STATISTICS

GFSM 2014 update

Proposed Recommendations Document:

2.6 Further defining and subclassifying extrabudgetary units

Summary Details

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals: DN 2.6 Further defining and subclassifying extrabudgetary units *GFSM 2014*, *2025 SNA (pre-edit)* and *BPM7 (pre-edit)* [1]	
Global Consultation(s):	GFSM: March 2026
Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):	N/A
Discussions at GFSAC Meeting(s):	January 2026
Summary of Proposed Recommendations: The recommendations focus on improving the definition and expanding the description of extrabudgetary units (EBUs) in the government finance statistics manual (GSFM). Key recommendations are: • clarifying the definition of EBUs to align with the revised *2025 SNA*, by replacing “nonmarket NPIs” with the broader terms of “nonmarket producers” or “nonmarket institutional units”; • providing practical examples for distinguishing EBUs from administrative accounts and “off-budget” funds. In addition, it is recommended that EBUs should not be further subdivided as, although such a breakdown could be analytically useful, limited data availability and additional compiler burden would reduce its practical value.	

Background and Issues

1. *GFSM 2014* distinguishes between budgetary and extrabudgetary units within each level of general government, defining extrabudgetary units as government entities with their own budgets that are not fully covered by the main government budget. Governments may establish such entities for a wide

[1] Links are to the pre-edit (or “white cover”) versions of the *2025 SNA* and *BPM7*. While technically still considered draft only editorial amendments will be made between these versions and the final versions.

range of purposes, including funds financed by earmarked transfers, entities delivering nonmarket services such as health and education. If these entities meet the criteria to be an institutional unit, they are classified as extrabudgetary units; there may also be situations where a public corporation is reclassified as an extrabudgetary unit.[2] The *GFSM 2014* provides a narrow definition and limited examples of extrabudgetary units, which can hinder users' understanding of the distinction between budgetary units and extrabudgetary units. As such, clarifying the definition, providing examples, and aligning guidance with the *2025 SNA* would improve the analytical usefulness of GFS.

Issue A: Reviewing the definition of EBUs in light of changes in the *2025 SNA*

2. The *2025 SNA* glossary defines central government as "Part of general government that includes all administrative departments of the national executive, legislative, and judicial functions, other central agencies and those nonmarket producers controlled by the central government, whose competence extends normally over the whole economic territory". In addition, *2025 SNA* paragraph 5.195 defines the central government subsector as "consists of the institutional unit or units making up the central government plus those non-market producers that are controlled by central government", replacing the previous definition (in *GFSM 2014* paragraph 2.85) which speaks of "institutional units of the central government plus those nonmarket NPIs that are controlled by the central government".

3. While *GFSM 2014* does not require many changes in relation to the definition of extrabudgetary units, the term "nonmarket NPIs" (nonprofit institutions) is too narrow as it excludes other nonmarket producers and should be replaced by the broader terms "nonmarket producers" or "nonmarket institutional units", depending on context. Furthermore, the beginning of *GFSM 2014* paragraph 2.59 should be re-written as: "the general government sector does not include entities classified as public corporations". Both of these changes bring improved clarity.

Issue B: Clarifying guidance on identifying and differentiating EBUs

4. *GFSM 2014* classifies extrabudgetary entities based on control and institutional unit criteria, but confusion often arises with "off-budget" funds that are merely special deposit accounts within budgetary government and not separate institutional units, making clearer distinction necessary.

5. While nonprofit institutions controlled by government are mentioned as EBUs, the guidance lacks examples of units mainly engaged in financing activities, such as trusts and funds where government bears all risks and rewards, including crisis, compensation, and social benefit funds, many of which are narrow, nonmarket special-purpose units. In this regard, the decision on GFSM Update research project 1.26 *Treatment of trusts and other types of funds as separate institutional units* also provides some additional clarity on when to consider such entities as institutional units, and so as EBUs, rather than part of budgetary government.

6. *GFSM 2014* (paragraphs 2.82 and 2.83) could be expanded to include mention of a broader range of common EBUs, such as government controlled nonmarket units that are substantially, but not fully, funded from the budget like public transport companies, universities, public hospitals, as well as government controlled entities that are self-financed through compulsory fees, taxes or revenues from natural resources that do not enter the budgetary accounts such as price/trade regulators, compensation

funds, wealth funds, guarantee funds, petroleum/oil funds, environmental fund etc. *GFSM 2014* paragraphs 2.81 and 2.82 would also benefit from explaining that the distinction between budgetary and extrabudgetary is not always clear cut and so borderline cases require compilers to carefully apply the definition of an institutional unit (*GFSM 2014* paragraph 2.22).

Issue C: Subsectorization of EBUs

7. There is merit in considering whether a further subdivision of the extrabudgetary unit subsector would be analytically useful as well as practical. Functional classifications such as the Classifications of Functions of Government (COFOG) and the International Standard Industrial Classification (ISIC) might provide useful information to support the analysis of the spending of extrabudgetary units, however, doing so could place additional burden on compilers. An alternative approach would be to split the extrabudgetary sector into producing entities (extrabudgetary nonfinancial producers and extrabudgetary financial producers) and extrabudgetary funds (entities paying out transfers). However, such a breakdown would also pose additional compilation burden, especially where data may be limited, and lead to inconsistent application.

Proposed Recommendations

8. The proposed recommendations to address **Issue A** are to:

- Revise the definition of general government and its subsectors to replace the term “nonmarket NPIs” with the broader terms “nonmarket producers” or “nonmarket institutional units” (in line with the *2025 SNA*).
- Rewrite the beginning of *GFSM 2014* paragraph 2.59 as: “the general government sector does not include entities classified as public corporations”.
- Revise *GFSM 2014* paragraphs 2.76, 2.85 and 2.95 to align with the definition of central, state and local government sectors included in the glossary and text of the *2025 SNA*.

