whether covered in or financed through ordinary or extraordinary budgets or extrabudgetary funds. This includes funds at the central government level, decentralized agencies, departmental enterprises, social security funds operating at the national level and relevant nonprofit institutions attached to the central authority, and geographical extensions of central government authority that may operate at regional or local levels without the attributes necessary for existence as a separate government.

*Checks paid.* A stage in the expenditure process represented by the presentation and payment of government checks at banks and the corresponding debit to the accounts of the treasury or the ministries. Government expenditure is reflected in the monetary accounts through checks paid and the resulting debit to the government's accounts.

*Checks or warrants issued.* A stage in the expenditure process at which payment instruments are issued by the treasury or by ministries' payment officers and are sent to suppliers of goods and services as payment for goods and services received. In some countries, where the banking system may not be highly developed, separate checks or warrants may not be issued and the payment orders certifying delivery may serve as an instrument calling for direct cash payment by the treasury. Government accounts often record expenditure on the basis of checks or warrants issued.

*Classification keys.* Documents identifying the classification assigned to each item or category in the government accounts or listing all items or categories in the government accounts included in each classification.

*Closed accounts.* The principal statement on the final budgetary outcome produced by the accountant general or some other accounting or auditing agency after the closing of the budgetary period. Closed accounts may be cash accounts, recording annual receipts and payments (with or without a complementary period), or accrual accounts, recording also obligations for future expenditure, or expectations of future tax collections, as well as the carry-overs of revenues and expenditures from preceding budgets. Adjustments of data from the closed accounts to a chronological, cash basis is sometimes necessary.

*Commitments.* A stage in the expenditure process at which contracts or other forms of agreement are entered into by the ministries or departments, within their allocations if required, for immediate purchase or future delivery of goods and services.

*Complementary period.* A period after the close of the regular fiscal year during which uncompleted collections and payments or commitments may be carried out and assigned to the previous budgetary period. It may be several months in duration. For purposes of this Manual, transactions during a complementary period should be assigned to the time at which they actually occur.

*Consolidation.* The process of eliminating transactions between all units within the circle of government being measured and combining in a common set of categories the sum of their "external" transactions crossing the circle to and from the rest of the economy and world. Intragovernmental consolidation eliminates transactions within a single government; intergovernmental consolidation eliminates transactions between governments within the subsector or sector being measured.

*Consumption of fixed capital.* “The value, at current replacement cost, of the reproducible fixed assets except the roads, dams and other forms of construction other than structures of the producers of government services used up during a period of account as a result of normal wear and tear, foreseen obsolescence and the normal rate of accidental damage. Unforeseen obsolescence, main catastrophes and the depletion of natural resources are not taken into account.” (SNA, p. 231). As government consumption of fixed capital does not involve payment flows between the government and the rest of the economy, its measurement is not undertaken in this Manual.

*Corporate enterprises.* “Corporations, joint stock companies, co-operatives, limited liability partnerships and other financial and non-financial enterprises which by virtue of legislation, administrative regulations or registration, are recognized as business entities independent of their owners.” (SNA, p. 231). See also Quasi-corporate enterprises.

*Current account surplus or deficit with receipt of current grants.* The excess of current revenue and current grants received over current expenditure. Also referred to as saving. No allowance is made in this Manual for government consumption of fixed capital, which is subtracted from the current account surplus or saving in the SNA. Compare with the definition of Deficit or surplus.

*Current account surplus or deficit without receipt of grants.* The excess of current revenue over current expenditure. Also referred to as own saving. See also Current account surplus or deficit with receipt of current grants.

*Current expenditure.* Expenditure other than for capital transfers or the acquisition of land, intangible assets, government stocks, or nonmilitary durable goods of greater value than a minimum amount and to be used in the process of production for more than a period of one year. Current expenditure is frequently separated (in many cases along with current revenue) into a separate section or current account of the budget or into an entirely separate budget for current expenditure, that is, the current budget.

*Current grants.* See Capital grants.

