

IMF Government Finance Division

GFSM 2014 Update Framework Document

Process and Timeline for Updating the GFSM 2014

Prepared by the Statistics Department
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BACKGROUND

1. The Government Finance Statistics Manual 2014 (GFSM 2014) is part of a series of international statistical standards issued by the IMF. The *GFSM 2014* is designed to support fiscal analysis by providing economic and statistical reporting principles to compile fiscal statistics and guidelines on how to present these in an analytic framework. It forms part of a broader suite of guidelines issued by international organizations on compiling macroeconomic statistics. The *GFSM 2014* is harmonized with these other macroeconomic statistical guidelines in terms of rules, concepts and definitions, in particular it has the same accounting basis, definition of institutional units and flows/stocks as the *2008 System of National Accounts (2008 SNA)* and the *Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6)*. However, the different purposes of SNA and GFSM give rise to some conceptual and reporting differences.

2. Measuring the impact of fiscal policy on a fast-evolving economy requires international statistical standards that are responsive to new and changing economic phenomena. As fiscal policy evolves to address real world challenges—both long-standing and emerging—sound methodological guidance facilitates the provision of better data needed by users to support fiscal policy analysis and evidence-based decision making. Governments face greater scrutiny of fiscal policies and challenges such as COVID-19 and climate change have brought about new tools and mechanisms through which governments deliver their policies. In some cases, developments in fiscal policy require new or additional statistical guidance. For example, in response to the COVID-19 pandemic, additional statistical guidance was provided to support countries on how to accurately reflect these policies in their fiscal statistics. At the same time, given the integrated nature of the different international macroeconomic statistical frameworks, it is important to consider developments in other statistical domains to ensure harmonization.

3. The updates to the 2008 SNA and BPM6 were officially launched in March 2020, with target manual release dates of March 2025.¹ The updates, led respectively by the United Nations Statistical Commission (UNSC) and the IMF's Statistics Department (STA), were coordinated from the start, with parallel timelines and the establishment of joint Task Teams to work on specific research project areas. In total ten Task Teams were established, with five being joint Task Teams, three BPM only and two SNA only. Given the close interlinkages between the different domains of macroeconomic statistics, the government finance statistics (GFS) community was called upon to engage in this process, especially by contributing to the SNA/BPM guidance that could have important implications on the *GFSM 2014*. In this context, the *IMF's Government Finance Statistics Advisory Committee (GFSAC)* approved a *Strategy on the Effective Engagement of the GFS Community in the International Statistical Standards Update Process* (henceforth the *Strategy on Effective GFS Engagement*),² in December 2020.

4. The Strategy on Effective GFS Engagement highlighted three distinct categories of GFS priority issues: (i) cross-cutting issues to be considered by the SNA/BPM Task Teams; (ii) additional GFS issues (conceptual/methodological and clarification) not to be considered by the SNA/BPM Task Teams; and (iii) issues relating to GFS user needs for additional compilation guidance. GFS cross-cutting issues to be considered by the SNA/BPM Task Teams have been largely progressed through the update of the *2008*

¹ <https://www.imf.org/en/Data/Statistics/BPM>

² <https://www.imf.org/external/pubs/ft/gfs/gfsac/pdf/strategy.pdf>

SNA and BPM6, however, some may require further elaboration for GFS. Limited opportunities have been available to address GFS specific issues.

5. Given the importance of harmonized statistical standards, the update of the 2008 SNA and BPM6 has implications for GFS. The latest progress report on the GFS engagement in the updates to the statistical standards³ has identified 35 guidance notes whose recommendations have a bearing on GFS. Therefore, to maintain harmonization across macroeconomic statistics these recommendations would (at minimum) need to be reflected in the GFS statistical guidance.

6. In addition, any update of the GFS standards will need to remain cognizant of updates to other international statistical guidelines. As the updates to the 2008 SNA and BPM6 have been progressing, updates to other statistical guidelines with GFS implications have been announced: the *Classifications of Functions of Government (COFOG)*⁴ and the *System of Environmental Economic Accounting Central Framework (SEEA CF)*.⁵ Many countries use COFOG to present government expenditure on a functional basis, where these data are often used for fiscal analysis or as part of budget preparation. The SEEA CF provides a framework to understand the relationship between the economy and the environment, including government's role in environmental protection. It is therefore important that an update of GFSM 2014 considers outcomes of these updates.

