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**GOVERNMENT FINANCE**

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**STATISTICS MANUAL 2001**

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**COMPANION MATERIAL**

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**GLOSSARY**



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This draft glossary primarily defines terms used in *Government Finance Statistics Manual 2001*. A small number of entries refer to terms used in *System of National Accounts 1993* or *A Manual on Government Finance Statistics (1986)* that one might have expected to be used in *Government Finance Statistics Manual 2001* but are not or are used only in a minor capacity. A glossary of terms used in *System of National Accounts 1993* is located on the Internet at: <http://unstats.un.org/unsd/sna1993/glossary.asp>. A glossary of terms used in *A Manual on Government Finance Statistics* begins on page 321 of that volume.

This glossary is intentionally not comprehensive. The individual items in some classifications, such as the various types of tax revenue, are excluded from the glossary because they would merely repeat the text without providing additional information and the terms are easily located in the text. The content of this glossary, however, is not considered final. Users are invited to send suggestions to [gfsmanual@imf.org](mailto:gfsmanual@imf.org) for other terms to include or existing entries that need additional explanation.

Selected cross-references are included as hyperlinks, as indicated by the presence of an underline.

As in the text of *Government Finance Statistics Manual 2001*, when the symbol [GFS] follows a glossary entry, it indicates that this term has the same name in *System of National Accounts 1993* but different coverage.

**Abroad.** Pertaining to a nonresident, as in classifications of transactions and stocks for which the counterparty is a nonresident. Synonymous with foreign.

**Accounting rules.** Instructions for recording economic flows and stocks. In the GFS system, the rules are designed to ensure that the data generated by the system conform with accepted standards for the compilation of economic statistics.

**Accounts receivable/payable.** *See other accounts receivable/payable.*

**Accrual basis of recording.** A recording system in which the time assigned to flows is when economic value is created, transformed, exchanged, transferred, or extinguished.

**Acquisition of an asset.** A transaction that increases a unit's holdings of assets. *See net acquisition of assets.*

**Adjusted overall fiscal balance.** The overall fiscal balance adjusted to exclude some or all revenue, grants, certain enclave activities such as the oil sector, and/or large and infrequent transactions that could distort the fiscal analysis. *See overall fiscal balance.*

**Administrative fee.** A fee for a compulsory license, such as a drivers' license or a passport, or another fee that is treated as the sale of a service. For a fee to be considered the sale of a service, the general government unit must exercise some regulatory function and the payment must not be clearly out of all proportion to the cost of providing the service. The payment is classified as a tax if it is clearly out of all proportion to the cost of providing the service.

**Agency transaction.** *See reassignment.*

**Aggregate.** A summation of elements in a class of flows or stocks.

**Amortization.** (1) The decrease in the value of an intangible nonproduced asset resulting from a decrease in the remaining period of its service life. (2) The repayment of a portion of the principal of a loan, bond, or

other debt instrument. (3) The decrease in the discount or premium recorded with respect to the maturity value of a debt instrument resulting from the passage of time.

**Analytic framework.** The integrated organization and presentation of transactions, other economic flows, and balance sheets in a manner designed to facilitate macroeconomic analysis, including assessments of the economic impact of government activity, sustainability of fiscal policy, and efficiency in the allocation and use of government resources.

**Arrear.** An obligatory payment by a debtor to a creditor that is not made by its due-for-payment date, including any grace period. *See due-for-payment basis of recording.*

**Asset.** An entity over which ownership rights are enforced by institutional units, individually or collectively, and from which economic benefits may be derived by its owners by holding it or using it over a period of time.

**Autonomous pension fund.** An employer social insurance scheme providing retirement benefits that is a separate institutional unit. Autonomous pension funds that are organized and managed by government units are classified as public financial corporations. *See employer social insurance scheme and retirement benefit.*

**Balance sheet.** A statement of the stocks of assets owned by a unit or sector, the stocks of financial claims (liabilities) held by other units against the owner or owners of those assets, and the net worth of the unit or sector at a specific time. *See asset, financial claim, liability, and net worth.*

**Balancing item.** The net value of a set of accounting entries, usually obtained by subtracting one aggregate from a second aggregate. *See aggregate.*

**Barter transaction.** A transaction in which two units exchange equal values of goods, services, or assets other than cash. *See transaction.*

**Budgetary unit.** A unit financed by the legislative budget of its government.

**Capital grant.** A noncompulsory transfer from one government unit or international organization to a second government unit or international organization in the form of cash that the recipient is expected or required to use to acquire an asset or assets other than inventories, an asset other than inventories and cash, the cancellation of a liability by mutual agreement between the creditor and debtor, or the assumption by one unit of a debt of the other unit. *See transfer transaction.*

**Capital tax.** A tax levied once or at irregular and very infrequent intervals on the values of the assets or net worth of institutional units or on the values of assets transferred between institutional units as a result of legacies, gifts *inter vivos*, or other transfers.

**Capital transfer.** A transfer of a noncash asset, the cancellation of a liability by mutual agreement between the creditor and debtor, the transfer of cash that was raised by disposing of an asset, the transfer of cash that the recipient is expected or required to use for the acquisition of an asset, or the assumption by the one unit of a debt of the other unit. In each case inventories are excluded.

**Cash basis of recording.** A recording system in which the time assigned to flows is when cash is received or disbursed. Although nonmonetary flows can be recorded, most accounting systems using the cash basis do not record nonmonetary flows because the focus is on cash management rather than resource flows.

**Cash surplus/deficit.** The net cash inflow from operating activities minus the net cash outflow from investments in nonfinancial assets.

**Cash.** The sum of cash on hand and cash equivalents. Cash on hand consists of notes, coins, and deposits held on demand with a bank or other financial institution. Cash equivalents are highly liquid investments that are readily convertible to cash on hand at the government's option and overdrafts considered integral to the cash management function.

