
GOVERNMENT FINANCE

STATISTICS MANUAL 2001

COMPANION MATERIAL

**GUIDELINES FOR RESPONDING TO THE
NONFINANCIAL PUBLIC SECTOR DEBT TEMPLATE
(DRAFT VERSION)**

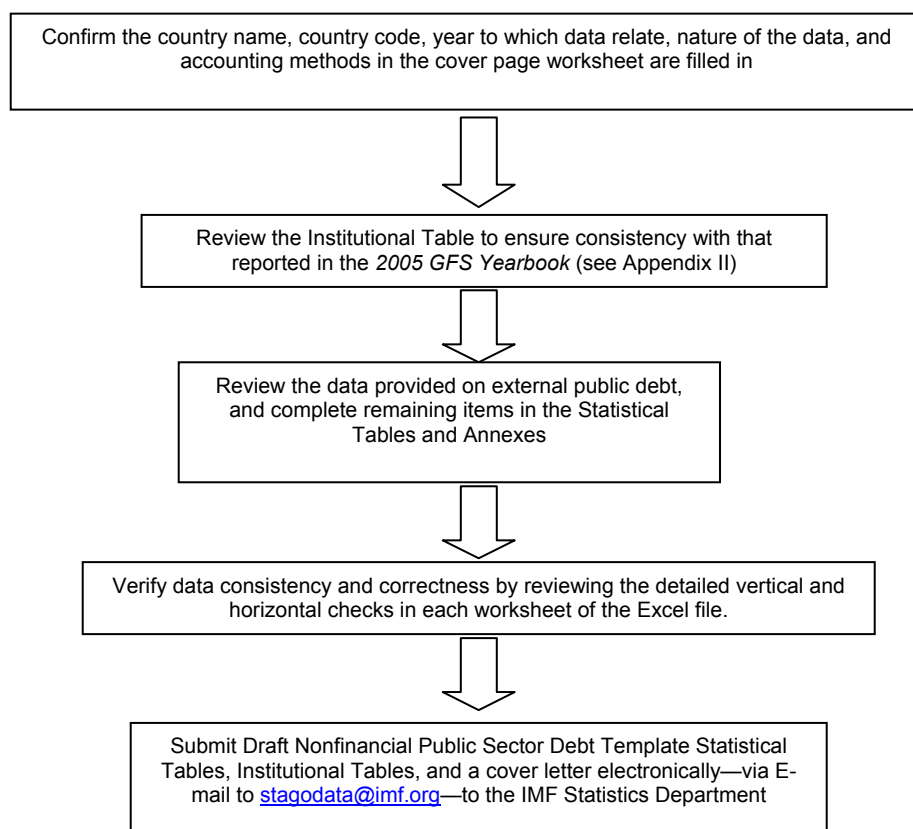


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I. OVERVIEW

This document provides instructions for completing the Draft Nonfinancial Public Sector Debt Template, which is comprised of Statistical Tables and Annexes that follow the framework of the IMF's *Government Finance Statistics Manual 2001 (GFSM 2001)* methodology. The diagram below illustrates the steps to be followed to complete the Draft Nonfinancial Public Sector Debt Template package.



II. PURPOSE AND CONTENT OF THE DRAFT NONFINANCIAL PUBLIC SECTOR DEBT TEMPLATE

The compilation and dissemination of comprehensive, timely, frequent, and accurate public debt data are essential elements of a sound international financial architecture. From its perspective, the Fund perceives a need to focus on nonfinancial public sector debt because of:

- Increasing concerns about the magnitude and the structure of nonfinancial public sector debt in many countries and the potential impact of this debt on the ability of public sector institutions to discharge their debt service obligations;
- The need for more comparable, comprehensive and accurate information to improve assessments of vulnerability to shocks;

- The need to focus in policy initiatives and analytical tools (e.g., balance sheet approach, debt sustainability analysis)
- The need to integrate data on stocks and flows of debt in an internally consistent analytical framework to strengthen the statistical foundation of debt sustainability analysis.

