



Discussion Note: 2.32 Balance Sheet Analysis

Summary Details

Task Team Responsible	Fiscal Analysis and GFS Communication Task Team (TT4)
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Summary of Issues and Draft Recommendations <p>This discussion note proposes improvements to Government Finance Statistics (GFS) guidance on balance sheet analysis. It focuses on applying the Balance Sheet Approach (BSA) to the public sector and fiscal policymaking and considers guidance options within and beyond the <i>GFSM 2014</i>². The BSA helps assess macroeconomic and fiscal vulnerabilities by analyzing sectoral balance sheets and their links. Building on the GFS framework's integrated stocks-and-flows structure, the note highlights three elements for fiscal analysis: (i) the government/public sector balance sheet, (ii) intertemporal balance sheet analysis, and (iii) whom-to-whom analysis of financial linkages. Examples are drawn from Australia, Indonesia, the United Kingdom, and international institutions (see annex).</p> Draft Recommendations <p>The discussion note recommends incorporating principle-based BSA guidance in the updated GFSM and to develop a separate, practical implementation guide (Option 2). This would promote more consistent use of balance-sheet information in fiscal analysis and decision-making.</p> <p>The guide would cover:</p> <ul style="list-style-type: none">• integration of fiscal indicators based on stocks and flows within the GFS framework;• key fiscal indicators derived from the balance sheet;• intertemporal balance sheets and their analytical applications; and• whom-to-whom analysis for understanding financial linkages and sectoral interdependencies.	

¹ The views expressed in this Discussion Note are those of the authors and/or Task Team and do not necessarily represent the views of the IMF.

² [Government Finance Statistics Manual 2014](#) (GFSM 2014)

Introduction

1. Fiscal policy plays a crucial role in managing the economic health of a nation. Traditionally, fiscal policy had been guided and focused on analysis of cash flows and debt stocks. With the introduction of the accrual concept, financial reporting and fiscal statistics have incorporated the balance sheet approach (BSA). The framework of Government Finance Statistics (GFS) is developed on BSA's flow and stock model. However, in most countries, the focus of analysis of GFS data is still on flows and the liabilities side of the balance sheet. Fiscal policy has been guided by tools like government spending, taxation, and borrowing.

2. In recent years, economists have emphasized the importance of incorporating a BSA to support fiscal policy decisions. This approach operates on the principle that the balance sheets of governments, households, corporations (public and private), and the financial sector play a critical role in shaping economic stability and growth. Understanding the structure of government's balance sheet and how it interacts with the broader economy offers valuable insights for effective fiscal policy formulation. Therefore, it is essential to understand how the BSA can be effectively utilized in the general government/public sector and fiscal policymaking.

3. Specifically, this discussion note addresses the definition of the balance sheet approach (BSA) from the point of view of the public sector and explores the application of the BSA for fiscal analysis, fiscal policy and decision making. Therefore, the scope of this discussion note focuses on the public sector and its subsectors, which includes central governments, state governments, local governments, social security agencies and public corporations. The discussion note explains how the GFS framework is facilitating the BSA, how it can strengthen fiscal policymaking and provides country examples of the application of the BSA based on GFS. Finally, it provides recommendations on what additional information should be included in the GFSM and what guidance and resources should be presented as supplementary documents.

4. In this note, "balance sheet approach (BSA) refers to the analytical use of the GFS balance sheet and flow data to assess fiscal vulnerabilities and policy trade-offs through (i) constructing a full government/public sector balance sheet, (ii) use of balance sheets for intertemporal³ analysis or projections, and (iii) whom-to-whom analysis of financial linkages between the public sector and the rest of the economy. While the IMF's broader BSA framework combines balance sheets across multiple sectors in an economy-wide matrix, the focus in this discussion note is on a narrow definition and how the GFS framework can be used to operationalize public-sector balance sheet analysis.

Background and Issues

5. A balance sheet is a structured summary of the assets, liabilities, and net worth of an entity or sector at a specific point in time. Particularly, the IMF developed a user-friendly BSA tool, which combines the balance sheets of the financial sector, government, and the external sector into a single matrix to generate a distribution of claims and liabilities on a from-whom-to-whom basis. This integrated system is an extremely useful tool for macro-financial analysis. The IMF's BSA is a financial analysis framework that focuses on the composition and dynamic of assets and liabilities across different sectors of an economy and over time. In a broader perspective, the BSA examines overall balance sheet linkages and identify, as well as evaluate specific exposures and vulnerabilities, such as an excessive reliance on external funding, leverage buildup in the corporate sector, excessive household debt, and overreliance on the banking sector for sovereign debt placement.