**Center of economic interest.** An institutional unit has a center of economic interest within a country when there exists some location—a dwelling, place of production, or other premises—within the country's economic territory on or from which it engages, and intends to continue to engage, in economic activities and transactions on a significant scale indefinitely or over a finite but long period of time. The location need not be fixed so long as it remains within the economic territory.

**Central bank subsector.** The unit or group of units consisting of the central bank itself, currency boards or independent currency authorities that issue national currency that is fully backed by foreign exchange reserves, and other government-affiliated agencies that are separate institutional units and primarily perform central bank activities.

**Central bank.** The public financial corporation that is a country's monetary authority. It issues currency; has liabilities in the form of demand or reserve deposits of other depository corporations, and often the government; and may hold all or part of the international reserves of the country.

**Central government subsector.** The group of units consisting of all government units belonging to the central government and all nonmarket nonprofit institutions controlled and mainly financed by the central government.

**Central government.** The government whose political authority extends over the entire territory of the country. The central government can impose taxes on all resident institutional units and on nonresident units engaged in economic activities within the country. Typically it is responsible for providing collective services for the community as a whole, such as national defense. In addition, it may provide services for the benefit of individual households, such as health and education, and it may make transfers to other institutional units.

**Change in inventories.** Additions to inventories less withdrawals from inventories. Also, the total value of inventories on the closing balance sheet minus the total value on the opening balance sheet minus the net result of holding gains and other changes to the volume of inventories.

**Classification of the Functions of Government (COFOG).** A classification of the functions, or socioeconomic objectives, that general government units aim to achieve through various kinds of outlays.

**Commitments basis of recording.** A recording system in which the time assigned to flows is when a general government unit has committed itself to a transaction. Generally, this basis applies only to purchases of assets, goods, and services, and the time assigned is when a purchase order is issued by the general government unit. Flows for which the commitments basis is not applicable are recorded on one of the other three (accrual, cash, or due-for-payment) bases. Nonmonetary transactions may or may not be recorded.

**Compensation of employees [GFS].** The total remuneration, in cash or in kind, payable to an employee for work done during the accounting period, except for work connected with own-account capital formation. It consists of wages, salaries, and social contributions made on behalf of employees to social insurance

schemes. Excluded are amounts payable to contractors, self-employed outworkers, and other workers who are not employees.

**Consolidation.** A method of presenting statistics for a set of units as if they constituted a single unit. All transactions and debtor-creditor relationships among the units being consolidated are matched and eliminated.

**Consumption of fixed capital [GFS].** The decline during an accounting period in the value of fixed assets, major improvements to land, and the costs of ownership transfer incurred on the acquisition of valuables and nonproduced assets as a result of physical deterioration, normal obsolescence, or normal accidental damage. It is based on the average prices of the assets for the period. Changes in the asset's value due to changes in the price of the asset are excluded.

**Contingency.** A condition or situation that may affect the financial performance or position of the general government sector depending on the occurrence or nonoccurrence of one or more future events. Contingencies are not treated as financial assets or liabilities because they are not unconditional claims or obligations.

**Contingent liability.** A contingency that will result in a liability if it occurs. Examples are guarantees of debts of other units and the obligations of social security schemes.

**Control of a nonmarket nonprofit institution.** A government unit controls a nonmarket nonprofit institution when it has the ability to determine its general policy or program, either by having the right to appoint the officers managing the nonprofit institution or through financial means. The amount of control provided by the supply of finance depends on the timing and restrictions attached to the funds as well as the amount of financing. A nonprofit institution is mainly financed by government when the main portion of its operating funds is provided by a government unit.

**Corporation.** A legal entity created for the purpose of producing goods or services for the market that may be a source of profit or other financial gain to its owners. A corporation is collectively owned by shareholders who have the authority to appoint directors responsible for its general management.

**Counterparty.** (1) The second unit in a two-unit transaction. (2) The second unit in a financial claim (either the debtor or the creditor).

**Credit.** (1) One of two equal-valued entries required by the double-entry accounting system to record a flow. A credit entry is a decrease in an asset, an increase in a liability, or an increase in net worth. A revenue entry refers to an increase in net worth and is recorded as a credit. (2) The provision of resources by one institutional unit (the creditor or lender) to another unit (the debtor or borrower). (3) An amount deductible from the tax that otherwise would be payable (a tax credit). (4) A method of using transferable deposits to make a direct third-party payment (payment by direct debit or credit).

**Creditor.** The owner of a financial claim.

**Currency.** The notes and coins in circulation that are commonly used to make payments.

**Current grant.** A noncompulsory transfer from one government unit or international organization to a second government unit or international organization made for purposes of current expense. It is not linked to or conditional on the acquisition of an asset by the recipient. Also, any grant that is not a capital grant.

**Current market price.** The market price on the date for which a stock or flow is recorded. *See market price.*

**Current market value.** The market value on the date for which a stock or flow is recorded. *See market value.*

**Current transfer.** Any transfer that is not a capital transfer. *See transfer and capital transfer.*

**Debit.** One of two equal-valued entries required by the double-entry accounting system to record a flow. A debit is an increase in an asset, a decrease in a liability, or a decrease in net worth. An expense refers to a decrease in net worth and is recorded as a debit.

**Debt assumption.** The acceptance by one unit of responsibility for the debt of another unit, including the assumption of a guaranteed debt when the creditor invokes the contract conditions permitting the guarantee to be called.

**Debt cancellation.** *See debt forgiveness.*

**Debt forgiveness.** The cancellation of a debt (or part of a debt) by mutual agreement between a creditor and debtor.

**Debt repudiation.** The unilateral cancellation of debt by a debtor. Debt repudiation is not regarded as an economic flow and is not recorded in the GFS system.