With the aim of facilitating the collection of detailed debt data, the draft Nonfinancial Public Sector debt template (draft NFPS debt template) draws on debt presentation and compilation formats articulated in the IMF's *GFSM 2001*, the *External Debt Statistics: Guide for Compilers and Users (External Debt Guide)* and the *System of National Accounts 1993 (1993 SNA)* and is consistent with the definitions and main concepts prescribed by these statistical frameworks.

An accurate definition of public debt is a basic requirement for compiling statistics on public debt. According to the *GFSM 2001* gross public debt “consist of all liabilities that require payments of interest and/or principal by the debtor to the creditor at a date or dates in the future.”¹ Likewise, according to the *External Debt Guide* “gross external debt, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy.”²

Based on these definitions, the draft NFPS debt template recognizes that all liabilities of the public sector are debt except for shares and other equity and financial derivatives. Shares and other equity are excluded because they do not require the payment of principal or interest. For the same reason, financial derivatives are excluded—no principal amount is advanced that is required to be repaid, and no interest accrues on any financial derivatives instrument.³ However, all non-debt liabilities as well as the amount of guarantees provided by the public sector to the rest of the economy should be reported as memorandum items.

For purposes of symmetry, the same criteria are applied to recognize debt financial assets. In addition, monetary gold and IMF special drawing rights (SDRs) are financial assets included in the *1993 SNA* but are not debt instruments because they are, by convention, assets without a corresponding liability. As a summary measure, net public debt is defined as gross public debt minus the corresponding debt financial assets.

The breakdowns of net public debt presented in the draft template are based on the concepts of residency, currency, maturity, and instruments included in the *GFSM 2001* and the

¹ The definition of gross public debt can be found in paragraph 7.142 of the *GFSM 2001*.

² The definition of external debt is outlined in paragraph 2.3 of the *Debt Guide*.

³ Nonetheless, an overdue obligation to settle a financial derivatives contract would, like any arrears, be a debt liability because payment is required.

External Debt Guide. Compilers are encouraged to report data for the different subsectors of the nonfinancial public sector on both a consolidated and an unconsolidated basis,⁴ and in terms of nominal and market values⁵ as appropriate.

III. PUBLIC DEBT DATA REPORTING FORMAT

The “Statistical Tables and Annexes” in the draft NFPS debt template comprise three detailed classification tables, and three annexes:

- Table 6 (Balance Sheet) is replicated from the 2005 *GFSY* Questionnaire—it provides a detailed classification of the stocks of nonfinancial assets by type of asset, and financial assets and liabilities by type of instrument, as defined and outlined in the *GFSM 2001*, Chapter 7. **Table 6 should be completed by all countries, regardless of their accounting method.** *Where data are available, Table 6 is provided, using data already reported for publication in the 2005 GFS Yearbook. Countries are welcome to add details to this table;*⁶
- Table 6A—Nonfinancial Public Sector Debt assets and liabilities are to be reported by residency (domestic/foreign), original maturity, and instrument. **Table 6A should be completed by all countries, with each sector’s data according to the accounting method underlying that sector’s data.**
- Table 6B—Nonfinancial Public Sector Debt assets and liabilities are to be reported by currency composition (domestic/foreign), residual maturity, and instrument. **Table 6B should be completed by all countries, with each sector’s data according to the accounting method underlying that sector’s data.**
- Annex 3A—Nonfinancial Public Sector Debt Service Payment Schedule (principal and interest) by residency. **Annex 3A should be completed by all countries, regardless of their accounting method.**

⁴ Under *GFSM 2001*, paragraphs 3.91–3.94, consolidation involves the elimination of all debtor/creditor transactions and positions that occur among units being consolidated. For example, if one local government unit purchases a bond issued by the central government and data for the two units are being consolidated, then these two transactions offset each other and the stock of bonds held as assets and liabilities are reported as if the bond did not exist. On the contrary, if data for the two units are not consolidated, the stocks of bonds are reported as liabilities of the central government and assets of the local government.