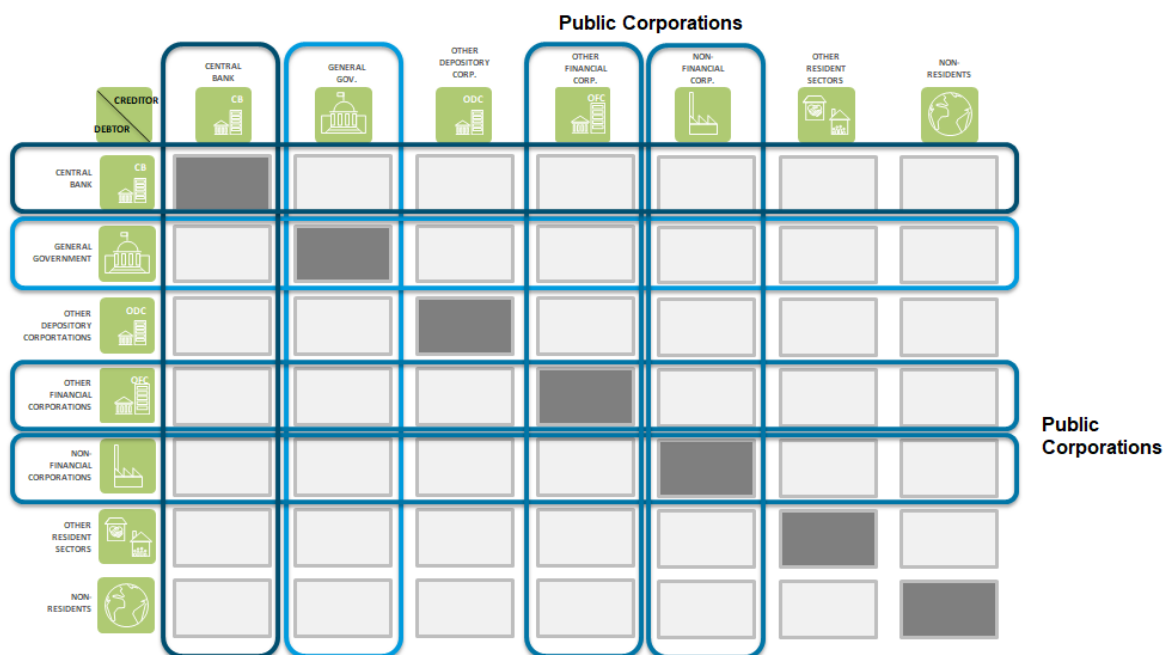
³ The definition of intertemporal balance sheet in this discussion note does not consider discounted value analysis or the methodology for projections.

6. The BSA for the public sector is an approach to fiscal analysis mostly focusing on the structure, interconnections and dynamics of the balance sheet of the government/public sector. Its main components are :

- i) **Constructing a full government/public sector balance sheet**, which provides a comprehensive picture of assets, liabilities, and net worth (and supports the derivation of balance-sheet-based fiscal indicators).
- ii) **Use of balance sheets for intertemporal analysis or projections**, projecting the evolution of assets, liabilities, and related fiscal aggregates into future periods to support sustainability analysis
- iii) **Whom-to-whom analysis**, which map financial interconnections between the government/public sector and other institutional sectors (including the rest of the world) to analyze inter-sectoral linkages

7. The figure below illustrates the scope of this discussion note and how GFS data fits into the BSA matrix as well as the linkages between the government and the other sectors of the economy, including the financial and external sectors, the nonfinancial corporations (including State Owned Enterprises) and the households. The GFS framework and the compilation of GFS data greatly facilitates the BSA. The GFS data can be used to compute the fiscal indicators, to populate the whom-to-whom matrix for the government and to link balance sheets over time.

Government/Public Sector Data



8. Although the BSA has been time-tested and widely applied in other areas of macroeconomic statistics—such as monetary, financial, and external sector analysis—its application in GFS remains relatively limited and uneven across countries. In many cases, fiscal frameworks and reporting practices continue to be predominantly flow-based, while comprehensive balance-sheet information is either incomplete, compiled with significant lags, or used mainly for analytical purposes rather than as an integral input into fiscal policy formulation. These practical constraints, together with differences in institutional capacity and data availability, mean that the BSA is not yet systematically embedded in GFS worldwide, and its broader adoption in fiscal statistics remains a work in progress.

9. Against this backdrop, providing clearer and more targeted guidance on the application of the BSA within the GFS framework would help support more consistent and effective implementation across countries.

The Balance Sheet Approach (BSA) for the government/public sector

10. The BSA is a powerful tool for assessing macroeconomic vulnerabilities by analyzing sectoral balance sheets and their interconnections. The GFS Framework provides a robust foundation for implementing the BSA due to its comprehensive integration of stock and flow data.

11. In practice, implementing the BSA for the government/public sector involves three related but distinct compilation and analytical tasks: i) constructing comprehensive government/public sector balance sheets; ii) extending these into intertemporal balance sheets; and iii) compiling whom-to-whom information to assess linkages between the government/public sector and other sectors. The GFS framework supports each of these tasks, but the data and institutional requirements differ across them.

A. Constructing a full government/public sector balance sheet

12. Constructing a full government/public sector balance sheet is the foundational component of the balance sheet approach. It provides a comprehensive snapshot of government assets, liabilities, and net worth at a specific point in time and serves as the basis for subsequent intertemporal analysis and whom-to-whom assessments. Within the GFS framework, this involves integrating stock positions with flows through the core accounting identity:

$$\text{Closing Stock} = \text{Opening Stock} + \text{Transactions} + \text{Other Economic Flows}.$$

13. This integration of stock with flows provides a comprehensive picture of an institutional unit and its interaction with other institutional units. Stock positions are important to assess financial positions at a specific point in time, which is crucial to understand wealth and solvency, while flow approach monitor financial operations, evaluate financial performance over a period and short-term viability. Together, they enable the construction of detailed balance sheets for the public sector and its subsectors, supporting long-term sustainability assessments. This integration enables better decision-making, enhances transparency, supports fiscal analysis, and ensures that changes in stock positions are fully explained by recorded flows. Integrating flows and stocks fiscal indicators within the GFS framework provides a complete, consistent, and analytically powerful picture of public finances.