Against this background, an update of the GFSM 2014 is a logical next step, with two key objectives:

- **Harmonization with other statistical standards:** notably, updates to the 2008 SNA and BPM6 have resulted in significant changes that are necessary to reflect in GFS. It will be important for the update of the GFSM 2014 to consider these changes to: (i) ensure consistency in common areas of guidance; and (ii) provide additional guidance and clarity on which changes impact GFS and fiscal analysis. Where updates to other international statistical guidelines are running concurrently (MFS, SEEA CF, COFOG), it will be important for common areas of guidance to be developed collaboratively.
- **Meeting user needs:** evolving fiscal policy may require new or updated guidance if the current standards do not provide adequate ways to measure or report. Additionally, guidance may be lacking in areas that are important for fiscal analysis. As such, the update of the GFSM 2014 will identify 'GFS specific' issues that are needed to address gaps or clarify issues related to fiscal reporting and analysis. For example, this could include researching and developing new guidance or refining existing guidance.

These objectives guide the update of the GFSM 2014. **The process and timeline for achieving these objectives is laid out in the rest of document.**

³ https://www.imf.org/external/pubs/ft/gfs/gfsac/pdf/GFS_Progress_Report_4.pdf

⁴ https://unstats.un.org/unsd/classifications/expertgroup/UNCEISC_2023/

⁵ <https://seea.un.org/events/18th-meeting-un-committee-experts-environmental-economic-accounting-1>