⁵ Compilers are requested to indicate the valuation method applied for each debt instrument.

⁶ This table is already included in the *GFSY* as “Table 6, Balance Sheet.” It is repeated here to ensure consistency between data reported on total financial assets and liabilities (Table 6), and the corresponding debt data (debt financial assets and debt liabilities) reported in Tables 6A and Table 6B.

- Annex 3B—Nonfinancial Public Sector Debt Service Payment Schedule (principal and interest) by currency. **Annex 3B should be completed by all countries, regardless of their accounting method.**
- Annex 3C—Nonfinancial Public Sector Debt Arrears. **Annex 3C should be completed by all countries, regardless of their accounting method.**

Compilers are asked to complete all tables and annexes on a best effort basis, and to maintain full consistency with Table 6.

IV. ANALYTICAL FRAMEWORK

A. Data Coverage

In the *GFSM 2001* framework, the main emphasis is on measuring the fiscal performance of the public sector.⁷ However, **countries are strongly encouraged to compile, on a best effort basis, data for the nonfinancial public sector and all its subsectors (as relevant for each country).** In the draft NFPS debt template, provision is made for the following subsectors of nonfinancial public sector and their consolidation, which should be filled in as relevant and as available. Data are to be presented on a unconsolidated basis for each subsector, and then consolidated as relevant.⁸ Appendix I outlines the distinctions among the various subsectors of the general government.

General Government										Non financial Public Corporations	Consolidation Column	Non financial Public Sector
Central Government					State Governments	Local Governments	Consolidation Column	General Government				
Budgetary	Extra budgetary	Social Security Funds	Consolidation Column	Central Government								

B. Basis of Recording

The *GFSM 2001* introduces major changes in the methodology for the compilation of GFS relative to *GFSM 1986*, which include the presentation of fiscal data in a more transparent analytical framework, the preparation of balance sheets that integrate stocks and flows, the use of accrual accounting, and the introduction of several new summary measures of government performance.⁹ Nonetheless, compilers should note that **the *GFSM 2001* analytic framework, though conceived from an accrual perspective, can be used to present data generated by a variety of accounting practices, including data on a cash basis.**

⁷ For details on the coverage of the GFS system, see *GFSM 2001*, Chapter 2: (<http://www.imf.org/external/pubs/ft/gfs/manual/index.htm>).

⁸ Consolidation—presenting statistics for a set of units as if they constituted a single unit—is described in detail in the paper “*Consolidation of the General Government Sector*,” available at <http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm>.

⁹ For details on the GFS analytic framework, see *GFSM 2001*, Chapter 4: (<http://www.imf.org/external/pubs/ft/gfs/manual/index.htm>).

Although the *GFSM 2001* recommends recording economic stocks and flows (in all of the Statistical *Yearbook* Questionnaire Tables) on an accrual basis, it is recognized that, in most countries, the development of accrual information will take time. Therefore, for **each subsector** of nonfinancial public sector, the draft NFPS debt template tables and annexes **should be completed according to the accounting system underlying the data being compiled and reported**. The accounting method for each subsector of nonfinancial public sector **should be indicated on the cover page of the Statistical Tables** in the space provided: a “C” indicates that data for a subsector are on a purely cash basis, and an “A” indicates that data are on an accounting method other than a pure cash basis of recording (including accrual).¹⁰

C. Time of Recording

The guiding principle for determining whether claims and liabilities exist and are outstanding is determined at any moment in time by the principle of recognition of ownership. Financial claims and obligations are created at the time when economic value is exchanged. At that point in time, the creditor has a claim on the debtor, and the debtor has an obligation to the creditor

Some financial assets and liabilities, most typically deposits, securities other than shares, loans, and accounts payable/receivable, require the debtor to pay interest. The interest accrues continuously and increases the total amount that the debtor will be required to pay. **The *GFSM 2001* recommends that the accrued but unpaid interest be added to the principal of the underlying instrument.** That is, as interest accrues on a government bond, the principal or the bond would increase. It is recognized, however, that interest accruing on deposits and loans may have to follow national practices and be classified under accounts payable.