14. In addition, the GFS framework provides a robust conceptual framework for constructing balance sheets for central, state, and local governments, as well as social security funds and public corporations, which are essential for constructing the public sector's balance sheet. The BSA requires prerequisite granular data from the GFS framework, including sectoral balance sheets, detailed instrument classifications for financial assets and liabilities, counterparty sectoral breakdowns, maturity, and residency for cross-border exposure analysis. The GFS Framework aligns with the System of National Accounts (SNA), facilitating integration with broader macroeconomic statistics used in BSA matrices.

15. Constructing full balance sheets supports fiscal policymaking by shifting the analytical focus beyond deficits and gross debt toward a broader assessment of public wealth. Balance-sheet-based fiscal indicators, such as net worth, net financial worth, and net debt, provide insights into the government's capacity to absorb shocks, manage fiscal risks, and meet current and future obligations. These indicators can inform the design of fiscal rules, medium-term fiscal frameworks, and asset and liability management strategies. These indicators and several others are explained in Annex I.

16. Although the GFS framework provides the conceptual foundation to support BSA implementation, compilers may face many practical implementation challenges, the issues therefore fall into two categories: conceptual gaps and implementation gaps.

17. Conceptual gaps, include the need for clearer articulation of scope of the BSA within the GFS and clearer explanation of how BSA complements traditional flow-based fiscal analysis and relates to other statistical and accounting frameworks.

18. Implementation gaps, include incomplete balance sheet data, limited granularity, timeliness and valuation issues, insitutional coordination difficulties, and challenges integrating balance-sheet-based indicators into policy processes.

19. Three broad areas of challenge are:

- **Technical and Institutional Challenges: Data Availability, Timeliness, and Valuation Issues (*implementation gap*):** Accurate and comprehensive government balance sheet data are crucial for applying the BSA effectively. However, in many countries, this data may not be readily available or may be incomplete, hindering the implementation of this approach, due to:
 - Data Gaps: Many countries lack complete balance sheet data across government entities.
 - Granularity Issues: Government continues to face persistent challenges in obtaining counterparty and residency information, as well as data on non-financial assets, contingent liabilities, and public-private partnership (PPP) arrangements—hindering the accuracy and depth of fiscal analysis.
 - Timeliness: Delays in data production reduce relevance for real-time policy decisions.
 - Valuation Difficulties: Market-based valuation of assets and liabilities is complex and many countries do not have systems to support it, relying on face or nominal value.

- **Limited Adoption and complexity for Policy Use (*implementation gap*):**
 - Traditional Metrics: Fiscal discussions often rely on traditional legacy indicators rather than GFS-defined indicators. This practice can diminish the GFS framework’s impact on policy formulation and fiscal surveillance. Shifting to GFS-compliant systems might disrupt time series and requires coordination across institutions.
 - Analytical Complexity: The interrelationships among economic sectors are inherently complex making BSA challenging to perform and its results difficult to convey to policy makers.
 - Political Resistance: The BSA implementation tends to highlight inconsistencies on fiscal and debt data and push governments towards more transparency, governance and the integration of GFS and the fiscal framework. As a result, vulnerabilities and risks are more transparent, as well as their causes, demanding more interconnected decisions in fiscal policy, which may involve difficult decisions, such as reducing government spending, increasing taxes, or restructuring debt. The enhancement in transparency and the need for those policies may face political resistance, especially when they are perceived as unfavorable to certain constituencies.

- **Limited Integration with Other Frameworks (*conceptual gap*):**
 - Differences between GFS and accounting standards—such as the International Public Sector Accounting Standards (IPSAS), used in the public sector, and the International Financial Reporting Standards (IFRS), applied by private and for-profit entities—can result in inconsistencies and add complexity to GFS compilation. While ongoing efforts aim to further harmonize these frameworks, full alignment is unlikely, as they are designed to serve different objectives. Nevertheless, selected accounting standards and guidelines

can be used as a foundation for a balance sheet–based approach. For example, the United Kingdom Office for Budget Responsibility’s methodology builds on the same conceptual model as IPSASB’s Recommended Practice Guideline 1 (RPG 1)⁴, even though the resulting analysis is not presented within, or formally linked to, the narrative of the United Kingdom Whole of Government Accounts (the consolidated accounts for the entire public sector).

20. Despite these challenges, constructing a full government/public sector balance sheet remains a critical first step in operationalizing the balance sheet approach. These limitations suggest a need to provide a comprehensive implementation guideline for GFS to better support BSA requirements, potentially by incorporating guidance on counterparty data, sectoral linkages, and enhanced metadata standards.

B. Use of balance sheets for intertemporal analysis or projections

21. The intertemporal balance sheet is a concept often used in economics and finance to analyze the allocation of resources or liabilities over different time periods. Unlike a traditional balance sheet, which provides a snapshot of assets and liabilities at a single point in time, the intertemporal balance sheet captures how decisions and obligations evolve over time. An intertemporal balance sheet can eliminate the limitation of a balance sheet that only reflects the financial status at a specific point.