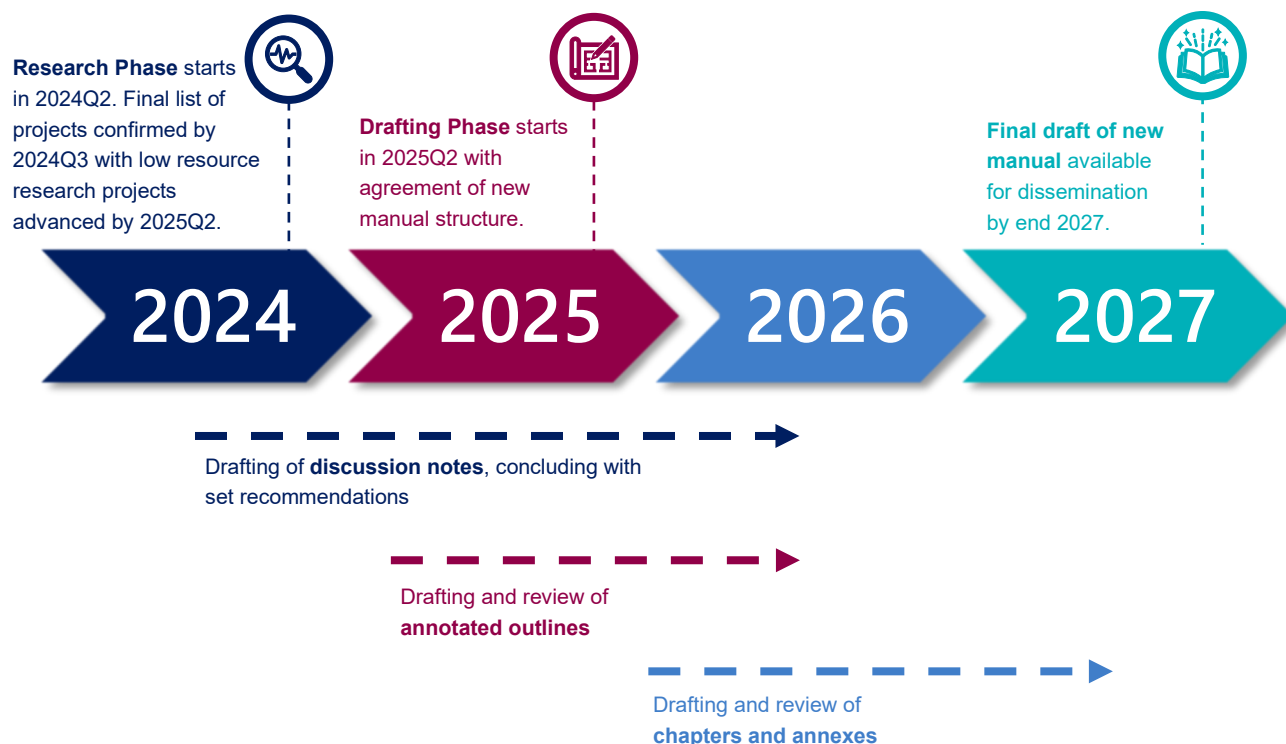
PROCESS FOR UPDATING THE GFSM 2014

7. The update of the *GFSM 2014* is proposed to follow two phases and be completed by 2027Q4. Similar to the updates of the *2008 SNA* and *BPM6*, the update process for *GFSM 2014* is proposed to contain a research phase (Phase I) and a drafting phase (Phase II).

- During **Phase I**, research projects will be identified, prioritized and, through Task Teams, will be developed into discussion notes. Phase I will conclude with a set of final decisions on how to update the *GFSM 2014*.
- **Phase II** will focus on drafting of the manual, including preparation of annotated outlines, drafting of chapters and annexes, as well as the final approval processes.

8. The sequencing of activities within the different phases allows for the process of drafting the manual to begin before research for all projects has concluded - that is, there will be some overlap between the phases. Consultation of the GFS community will play a key role in the update process and will be embedded into both phases. The remainder of this paper provides further detail on key steps of the proposed process; it is important to note that the process may evolve as it progresses.

Figure 1: Overview of Proposed Timeline



PHASE I: RESEARCH

9. Phase I will focus on developing and advancing the research program for the update of the GFSM 2014. A list of projects for the research program has been established; this section discusses how this list was developed, how views have been sought, and how the agreed research program will be advanced. The research program has been prepared based on the objectives of the update process: harmonization with other statistical standards; and meeting user needs. Therefore, the process for advancing the research program reflects the level of research and resource required to advance each research project. Specifically, new research projects which typically require more time and resource to develop the research and the recommendations for the update of the *GFSM 2014*; will be subject to discussions notes developed through task teams.

10. Research projects that were advanced through the SNA/BPM update and for which the harmonization with GFS and/or fiscal analysis implications will require less time and resource; as such IMF staff will draft proposed recommendations based on existing SNA/BPM guidance notes. IMF's GFSAC will endorse discussion notes prior to global consultation and the results of consultations will be considered prior to preparation of proposed recommendations developed based on discussion notes (or SNA/BPM guidance notes), for the update of the *GFSM 2014*. These proposed recommendations will be reviewed by GFSAC before sharing with the global community, after which final decisions will be reached and published. The rest of this section discusses these steps in more detail, with Figure 2 providing a schematic summary.

Identification and Organization of Research Projects

11. As a first step, an initial list of potential research projects was compiled. This initial list was produced based on a review of:

- Methodological inquiries received from the IMF member country authorities and compilers since the publication of *GFSM 2014*
- List of GFS topics collated from the GFS community in 2020
- SNA/BPM update guidance notes
- SNA/BPM additional issue and clarification notes
- Issues in GFS Strategy Note for Engagement with SNA/BPM update
- Research topics of the System of Environmental Economic Accounting Central Framework (SEEA CF).

12. Views on the research program for the GFSM update were sought through global consultation during June/July 2024. Following discussion in April 2024, the preliminary research program was endorsed by the GFSAC and views from the broader statistical and user community were requested via [a global consultation](#).

13. It is important to have a clear and transparent set of criteria for selecting research projects to be progressed as part of the update of the GFSM 2014. There are a large number of GFS topics that could be pursued during any update of the standards. Narrowing down this list of issues to those which will deliver most value for users and compilers of fiscal statistics is important, particularly given constrained resources across the GFS community. Such criteria has been applied in selecting projects for the final research program.