D. Valuation Method

The *GFSM 2001* recommends to value stocks at the prices current on the balance sheet date. These values are referred to as **current market prices** or values. Current market values of stocks are available for debt financial assets and debt liabilities that are traded in active markets (**traded debt instruments**, such as bonds).¹¹ However, for those debt financial assets and debt liabilities for which current market values are not readily available (**nontraded debt instruments**, such as currency and deposits), their nominal values should be reported.

¹⁰ Also, in this worksheet, the country name, IMF country code, and the year for which data are reported are entered.

¹¹ The current market price excludes any service charges, fees, commissions, and similar payments for services that would be necessary to acquire the asset or incur the liability.

The **nominal value** is the amount that the debtor owes to the creditor at any moment. It reflects that value of the instrument at creation and subsequent economic flows (excluding market price changes). Conceptually, the nominal value is equal to the required future payments of principal and interest discounted at the existing contractual interest rate.¹²

Some financial assets and liabilities, such as bonds, have a nominal value as well as a current market value, and for some purposes supplemental data on the nominal values of stocks may be helpful (as memorandum data).

Countries should specify the valuation method applied, if they do not report market prices for traded debt instruments, or if they report data based on a different valuation method.

E. Residence

The *GFSM 2001* classifies financial assets and liabilities **according to the residence of the counter party to the instrument** (the debtors for financial assets and the creditors for liabilities). The definition of domestic and external public debt applied should be that based on the residency criterion outlined in the *GFSM 2001* paragraphs 2.71 of Chapter 2, consistent with the concepts of *1993 SNA*, the *BPM5*, and *the External Debt Guide*.

F. Currency

Debt in domestic currency is defined as debt payable in domestic currency. Debt in foreign currency includes both foreign currency and foreign-currency linked debt. **Debt in foreign currency** is defined as debt payable in a foreign currency, including debt with the amounts to be payable and indexed to a domestic currency. **Foreign currency-linked debt** refers to debt that is payable in domestic currency, but with the amounts to be payable and indexed to a foreign currency.

G. Maturity

On an **original maturity basis**, *short-term* debt is defined as debt repayable on demand or with an original maturity of one year or less. Whereas *long-term* debt is defined as debt with an original maturity of more than one year or with no stated maturity.

Alternatively, on a **residual maturity basis** *short-term* debt measures the value of debt payments that are payable in one year or less. The value of debt payments that are payable in more than one year are classified as *long-term* debt.¹³

¹² Nominal value is not necessarily face value, which is the undiscounted amount of principal to be repaid.

¹³ For example, a 30-year debt that has already been amortized for 25 years and only has payments over the next five years would be divided into payments that are payable during the next 12 months as short-term debt and the rest would be classified as long-term debt, under the residual maturity basis.

H. Instruments

Because a given financial instrument is common to a financial asset and a liability, the same descriptions of instruments can be used for both.

a. Currency and deposits

Currency consists of the notes and coins in circulation that are commonly used to make payments (denominated in either domestic or foreign currency).¹⁴ Domestic currency has a fixed nominal value. The value of foreign-denominated currency is converted to domestic currency at the exchange rate valid on the date to which the balance sheet relates.