*Current revenue.* All revenue from taxes and from nonrepayable or nonrepaying receipts other than from grants, from the sale of land, intangible assets, government stocks, or fixed capital assets, or from capital transfers from nongovernmental sources. Unlike the SNA category, this includes inheritance taxes and nonrecurrent levies on capital.

*Current transfers.* See Capital transfers.

*Debt.* The outstanding stock of recognized, direct liabilities of the government to the rest of the economy and the world generated by government operations in the past and scheduled to be extinguished by government operations in the future or to continue as perpetual debt. This excludes intragovernmental or intergovernmental debt of the subsector or sector of government being measured, currency issues and other monetary authorities debt, dormant or repudiated debt not being serviced, and any floating debt of unpaid obligations. See also Dormant debt.

*Deficit or surplus.* For purposes of this Manual, the deficit or surplus is defined as revenue plus grants received less expenditure less lending minus repayments. The deficit or surplus is also equal, with an opposite sign, to the sum of net borrowing by the government, plus the net decrease in government cash, deposits, and securities held for liquidity purposes.

*Deliveries.* A stage in the expenditure process signifying actual receipt by the government of goods and services under contracts or purchase orders and giving rise to a government liability for payment to be made at some future time.

*Demand deposits.* Obligations of monetary institutions, other than currency, which are both exchangeable on sight for currency at par and transferable as a means of payment.

*Departmental enterprises.* Unincorporated industrial or commercial units which: (1) are closely integrated with the rest of a government department or agency, and (2) are likely to hold small working balances, and either (3a) are mainly engaged in supplying goods and services to other units of government (as ancillary units), or (3b) are mainly selling goods and services to the public but operating on a small scale. Departmental enterprises are in the general government sector and are treated as part of the subsector to which they are attached. Their sales to the public are offset against their corresponding operating costs and recorded in the statistics for government on a net basis as a cash operating surplus or deficit rather than as gross revenues or expenditures. Their nonoperating and capital transactions, however, are shown in full as an integral part of government.

*Deposit money banks subsector.* Those financial institutions other than the monetary authorities whose liabilities are primarily in the form of deposits payable on demand and transferable by check or otherwise usable in making payments. In addition to institutions engaged in ordinary commercial banking activities, this subsector includes any demand deposit liabilities of the treasury or other government bodies, including the postal checking system. Statistics on all these activities should be separated from statistics for government.

*Derivation table.* A listing of the items, amounts, and sources utilized in compilation of consolidated totals for the principal aggregates of government operations, showing the adjustments necessary to ensure proper coverage, cash basis, chronological timing, appropriate netting or grossing, classification, and exclusion of intragovernmental payments and receipts within the circle of units covered.

*Domestic budget balance.* The deficit or surplus on government transactions with residents calculated in some circumstances to measure government impact on domestic demand and on the domestic money supply. Extrabudgetary transactions are covered as well.

*Economic classification of expenditure.* Classification of expenditure by the nature of the transaction, that is, whether required or unrequired, for current or capital purposes, kind of goods or services obtained, and sector or subsector receiving transfers. It is generally undertaken as a measure of the nature and economic effect of government operations.

*Economic or institutional sectors.* Sectors of the economy comprising decision-making institutions characterized by similar functions, purposes, and behavioral patterns. The SNA defines five sectors and the rest of the world: (1) nonfinancial corporate and quasi-corporate enterprises, (2) financial institutions, (3) general government, (4) private nonprofit institutions serving households, and (5) households.

*Expenditure.* All nonrepayable and nonrepaying payments by government, whether required or unrequired and whether for current or capital purposes. Expenditure is shown net of recoveries on past expenditure and net of other adjustment transactions. It is otherwise shown gross with the exception of departmental enterprises' transactions, for which sales to the public are offset against corresponding operating expenditures.

*External budget balance.* The deficit or surplus on government transactions with nonresidents calculated in some circumstances to measure the impact of government operations entering directly into the balance of payments. Extrabudgetary transactions are covered as well.