22. Key Features of an intertemporal balance sheet as a decision-making tool are as follows:

- **Long-Term Perspective:** It emphasizes the trade-offs between present and future financial positions. The framework helps in understanding the sustainability of financial practices and fiscal policy decisions. For instance, borrowing today will reduce financial flexibility in the future due to repayment obligations.
- **Incorporates Future Expectations:** It factors in anticipated future income, expenditures, and obligations like whether current levels of debt are manageable given future income or growth expectations. This is particularly relevant for governments and public sectors managing debt and investment decisions.

23. By considering the government’s assets and liabilities over future time periods, policymakers can design fiscal strategies that are sustainable over the long term, avoiding short-term borrowing binges that might lead to future financial instability.

- **Debt Sustainability⁵:** Policymakers need to assess the sustainability of government debt by considering not only its size but also the government’s ability to service that debt. A BSA offers a more nuanced view of fiscal sustainability by taking into account government assets, such as its ability to generate revenue from public property, as well as its liabilities.
- **Fiscal Sustainability Assessment:** BSA allows to compute intertemporal balance sheets and projections into future period of time, therefore providing important indicators of fiscal sustainability. A declining net worth and net financial worth or rising net debt may signal

⁴ IPSASB Recommended Practice Guideline 1 (RPG 1) offers non-mandatory guidance to help public sector entities report on long-term fiscal sustainability in a clear and transparent way. It complements accrual-based IPSAS financial statements by focusing on the future impact of current policies on revenues and expenditures, rather than on recognizing new assets or liabilities. RPG 1 promotes forward-looking projections, transparent assumptions and risk disclosures, and discussion of an entity’s ability to sustain services, taxation, and financial commitments over time, thereby enhancing accountability and supporting informed decision-making.

⁵ The Debt Sustainability Analysis (DSA) is being explored under *GFSM Update Discussion Note 2.31 “GFS within fiscal analysis and policymaking”*.

unsustainable fiscal policies or growing financial vulnerabilities. Net worth trends indicate whether current fiscal policies are fair to future generations. Persistent deficits and asset depletion may imply a burden on future taxpayers.

- **Asset Quality and Policy Design:** Governments can leverage assets like land and infrastructure to support fiscal policy through asset sales, nationalization of key industries, or public-private partnerships (PPP). The BSA helps guide PPP decisions by aligning public and private balance sheets to reduce risks and enhance economic returns.
- **Liquidity Management:** Liquidity management involves ensuring sufficient liquid assets to meet short-term obligations without compromising economic stability. Governments must balance immediate needs with long-term fiscal health, as overreliance on borrowing can erode creditworthiness. Transparent reporting is essential to sustain public and investor trust.

C. Whom-to-whom analysis

24. Whom-to-whom analysis constitutes the third core component of the BSA and focuses on examining financial linkages between the government/public sector and other institutional sectors of the economy, complementing traditional financial analysis. It tracks relationships between holders and issuers of financial assets, offering insights into the flow of funds and financial positions within or across economies. Unlike micro-level financial analysis, which focuses on individual entities and performance metrics, whom-to-whom analysis in GFS aims to compile a Global Flow of Funds Matrix—an integrated view of financial positions by counterpart country and sector.

25. Whom-to-whom analysis plays a critical role in economic policymaking by revealing systemic risks and financial interdependencies. It supports macroeconomic surveillance, global financial stability assessments, and enhances transparency in the financial system—essential for informed decisions and market confidence.

- Policymakers use it to identify vulnerabilities and systemic risks such as sectoral over-reliance or excessive cross-border exposures, guiding crisis mitigation strategies.
- Central banks use it to understand the flow of funds and credit within the economy. This information helps in setting interest rates and other monetary policies to achieve economic stability.
- Governments apply it to assess the sectoral impact of fiscal measures, ensuring equitable and effective policy outcomes.
- In a globalized economy, whom-to-whom analysis aids in understanding cross-border financial flows, fostering global policy coordination.

26. In the public sector, whom-to-whom analysis supports fiscal policymaking by offering a holistic view of the economy. It aligns fiscal decisions with the financial health and the needs of households, firms, and government entities. The Whom-to-whom analysis provides a framework for understanding, not only the financial soundness of a government finance, but also how the fiscal actions of the government interact with private sector balance sheets. By examining liquidity, leverage, solvency, and sustainability across sectors, it complements traditional flow-based analysis and focuses on shocks to asset and liability stocks rather than gradual fiscal imbalances. This approach can guide policymakers in managing debt levels, stabilizing the economy, and promoting growth.

27. With a better understanding of the financial health of different sectors, policymakers can identify potential risks to the economy—whether through overleveraging or imbalances between asset and liabilities—and take steps to mitigate those risks. It is particularly useful for assessing vulnerabilities, such as currency mismatches, maturity mismatches, and capital structure risks, which can lead to

financial instability. Maturity Mismatches occur when short-term liabilities exceed short-term assets, leading to refinancing risks. Currency Mismatches arise when liabilities are denominated in foreign currency while assets are in domestic currency, increasing exposure to exchange rate fluctuations. Capital Structure Mismatches happen when an entity relies heavily on debt rather than equity, making it more vulnerable during economic downturns.

