

Summary of Consultation Responses

Proposals for Advancing the Update to the *GFSM 2014*

August 2024

The consultation on the Proposals for Advancing the Update of the *Government Finance Statistics Manual 2014 (GFSM 2014)* ran from June 21, 2024 to July 26, 2024. In total 72 responses were received from country authorities in 51 countries, as well as eight topic experts and three international or regional organizations.

Responses were received from both users and compilers of macroeconomic statistics, although the majority of respondents (78 percent) indicated that they were engaged in government finance statistics (GFS) compilation.

Around half of the respondents had been involved in the update of the System of National Accounts (SNA) and Balance of Payments Manual (BPM), or had closely followed the developments, but the other half had little involvement in or did not closely follow the updates to the SNA and BPM.

Proposed Objectives of the Update

There was strong support for the objectives of the update to the *GFSM 2014* with 94 percent of respondents either agreeing or strongly agreeing with the stated objectives. Similarly, 89 percent of respondents considered harmonization of the GFS with other macroeconomic statistics was of high importance, and a further 10 percent of medium importance.

However, one respondent argued that the updates in the other macroeconomic statistics were not sufficient to merit the resource required in updating the *GFSM 2014*. They argued that it would be better to direct the resource towards comprehensive global implementation of the current *GFSM 2014*.

Proposals around Overarching Governance, Process, and Timelines

There was clear support from the respondents for the proposed governance and timeline for advancing the update to the *GFSM 2014*, with 90 percent of respondents agreeing to the proposed governance arrangements without comment, and 79 percent agreeing to the proposed timeline without comment. Even where comments were provided, they were generally supportive of the proposals with the following additional points being stressed by several respondents:

- Need to ensure user needs are fully reflected in the update;
- Need to seek input from a wide range of countries with a variety of governmental and fiscal structures;
- Importance of task teams' composition involving a broad range of relevant expertise and clear direction being provided by the GFSAC Members and Secretariat;
- Importance of regular communication and outreach on the update process;
- Ambitious timeline which will require good project management, and appropriate prioritization/selection of research topics;
- Importance of coordinating closely with the COFOG update and not having too long a gap between the updated SNA and BPM and that of the *GFSM 2014*.

Specific Proposals around the Process for Advancing Research Projects

There was broad support for the proposed process for advancing research projects with 88 percent of respondents having no comments on the proposals. Those who did comment mentioned the need for good communication between task teams and with stakeholders, keeping the process under review, and being flexible where required.

Proposed List of Research Projects

Overview:

With respect to the list of GFS-relevant research projects already advanced through the SNA/BPM update (Table 1), there was general agreement that the list was comprehensive, and no respondent identified any topics missing from the list. A significant minority (24 percent) indicated a view that not all topics were sufficiently developed during the SNA/BPM update for inclusion in the *GFSM 2014*. However, the comments provided by these respondents generally emphasized a different focus of the *GFSM 2014* to the SNA/BPM, rather than more fundamental concerns. One respondent suggested that debt concessionality (1.17) might instead be considered as a full GFS discussion note, arguing that the rationale for the SNA decision was not applicable to the GFS. Another respondent highlighted specific research projects which were included in the list, but which in their view will not impact GFS.

Regarding the proposed list of new research project for advancing as part of the *GFSM 2014* update (Table 2), there was again support for the comprehensiveness of the list. One respondent suggested that the topic on the treatment of zakat could be expanded to include the treatment of other Islamic finance instruments and the sector classification of the units involved. Another respondent suggested the inclusion of a research project on the treatment of inter-governmental transfers, a third respondent requested additional guidance on orphan special purpose vehicles, and a fourth respondent suggested inclusion of a research project on green capital investments by government, such as via energy performance contracts. Many respondents highlighted that the list was very long and emphasized the importance of prioritization, including by considering the importance assigned by respondents to the consultation.