**Debt rescheduling.** A bilateral arrangement to alter the dates for servicing an existing debt, usually on terms more favorable for the debtor and possibly with partial debt forgiveness, including extending repayment schedules, adding or extending grace periods for interest and principal payments, or rescheduling debt-service payments that are in arrears. *See also debt restructuring.*

**Debt restructuring.** A bilateral arrangement to alter the terms for servicing an existing debt, often on more favorable terms for the debtor and possibly with partial debt forgiveness. In addition to debt rescheduling, debt restructuring can include the replacement of the existing debt with a new debt. *See also debt rescheduling.*

**Debt write-down.** A unilateral reduction by a creditor in the value of a financial asset because its value cannot be collected completely.

**Debt write-off.** A unilateral elimination of a financial asset by a creditor because it cannot be collected. A unilateral write-off by a debtor (debt repudiation) is not recognized in the GFS system.

**Debt.** Any liability that requires a payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future. All liabilities in the GFS system are debt except for shares and other equity and financial derivatives.

**Debt-for-equity swap.** The exchange of a debt instrument (or part of a debt instrument) for shares and other equity issued by the same debtor.

**Debtor.** The unit required to make payments in accordance with the terms and conditions specified in a contract underlying a financial claim.

**Defeasance.** A debt-related operation in which a debtor matches specific liabilities with specific financial assets, the income and value of which are sufficient to ensure that all debt-service payments will be met. Defeasance may be carried out by placing the assets and liabilities in a separate account within the institutional unit concerned or by transferring them to another unit. The GFS system does not recognize defeasance.

**Defined-benefit scheme.** A retirement scheme in which the benefits are guaranteed by the employer. The amounts of the benefits usually are determined by a formula based on the participants' length of service and salary.

**Defined-contribution scheme.** A retirement scheme in which the level of contributions by the employer is guaranteed, but the benefits that will be paid depend on the assets of the fund.

**Demonetization of gold.** *See monetization of gold.*

**Depletion.** The decline in the value of a subsoil asset, noncultivated biological resource, or water resource because a portion of the asset has been extracted.

**Deposit.** A financial asset that has a fixed nominal value and can be used to make payments. It may be a direct medium of exchange and may earn interest or entitle the deposit holder to specific services.

**Depository corporation.** A financial corporation, quasi-corporation, or market nonprofit institution whose principal activity is financial intermediation and which has liabilities in the form of deposits or financial instruments that are close substitutes for deposits.

**Depreciation.** The expense item in financial accounting that corresponds to consumption of fixed capital in the GFS system. It is normally calculated using the original costs of fixed assets, while consumption of fixed capital is calculated using the average prices of the assets in the current period.

**Derivative.** *See financial derivative.*

**Derived measure.** An analytic tool that summarizes the values of selected flows or stocks that have been individually recorded in the GFS system. Derived measures consist of aggregates and balancing items.

**Discount factor.** A number used to convert a future cash flow, such as a debt payment, to its present value. Normally, a discount factor is estimated as the amount that would have to be invested now, at an appropriate interest rate given the risk associated with the future cash flow, to generate an amount equal to the future cash flow.

**Discount rate.** The interest rate used to estimate a discount factor.

**Disposal of an asset.** Any transaction other than consumption of fixed capital that decreases a unit's holdings of assets.

**Dividend.** A distribution of profits by a corporation to its shareholders or other owners, including profits of a central bank transferred to a government unit, profits derived from the operation of monetary authority functions outside the central bank, and profits transferred by state lotteries. Dividends are not required; the board of directors or other managers of the corporation must declare a dividend payable on their own volition. Distributions of profits may take place irregularly and may not be explicitly labeled as dividends. As exceptions, distributions of profits of fiscal monopolies and profits of export or import monopolies are



classified as taxes. Dividends must be based on current income. Large and exceptional one-of-a-kind payments based on accumulated reserves, privatization receipts, other sales of assets, or holding gains are withdrawals of equity rather than dividends.

**Domestic.** Pertaining to a resident, as in classifications of transactions and stocks for which the counterparty is a resident.

**Double-entry accounting.** A system used for recording flows. Each flow is recorded with two equal-valued entries, referred to as a credit entry and a debit entry. A debit is an increase in an asset, a decrease in a liability, or a decrease in net worth. A credit is a decrease in an asset, an increase in a liability, or an increase in net worth.

**Due-for-payment basis of recording.** A recording system in which the time assigned to flows that give rise to cash payments is the latest time they can be paid without incurring additional charges or penalties or, if sooner, when the cash payment is made. Nonmonetary flows may or may not be recorded.

**Economic asset.** Any asset recorded in the GFS system.

**Economic classification.** The classification used to identify the types of expense incurred when a government supplies goods and services to the community or redistributes income and wealth.

**Economic flow.** *See flow.*

**Economic territory.** The geographic territory administered by a government. It need not be identical to its physical or political borders, but it will usually correspond closely with these borders.

**Economic transaction.** *See transaction.*

**Economically significant price.** A price that has a significant influence on the amounts producers are willing to supply and the amounts purchasers wish to buy. An economically significant price does not have to be so high that it covers all costs of production, but it must cover a significant portion of those costs.

**Employer social benefit.** A social benefit provided by an employer social insurance scheme.

**Employer social contribution.** A social contribution by an employer to a social insurance scheme. *See social contribution and social insurance scheme.*

**Employer social insurance scheme.** A social insurance scheme in which an employer provides social insurance benefits to its employees, former employees, or their beneficiaries.

**Enterprise.** An institutional unit engaged in production.

**Equity.** *See shares and other equity.*

**Establishment.** An enterprise or a part of an enterprise situated in a single location at which only a single productive activity is carried out or where the principal productive activity accounts for most of the value added.

**Exchange transaction.** A transaction in which one unit provides a good, service, asset, or labor to a second unit and receives a good, service, asset, or labor of the same value in return.