28. The BSA is used to analyze financial crises and develop strategies for crisis prevention and response. During economic downturns, it helps identify sectors with fragile balance sheets and guides fiscal stimulus toward liquidity support, debt relief, and investment incentives. This includes supporting liquidity and debt relief for firms, direct support and easing debt burdens for vulnerable households, and providing investment opportunities to strengthen the financial position of the private sector. For highly leveraged private sectors, direct interventions—such as subsidies, tax relief, or restructuring—can ease financial stress and stimulate recovery. The BSA enables policymakers to assess how fiscal actions affect private sector balance sheets.

29. The 2008 global financial crisis and the COVID-19 pandemic highlighted the importance of using the BSA to navigate economic crises. During these times, businesses and households faced significant balance sheet stress, leading to reduced spending and investment. Governments responded by adopting fiscal policies that not only focused on stimulus spending but also aimed at supporting balance sheets through credit guarantees, debt restructuring, and income support measures. After major financial crises, some countries have used the BSA to focus on reducing household and corporate debt burdens, recapitalizing financial institutions, and using government assets to support recovery. The approach emphasizes the importance of restoring financial health in the balance sheet to enable sustainable growth.

30. Within the GFS-based balance sheet approach, whom-to-whom analysis maps financial assets and liabilities by instrument, sector, and residency on a from-whom-to-whom basis. This complements the construction of full balance sheets by adding an explicit inter-sectoral dimension and supports integration with flow-of-funds and financial accounts frameworks. By linking the government balance sheet to those of households, corporations, financial institutions, and the rest of the world, this analysis provides a more complete picture of macro-financial interdependencies.

31. Implementation of whom-to-whom analysis within GFS faces notable practical challenges. Many countries lack sufficient granular counterparty data, particularly with respect to residency, sectorization, and instrument detail. Timely reconciliation with monetary and financial statistics can be difficult, and institutional coordination across data-producing agencies is often required. As a result, whom-to-whom information is less developed than aggregate balance sheet data in many statistical systems.

Options to address issues

32. The BSA applied to fiscal policy provides a powerful framework for understanding how government fiscal decisions interact with the financial positions of government and the broader economy. By focusing on liquidity, leverage, solvency and sustainability, this approach enables more nuanced policy decisions that address both short-term stabilization and long-term sustainability. However, successful implementation requires access to accurate data, sophisticated analytical tools, and political will. As global economic conditions evolve, incorporating the BSA into fiscal policymaking will become increasingly vital in promoting economic resilience and sustainable growth. Key options are outlined below:

Option 1: Integrate conceptual and practical guidance into the update of the Government Finance Statistics Manual (GFSM). This guidance could take one of the following forms:

- An annex to Chapter 7 that builds on the existing discussion of balance sheets, providing expanded conceptual and practical guidance on BSA; or
- An update to Chapter 7 to introduce the conceptual framework for BSA, complemented by an appendix that consolidates practical guidance on applying the BSA principles, without introducing new conceptual elements.
- The conceptual guide should address the following areas: further elaboration of the analytical framework of GFS; and conceptual underpinnings of the BSA.

33. Option 1 maintains consistency with the GFSM framework by keeping guidance integrated within the main manual, ensuring conceptual coherence. Since users rely on GFSM as the primary reference, embedding BSA guidance within the manual reinforces its authority. Including the material as an annex or appendix provides flexibility, allowing depth to be tailored without disrupting core chapters.

34. However, Option 1 offers limited practical detail because GFSM is primarily conceptual. Incorporating extensive implementation guidance could dilute its purpose. Adding BSA concepts and analytical frameworks may also make the manual dense and harder to navigate. Furthermore, this approach is less adaptable, as updates to GFSM are infrequent and more complex compared to revising a standalone guide.

Option 2: Incorporate a principle-based guideline in the update of the Government Finance Statistics Manual (GFSM) and develop a separate, comprehensive practical implementation guide on the BSA applied to GFS

35. Option 2 offers comprehensive coverage by embedding conceptual principles in GFSM while providing a standalone practical guide for implementation. The principle-based guideline in the update of the GFSM should address the following areas: further elaboration of the analytical framework of GFS; and conceptual underpinnings of the BSA. It is recommended to include in the further guidance examples of the pragmatic application of the BSA, incorporating study cases to illustrate the matrix and how it is built, specifically for the government/public sector and public corporations. This should also encompass numerical examples.

36. A standalone guide allows flexibility for updates as practices evolve and can incorporate advanced analytical tools without altering the GFSM structure. This approach is particularly beneficial for practitioners seeking actionable guidance. However, a separate guide may also be perceived as supplementary rather than authoritative. Additionally, developing and maintaining this guide requires significant resources.

37. This comprehensive practical implementation guide on the BSA should elaborate further on:

- Integration of fiscal indicators for both flows and stocks within the GFS framework.
- Key fiscal indicators derived from the Balance Sheet
- The intertemporal balance sheet and its analytical applications.
- Whom-to-whom analysis for understanding financial linkages and sectoral interdependencies.

38. This approach ensures conceptual clarity and authority while meeting operational needs through detailed examples and evolving practices. It balances stability in GFSM with flexibility in the practical guide.