Of the 32 research projects proposed, 29 were scored by more than 50 percent of respondents as being either critically important or of significant importance (with 14 of these being scored as either critically important or of significant importance by 70 percent or more of respondents). The three research topics not attracting such support were noted by many respondents as being not relevant to their country, and for this reason did not receive such broad support. These were on the treatment of indigenous governments, zakat, and sovereign wealth funds.

Projects related to Sector or Transaction Classification:

There was strong support for the two research projects on the ***boundary between general government units and public corporations***, with over three quarters of respondents considering these projects as either critically important or of significant importance. There was somewhat less support for the proposed projects on ***further defining and subclassifying extrabudgetary units*** and clarifying the ***treatment of public nonlife insurance schemes***, but still just over half of respondents rated these as of critical importance or of significant importance. As noted above, the projects on the ***treatment of transactions with sovereign wealth funds***, ***treatment of zakat***, and the accounting for ***indigenous governments*** all received less support, but many respondents explained that they considered these of less importance as they were not relevant topics for their countries.

Projects related to Debt, Equity, and Provisions:

There was strong support for this group of six research projects, with on average, the projects receiving an overall score of 2.9 on a scale of 4, where a score of 3 indicates that the projects are 'of significant importance' for the *GFSM 2014* update. The proposed project on **debt valuation issues** was particularly highly scored with 80 percent of respondents viewing this topic of significant or critical importance. The proposed projects on **debt assumption and payments on behalf of others**, **equity for public corporations**, **valuation and recognition of loans**, and **recording of provisions and contingent liabilities** all received broad support and high scores from respondents. On debt assumption several respondents noted both internal inconsistencies in the *GFSM 2014* and a lack of consistency with other standards (such as *ESA 2010*). Some respondents noted that for many of these topics the accounting treatment differs from the GFS treatment and wondered whether there were opportunities for alignment. The proposed research project on **stock positions and flows with the IMF and other international organizations** was somewhat less strongly supported by respondents. In regard to this topic, a couple of respondents welcomed the opportunity to align the updated *GFSM 2014* with Eurostat guidance on capital increases in multilateral development banks.

Projects related to Economic Ownership of Assets and Capital Expenditure/Transfers:

Most respondents considered the five proposed research projects in this category as of significant or critical importance for the *GFSM 2014* update. Particularly, highly scored by respondents, was the need to review the **treatment of capital injections by government into corporations**. Some respondents noted that improvements in the guidance would facilitate a more comprehensive evaluation of the effectiveness and impact of fiscal policy interventions in the corporate sector. Others noted that this was not just an issue for nonfinancial corporations but also for capital injections into central banks and other public financial corporations. Providing updated guidance on the **treatment of public-private partnerships (PPPs)** was also strongly supported by respondents who highlighted a need to expand on the limited guidance available in the *GFSM 2014*. The other three proposed research projects received slightly less support but were still considered by the majority of respondents as of either significant or critical importance. On the **boundary between capital and current transfers** one respondent commented that while the difference between capital and current grant is conceptually significant, many nations struggle to distinguish them. Although, another respondent counselled that compilation challenges must be considered as part of this research project.

Projects related to Natural Resources:

There was broad support for the two research topics related to natural resources. **Accounting for natural resources and their exploitation in GFS** and **Climate-sustaining and climate-damaging subsidies and other transfers** scored 74 percent and 67 percent, respectively, of respondents as being either critically important or of significant importance. Although there was strong support for the natural resources research projects, several respondents noted that there may be significant implementation challenges for countries with limited statistical capacity. The importance of exploring synergies and supplementing the SNA and G20 Data Gaps Initiative work in these areas was also stressed by some respondents.