**Expenditure.** Total expense plus the net acquisition of nonfinancial assets.

**Expense.** A transaction that results in a decrease in net worth.

**Export monopoly.** A public corporation or quasi-corporation that exercises the taxing power of government by the use of monopoly powers over the right to export particular goods and/or control services provided to nonresidents. These monopolies are created to raise revenue that could be gathered through taxes on exports or dealings in foreign exchange. *See fiscal monopoly and import monopoly.*

**External debt.** Debt owed to a nonresident.

**External transaction.** An interaction between two units by mutual agreement.

**Extrabudgetary unit.** A government unit not financed by the legislative budget of the controlling government.

**Financial asset.** A financial claim, monetary gold, or a Special Drawing Right.

**Financial claim.** An asset that entitles one unit, the owner of the asset and the creditor, to receive one or more payments from a second unit, the debtor, according to the terms and conditions specified in a contract between the two units. *See liability.*

**Financial corporations sector.** The group of units consisting of all corporations, quasi-corporations, and market nonprofit institutions principally engaged in financial intermediation or in auxiliary financial activities closely related to financial intermediation.

**Financial derivative.** A financial instrument that is linked to a specific financial instrument, indicator, or commodity, and through which specific financial risks can be traded in financial markets

**Financial instrument.** The contract underlying a financial claim. Normally a financial instrument is created when one unit provides funds to a second unit and the second unit agrees to repay the funds in the future.

**Financial lease.** An arrangement for financing acquisitions of fixed assets. It is a contract between a lessor and a lessee whereby the lessor owns a fixed asset and puts it at the disposal of the lessee, and the lessee contracts to pay rentals that permit the lessor to recover all or almost all of its costs, including interest. As a result, the risks and rewards of ownership pass from the lessor to the lessee, and a change of ownership from the lessor to the lessee is deemed to take place. *See operating leasing.*

**Financial transaction.** A transaction involving the acquisition or disposal of a financial asset.

**Financing.** The net result of transactions in financial assets and liabilities. It equals net lending/borrowing with the opposite sign.

**Fine.** A compulsory current transfer imposed on a unit by a court of law or quasi-judicial body for violations of laws or administrative rules. Out-of-court agreements are also included. Synonymous with penalty.

**Fiscal balance.** *See overall fiscal balance.*

**Fiscal burden.** The amount of compulsory transfers imposed by units of the general government sector on the rest of the economy. It can be approximated by the sum of tax revenue and compulsory social security

contributions. If a supranational organization also imposes compulsory transfers, they may need to be added. Fines, penalties, and forfeits are compulsory transfers but are not normally part of the fiscal burden.

**Fiscal monopoly.** A public corporation or quasi-corporation that exercises the taxing power of government by the use of monopoly powers over the production or distribution of a particular kind of good or service. These monopolies are created to raise government revenues that could otherwise be gathered through taxes on private sector production or distribution of the commodities concerned. *See export monopoly and import monopoly.*

**Fixed asset.** A produced asset that is used repeatedly or continuously in processes of production for more than one year.

**Flow.** The monetary expression of an economic action engaged in by a unit or another event affecting the economic status of the unit. It reflects the creation, transformation, exchange, transfer, or extinction of economic value. It involves a change in the volume, composition, or value of a unit's assets, liabilities, and net worth. Every flow is classified either as a transaction or an other economic flow.

**Foreign.** Pertaining to a nonresident, as in classifications of transactions and stocks for which the counterparty is a nonresident. Synonymous with abroad.

**Forfeit.** An amount deposited with a general government unit pending a legal or administrative proceeding that has been transferred to the general government unit as part of the resolution of that proceeding.

**Functional classification.** The classification used to identify the purpose, or socioeconomic objective, for which an expense was incurred or a nonfinancial asset was acquired.

**Funded social insurance scheme.** A social insurance scheme with identifiable reserves or accounts assigned for the payment of benefits.

**General government sector.** The group of units consisting of all resident government units and all resident nonmarket nonprofit institutions that are controlled and mainly financed by resident government units.

**General government unit.** A government unit or a nonmarket nonprofit institution controlled and mainly financed by government units.

**Government final consumption expenditure.** A national accounting concept that is not measured directly in the GFS system. It consists of expenditures on goods and services that are used (without further transformation) for the satisfaction of individual or collective human needs or wants. Its value can be approximated in the GFS system by compensation of employees plus the use of goods and services plus consumption of fixed capital minus the sales of goods and services plus purchases for direct transfer to households.

**Government unit.** An institutional unit that carries out the functions of government as its primary activity.

**Government.** The public authorities of a country and their agencies, which are entities established through political processes that exercise legislative, judicial, and executive authority within a territorial area. The principal economic functions of a government are (1) to assume responsibility for the provision of goods and services to the community on a nonmarket basis, either for collective or individual consumption, and (2) to redistribute income and wealth by means of transfer payments. An additional characteristic of government is that these activities must be financed primarily by taxation or other compulsory transfers.

**Grant.** A noncompulsory transfer from one government unit or international organization to a second government unit or international organization.

**Gross debt position.** The sum of all liabilities except shares and other equity and financial derivatives.

**Gross investment.** The net value of acquisitions less disposals of nonfinancial assets.

**Gross operating balance.** Revenue minus expense other than consumption of fixed capital. Also the net operating balance plus consumption of fixed capital.

**Gross saving.** The gross operating balance minus net capital transfers receivable.

**Historic monument.** A structure or site of special archaeological, historic, or cultural significance. General government units typically use historic monuments to produce cultural or entertainment-type services.

**Holding gain or loss.** A change in the monetary value of an asset or liability resulting from a change in the level and structure of prices, assuming that the asset or liability has not changed qualitatively or quantitatively. Holding gains and losses can apply to all assets and liabilities and, in the case of assets and liabilities expressed in a foreign currency, include gains and losses resulting from changes in exchange rates. Also known as a revaluation.