9. The proposed recommendations to address **Issue B** are to:

- Expand guidance in *GFSM 2014* paragraphs 2.82 and 2.83 to include a broader range of common EBUs, including partially budget-funded nonmarket units and self-financed government-controlled entities funded through compulsory fees, assigned taxes, or natural resource revenues
- Clarify that “off-budget” funds that do not constitute institutional units should be recorded within budgetary central government and provide guidance to facilitate this distinction.

10. The proposed recommendation to address **Issue C** is to include no further subdivision of extrabudgetary units in the updated GFSM.

Rationale for Proposed Recommendations

11. The proposed recommendations are intended to strengthen the understanding and classification of extrabudgetary units, while balancing analytical usefulness with the compilation burden.

Proposed Text for GFSM Update[3,4]

2.41 There may, however, be government entities with a separate legal identity and substantial autonomy, including discretion over the volume and composition of their expenditures and a direct source of revenue, such as earmarked taxes or other assigned revenues (including compulsory fees) that may not be channeled through the main budget. Such entities are often established to carry out specific functions, such as road construction or the nonmarket production of health or education services or financing activities (for example, special-purpose trusts and funds that provide transfers or other financial support where government bears the risks and rewards). These entities should be treated as separate government units (often referred to as extrabudgetary units) if they satisfy the criteria to be an institutional unit (see paragraphs 2.22 and 2.80). Conversely, "off-budget" arrangements that merely constitute special deposit or other accounts of a budgetary unit, and do not meet the criteria for an institutional unit, should be recorded within the relevant budgetary government unit.

2.58 The **general government sector** consists of resident institutional units that fulfill the functions of government as their primary activity. These institutional units perform the principal economic functions of government, as described in paragraph 2.38, in addition to fulfilling their political responsibilities and their role of economic regulator. The general government sector comprises:

- All government units of central, state, provincial, regional, and local government, and social security funds (see paragraphs 2.76–2.103) imposed and controlled by those units
- All nonmarket producers, including NPIs, that are institutional units and are controlled by government units (see paragraph 2.83).

2.59 The general government sector does not include entities classified as public corporations, even when all the equity of such corporations is owned by government units, nor quasi-corporations that are owned and controlled by government units. However, unincorporated enterprises owned by government units that cannot be treated as ~~are not~~ quasi-corporations remain integral parts of those units and, therefore, must be included in the general government sector.

2.76 The **general government sector** consists of resident institutional units that fulfill the functions of government as their primary activity. This sector includes all government units and all nonmarket producers, including NPIs, that are institutional units and are controlled by government units. For analytic purposes, it is often necessary or desirable to disaggregate the general government sector into subsectors.

2.81 In all countries, there is an institutional unit of the general government sector particularly important in terms of size and power, in particular the power to exercise control over many other units and entities. The budgetary central government is often a single unit of the central government that encompasses the fundamental activities of the national executive, legislative, and judiciary powers. Th is component of general government is usually covered by the main (or general) budget. The budgetary central government's revenue and expense are normally regulated and controlled by a ministry of fi nance, or its functional equivalent, by means of a budget approved by the legislature. Most of the ministries,

[3] The proposed text for the updated GFSM remains subject to further review and may not be finalized until the conclusion of the drafting phase of the GFSM update.

[4] Text shown in red indicates proposed additions and text shown with strikethrough indicates proposed deletions.

departments, agencies, boards, commissions, judicial authorities, legislative bodies, and other entities that make up the budgetary central government are not separate institutional units. This is because they generally do not have the authority to own assets, incur liabilities, or engage in transactions in their own right (see paragraph 2.42). The state or local government subsectors each have a budgetary state/local government component that includes the principal executive, legislative, and judicial powers for these levels of government. The distinction between budgetary and extrabudgetary units is not always clear cut. In borderline cases, compilers should carefully apply the criteria for identifying an institutional unit.

2.82 General government entities with individual budgets not fully covered by the main (or general) budget are considered **extrabudgetary**.[28] These entities operate under the authority or control of a central, state, or local government. Extrabudgetary entities may have their own revenue sources (including earmarked taxes, compulsory fees, or other assigned revenues that may not be channeled through the main budget), which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, similar to that of budgetary accounts, they have discretion over the volume and composition of their spending. Such entities may be established to carry out specific government functions, such as road construction, or the nonmarket production of health or education services or financing activities such as special-purpose trusts and funds that provide transfers or other financial support where government bears the risks and rewards. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as "extrabudgetary funds" or "decentralized agencies." Conversely, "off-budget" arrangements that merely constitute special deposit or other accounts of a budgetary unit, and do not meet the criteria for an institutional unit, should be recorded within the relevant controlling budgetary government unit.

2.83 Nonmarket producers, including NPIs, that are institutional units and are controlled by government are typically classified as extrabudgetary units when they satisfy the criteria to be an institutional unit. More specifically, they are classified with the level of government that controls them—namely, central, state, or local governments. The most important and likely factors to consider in determining government control of NPIs are discussed in Box 2.1. All NPIs allocated to the general government sector should retain their identity as NPIs in statistical records, to facilitate the analysis of a complete set of NPIs.

2.85 The **central government subsector** consists of the institutional unit(s) of the central government plus those nonmarket producers, including NPIs, that are institutional units and are controlled by the central government. The political authority of the central government extends over the entire territory of the country...

2.95 Local government units are institutional units whose fiscal, legislative, and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes. The local government subsector consists of local governments that are separate institutional units plus those nonmarket producers, including NPIs, that are institutional units and are controlled by local governments…