Projects related to Social Insurance:

There was strong support for this group of three research projects, with on average, the projects receiving an overall score of 2.9 on a scale of 4, where a score of 3 indicates that the projects are 'of significant importance' for the *GFSM 2014* update. The feedback emphasized the need for more precise, consistent,

and internationally aligned guidelines. Specifically, for **social security schemes** respondents mentioned that the emphasis should be on precise classification and accounting treatments. On **government assumption of pension obligations**, respondents highlighted the need for clear guidelines on classifying and managing pension funds, especially those with budgetary risks, and ensuring alignment with existing standards and frameworks such as in the European System of Accounts (*ESA 2010* paras. 20.273-20.275). Finally, on **employee benefits**, respondents stressed the need for practical guidance, international comparability, and clear explanations (perhaps via a rewrite of *GFSM 2014* Appendix 2) to enhance understanding and reporting of pension and social security schemes.

Projects related to Communicating GFS:

Respondents considered all four research topics to be important and relevant to the *GFSM 2014* update, with on average, over 60 percent of respondents considering them to be either critically important or of significant importance. With respect to **the relationship between GFS and IPSAS**, several respondents mentioned that even in countries with accounting systems that differ from IPSAS, compilers might benefit from a more complete definition (similarities and differences) of IPSAS-GFS linkages. It was also mentioned that it was crucial to communicate opportunities for use of IPSAS data in GFS and consequent data quality improvements. On **presentation for GFS flows to natural resources**, respondents highlighted that this was especially important because governments rely on these funds to provide public services and infrastructure. Finally, one respondent noted that users would benefit from a more detailed explanation of the relationship between GFS and Sustainable Development Goals (SDGs) - GFS as a data provider for the reporting of SDG indicators.

Projects related to Fiscal Analysis:

There was broad support for the proposed list of research topics related to fiscal analysis with most of the respondents scoring the topics as being either critically important or of significant importance. In particular, respondents highlighted the importance of providing more guidance on **balance sheet analysis**, the **use of GFS in fiscal analysis and policymaking**, and **compiling and analyzing SOE data**. However, a significant minority of respondents felt that these topics did not have a place in a methodology manual and accordingly assigned them lower importance.

Overall, when respondents were asked whether or not the research projects listed under the headings of “Communicating GFS” and “Fiscal Analysis” should be developed for inclusion within the updated *GFSM 2014*, 42 responded that the outputs of these research projects should be included in the updated *GFSM 2014* while 25 responded that they would be better as separate guidance documents and not as part of the updated *GFSM 2014*. The remaining five respondents did not provide a view.

More detailed quantitative analysis of all the responses is provided in the annex.

Annex: Detailed Responses

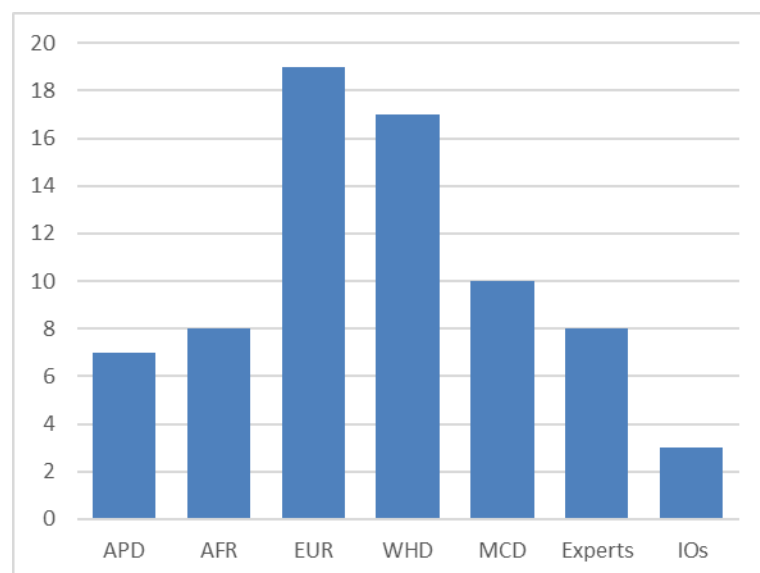
RESPONDENTS

Number of responses: 72

BY REGION

Region	Count
Country authorities in:	61*
Asia & Pacific (APD)	7
Africa (AFR)	8
Europe (EUR)	19
Western Hemisphere (WHD)	17
Middle East & Central Asia (MCD)	10
Individuals (Experts)	8
International and Regional Organizations (IOs)	3
Total	72