*Extrabudgetary accounts.* Generally refers to accounts of government transactions which are not included in budget totals or documents and do not operate through normal budgetary procedures. Such transactions may, for example, be financed through foreign aid or special revenue not included in the budget. For purposes of this Manual, these accounts are to be consolidated with the budgetary accounts and shown in the statistics for the government concerned.

*Financial institutions.* All units primarily engaged in both incurring liabilities and acquiring financial assets in the market, any acceptance of demand, time, or savings deposits, or performance of monetary authorities' functions (see Public financial institutions). Any such bodies or activities in

government are considered for purposes of this Manual to be outside the general government sector and in the financial institutions sector.

*Financial institutions sector.* A sector of the economy encompassing all financial institutions, whether monetary (i.e., those whose liabilities are “money”) or nonmonetary. Monetary institutions include the monetary authorities subsector, mainly the central bank, and the deposit money banks subsector of institutions whose liabilities include deposits payable on demand and transferable by check or otherwise usable in making payments. The nonmonetary institutions include the insurance companies and pension funds subsector mobilizing community savings through receipt of contractual premiums, and the other financial institutions subsector, comprising institutions which either accept time or savings deposits—though not demand deposits—from the community or engage in both the incurrence of nonmonetary liabilities and the acquisition of financial claims in the capital market and/or abroad.

*Financing.* The means by which a government provides financial resources to cover a budget deficit or allocates financial resources arising from a budget surplus. It includes for purposes of this Manual all transactions involving government liabilities—other than for currency issues or demand, time, or savings deposits with government—or claims on others held by government for purposes of liquidity rather than public policy objectives, and changes in government holdings of cash and deposits.

*Financing requirement.* The portion of current and capital expenditures, plus lending minus repayments in the case of government and distributions of equity income to shareholders in the case of enterprises, that is not covered by revenue and transfers received and must consequently be met through changes in liabilities and in claims on others, held for liquidity purposes in the case of government. It is equivalent to an overall deficit/surplus but carries the opposite sign.

*Fiscal monopolies.* Nonfinancial public enterprises exercising a monopoly over the production or distribution of particular products, operated as a means of raising government revenue which may otherwise be gathered through selective excise taxes on the production or distribution of these items by private business units. Traditional items covered include alcoholic beverages, tobacco products, matches, salt, and in some cases petroleum and agricultural products. Fiscal monopolies profits transferred to government are classified as taxes on goods and services.

*Fiscal year.* The regular annual budget and accounting period for which provision of revenue and expenditure is made, and for which accounts are presented, excluding any complementary period during which the books may be kept open after the beginning of the next fiscal period.

*Fixed assets.* “Durable goods except land, mineral deposits, timber tracts and similar non-reproducible tangible assets, employed in production by resident industries, producers of government services for civilian purposes, and producers of private non-profit services to households, including owner-occupied dwellings, permanent family dwellings for military personnel, breeding stock, draught animals and dairy cattle.” (SNA, p. 233)

*Float.* Checks issued but not yet paid. The amount of float is reflected in the difference between the total of checks issued shown by the treasurer and the total of checks paid shown in the books of the treasurer’s banks. If float can be identified, it should be shown as an adjustment to total expenditure. It is also known as items in transit.

*Floating debt.* The amount of obligations, other than fixed-term contractual obligations, incurred by a government for goods and services received that have not yet been paid for, that is, an accumulated backlog of unpaid bills. The term is not used in this Manual to signify the unconsolidated portion of outstanding government securities sold with maturities of less than one year, a meaning current in some countries. Goods and services received but for which a floating debt of unpaid obligations is still outstanding should not be included with cash-based data of either expenditure or financing, but should be shown as a separate memorandum item. If consolidation of floating debt occurs through issuance of government securities to suppliers, it should at this point be included in expenditure and borrowing.

*Foreign debt.* Debt to nonresidents. See Residents.

*Functional classification of expenditure.* Classification of expenditure by the purpose for which transactions are undertaken. It is generally used to measure the allocation of resources by government to the promotion of various activities and objectives in the country.