- **Meeting emerging fiscal developments and user needs:** Has the research project arisen due to evolving fiscal data user needs which are not adequately covered by the current standards? *This seeks to identify those projects which are needed to provide guidance on the treatment of novel instruments and support new areas of fiscal analysis, such as in relation to climate change and social expenditure.*
- **Harmonization and coherence between macroeconomic statistical standards:** Will advancing the research project result in improved coherence between the macroeconomic statistical standards and so benefit macroeconomic analysis? *This seeks to identify those changes which are being implemented in the 2025 SNA and BPM7 which are also needed in the GFSM to ensure macroeconomic concepts are consistently applied across all sectors of the domestic economy and the external sector.*
- **Better data for fiscal policy analysis/making:** Will advancing the research project support fiscal analysis and policy making by improving GFS data in areas important for fiscal policy? *This seeks to identify those projects which would assist analysis to identify emerging fiscal risks, assess fiscal sustainability, and support comparability over time, for example in relation to the valuation of assets/liabilities, delineation of government, and treatment of transactions.*
- **Material and relevant:** Is the research project likely to be material for fiscal statistics and of relevance for a large number of countries? *This seeks to identify those projects which will make the most difference to the fiscal statistics of a broad range of countries.*

14. While these criteria have provided a framework for the selection of GFS research projects, it is also important to consider resource implications of different projects. Through the updates to the 2008 SNA and BPM6, many projects relevant to GFS have already been deliberated and concluded with agreed recommendations. It is important for the updated GFSM to reflect these recommendations to maintain statistical harmony and coherence with other domains, this also allows for resources to be focused on advancing GFS-specific issues.

15. The process for advancing research projects considers the complexity of an issue, extent to which documentation is already available, and the likelihood of there being divergent views on the topic. For example, identifying the GFS or fiscal analysis implications of many topics advanced through the SNA/BPM updates is envisaged to require less resource as there is sufficient research material already available and/or it is not expected to be complex or contentious. However, some issues require further research, and therefore more resource, to identify the GFS or fiscal analysis implications. These include projects which have not been addressed through the SNA/BPM update. Therefore, the research program is divided into two types of projects:

- **Research projects for which guidance notes have already been prepared as part of the 2008 SNA and BPM6 updates,** where in the interest of harmonizing the macroeconomic statistical standards, it is proposed to reflect the SNA/BPM recommendations in the updated GFSM (where relevant).
- **Research projects that have been identified as of importance to progress for GFS users and compilers and were not covered by the SNA/BPM update process.** Some projects that were addressed within the SNA and BPM update process, may merit additional discussions on GFS-specific dimensions given their complexities and needs of fiscal analysis. These 'borderline'

projects will be included, as exception, as a project that requires additional research and detailed in the research program. This holistic approach to these ‘borderline’ projects is to minimize the risk of recommendations emerging from the GFS discussions which unintentionally conflict with the previous SNA and BPM discussion.

Advancing the Research Program

16. The research phase includes three stages to advance the research program. As presented in Figure 2, the three stages of the research phase are:

1. The **research and development** stage which includes preparation of discussion notes.
2. The **stakeholder consultation** stage which includes global consultation and analysis of feedback.
3. The **review and approval stage** which includes preparation and endorsement of recommendations based on either: (i) discussion notes; or (ii) guidance notes prepared as part of the SNA/BPM updates.

17. Research projects requiring the development of discussion notes will start the process at the research and development stage, while others will start at the review and approval stage:

- **Research projects that require discussion notes will be advanced through Task Teams.** For each of these research projects, IMF Staff will prepare a Project Initiation Document (PID) which sets out the objectives of the project and expected outcomes. Using the PIDs, Task Teams will develop discussion notes exploring the topic, and once the Task Team has agreed on recommendations related to a specific research project then that discussion note will move to the stakeholder consultation stage and will be shared with the GFSAC for their review. The GFSAC will then be asked to endorse the discussion note for global consultation, in order to elicit the views of the GFS community. If the GFSAC are not in agreement with the discussion note recommendations, or there are aspects of the discussion note that are unclear or require further analysis, then the Task Team will be asked to revise the discussion note prior to resubmitting to the GFSAC.