**Holding gain.** Short for holding gain or loss.

**Household.** A person or small group of persons who share the same living accommodation, pool some or all of their income and wealth, and consume certain types of goods and services collectively, mainly housing and food.

**Households sector.** The group of units consisting of all resident households.

**Import monopoly.** A public corporation or quasi-corporation that exercises the taxing power of government by the use of monopoly powers over the right to import particular goods and/or control services received from nonresidents. These monopolies are created to raise revenue that could be gathered through taxes on imports or dealings in foreign exchange. *See fiscal monopoly and export monopoly.*

**Imputed social contribution [GFS].** The value that would be needed to secure the de facto entitlement to social benefits when a government unit provides social benefits directly to their employees, former employees, or dependents out of their own resources without involving an insurance enterprise or an autonomous or nonautonomous pension fund.

**Incurrence of a liability.** A transaction that increases a unit's liabilities.

**In-kind transaction.** *See nonmonetary transaction.*

**Institutional unit.** An economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities.

**Insurance technical reserves.** Either the net equity of a unit in pension schemes and life insurance reserves (households only), prepaid non-life insurance premiums, and reserves against outstanding claims or the net liability of a unit operating an insurance or pension scheme for the same items.

**Intangible nonproduced asset.** A construct of society evidenced by legal or accounting actions, including patented entities, leases and other contracts, and purchased goodwill. Some entitle their owners to engage in certain specific activities or to produce certain specific goods or services and to exclude other units from doing so except with the permission of the owner. The owners of the assets may be able to earn monopoly profits by restricting the use of the assets.

**Interest [GFS].** The expense that a debtor incurs for the use of the principal outstanding, which is the economic value that has been provided by the creditor. Interest accrues continuously over the period that the liability exists. The rate at which interest accrues may be stated as a percentage of the outstanding principal per time period, a predetermined sum of money, a variable sum of money dependent on a defined indicator, or some combination of these methods.

**Internal transaction.** An event involving a single unit acting in two different capacities that is analytically useful to treat as a transaction.

**International organization.** An institutional unit whose membership consists entirely of national states or other international organizations whose members are national states. Their authority derives directly from the national states that are members or indirectly from the national states that are members of the other international organizations. International organizations are established by formal political agreements between members, have sovereign status, and are not subject to the laws or regulations of the country, or countries, in which they are located. All supranational authorities are international organizations.

**International organizations sector.** The group of units consisting of all international organizations, all of which are nonresidents.

**International reserves.** Those external assets that are readily available to and controlled by the monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. Reserve assets consist of currency, deposits, securities denominated in foreign currencies, monetary gold, SDRs, and the nation's reserve position in the IMF.

**Inventories.** Goods and services held by producers for sale, use in production, or other use at a later date.

**Land.** The ground itself, including the soil covering, associated surface water, and major improvements that cannot be physically separated from the land, but excluding buildings and other structures constructed on the land or through it, such as roads, office buildings, and tunnels, cultivated vineyards, orchards, other plantations of trees, animals, crops, subsoil assets, noncultivated biological resources, and water resources below the ground.

**Liability.** An obligation to provide economic benefits to the unit holding the corresponding financial claim. When a financial claim is created, a liability of equal value is simultaneously incurred by the debtor as the counterpart of the financial asset. The payments that the creditor has a contractual right to receive are also the payment or payments that the debtor is contractually obligated to provide. *See financial claim.*

**Liquidation of a liability.** A transaction that decreases a unit's liabilities.

**Loan.** 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.

**Local government subsector.** The group of units consisting of all general government units belonging to or controlled and mainly financed by a local government and any institutional units that are responsible to two or more local governments.

**Local government.** A government whose legislative, judicial, and executive authority is restricted to the smallest geographic areas distinguished for administrative and political purposes. Such governments may or may not be entitled to levy taxes on institutional units or economic activities taking place in their areas.

**Market establishment.** An establishment that sells or otherwise disposes of all or most of its output at economically significant prices. *See economically significant price.*

**Market output.** Goods and services that are sold at economically significant prices, otherwise disposed of on the market, or intended for sale or disposal on the market.

**Market price.** The amount for which goods, assets other than cash, services, labor, or the provision of capital are in fact exchanged or could be exchanged for cash.

**Market producer.** A unit that markets its entire output, where market output includes output in the form of own-account capital formation.

**Market value.** *See market price.*

**Monetary gold.** Gold coins, ingots, and bars with a purity of at least 995/1000 that are (1) owned by units that undertake monetary authority functions and (2) a component of the nation's official reserve assets.

**Monetary public corporation.** A resident depository corporation controlled by a general government unit.

**Monetary transaction.** A transaction in which one unit makes a payment or incurs a liability stated in units of currency and the second unit receives the payment or another asset, also stated in units of currency.

**Monetization of gold:** The reclassification of nonmonetary gold to be monetary gold by the monetary authority.

**Mutual agreement.** An action taken with prior knowledge and consent by two units, but not necessarily entered into voluntarily.

**Naturally occurring asset.** *See tangible nonproduced asset.*

**Net acquisition of assets.** Total acquisitions of assets less total disposals.

**Net financial wealth.** *See net financial worth.*

**Net financial worth.** The total value of all financial assets minus the total value of all liabilities.

**Net incurrence of liabilities.** Total incurrences of liabilities from transactions minus total reductions of liabilities from transactions.

**Net lending/borrowing.** The net acquisition of all financial assets from transactions minus the net incurrence of all liabilities from transactions. Equally, it is the net operating balance minus the net acquisition of nonfinancial assets.

**Net operating balance.** Revenue minus expense. It measures the change in net worth resulting from transactions.

**Net saving.** Gross saving less consumption of fixed capital.

**Net wealth.** *See net worth.*

**Net worth.** The total value of all assets minus the total value of all liabilities.

**Neutral holding gain.** The value of a holding gain that would accrue if the price of an asset or liability changed in the same proportion as the general price level. It is the gain needed to preserve the real value of the asset or liability.