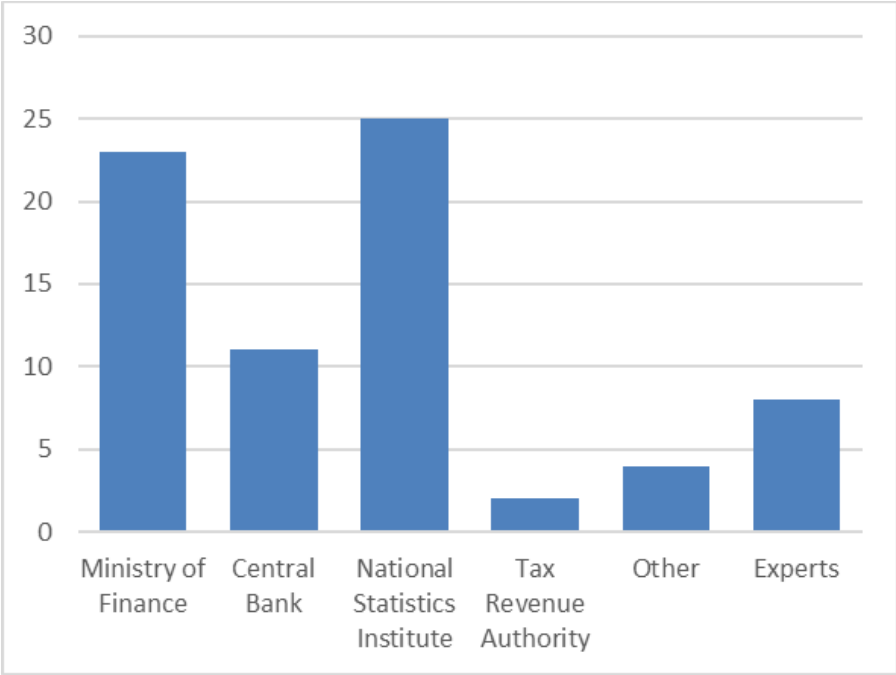
* 61 responses were received from the authorities in 51 different countries



BY ORGANIZATION

Institution	Count
Ministry of Finance	23
Central Bank	11
National Statistics Institute	25
Tax Revenue Authority	2
Other (includes regional/international organizations)	4
Individual experts	8
Total	73*

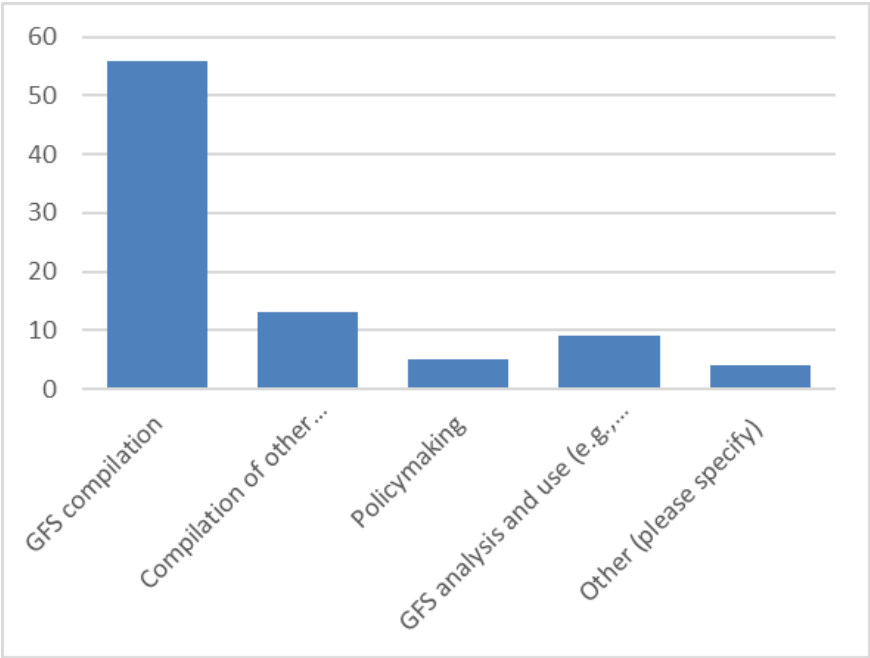
* Includes one joint response from the NSI and NCB of the country