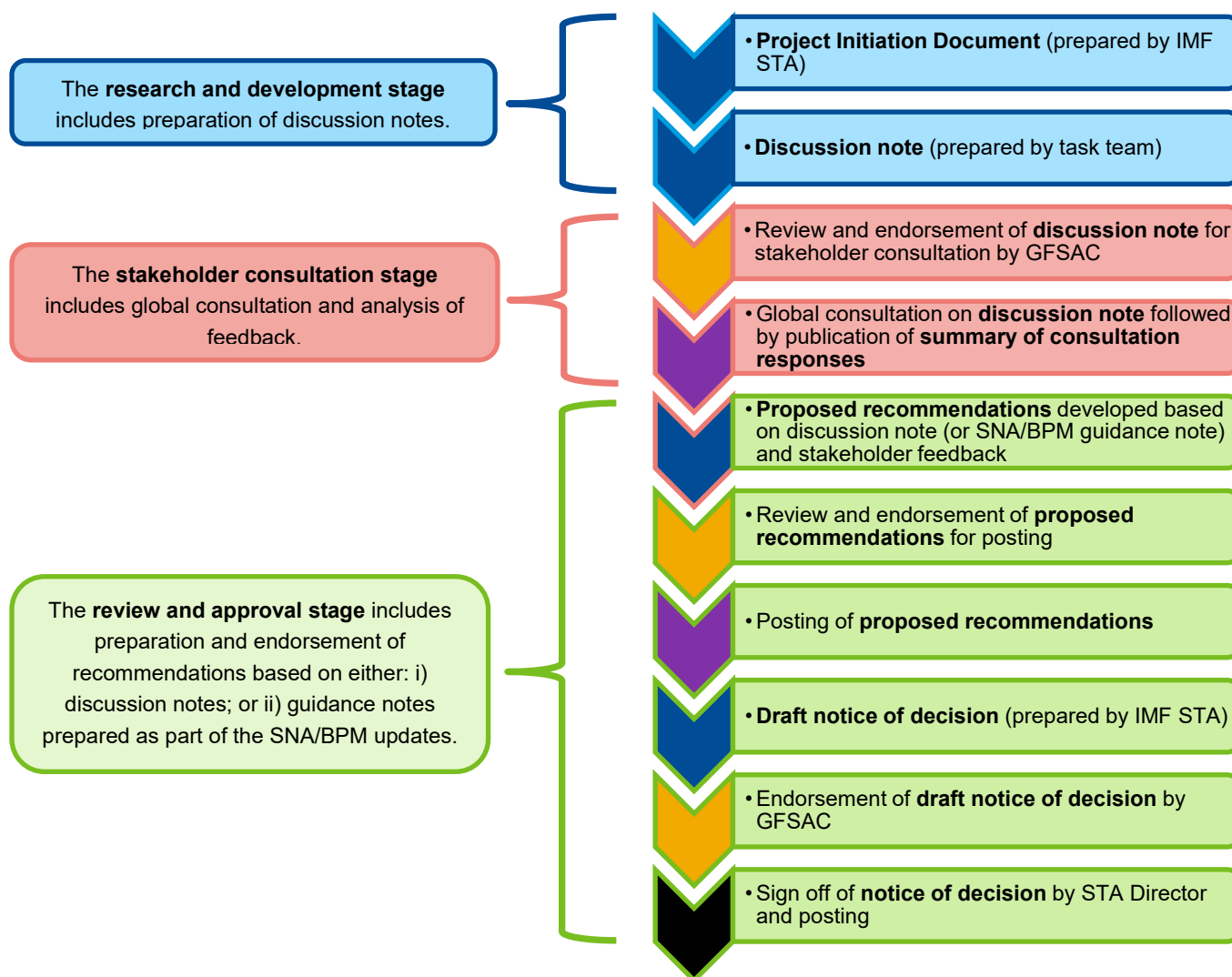
During the review and approval stage, a proposed recommendations document will be prepared, highlighting the GFS implications from a compilation and fiscal analysis perspective. The GFSAC will then, by written consultation and/or through discussion in meetings, be asked to endorse the proposed recommendations for inclusion in the GFSM. Should the GFSAC endorse the proposed recommendations then it will be shared with the GFS community for information and optional comment. After this, a draft notice of decision will be prepared (by the IMF Staff) which will be shared with GFSAC for endorsement, prior to a final notice of decision being signed off by the Director of the Statistics Department, and then posted for information.