39. Option 2 maintains consistency with the GFSM framework by keeping conceptual guidance integrated within the main manual, ensuring conceptual coherence. Since users rely on GFSM as the primary reference, embedding BSA conceptual guidance within the manual reinforces its authority. Including the material as an annex, appendix or a document fully outside the core GFSM provides flexibility, allowing depth to be tailored without disrupting core chapters.

40. The main drawback is the higher resource requirement, along with the risk of fragmentation, as users may need to consult multiple documents (the GFSM and the separate guide). Additionally, there is a risk of duplication or inconsistency if coordination between the GFSM update and the implementation guide is not carefully managed.

Option 3: Maintain the current guidance described in the Annex to Chapter 4 of the GFSM 2014.

41. Option 3 requires no additional cost or effort and ensures continuity for users familiar with existing guidance. However, this option leaves the framework outdated, failing to address growing analytical needs such as intertemporal analysis and sectoral linkages. It reduces GFSM's relevance as a leading standard for fiscal analysis and misses an opportunity to strengthen its role in supporting modern fiscal policy frameworks.

Draft Recommendations

42. **The Task Team recommends Option 2.** Option 2 ensures alignment with *GFSM Update Discussion Note 2.31 on GFS in Fiscal Analysis and Policymaking* and effectively addresses both high-level policy considerations and the operational needs of practitioners. Embedding conceptual principles in the GFSM ensures coherence and reinforces its authority as the primary reference framework. At the same time, developing a separate practical guide provides flexibility to include detailed implementation steps, case studies, and evolving best practices. Option 2 would encourage improved utilization of the balance sheet in fiscal policy design and decision making.

43. **At the May 2026 GFS Advisory Committee (GFSAC) meeting there was support for the Task Team's recommendation of Option 2.**

Rationale for Proposed Recommendations

44. The proposed recommendations aim to harmonize the updated GFSM with the *2025 SNA*⁶ and *BPM7*⁷, a key objective of the *GFSM 2014* update process. It also aims to strengthen Government Balance Sheet Analysis and promote the broader integration of the Balance Sheet Approach into fiscal policy frameworks. In addition, the proposed recommendations will support alignment with the primary objective of the updated *GFSM 2014* structure—to serve as a principle-based conceptual manual rather than a compilation guide.

Preliminary Views of the GFSAC

45. **An earlier version of the discussion note was discussed at the GFSAC meeting of May 2026.** This version of the discussion note has addressed suggestions made by GFSAC members at

⁶ [System of National Accounts 2025](#) (2025 SNA)

⁷ [Balance of Payments Manual Version 7](#) (BPM7)

that meeting and the task team recommendations in the note are consistent with the preliminary views of most GFSAC members. More information is available in the Summary of Discussions of the May 2026 GFSAC meeting.

Questions for the Global consultation

- Indicate your preferred choice: Option 1, Option 2, or Option 3. Please explain the reason for your choice and provide any other additional comments (including any alternative options you would like to propose).
- Do you agree that the development of guidance on the implementation of the GFS BSA should initially focus on the general government sector before gradual expansion to the broader public sector, as resources allow?
- Do you agree with the proposed definition of the BSA framework, which comprises key fiscal indicators derived from the balance sheet, the possible use of balance sheets for intertemporal analysis or projections, and the whom-to-whom analysis?
- Do you also agree with the proposed practical guidance to elaborate further on the following areas:
 - Integration of fiscal indicators for both flows and stocks within the GFS framework.
 - Key fiscal indicators derived from the Balance Sheet.
 - The use of balance sheet for intertemporal analysis and its analytical applications.
 - Whom-to-whom analysis for understanding financial linkages and sectoral interdependencies.
- Do you have any suggestions for advancing Government Finance Statistics Balance Sheet Analysis and the BSA?

Annex I: Key Fiscal Indicators Derived from the Balance Sheet

Key Fiscal Indicators Derived from the Balance Sheet

46. GFSM identifies several balance sheet fiscal indicators to help evaluate the government's ability to meet its obligations and manage fiscal risks. Some examples are included in the Table 4A.1 of Chapter 4 Annex, mainly under "Wealth and Debt Indicators". BSA supports the expansion and integration of fiscal indicators derived from the government's balance sheet. Within this framework, consistency across indicators is ensured, enabling BSA to play a strategic role in shaping budget decisions and fiscal policymaking by providing a deeper and more comprehensive view of a government's financial health. By integrating balance sheet indicators, BSA helps align fiscal targets with macroeconomic objectives and informs medium-term fiscal frameworks, debt ceilings, and public investment strategies.

a. Budget Planning and Forecasting

Net debt and net worth might better guide the formulation of fiscal rules and targets than traditional debt indicators. Governments may set ceilings on net debt or aim to improve net financial worth over time, influencing spending and revenue decisions. Including balance sheet forecasts in budget documents helps anticipate the impact of policies on assets and liabilities. For example, a planned infrastructure investment affects both nonfinancial assets and future debt levels.

b. Policy Impact and Trade-offs Evaluation

Indicators like net financial worth and net worth help assess the long-term costs and benefits of fiscal policies. Changes in net worth, net financial worth and net debt can reflect the impact of fiscal policies, such as stimulus spending or national priority programs. It helps assess whether policies are improving or deteriorating the government's financial position. For instance, while tax cuts may stimulate economic growth, they may also reduce the government's capacity to meet existing liabilities and diminish financial assets—ultimately weakening both net worth and net financial worth.