Question: What is your main interest in, and/or relationship with, Government Finance Statistics?

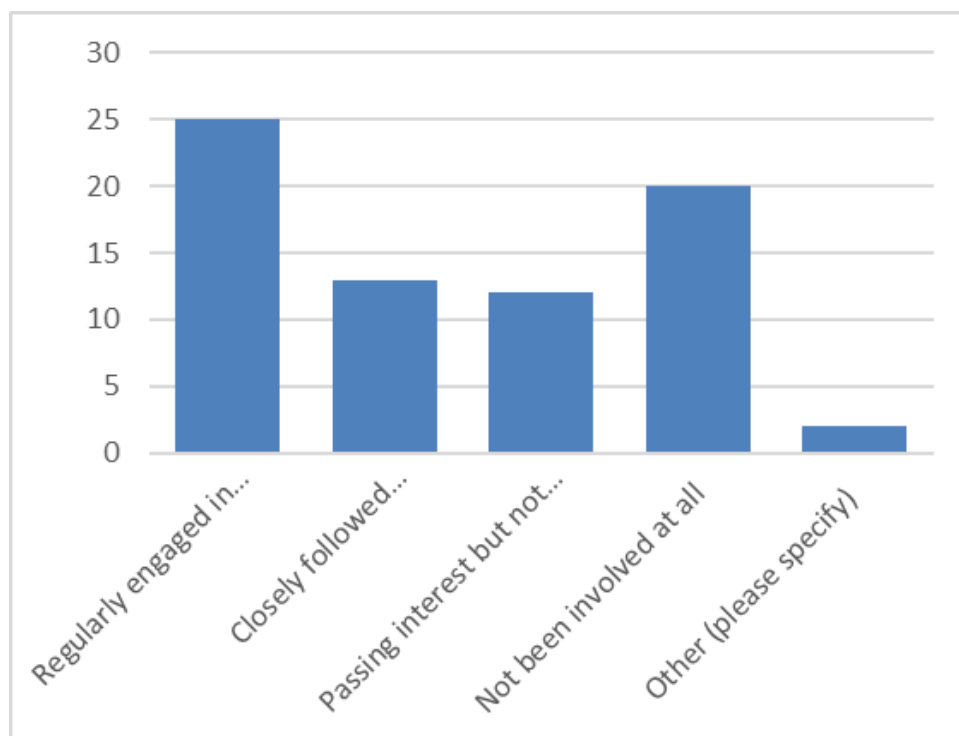
Main Interest	Count
GFS compilation	56
Compilation of other macroeconomic statistics (e.g., national accounts, balance of payments)	13
Policymaking	5
GFS analysis and use (e.g., analyst, academic)	9
Other (please specify)	4
Total	87*

* Count is higher than 72 as respondents were able to select multiple categories



Question: What has been your involvement in the update of the System of National Accounts (SNA) and/or the Balance of Payments Manual (BPM)?