- **Research projects for which SNA/BPM guidance notes exist, will start the process at the review and approval stage and proposed recommendations will be prepared by IMF staff.** To ensure that the GFSM remains harmonized with the other macroeconomic statistical manuals, proposed recommendations for updating the GFSM will consider SNA/BPM guidance notes which are GFS-relevant and where there are no additional GFS-specific dimensions requiring examination. In each case, IMF staff will prepare a proposed recommendations document,

highlighting the GFS implications from a compilation and fiscal analysis perspective. After which, the process as described above for the rest of the review and approval stage will be followed. The expectation is that SNA/BPM recommendations will be introduced in the GFSM. However, should the GFSAC, or GFS community, raise substantive and material concerns with respect to the adoption of a SNA/BPM recommendation within the GFSM then the GFSAC Secretariat will consider whether the research projects require further research and assigned to one of the GFS Task Teams for further consideration and preparation of a GFS specific discussion note (see next section).

Figure 2: Proposed process for advancing research projects

Research projects will start either at the *research and development stage* or at the *review and approval stage*, depending on the level of research and development already completed prior to the launch of the update process.⁶



⁶ Dark blue = preparation of document; yellow = review and endorsement by GFSAC; purple = global consultation or posting; black = sign off by STA Director; STA = IMF Statistics Department

18. Discussion notes will be the mechanism by which research projects are advanced through Task Teams. The updates to the *2008 SNA* and *BPM6* have effectively used guidance notes as the vehicle for researching projects, analyzing issues, defining options, and making recommendations. Given the success of this approach, and the familiarity of the statistical community with such discussion notes, the update of the *GFSM 2014* will proceed similarly.

19. Task Teams will be established to undertake detailed research and to draft discussion notes. Task Teams will be established by the GFSAC to progress research projects from issues to recommended discussion for the updated manual. Task Team members will be chosen from IMF member countries, international organizations (including IMF) as well as experts from a broad range of other macroeconomic statistical domains. GFSAC members may participate in the Task Teams, or in some cases, chair the Task Teams. Members will be chosen based on their technical expertise, ability to proactively contribute to the development of guidance, and geographical balance.

20. Initially it is expected that four Task Teams will be needed to address issues related to: (i) GFS compilation topics (e.g., capital injections, PPPs, market test, social insurance); (ii) debt and other monetary and financial topics (e.g., debt, provisions, SWFs) – with the Task Team to specifically include experts from Monetary and Financial Statistics (MFS) community; (iii) environmental topics (e.g., environmental taxes and expenditure) – with the Task Team to specifically include experts from the SEEA CF community; and (iv) fiscal analysis and GFS communication topics. Some projects may span different areas of GFS, in these cases, one Task Team may take the lead with input from others.

21. Task Team chairs (or co-chairs) will be responsible for overseeing the development of discussion notes through the Task Teams. Discussion notes are an essential communication mechanism and will need to clearly identify issues, discuss options for resolution and the implications for GFS and other statistical domains. They must clearly and succinctly convey the issues to technical experts, compilers and users the issues to encourage informed discussion and develop recommendations which are well supported. Task Team chairs (or co-chairs) will have the flexibility to decide how to organize the development of the discussion note, including whether they decide to assign a smaller group to develop draft discussion notes to share with the full Task Team.