*General government sector.* The combination of all government units operating in a country, and hence constituting one of the five institutional sectors in a country's economy. The subsectors that may comprise the general government sector are (1) central government; (2) state, provincial, or regional governments; (3) local governments including municipalities, school boards, etc.; and (4) any supranational authorities exercising tax and governmental expenditure functions within the national territory. Social security funds form a part of the level of government at which they operate. Nonfinancial public enterprises and public financial institutions do not form a part of general government. See also Government.

*Government.* A generic term applying to all instrumentalities of the public authorities of any territorial area or its parts, established through political processes, exercising a monopoly of compulsory powers within the territorial area or its parts, motivated by considerations of public purposes in the economic, social, and political spheres, and engaged primarily in the provision of public services differing in character, cost elements, and source of finance from the activities of other sectors. For purposes of this Manual, government embraces (1) the primarily noncommercial functions of its various parts, agencies, and instrumentalities; (2) social security arrangements for large sections of the community imposed, controlled, or financed by the government; (3) pension funds of government employees whose reserves are invested entirely with the employing government; (4) a limited range of unincorporated industrial activities encompassing either ancillary functions, that is, meeting internal government needs, or selling to the public, but on a smaller scale; (5) a limited range of financial bodies comprising lending bodies deriving all their funds from government and savings bodies automatically channeling to government the proceeds of liabilities to the public in forms other than demand, time, or savings deposits; (6) other nonprofit institutions serving households or business enterprises which are wholly, or mainly, financed and controlled by the public authorities or which primarily serve government bodies; and (7) the operations within the country of any supranational authorities empowered to levy taxes in the territory of more than one country.

*Government finance statistics.* The summarization of individual financial transactions by which governments collect money through taxation, borrowing, and other means, buy and sell, and give money and lend it, and the organization of these transactions into meaningful categories appropriate for analysis, planning, and policy determination.

*Governmental industrial transactions.* Commercial or industrial activities carried out within government (synonymous with Departmental enterprises). Because the revenues and expenditures of government industrial activities are in the nature of gross sales and costs of production, only the cash operating surpluses or deficits resulting from their sales to the public and corresponding operating expenditures should be included in government revenue and expenditure, along with their nonoperating and capital transactions treated on a gross basis.

*Grants.* Unrequited, nonrepayable, noncompulsory payments between governments or international institutions. The term is sometimes used also to refer to transfers of this nature made by government to all types of recipients. In determination of the deficit/surplus, grants are grouped by this Manual with revenue and expenditure rather than with financing. Grants in kind are shown in this Manual only as a memorandum item.

*Gross capital formation.* Gross fixed capital formation plus changes in government stocks or in enterprise inventories. Consumption of fixed capital is subtracted from gross capital formation to measure net capital formation. See also Gross fixed capital formation.

*Gross fixed capital formation.* The value of new or existing durable nonmilitary goods, other than

land, to be used in the production process, acquired or produced for own account, less sales of such goods. It encompasses only goods with both a normal life of more than one year and more than a minimum significant value. Changes in government stocks or in enterprise inventories are included in capital formation but not in fixed capital formation. Consumption of fixed capital is subtracted from gross fixed capital formation to measure net fixed capital formation. See also Fixed assets.

*Households.* A resident economic institutional sector that consumes and sometimes, as noncorporate and non-quasi-corporate enterprises, also produces market goods and nonfinancial services. It includes also fraternal groups, social clubs, and similar bodies with the equivalent of less than two full-time employees.