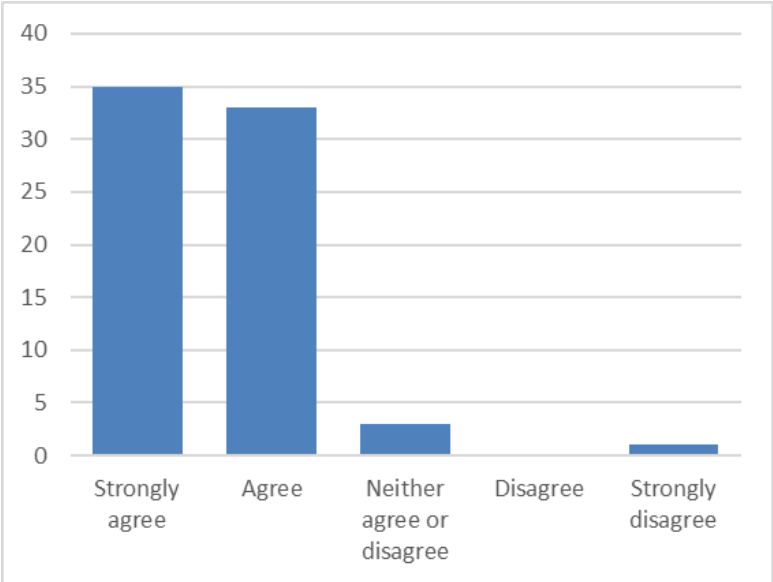
Involvement	Count
Regularly engaged in consultations and other development work	25
Closely followed developments but not engaged in consultations / development work	13
Passing interest but not closely followed	12
Not been involved at all	20
Other (please specify)	2
Total	72



IEWS ON PROPOSED APPROACH TO GFSM UPDATE

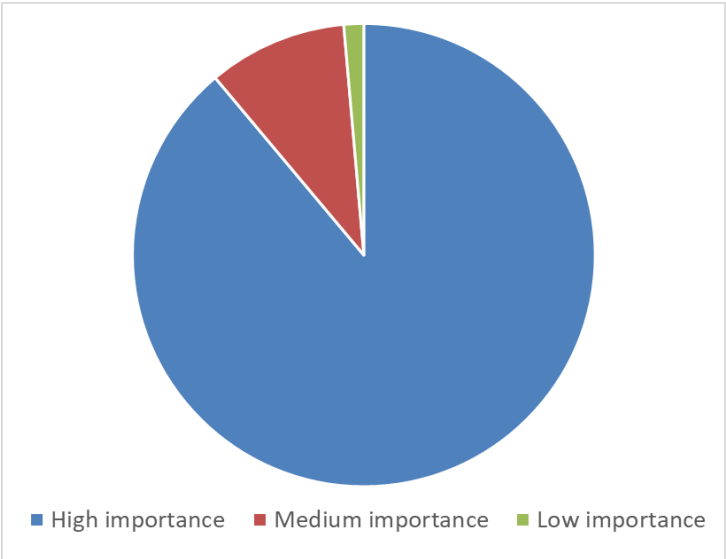
Question: Do you agree with the objectives of the update of the GFSM, as stated in the Consultation Summary and Proposed Process and Timeline for Updating the GFSM 2014?

View	Count
Strongly agree	35
Agree	33
Neither agree nor disagree	3
Disagree	0
Strongly disagree	1
Total	72



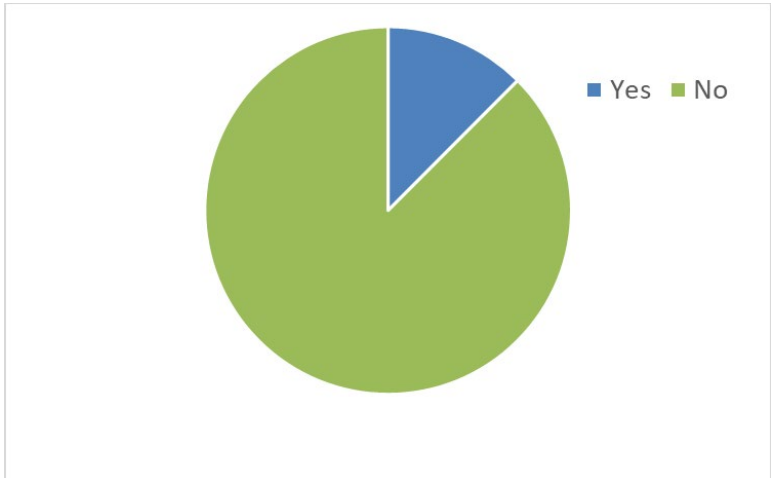
Question: How important do you consider the harmonization and consistency with other macroeconomic statistics (such as the SNA and BPM)?