Deposits are financial assets that have fixed nominal values and are used to make payments (including deposits in foreign currencies). The value of a deposit is its nominal value, which is the amount that the debtor is contractually obliged to repay to the creditor when the deposit is liquidated. See *GFSM 2001* paragraphs 7.97 to 7.103, and the *External Debt Guide* paragraph 3.34. When detailed information is not available, it is recommended that all currency and deposits be included in the short-term category.

b. Securities other than shares

Securities other than shares are negotiable financial instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. The security normally specifies a schedule for interest payments and principal repayments. Examples of securities other than shares are bills, bonds and notes, negotiable certificates of deposit, etc. See *GFSM 2001* paragraphs 7.104 to 7.109, and the *External Debt Guide* paragraphs 3.20 to 3.21.

c. Loans

A loan is a financial instrument that is created when a creditor lends funds directly to a debtor and receives a nonnegotiable document as evidence of the asset.¹⁵ This category includes mortgage loans, installment loans, hire-purchase credit, loans to finance trade credit and advances, repurchase agreements, financial assets and liabilities implicitly created by financial leases, and claims on or liabilities to the IMF in the form of loans.¹⁶ See *GFSM 2001* paragraphs 7.110 to 7.116, and the *External Debt Guide* paragraphs 3.28 to 3.33.

¹⁴ Gold and commemorative coins that are not in circulation as legal tender are classified as nonfinancial assets rather than currency.

¹⁵ A loan is distinguished from a deposit on the basis of the representation in the documents that confirm them.

¹⁶ Accounts receivable/payable such as ordinary trade credit are not loans.

Normally it will be necessary to value loans at nominal prices because they are not traded regularly on markets. Loans that have become marketable in the secondary markets should be reclassified under securities other than shares and should be valued on the basis of market prices in the same manner as other types of securities other than shares.

d. Insurance technical reserves

Insurance technical reserves consist of the net equity of households in pension funds and life insurance reserves, prepaid premiums, and reserves against outstanding claims. General government units may incur liabilities for insurance technical reserves as operators of non-life insurance schemes and nonautonomous or unfunded pension schemes, and they may hold assets as non-life insurance policyholders. It is unlikely that a general government unit would incur liabilities or hold assets with respect to life insurance. See *GFSM 2001* paragraphs 7.120 to 7.129.

e. Other accounts receivable/payable

Other accounts receivable/payable consist of trade credits and advances and miscellaneous other items due to be received or paid. All such assets and liabilities should be valued at the amount the debtor is contractually obliged to pay the creditor to extinguish the obligation. See *GFSM 2001* paragraphs 7.137 to 7.139.

I. Arrears

Arrears are defined as obligatory amounts that are past due-for-payment and unpaid. See *GFSM 2001* paragraph 3.49, and the *External Debt Guide* paragraph 3.36. When principal or interest payments are not made when due, such as on a loan, arrears are created. Depending on the contractual conditions, the existence of arrears may change the terms of the entire liability. If the terms and conditions do not change, the *GFSM 2001* encourages reporting the total value of the instrument including arrears.¹⁷ However, if the terms and conditions have changed with respect to any part of the liability, that part should be treated as a separate instrument, possibly in a different category of liability.

In practice, when arrears exist, do one of the following:

- include the amount of arrears in the original instrument, if the terms and conditions did not change (recommended);
- reclassify the amounts in arrears as a different instrument, if the terms and conditions have changed;

¹⁷ For purposes of analysis, the arrears should be distinguished as an “of which” line under the original instrument or as a memorandum item.

- classify the amounts in arrears as accounts payable.¹⁸

When recording arrears as a different instrument or as accounts payable, to ensure that the debt is not counted twice, there should be a corresponding reduction in the appropriate debt instrument (for example, a loan).¹⁹

The total amount of debt in arrears should be reported in Annex 3C. Compilers should specify whether arrears traded in secondary markets are valued at nominal or market value.