**Nominal holding gain.** *See holding gain or loss.*

**Nominal value of debt.** The amount that a debtor owes to a creditor at any moment. It reflects the value of the instrument at creation and subsequent economic flows, such as transactions, valuation changes (excluding market price changes), and other changes, such as debt forgiveness. It is equal to the required future payments of principal and interest discounted at the existing contractual interest rate.

**Nonautonomous pension fund.** An employer social insurance scheme providing retirement benefits in which the employer has established segregated reserves, but the organization and operations of the scheme do not qualify as an institutional unit. All of the assets, liabilities, transactions, and other events of the pension fund are included among corresponding items of the employer operating the scheme.

**Nonfinancial asset.** Any asset other than a financial asset. Nonfinancial assets consist of fixed assets, inventories, valuables, and nonproduced assets. Most nonfinancial assets provide benefits either through their use in the production of goods and services or in the form of property income.

**Nonfinancial corporations sector.** The group of units consisting of all resident institutional units created for the purpose of producing goods and nonfinancial services for the market.

**Nonfinancial public corporations subsector.** The group of units consisting of all resident nonfinancial corporations controlled by general government units.

**Nonfinancial public sector.** The group of units consisting of all units of the general government sector plus all resident nonfinancial public corporations.

**Nonmarket establishment.** An establishment that does not sell or otherwise dispose of all or most of its output at economically significant prices.

**Nonmarket nonprofit institution.** A nonprofit institution that provides nonmarket goods or services to households.

**Nonmarket output.** Goods and services that are supplied free or at prices that are not economically significant to other institutional units or the community as a whole.

**Nonmarket producer.** A unit that mainly supplies goods or services free or at prices that are not economically significant to households or the community as a whole. These producers may have some sales of market output as a secondary activity.

**Nonmonetary financial public corporation.** Any financial corporation controlled by general government units except the central bank and other public depository corporations.

**Nonmonetary public sector.** The group of units consisting of nonfinancial public corporations, nonmonetary financial public corporations, and the general government sector.

**Nonmonetary transaction.** Any transaction that is not a monetary transaction. *See monetary transaction.*

**Nonproduced asset.** An asset needed for production that has not itself been produced.

**Nonprofit institution.** A legal or social entity created for the purpose of producing or distributing goods and services, but is not capable of being a source of income, profit, or other financial gain for the institutional units that established, control, or finance it.

**Nonprofit institutions serving households sector.** The group of units consisting of all resident nonmarket nonprofit institutions, except those controlled and mainly financed by government.

**Nonrecurrent tax.** A tax that is levied once or at irregular intervals. *See recurrent tax.*

**Nonresident.** An institutional unit that does not have a center of economic interest within the economic territory of a country. *See resident.*

**Obligations for social security benefits.** Social security benefits that have already been earned according to the existing laws and regulations but are payable in the future.

**Operating leasing.** A productive activity that involves renting fixed assets for terms less than the expected service lives of the assets. The lessor provides a service to the lessee in exchange for the lease payments. *See financial lease.*

**Other accounts receivable/payable.** A category in the GFS classification of financial assets and liabilities. It consists of trade credits, advances, and miscellaneous other items due to be received or paid and not included in any other category of financial assets and liabilities. This category includes accrued but unpaid taxes, dividends, purchases and sales of securities, rent, wages and salaries, social contributions, and social benefits.

**Other changes in the volume of assets.** Any change in the value of an asset or liability that does not result from a transaction or a holding gain or loss.

**Other economic flow.** A change in the volume or value of an asset or liability that does not result from a transaction.

**Other volume change.** *See other changes in the volume of assets.*

**Output.** The value of goods and services produced within a unit by processes of production. It is a national accounting concept that is not measured directly in the GFS system.

**Overall fiscal balance.** Net lending/borrowing adjusted through the rearrangement of transactions in assets and liabilities that are deemed to be for public policy purposes. Notably, all proceeds under privatization would be included as financial items; and subsidies given in the form of loans would be recognized as an expense.



**Overall primary balance.** The overall fiscal balance plus net interest expense.

**Own-account capital formation.** The production of nonfinancial assets by a unit for its own use.

**Partitioning.** The division of a single transaction as viewed by the parties involved into two or more transactions for recording in the GFS system.

**Payments in kind.** A payment made in the form of goods, services, or noncash assets.

**Penalty.** *See fine.*

**Pension fund.** A fund established for the purpose of providing benefits on retirement for specific groups of workers, dependents, and other beneficiaries. A pension fund can be a separate institutional unit (an autonomous pension fund) or the assets, liabilities, transactions, and other events of the pension fund may be included among the corresponding items of the employer operating the scheme (a nonautonomous pension fund).

**Pension scheme.** A social insurance scheme for providing pensions to a designated group of people, usually workers, their dependents, and other beneficiaries.

**Pension.** A fixed sum paid regularly to a person, normally following retirement. The person may be the retiree, a dependent, or another beneficiary.

**Perpetual inventory method.** A method commonly used to estimate the written-down replacement cost of a category of assets, especially tangible fixed assets. With this method, the value of the assets is based on estimates of acquisitions and disposals that have been accumulated (after deduction of the accumulated consumption of fixed capital, amortization, or depletion) and revalued over a long enough period to cover the acquisition of all assets in the category.

**Present value.** The current value of a future cash flow, normally determined by dividing the future cash flow by a discount factor.

**Primary operating balance.** The net operating balance plus net interest expense. *See net operating balance.*

**Principal outstanding.** The economic value that has been provided by a creditor to a debtor.

**Privatization.** The disposal to private owners by a government unit of the controlling equity of a public corporation or quasi-corporation.