22. Consultations will be used to seek input from compilers and users across the IMF global community on recommendations endorsed by the GFSAC. After GFSAC have endorsed the recommendations from the discussion notes prepared by the Task Teams, these will be shared with countries and international organizations to gather their views via a global consultation. As part of the *2008 SNA* and *BPM6* update process, GFS relevant discussion notes and consultations were circulated to countries and published on the GFSAC webpage. This approach proved successful in gathering views to input into the updates to the *2008 SNA* and *BPM6*, as such, a similar process will be followed as part of the update of the *GFSM 2014*.

23. Feedback gathered through consultations will be summarized and shared with the GFSAC and the Task Teams. If the consultation highlights support for the recommendations of the discussion note, then a proposed recommendation document will be prepared showing how they will be adopted for integration into the updated GFSM. However, if the consultation highlights that the collective view of the GFS community diverges from the recommendations of the Task Team, then the GFSAC will decide whether an alternative recommendation should be adopted, or further research is required. In this regard,

the Task Team will research and revise the discussion note and recommendations, for further review by the GFSAC.

24. If no consensus can be reached on a recommendation to address a research issue, despite iterations of this process, then the dispute resolution mechanism will take effect. If GFSAC are unable to come to an agreement on the recommendations, then the Chair of GFSAC will decide how to proceed. If the Chair concludes that a decision cannot be reached, then the default position will be to leave the current discussion in *GFSM 2014* on this research project unchanged.

Recommendations for all conceptual changes are to be presented in discussion notes and agreed through consensus within the task teams and endorsed by the GFSAC prior to global consultation and conclusion.

PHASE II: DRAFTING OF THE NEW MANUAL

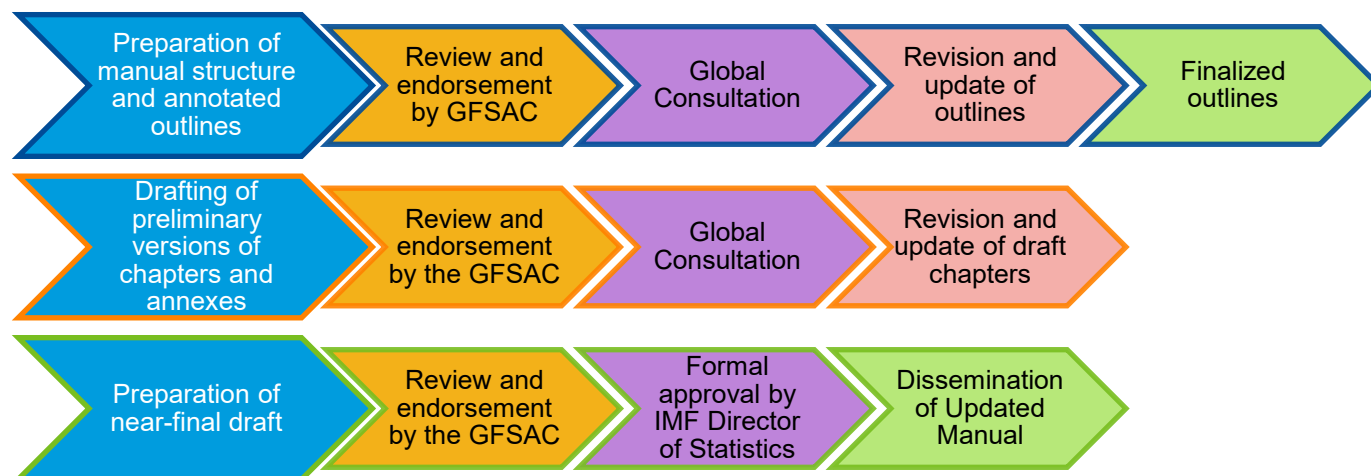
25. A drafting team will be responsible for drafting chapters and annexes of the *new GFSM*, based on recommendations from the research phase. The drafting team will comprise of IMF Staff and members of Task Teams that were heavily involved in the development of discussion notes and recommendations. In later stages, it may be necessary to have a lead editor to ensure consistency of language in the manual.