J. Debt Service Payment Schedule

The projected debt service payments are the expected nominal amounts to be paid on public debt outstanding on the reference date, not discounted to the present value. The debt service payments includes principal and interest. Interest is an expense incurred by a debtor for the use of another unit's funds. Traditionally, the share of a periodic payment equal to the amount of interest that has accrued and is due for payment is referred to as an **interest payment**. The remaining payments by the debtor to the creditor that reduce the principal amount outstanding known as **principal payment**.

V. ELECTRONIC FILES INCLUDED ON DISKETTES

The enclosed diskette includes Excel files (empty tables and annexes) for reporting new data. This file includes formulas and verification checks. Copies of this file can be made, as needed, for reporting more than one year of data. Provision for the **verification of the data** in each subsector through ("vertical checks"), which appear below each Table or across subsectors ("horizontal checks"), which appear to the right of each Table, in red font.²⁰ **Please, do not change the formula or the structure of the file.**

GFS correspondents are requested to report annual debt data for the nonfinancial public sector in the Statistical Tables. Instructions for completing the Statistical Tables are outlined in Appendix I. In general, please note that:

¹⁸ In the *External Debt Guide* arrears are classified as short-term liability and are included under *other debt liabilities*. See the *External Debt Guide* paragraph 2.29.

¹⁹ The nonpayment of principal and/or interest when due results in a reduction in the amount outstanding of the appropriate instrument, such as a loan, and an increase in arrears, leaving the public debt position unchanged.

²⁰ A vertical or horizontal check of "**#value!**" indicates that one or more of the components of an aggregate are not available. *Data can also be reported incorrectly perhaps. This should always be investigated* to determine whether (i) the components are truly not available, in which case nothing can be done about it and the "**#value!**" is left as is, or (ii) the components have been omitted accidentally, in which case the problem can be corrected and the "**#value!**" becomes a zero value (0).

- Only **one year's data** should be reported **per Excel file**, using the tables provided in each worksheet. Copies of the blank Excel file can be made for reporting additional years of data.
- Data should be entered with the **same currency, magnitude, and number of decimals** as indicated in the worksheets. If the currency and/or magnitude is changed, please **note the changes** in a cover letter accompanying the data submission.
- If a **subsector does not exist** in your country, please leave all the data cells in that subsector's column **blank** (empty).
- To indicate that data are **not available** for a specific category or subsector that exists, please enter **four dots:** in the relevant data cells.
- To indicate a **zero observation** (or an observation rounded to zero), please enter the number **0** in the relevant data cell. **Do NOT leave a cell completely blank if it should be zero (0).**
- Each worksheet in each file is **protected** to prevent changes in its formatting. Please note that (i) **no columns or rows can be added or deleted** in these worksheets, and (ii) **no worksheets can be added or deleted**. Also, **please do not change the names of the worksheets**.

VI. MODE OF REPORTING

When reporting data for the Draft Public Debt Template, **countries are strongly encouraged to:**

- **Send an E-mail to stagodata@imf.org** containing the relevant Excel files (Statistical Tables), the Word file (Institutional Table), and the response to the list of outstanding queries if any were included in the Draft Public Debt Template Package.

Alternatively, you may:

- **Mail diskettes** containing the relevant Excel files (Statistical Tables) and Word file (Institutional Table) to the IMF Statistics Department, 700 19th Street N.W., Washington, D.C., 20431, U.S.A.

After the electronic files are returned to the IMF, they will be reviewed. If any problems are identified, we will contact you with our queries.²¹

²¹ GFS correspondents are strongly encouraged to provide a contact e-mail address when they submit their data.

VII. TARGET DATE FOR REPORTING

The correspondent in each country is requested to compile the Draft Public Debt Template, and **return the electronic files to the IMF's Statistics Department no later than January 15, 2006**. If this target date cannot be met, please inform the Statistics Department, in advance, by E-mail to stagodata@imf.org.

VIII. CONTACT DETAILS FOR ASSISTANCE

In order to facilitate reporting, the IMF Statistics Department offers its assistance through electronic correspondence with its staff. Please do not hesitate to contact us at stagodata@imf.org, or **facsimile number +1 202 623 6012**, should any assistance in completing the tables be required.