**Produced asset.** A nonfinancial asset that has come into existence as the output from a production process.

**Property expense attributed to insurance policyholders.** The expense of a unit operating an insurance or retirement scheme attributed to its liability for insurance technical reserves. *See property income attributed to insurance policyholders.*

**Property expense.** The expense payable by one unit to a second unit for the use of a financial asset or tangible nonproduced asset owned by the second unit. *See property income.*

**Property income [GFS].** The income received when a unit places a financial asset or a tangible nonproduced asset that it owns at the disposal of another unit. Interest, dividends, withdrawals from income

of quasi-corporations, property income attributed to insurance policyholders, and rent are the types of property income recognized in the GFS system.

**Property income attributed to insurance policyholders.** The income received from a unit's investment in the financial asset, insurance technical reserves. Insurance technical reserves consist of prepayments of non-life insurance premiums, reserves against outstanding claims, and actuarial reserves against outstanding risks associated with life insurance policies and retirement schemes. These reserves are considered to be assets of the policyholders or their beneficiaries. The income generated by insurance technical reserves is classified as property income attributed to insurance policyholders.

**Provincial government.** *See state government.*

**Public corporation.** A corporation owned or controlled by government units.

**Public nonfinancial corporation.** A corporation that produces goods and/or nonfinancial services for the market and is owned or controlled by government units.

**Public sector.** The group of units consisting of all units of the general government sector plus all public corporations.

**Quasi-corporation.** An entity that is not incorporated or otherwise legally established, but which functions as if it were a corporation.

**Real holding gain.** The value accruing to an asset as a result of a change in its price relative to the prices of goods and services in general. An increase in the relative price of an asset leads to a positive real holding gain and a decrease in the relative price of an asset leads to a negative real gain, otherwise called a real holding loss. The reverse is true for liabilities.

**Reassignment.** Reclassification of a transaction when one unit acts as an agent for another unit.

**Recording basis.** The set of guidelines that determines the time assigned to flows and, in some cases, the types of flows that are recorded. *See accrual basis of recording, cash basis of recording, commitments basis of recording, and due-for-payment basis of recording.*

**Recurrent tax.** A tax that is levied regularly rather than once or at irregular intervals. *See nonrecurrent tax.*

**Regional central bank.** An international financial organization that acts as a common central bank for a group of member countries. It has its headquarters in one country and usually maintains national offices in each of the member countries. The headquarters is an international organization. Each national office acts as the central bank for that country and is treated as a resident institutional unit in that country.

**Regional government.** *See state government.*

**Remuneration in kind.** A transaction in which an employer compensates an employee with goods, services, or assets other than money.

**Rent.** The property income or expense accrued with respect to certain leases of land, subsoil assets, and other naturally occurring assets. Rent accrues continuously to the asset's owner throughout the period of the contract.

**Rental.** A payment for services produced by lessors of produced assets and provided to the lessees. Payments by lessees of nonproduced assets are rent rather than rentals because lessors of these assets are not considered to be engaged in a productive activity.

**Repayment of a liability.** A transaction that decreases a unit's liabilities. Synonymous with liquidation of a liability.

**Rerouting.** Reformulation of a transaction when a unit that is in fact a party to a transaction does not appear in the actual accounting records because of administrative arrangements.

**Resident.** An institutional unit with a center of economic interest in the economic territory of a country.

**Retirement benefit.** A social benefit paid to retirees and their dependents or other beneficiaries, usually in the form of a pension or health services.

**Retirement scheme.** A social insurance scheme that provides retirement benefits.

**Revaluation.** *See holding gain or loss.*

**Revenue.** A transaction that results in an increase in net worth.

**Royalties.** A name often given to payments with respect to a lease for the extraction of subsoil assets owned by another unit. In the GFS system, these payments are classified as rent.

**Saving.** *See gross saving and net saving.*

**Sector.** A group of resident institutional units that have similar objectives.

**Securities other than shares.** 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 repayments of principal.

**Severance.** (1) A tax imposed on the extraction of minerals and fossil fuels. (2) A payments to workers, or their survivors, who lose their jobs because of redundancy, incapacity, or accidental death.

**Shares and other equity.** All instruments and records acknowledging, after the claims of all creditors have been met, claims on the residual value of a corporation. Most equity securities do not provide the right to a predetermined income or to a fixed sum on dissolution of the corporation. Ownership of equity is usually evidenced by shares, stocks, participations, or similar documents.

**Social assistance benefit.** A social benefit paid by a social assistance scheme. Social assistance benefits do not include payments made in response to events or circumstances that are not normally covered by social insurance schemes, such as natural disasters. *See social protection scheme and social benefit.*

**Social assistance scheme.** A noncontributory social protection scheme.

**Social benefit [GFS].** A payment, in cash or in kind, to protect the entire population, or specific segments of it, against certain social risks. Examples of social benefits are the provision of medical services, unemployment compensation, and social security pensions. *See social risk.*

**Social contribution [GFS].** A payment to a social insurance scheme by the insured persons or by other parties on their behalf in order to secure entitlement to the social benefits of the scheme. The contributions may be compulsory or voluntary. A general government unit can pay social contributions on behalf of its employees (an expense) or receive social contributions as the operator of a social insurance scheme (either revenue or the incurrence of a liability).

**Social insurance benefit.** A social benefit paid by a social insurance scheme. *See social protection scheme and social benefit.*

**Social insurance scheme.** A contributory social protection scheme.

**Social protection scheme.** A systematic framework for providing interventions intended to relieve households and individuals of the burden of a defined set of social risks. *See social risk.*

**Social risk.** An event or circumstance that may adversely affect the welfare of households either by imposing additional demands on their resources or by reducing their incomes.

**Social security benefit.** A social benefit paid by a social security scheme. *See social security scheme.*

**Social security contribution.** A payment to a social security scheme by the insured persons or their employers in order to secure entitlement to the social security benefits of the scheme, provided the contributions are determined as a function of earnings, payroll, or the number of employees. Payments by self-employed persons determined using self-employment income as a proxy for gross wages are also treated as social security contributions. Social security contributions may be compulsory or voluntary. A general government unit can pay social security contributions on behalf of its employees (an expense) or receive social security contributions as the operator of a social security scheme (revenue).