26. An outline of the structure of the *new GFSM* would be prepared ahead of annotated outlines being prepared. An indication of where changes will be required for the *new GFSM* should be apparent prior to the end of the research phase. Additionally, during this stage, common chapters between the *updated GFSM* and the *2025 SNA* can be considered, for example, guidance on accounting rules and sector classification. The structure would be developed by the drafting team for endorsement by the GFSAC. Based on this approved structure, annotated outlines of chapters and annexes will be prepared by the drafting team. The structure of the *new GFSM* and annotated outlines (approved by the GFSAC) would then be shared with countries and other international organizations for consultation.

27. Drafting of the preliminary version of the *new GFSM* is expected to take place after global consultation of the annotated outlines. The *GFSM 2014* will be updated to reflect the outcomes of SNA/BPM recommendations and discussion notes, tracked changes will be employed to clearly show where text is being amended from that in the *GFSM 2014*. It will be possible to draft some parts of the *new GFSM* while the overall structure and annotated outlines are still under consultation, in particular implications from the outcomes of SNA/BPM recommendations. Drafting of the preliminary version will be a modular process: individual chapters and annexes can be reviewed by different parties while others are being drafted and reviewed. Similarly, individual chapters can be shared for global consultation at different times. There may also be opportunities to clarify sections of text not discussed in discussion notes, and where this is the case, the proposed revised text and reason will be clearly highlighted.

28. A near-final draft will be available in 2027. This version will include revisions to reflect feedback from consultation, as well as any editing required to ensure consistency across chapters. The final draft will be reviewed and agreed by the GFSAC prior to formal approval by the Director of the IMF's Statistics Department.

Figure 3: Overview of the Drafting Process



GOVERNANCE: ROLES AND RESPONSIBILITIES

29. This section details how the different parties involved in the update of the *GFSM 2014* will engage to ensure that the update process is structured and transparent. Each party plays a key role in the update of the *GFSM 2014*. It is important to note that the governance arrangements articulated in this section should be applied flexibly and aligned. Specifically, it addresses:

- The role of the IMF Statistics Department;
- The role of the GFSAC;
- The role of the GFSAC Secretariat;
- The role of Task Teams
- The interaction between GFSAC, task teams, and the wider GFS community.

30. The IMF Statistics Department hold ultimate responsibility for the *GFSM 2014* and its update. In this respect, the Director and Chief Statistician is responsible for approving the final version of the manual.

31. GFSAC members will provide advice and direction on the update of the *GFSM 2014*. GFSAC will provide collective oversight of the process and provide direction to the IMF Statistics department and task teams on the scope and technical aspects of the update of the *GFSM 2014*. As part of providing approval at different stages of the process, GFSAC are expected to critically review and challenge proposals and recommendations to ensure that the *new GFSM* is conceptually sound, implementable, and useful for policy analysis.

32. The GFSAC secretariat will be responsible for project managing and coordinating the update process. The GFSAC secretariat will be staffed by members of the Government Finance Division of the IMF's Statistics department. The GFSAC secretariat will manage the update process according to the timeline agreed by GFSAC. The secretariat will be responsible for coordinating logistics of the process, including, preparation of meetings and communication and engagement with the GFS community.

33. Task Teams will provide key technical input into the update of the *GFSM 2014*. Task Teams will lead on the development of discussion notes and recommendations. Members will be chosen based on their technical expertise and ability to contribute effectively to the update process. Diverse representation of the global IMF membership will also be considered. The work of Task Teams will be overseen by the GFSAC.

34. Engagement with the wider GFS community is an essential part of the update process. The communication and engagement plan will be developed. This will identify all key stakeholders (who), and define purpose of engagement (why), various approaches (how) and indicative timelines (when) in line with the update process. The GFS community will be engaged as part of broader global consultation and outreach program to provide technical inputs, raise awareness, advocacy and gain support for the adoption and implementation of the recent GFS methodological framework in fiscal analysis, Fund surveillance and policy decision. Different modalities and tools will be employed to promote collaboration, active engagement, and outreach to targeted stakeholder groups.

The GFSAC, with the assistance of Task Teams, will drive the technical aspects of the update of the *GFSM 2014*. Engagement of the wider GFS community will be vital to ensure that the recommendations are relevant and implementable.