UNITS OF GENERAL GOVERNMENT

Compilers are asked to note any differences in the coverage/institutional structure of government for the data reported in the Draft Public Debt Template vis-à-vis data reported for publication in the 2005 *Government Finance Statistics Yearbook*.²²

The following describes the institutional structure of general government. In the *GFSM 2001*, the general government sector consists of all government units and all nonmarket nonprofit institutions that are controlled and mainly financed by government units. In the GFS system, provision is made for three main subsectors (or levels) of government: central; state (provincial or regional); and local. While some countries have all three subsectors; many have only a central government, or central government and local government subsectors.

The central government subsector is a large and complex subsector in most countries. It is generally composed of a central group of departments or ministries. Any central government entity that is fully covered by the central government budget is part of the “budgetary central government” in the *GFSM 2001* framework. Other entities or units that are part of the central government are either social security or extrabudgetary central government. These entities or units are operating under the authority of the central government but are not (fully) covered by the central government budget.

Central Government Units Covered by the Budget (Subsector 1)

This subsector lists all central government entities covered by the central government budget, i.e., the budgetary central government. The following are typical examples of budgetary central government entities: courts of law, ministries, departments, and parliament. The budgetary central government may also include central government boards, commissions or central government agencies. **Please list only the major budgetary central government entities.**

Central Government Units with Individual Budgets (Subsectors 2 and 3)

These subsectors list units or entities (**extrabudgetary entities or units and social security units, respectively**) that operate under the authority of the central government but are not (fully) covered by the central government budget (“budgetary central government”). Typically, these units or entities have individual budgets, and their own-revenue sources may be supplemented by grants (transfers) from the budgetary central government or from other sources.

²² A copy of the Institutional Table provided is contained on the diskette.

Please list each extrabudgetary entity or unit, and each social security unit, as relevant. If no extrabudgetary entities or units and/or social security units exist in your country, please enter “not applicable.”

State Governments (Subsector 4)

This subsector lists all state, regional or provincial governments in a country. **If this level of government does not exist, please enter “not applicable.” Otherwise, please list the number of states (or provinces or regions), for example: 9 states or 5 provinces.**

A state, province, or region is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. The legislative, judicial, and executive authority of a state government extends over the entire area of an individual state, which usually includes numerous localities, but does not extend over other states. To be recognized as a government unit the entity must be able to own assets, raise funds, and incur liabilities on its own account, and it must also be entitled to spend or allocate at least some of the taxes or other income that it receives according to its own policies. The entity may, however, receive transfers from the central government that are tied to certain specified purposes. A state government should also be able to appoint its own officers independently of external administrative control. If a government entity operating in a state is entirely dependent on funds from the central government, and if the central government also dictates the ways in which those funds are to be spent, then the entity should be treated as an agency of the central government. (See *GFSM 2001*, Chapter 2, paragraphs 2.51–2.54)

Local Governments (Subsector 5)

This subsector lists all local governments in a country. **If this level of government does not exist, please enter “not applicable.” Otherwise, please list the number of each of the various types of local governments, for example, 10 municipalities, 4 major city councils, and 5 village councils.**

The legislative, judicial, and executive authority of local government units is restricted to the smallest geographic areas distinguished for administrative and political purposes. The scope of a local government’s authority is generally much less than that of the central or state governments, and such governments may or may not be entitled to levy taxes on institutional units or economic activities taking place in their areas. They are often heavily dependent on grants from higher levels of government, and they may also act as agents of central or state governments to some extent. To be treated as institutional units, however, they must be entitled to own assets, raise funds, and incur liabilities by borrowing on their own account. They must also have some discretion over how such funds are spent, and they should be able to appoint their own officers independently of external administrative control. (See *GFSM 2001*, Chapter 2, paragraphs 2.51–2.54.)