**Social security fund.** A government unit devoted to the operation of one or more social security schemes. To satisfy the general requirements of an institutional unit, the fund must be separately organized from the other activities of government units, hold its assets and liabilities separately, and engage in financial transactions on its own account.

**Social security scheme.** A social insurance scheme that is imposed, controlled, and financed by a government unit and covers the entire community or large sections of it.

**Social security subsector.** The group of units consisting of all social security funds.

**Special Drawing Right (SDR).** An international reserve asset created by the IMF and allocated to its members to supplement existing reserve assets. SDRs are held only by the monetary authorities of IMF member countries and a limited number of authorized international financial institutions. An SDR represents an unconditional right to obtain foreign exchange or other reserve assets from other IMF members. It is a financial asset for which there is no corresponding liability, and the members to whom they have been allocated do not have an unconditional liability to repay their SDR allocations.

**State government subsector.** The group of units consisting of all general government units belonging to or controlled and mainly financed by a state government and any institutional units responsible to two or more state governments.

**State government.** The government whose legislative, judicial, and executive authority extends over the entire territory of a state, which is the largest geographical area into which the country as a whole may be

divided for political or administrative purposes. A state may be described by other terms, such as a province or region. The authority of a state government does not extend over other states. A state government usually has the fiscal authority to levy taxes on institutional units that are resident in or engage in economic activities in its area of competence.

**Statement of Government Operations.** A summary of all transactions of the general government sector in a given accounting period. They are classified as revenue, expense, net acquisitions of nonfinancial assets, net acquisitions of financial assets, or net incurrences of liabilities to demonstrate the effect of fiscal policy on the net worth of the general government sector, on its demand for credit, and on its holdings of assets and liabilities.

**Statement of Other Economic Flows.** A summary of changes to government's net worth that are not the result of transactions. The changes are classified as changes either in the value or volume of assets, liabilities, and net worth.

**Statement of Sources and Uses of Cash.** A summary of government's cash inflows and outflows. It shows the total amount of cash generated or absorbed by current operations, transactions in nonfinancial assets, and transactions involving financial assets and liabilities other than cash itself. The net change in the government's cash position is the sum of the net cash received from these three sources.

**Stock.** The value of a unit's holdings of a type of asset or liability at a specific time.

**Strategic stock.** A government's stocks of goods held for strategic and emergency purposes, goods held by market regulatory organizations, or other commodities of special importance to the nation

**Subsector.** A group of institutional units that are all members of the same sector.

**Subsidy.** An unrequited payment by a government unit to an enterprise based on the level of its production activities or the quantities or values of goods or services it produces, sells, exports, or imports. Subsidies may be designed to influence levels of production, the prices at which outputs are sold, or the remuneration of the enterprises. Included are transfers to public corporations and other enterprises that are intended to compensate for operating losses.

**Supranational authority.** An international organization endowed with the authority to tax or impose other compulsory contributions within the territories of the countries that are members of the authority. It is not a resident of any country.

**Tangible nonproduced asset.** A naturally occurring asset over which ownership rights are enforced. Included are land, subsoil mineral deposits, fish in open but territorial waters, and the electromagnetic spectrum.

**Tax assessment.** An estimate, made by the taxpayer or the tax authority, of tax due.

**Tax credit.** An amount deductible from the tax that otherwise would be payable.

**Tax liability.** The amount of tax owed by a taxpayer.

**Tax refund.** Repayment by the tax authority of tax overpayments.

**Tax.** A compulsory transfer to the general government sector. Certain compulsory transfers, such as fines, penalties, and social security contributions, are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative taxes. Fees that are clearly out of all proportion to the costs of providing services are included.

**Transaction.** An interaction between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction.

**Transfer transaction.** A transaction in which one unit provides a good, service, asset, or labor to a second unit without receiving simultaneously a good, service, asset, or labor of any value in return.

**Unfunded social insurance scheme.** A social insurance scheme without identifiable reserves or accounts assigned for the payment of benefits.

**Unit.** *See institutional unit.*

**Use of goods and services.** The value of goods and services used by government for the production of other goods and services, with the exception of goods and services used in the production of assets as own-account capital formation. Also included is the value of goods purchased for resale less the net change in inventories of work in progress, finished goods, and goods held for resale. The value of goods and services acquired for in-kind transfers to households or as grants are excluded because they are not used in a production process.

**Valuables.** Produced goods of considerable value that are acquired and held primarily as stores of value and not used primarily for purposes of production or consumption.

**Wages and salaries [GFS].** All compensation of employees except for social contributions by employers. Included are payments in cash or in kind. Social contributions paid by deduction from employees' wages and salaries are included in wages and salaries. Excluded are reimbursements of expenditures made by employees in order to enable them to take up their jobs or to carry out their work, such as expenditures on tools, equipment, special clothing, or other items that are needed exclusively or primarily to enable them to carry out their work. Also excluded are social benefits paid by employers. *See compensation of employees.*

**Withdrawals from income of quasi-corporations.** The withdrawal of current income from a quasi-corporation by the owner. Withdrawals of funds realized from the sale or other disposal of the quasi-corporation's assets or from the liquidation of large amounts of accumulated retained earnings or other reserves are excluded.

**Work-in-progress inventories.** Goods and services that have been partially processed, fabricated, or assembled by the producer but that are not usually sold, shipped, or turned over to others without further processing and whose production will be continued in a subsequent period by the same producer.

**Written-down replacement cost.** The initial acquisition cost of an asset plus an appropriate revaluation for subsequent price changes, minus an allowance for consumption of fixed capital, amortization, or depletion.