Importance	Count
High importance	64
Medium importance	7
Low importance	1
Total	72



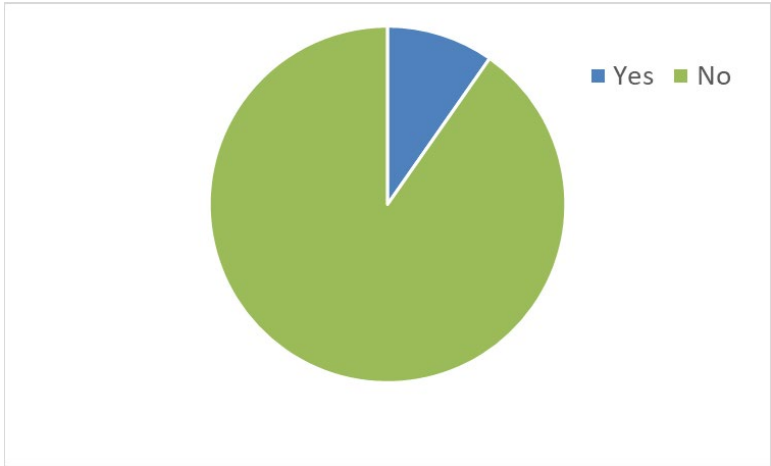
Question: Do you have any comments on the proposed procedure for advancing research projects?

Any comments?	Count
No	63
Yes	9
Total	72



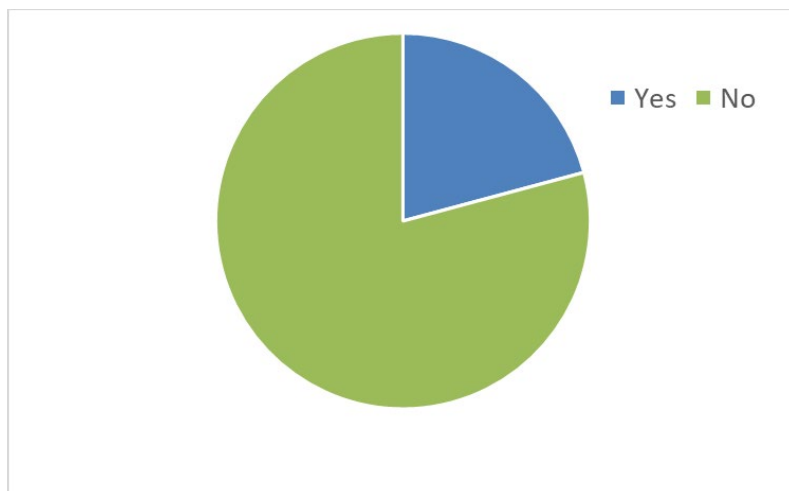
Question: Do you have any comments on the proposed governance arrangements for updating the GFSM?

Any comments?	Count
No	65
Yes	7
Total	72



Question: Do you have any comments on the proposed timeline which would see the updated GFSM being finalized by the end of 2027?