c. Asset and Liability Management

Budget decisions increasingly incorporate asset management strategies, such as optimizing returns on public investments or divesting underperforming assets. Liabilities are managed through debt restructuring, refinancing, or hedging based on maturity profiles and currency exposures. Traditional budget decisions focus on the deficit/surplus, but balance sheet indicators shift focus from deficit to wealth, and encourage a broader view of government wealth. This shift supports more sustainable and strategic fiscal planning.

d. Transparency and Accountability

Publishing balance sheet indicators alongside budget aggregates enhances transparency and accountability. Stakeholders, including citizens and investors, can better understand government's financial health and full fiscal impact of budget decisions, not just the cash flows. It supports accountability by showing how public resources are managed.

e. Risk Management

Governments can use balance sheet information to hedge risks or restructure debt portfolios. Asset-liability composition reveals exposure to interest rate, currency, and credit risks. When the government's liabilities exceed its assets, it may face higher borrowing costs and financial instability, affecting its fiscal policy decisions.

f. International Comparability

The GFS framework is harmonized with international standards like the System of National Accounts (SNA), enabling cross-country comparisons of fiscal performance.

Annex II: Case Study or illustrative application to an Economy

47. Notable examples of the BSA in fiscal policy-making—demonstrating its potential to enhance fiscal transparency, strengthen asset management, and support sustainable economic policies—include its application in countries such as Australia, Indonesia and United Kingdom, as well as by international organizations like the European Central Bank (ECB) and the International Monetary Fund (IMF).

48. In these case studies, data and tool challenges remain ongoing. In the Indonesian case, a key challenge is linking the BSA to fiscal policymaking within a cash-based budgeting framework, in addition to issues related to data granularity and valuation.

a. Australia

49. Australia integrates balance sheet forecasts into its fiscal policy-making process. By projecting balance sheet aggregates, the government evaluates the impact of fiscal policies on public wealth and debt sustainability. This method allows for better asset and liability management, ensuring fiscal resilience. Key insights from Australia's case study include:

1) Government Financial Reporting Standards

50. In Australia, the Australian Accounting Standards Board (AASB) is responsible for developing and maintaining domestic accounting standards. Within this suite of standards, AASB maintains a specific standard to guide Whole of Government and General Government/public sector Financial Reporting.⁸

51. This standard fulfills a range of objectives to support reconciliation and coherence between budget reporting and GFS standards. More specifically for BSA, the standard ensures that the principles and rules on the presentation of a balance sheet in GFS are embedded in the presentation of government budget statements across all levels of government and jurisdictions within Australia.

52. Similarly, a Uniform Presentation Framework (UPF) is used in Australia to ensure that the Commonwealth, State and Territory governments provide a common 'core' of financial information in their budget papers. The UPF allows for a better understanding of individual government's budget papers and provides for more meaningful comparisons of each government's financial results and projections. This framework also includes rules on the presentation of balance sheets and a list of reconciliation differences between Australian Accounting Standards and the GFS framework.

2) Budget and fiscal reporting

53. In Australia, the Department of Finance ensures that central government budget estimates are accurate, reliable, and delivered on time. Government entities must keep their financial estimates and actuals updated in internal systems and the Central Budget Management System, adjusting for new decisions, economic changes, or structural shifts. Key reports include the Mid-Year Economic and Fiscal Outlook, which updates fiscal positions and incorporates policy decisions, and the Final Budget Outcome, which provides actual audited financial results that feed directly into GFS estimates.⁹

54. The balance sheet data provides a snapshot of the estimated financial position on an accrual basis. Budget projections for balance sheet aggregates in Australia are typically reported for the budget

⁸ Australian Accounting Standard on Government Financial Reporting - [Compiled AASB 1049 \(Dec 2019\)](#)

⁹ Additional detail can be found on [Australia's Federal Budget Process](#)

reference year as well as the following three financial years. This allows for better asset and liability management over the medium-term to support fiscal resilience.

3) Use Case on Intergenerational Report

55. The Australian Government's Intergenerational Report is released every 5 years, to provide analysis and projections for the economy that help inform public policy settings that better position Australia for the next 40 years.¹⁰ Each report carefully considers major forces affecting the coming decades, including population ageing, digital transformation, geopolitical risk and rising demand for care and support services that are funded by government.

56. The report includes 40 years of future modelled balance sheet estimates for the Central Government. By leveraging the high quality of Australia's historical balance sheet data, the government can project forward these estimates, by also incorporating expected economic, demographic, and policy trends over this time. This has helped shape the public discourse on Australia's long-term fiscal sustainability and can support future fiscal policy making decisions that will underpin economic prosperity.

b. Indonesia

1) A Balance Sheet Approach to Fiscal Policy Analysis

57. BSA provides a comprehensive framework for assessing Indonesia's fiscal position by capturing the full range of public sector assets and liabilities, beyond conventional debt and deficit indicators. Applied to Indonesia's public sector balance sheet, the BSA identifies key fiscal risks—particularly those arising from public corporations—and highlights opportunities to strengthen public wealth and economic growth. The analysis indicates that while state-owned enterprises pose material fiscal risks, a strategy of scaling up public investment financed through higher tax revenues can sustainably boost economic growth and improve public sector net worth.