*Industries.* “All resident establishments and similar units, public as well as private, which produce goods and services for sale at a price which is normally intended to cover their cost of production; government units engaged in selling goods and services to the public which are characteristically commodities though as a matter of policy, the prices set for the items do not approximate the costs of production; activities such as ancillary . . . [departmental] enterprises, owner-occupied dwellings, subsistence farming or community construction projects, which produce similar goods or services and use similar processes and resources as the typical industries though they do not produce for the market; resident units which both acquire financial assets and incur liabilities in the market; and private non-profit bodies which mainly serve enterprises and are entirely, or mainly, financed or controlled by enterprises.” (SNA, p. 234)

*Insurance companies and pension funds subsector.* A nonmonetary subsector of the financial institutions sector which mobilizes community savings through the receipt of contractual premia and invests the funds in other assets. Insurance companies include incorporated, mutual, and other bodies providing life, accident, sickness, fire, casualty, or other forms of insurance. Pension funds are separately organized schemes usually negotiated between employers and employees which provide income on retirement for specific groups of employees with different benefits and contributions and with an independently organized fund that engages in financial transactions in the capital market. Social security funds, and government employee pension funds that invest all their funds with the employing government, are considered to be part of the general government sector rather than the insurance companies and pension funds subsector.

*Intangible assets.* “Financial assets, leases, mineral concessions, patents, copyrights and similar assets not matched by liabilities.” (SNA, p. 234)

*Intergovernmental transactions.* Transactions between governments, levels, or subsectors of government within the general government sector.

*International organizations.* International political, administrative, economic, social, or financial institutions in which the members are governments. They are not considered residents of any national economy, including that in which they are located or conduct their affairs. International organizations which through the agreement of national governments have been endowed with the authority to raise taxes or other contributions, as well as to make expenditures and carry out other activities for the achievement of specified purposes, within the territories of more than one country are referred to as supranational authorities.

*Intragovernmental transactions.* Transactions between various accounts, funds, units, and agencies of a single government.

*Joint governmental activities.* Specific projects or activities undertaken by several governments in common and administered either by an independent special district or by one government with others sharing in its financial support, or jointly by participating governments.



*Lending minus repayments.* Government transactions in debt and equity claims upon others undertaken for purposes of public policy, rather than for management of government liquidity or earning a return, by units which receive all their funds from government and are not authorized to raise funds elsewhere. Lending minus repayments consists of gross lending and acquisition of equities minus repayments of past government lending and government sales of equities. This differs from the concept of net lending utilized in the SNA, which is net also of government incurrence of liabilities. In determining a government's deficit or surplus this Manual groups lending minus repayments with revenue and expenditure rather than with financing.

*Local governments.* Governmental units exercising an independent competence in the various rural and/or urban jurisdictions of a country's territory. All governmental units at the local level as embraced in the definition of the generic term "government" should be included. For example, local government units may include counties, municipalities, cities, towns, townships, boroughs, school districts, water and sanitation districts, combinations of contiguous local governments organized for various purposes, etc.

*Marketing boards.* Bodies exercising regulatory and/or trading functions for the purpose of stabilizing or developing trade in particular commodities, sometimes producing monopoly profits remitted to government or utilized to benefit the sector concerned. Marketing boards engaging in trading activity and majority owned and/or controlled by government are classified as nonfinancial public enterprises. Any governmental functions marketing boards may carry out as agents for government are attributed to government.

*Monetary authorities subsector.* A monetary subsector of the financial institutions sector whose role is to issue currency, control credit, manage the country's international reserves, and maintain general supervision of the monetary system. These duties are generally carried out by the central bank or a similar body, such as a currency authority or a monetary agency, whose accounts consequently represent the bulk of the monetary authorities subsector. Any transactions by government involving currency issue, management of foreign financial assets as reserves, or transactions with the International Monetary Fund are separated from the statistics for government and classified with the monetary authorities subsector.

*Monetary institutions.* The central bank, or monetary authorities, and those banks whose liabilities are primarily deposits payable on demand and transferable by check or otherwise usable in making payments, often referred to as deposit money banks.

*Net capital formation.* Gross capital formation minus consumption of fixed capital.

*Net fixed capital formation.* Gross fixed capital formation minus consumption of fixed capital.

*Nonfinancial corporate and quasi-corporate enterprise sector.* The sector of the economy mainly engaged in producing goods and nonfinancial market services for sale to the rest of the economy and world. It includes nonfinancial public enterprises. It does not include unincorporated enterprises such as family businesses, which do not meet the criteria for classification as quasi-corporate enterprises. See also Corporate enterprises and Quasi-corporate enterprises.

*Nonfinancial public enterprises.* Government-owned and/or government-controlled industrial or commercial units which are corporate or sell goods and services to the public on a large scale. They are outside the general government sector, forming part of the nonfinancial corporate and quasi-corporate enterprise sector, but may be combined with government to form the nonfinancial public sector. The operations of nonfinancial public enterprises are reflected in statistics for government only as actual payments are made to and from the government. See also Public financial institutions.

*Nonfinancial public sector.* A combination of the general government sector plus the nonfinancial public enterprises. It differs from the total public sector which includes also public financial institutions. Interest in the nonfinancial public sector is founded mainly on the belief that government influence and impact on the economy operate also through use of the enterprises it owns and/or controls. The nonfinancial public sector extends only to nonfinancial public enterprises because consolidation with public financial institutions would eliminate statistics for the financing requirements of general government and nonfinancial public enterprises met by the central bank and other government-owned and/or controlled banks.

*Nonrepayable transactions.* Transactions that involve no claim for repayment and hence do not directly affect the financial asset and liability position of the government and the other transactor, apart from the initial impact on cash or deposits.

*Nonresidents.* See Residents.

*Other financial institutions subsector.* Institutions that either accept time or savings deposits—though not demand deposits (exchangeable on demand for currency, at par, and transferable from one claimant to another)—from the community or engage in both the incurrence of nonmonetary liabilities and the acquisition of financial claims in the capital market and/or abroad. Such institutions would thus include savings banks, development banks, mortgage banks, building and loan associations, and finance and investment companies. Distinguished from the activities of such other financial institutions are monetary institutions within the financial institutions sector and limited lending or saving bodies within the general government sector, that is, lending bodies which must derive all of their funds from government and savings bodies whose funds flow automatically to government and whose liabilities are not in the form of demand, time, or savings deposits. See Financial institutions sector.

*Payment orders.* Certifications prepared or issued by the ministry receiving goods and services or by a central office indicating that delivery has been made, or some other type of claim verified, and that payment should be forthcoming for the liability incurred by the government.

*Pension funds.* Separately organized schemes, in the financial institutions sector, usually negotiated between employers and employees, which provide income on retirement for specific groups of employees with different benefits and contributions and with an independently organized fund which engages in financial transactions in the capital market. Distinguished from pension funds are social security schemes, which involve compulsory employee and/or employer contributions and are imposed, controlled, or financed by government and are applicable to the entire community or to large sections of it. Any government employee pension funds that invest all of their funds with the employing government are treated as part of that government subsector.

*Private enterprises.* “Enterprises in which private parties own all, or a majority, of the shares, other capital participation or equity and which private parties control.” (SNA, p. 235)

*Private nonprofit institutions serving households.* “Institutions not entirely, or mainly, financed and controlled by organs of general government, which primarily furnish social and community services to households free of charge, or at sales prices which do not fully cover their cost of production and which employ the equivalent of two or more full-time employees.” (SNA, p. 236)

*Private trust transactions.* Transactions of government funds that receive assets to be held in trust for a particular private individual or corporation, as when a government assumes the obligation of applying money to a specified use benefiting the private party for whom the fund is established, or when the government holds deposits or other monies pending fulfillment of certain conditions or pending determination of ownership. Transactions on behalf of private trust funds are not considered to be a part of government activity. Government use of such funds left with it, however, may appear as a part of government financing.

*Property income.* Income derived from the ownership of financial assets, agricultural and other land, patents, copyrights, concessions, and similar intangible assets.

*Provident funds.* Arrangements under which the compulsory contributions of each participant and of his employer on his behalf are kept in a separate account drawing interest and are withdrawable under specified circumstances, such as retirement, unemployment, invalidity, and death. Because the integrity of individual accounts prevents such arrangements from providing social insurance for the coverage of risks, they are classified not as social security funds but in the financial institutions sector, with only their flows to or from government reflected in the statistics for government.