58. Indonesia's experience is documented in the IMF working paper *Indonesia's Public Wealth: A Balance Sheet Approach to Fiscal Policy Analysis*, available at <https://www.elibrary.imf.org/view/journals/001/2019/081/article-A001-en.xml>, offering important lessons for integrating balance-sheet considerations into fiscal policymaking. Key Insights from Indonesia's Case are:

- a) **Risk Assessment, including Fiscal Risks Assessment:** Indonesia's government uses BSA to assess fiscal risks and policy effectiveness. This approach highlighted risks stemming from public corporations including liquidity and solvency concerns and contingent liabilities, enabling policymakers to address vulnerabilities proactively. This IMF working paper applies a BSA approach to assess Indonesia's fiscal position, risks, and policy choices. It shows that Indonesia's public sector held substantial assets—about 166 percent of GDP in 2016—largely in natural resources and public corporations, against liabilities of 73 percent of GDP, resulting in positive net worth. However, public wealth has been declining over time due mainly to the depletion of mineral resources and rising liabilities. The analysis highlights the importance of including public corporations in fiscal assessments, as they account for a large share of public sector liabilities and pose notable fiscal risks. While public banks were assessed as posing moderate risk, several non-financial state-owned enterprises exhibited higher risks related to

¹⁰ Australia's most recent [Intergenerational Report](#) was released in 2023.

profitability, liquidity, and leverage, with growing implicit costs arising from inefficiencies and quasi-fiscal activities.

- b) **Public Wealth Management, Investment Strategy and Infrastructure Investment:** Indonesia's fiscal policy includes financing public investment to boost economic growth and public wealth. The government aims to optimize its assets to generate additional revenue, rather than focusing solely on debt management. The BSA helped evaluate the impact of this investment on public wealth and economic growth. Extending the analysis in the IMF working paper to an intertemporal balance sheet that incorporates future revenues and expenditures, the paper finds that Indonesia's public sector net worth is projected to turn negative under current policies, signaling sustainability concerns. Using policy scenario analysis, the working paper shows that a tax-financed increase in public investment—supported by a medium-term revenue strategy—can raise real GDP permanently and improve public sector net worth by around 6½ percent of GDP. These gains are larger when public investment efficiency improves, and they exceed those from debt-financed investment. Overall, the paper concludes that BSA analysis provides a more comprehensive framework for managing fiscal risks, evaluating state-owned enterprises, and designing growth-enhancing and wealth-preserving fiscal policies in Indonesia.
- c) **Fiscal Transparency:** By using the BSA, Indonesia improved fiscal transparency and provided a comprehensive picture of public wealth, beyond just debt and deficits.

2) Indonesia's Financial Account and Balance Sheet (FABSI)

59. Indonesia's Financial Account and Balance Sheet (FABSI) provides a practical application of the BSA to support macroeconomic and financial stability policy. Developed following the 2008 global financial crisis and aligned with SNA 2008, BOP, GFS and G20 commitments, FABSI integrates financial flows and balance-sheet positions across all institutional sectors, including corporations, financial institutions, government, households, the central bank, and the rest of the world. By combining transaction data with stock positions on a quarterly basis, the framework enables a comprehensive view of financial interlinkages and vulnerabilities beyond traditional flow-based indicators.

c. The United Kingdom

60. The Office for Budget Responsibility (OBR)¹¹ is a non-departmental public body funded by HM Treasury and established on a statutory basis under the Budget Responsibility and National Audit Act 2011. The OBR serves as the United Kingdom's official independent forecaster of the economy and public finances, scrutinizing government policy and assessing fiscal sustainability.

61. The OBR's Fiscal Risks and Sustainability Report (FRSR)¹² is designed as a forward-looking macro-fiscal risk assessment tool. Its primary purpose is to evaluate the long-term sustainability of the UK public finances and the risks surrounding current fiscal policy. The report is explicitly policy-focused and is produced independently to inform Parliament and the public about fiscal vulnerabilities over long horizons (often 50 years or more).

62. In its long-term analyses, including the FRSR, the OBR uses the consolidated accrual-based balance sheet to project future cash flows while also considering their timing and profile over the long

¹¹ Additional information is available on the OBR website (<https://obr.uk/>).

¹² The OBR's most recent Fiscal Risks and Sustainability Report was published in July 2025 and can be accessed at <https://obr.uk/frs/fiscal-risks-and-sustainability-july-2025/>

term. This approach enables a comprehensive assessment of the fiscal outlook, incorporating the long-term impacts of demographic trends, healthcare costs, and other structural pressures on public finances. The FRSR provides a detailed evaluation of these projections, supporting assessments of the sustainability and resilience of public finances in the face of future challenges.

d. European Central Bank (ECB)

63. The ECB uses whom-to-whom data to analyze financial linkages within the Eurozone. This helps in understanding how different sectors, such as households, corporations, and governments, interact financially. It also aids in assessing risks and vulnerabilities in the financial system.

e. The International Monetary Fund (IMF)

64. IMF Surveillance employs this analysis to monitor global financial stability and identify vulnerabilities in interconnected economies. For instance, it examines cross-border financial flows and positions to identify potential risks in interconnected economies.