*Public enterprises.* Government-owned and/or government-controlled industrial units or financial institutions which either sell goods and services to the public on a large scale, are corporate, accept demand, time, or savings deposits, perform monetary authorities' functions, or both incur liabilities and acquire financial assets in the market. Public enterprises are outside the general government sector. Industrial or commercial units form part of the nonfinancial corporate and quasi-corporate enterprise sector, and financial units form part of the financial institutions sector.

*Public financial institutions.* Government-owned and/or government-controlled institutions primarily engaged in both incurring liabilities and acquiring financial assets in the market, any acceptance of demand, time, or savings deposits, or performance of monetary authorities' functions. Any such body or activity in government is considered to be outside the general government sector and in the financial institutions sector. See also Nonfinancial public enterprises.

*Public sector.* A combination of the general government sector, nonfinancial public enterprises, and public financial institutions, distinguished by government ownership and/or control rather than function. Because a principal effect of government and nonfinancial public enterprise operation is the financing required from financial institutions, this Manual avoids consolidation with public financial institutions and the resulting elimination of statistics for their transactions with government and nonfinancial public enterprises. See also Nonfinancial public sector.

*Quasi-corporate enterprises.* "Relatively large ordinary partnerships, sole proprietorships and . . . [nonfinancial public] enterprises which have complete profit-and-loss statements and complete balance sheet accounts on the financial assets and liabilities, as well as the real assets, involved in the business. All unincorporated enterprises which are financial intermediaries and all unincorporated enterprises owned by non-residents are treated as quasi-corporations." (SNA, p. 236)

*Repayable transactions.* Transactions that generate or extinguish all or part of a claim for repayment, thus producing a direct change in the financial asset and liability positions of the government and the other transactor in addition to the initial impact on cash or deposits. When they reduce or extinguish a claim, such transactions could technically be thought of as repaying transactions but are referred to here for simplicity as repayable transactions.

*Requited payments.* Transactions involving payment for a quid pro quo, that is, something received in return, whether goods, services, use or ownership of property, or factor services.

*Residents.* The general government, other than supranational authorities, including all departments, establishments, and bodies of its central, state, and local governments located in the territory of the economy and the embassies, consulates, military establishments, and other entities located elsewhere; individuals whose general center of interest is considered to rest in the economy in that they may be expected to consume goods and services, participate in production, or engage in other economic activities in the territory of the economy on other than a temporary basis; private nonprofit bodies servicing individuals which are located or conduct their affairs in the territory of the economy; and actual or notional enterprises that engage in (1) production of goods and services in the territory of the economy, (2) transactions in land located within the territory of the economy, or (3) transactions in leases, rights, concessions, patents, copyrights, and similar nonfinancial intangible assets

issued by the government of the economy. International organizations are not considered residents of any national economy.

*Revenue.* All nonrepayable and nonrepaying receipts, whether required or unrequired, other than those noncompulsory, nonrepayable and nonrepaying, unrequired receipts which come from other governments—domestic or foreign—and international institutions. Revenue is shown net of refunds and other adjustment transactions. Revenue is otherwise shown gross except for the proceeds of departmental enterprise sales to the public, which are netted against the corresponding operating expenditures.

*Royalty.* “Payment for concessions, the use of patented or copyrighted materials, and similar rights; [usually] treated as income from property.” (SNA, p. 236)

*Saving.* The excess of current revenue and current grants received over current expenditure. It is measured in this Manual without allowance for government consumption of fixed capital, which is included in current disbursements in the SNA.

*Savings deposits.* Interest-bearing obligations of financial institutions, other than demand deposits, that are represented by evidence of deposit, such as a passbook, and are in practice exchangeable on sight for currency, although the obligor may have formal right to require prior notification for withdrawal.

*Seigniorage.* In modern usage a term applied to profit on the issue of token coinage by a government, representing the difference between the face value of currency issued and its costs of production including the costs of base metals. Because currency issue is classified by this Manual as a function of the monetary authorities subsector rather than government, seigniorage is classified like profits received from the central bank—as nontax revenue derived as property income from public financial institutions.

*Sinking funds.* Funds made up of segregated contributions provided by a debtor government for the gradual or eventual redemption of its debt. Wherever data are available, sinking funds should be considered a part of government for purposes of this Manual. Government payments to sinking funds should be eliminated as intragovernmental. Sinking fund payments to the public should be shown as debt redemption when the government’s debt is purchased and acquisition of assets for liquidity management purposes when other debt is purchased.

*Social security funds.* “Schemes imposed, controlled or financed by the public authorities for purposes of providing social security benefits for the community, or large sections of the community, which are separately organized from the other activities of the public authorities and hold their assets and liabilities separately from them.” (SNA, p. 237). “Schemes [which] involve compulsory contributions by employees and/or employers . . . These arrangements may, in addition, allow certain sections of the community to join the scheme voluntarily.” (SNA, 5.27). Social security schemes which are not separately organized from the other activities of the public authorities and do not hold their assets and liabilities separately from them are not called social security funds. Social security funds, like other social security schemes, are classified as a part of the level of government at which they operate. In addition, separate statistics are presented for social security funds.

*State, provincial, or regional governments.* Governmental units that exist in some countries and exercise a competence independently of the central government in a part of a country’s territory encompassing a number of smaller localities. These include all governmental elements at the regional level embraced by the generic term “government.” Included therefore would be departmental enterprises, decentralized agencies and social security funds operating at the regional level, and pension funds of regional government employees whose assets are invested entirely with the employer government.

- Stocks.* Strategic and emergency stocks, stocks purchased by market regulatory organizations within government, and stocks of grains and other commodities of special importance to the nation. Change in government stocks does not include ordinary stores or inventories, which constitute stocks for enterprises. Changes in government stocks and enterprise inventories are included in gross capital formation but not in gross fixed capital formation.
- Subsidies.* All unrequited, nonrepayable current transfers made by government to private industries and public enterprises. Also included are the cash operating deficits of departmental enterprise sales to the public. See also Capital transfers.
- Supranational authorities.* A nonresident subsector of general government which encompasses the operation within a country of those international organizations which through the agreement of national governments have been endowed with the authority to raise taxes or other compulsory contributions, as well as making expenditures and carrying out other activities for the achievement of specified purposes, within the territories of more than one country. Supranational authorities are a part of the rest of the world sector whose transactions with the country are considered to be channeled through a transit account in general government entitled the supranational authorities subsector.
- Surplus or deficit.* See Deficit or surplus.
- Tax.* A compulsory, unrequited, nonrepayable contribution exacted by government for public purposes. Tax revenue includes interest collected on tax arrears and penalties collected on nonpayment or late payment of taxes.
- Tax assessment.* An estimate of tax due for a taxable period made either by the taxpayer or by the collecting authorities.
- Tax liability.* The amount of tax owed to the government.
- Tax payment.* The amount of tax actually paid to the government.
- Tax refund.* Repayment made by the government to a taxpayer whose tax payments exceed his tax liability.
- Time deposits.* Interest-bearing obligations of financial institutions not transferable as a means of payment, represented by evidence of deposit, and carrying a fixed maturity for withdrawal without penalty.
- Transfer payments.* Payments involving no quid pro quo, that is, no concurrent equivalent counterpart provided in exchange: neither specific quantifiable benefit, product, nor service to the payer in return for the payment. Such payments are thus unrequited and nonrepayable and do not represent the purchase of goods and services, the extension of credit, or the repayment of outstanding debt.
- Unincorporated enterprises.* "Individual proprietorships and partnerships which are not treated as quasi-corporate enterprises and which are included in the same institutional sector as their owner(s)." (SNA, p. 237)
- Unrequited payments.* Nonrepayable payments that bring no concurrent counterpart provided in exchange: neither benefit, product, nor service to the payer in return for the payment.