Any comments?	Count
No	57
Yes	15
Total	72



IEWS ON PROPOSED RESEARCH PROJECTS FOR GFSM 2014 UPDATE

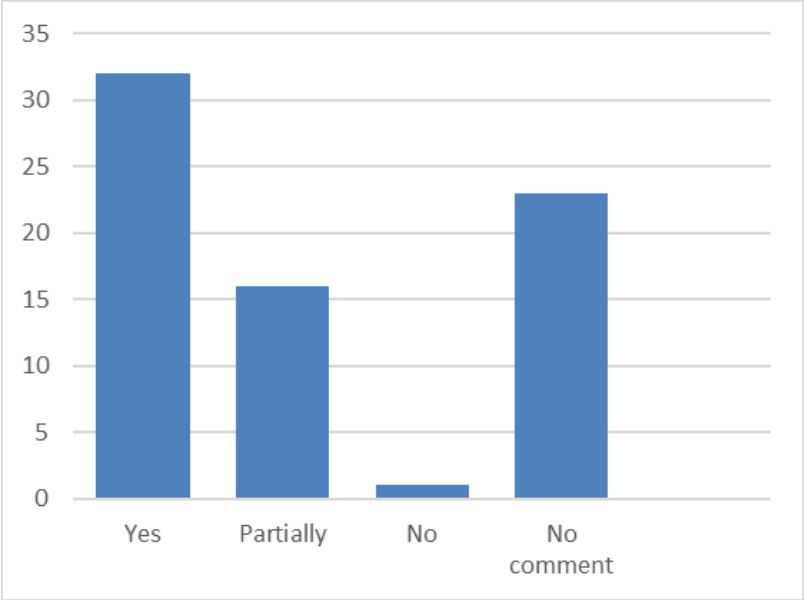
Question: Please indicate the relative importance of each of the research projects listed in Table 2. (0= not important at all, 1 = of little importance, 2 = of some importance, 3 = of significant importance, 4 = critically important)

Research Topic	Mean Score	% of significant of critically important
Sector or Transaction Classification		
Boundary between government-controlled nonmarket producers engaged in nonfinancial activities (government units) and public nonfinancial corporations	3.08	77%
Boundary between government-controlled nonmarket producers engaged in financial activities (government units) and public financial corporations	3.07	79%
Indigenous governments	1.35	21%
Transactions of government with sovereign wealth funds (and similar)	2.18	49%
Treatment of zakat	1.39	26%
Further defining and subclassifying extrabudgetary units	2.54	56%
Treatment of Government / public nonlife insurance schemes	2.31	53%
Debt, Equity, and Provisions		
Debt valuation issues	3.20	80%
Debt assumption and debt payments on behalf of others	3.00	74%
Valuation and recognition of loans	2.94	73%
Recording of provisions and contingent liabilities	3.01	73%
Stock positions and related flows with the IMF and other regional / international organizations	2.51	52%
Equity for public corporations	2.97	74%
Economic Ownership of Assets and Capital Expenditure/Transfers		
Treatment of public-private partnerships (PPPs)	3.04	72%
Treatment of capital injections by government into corporations	3.08	76%
Treatment of privatization	2.72	56%
Boundary between capital and current transfers	2.80	61%
Recording and valuation of infrastructure assets	2.97	69%
Natural Resources		
Accounting for natural resources and their exploitation in GFS	3.11	74%

Climate-sustaining and climate-damaging subsidies and other transfers	2.88	67%
Social Insurance		
Social Security Schemes	3.03	75%
Government Assumption of Pension Obligations	2.93	71%
Employee benefits – defined benefit schemes	2.80	66%
Communicating GFS		
A framework for the presentation of GFS metadata	2.75	57%
Communicating GFS to users	2.99	68%
Presentation of GFS flows related to natural resources	2.81	63%
Relationship between GFS and IPSAS	2.86	65%
Fiscal Analysis		
Treatment of tax expenditures, tax deferrals, and other similar incentives	2.74	66%
Retained earnings of public corporations and their impact on fiscal analysis	2.69	60%
Methodological guidance on compilation and analyzing SOE data	2.83	67%
GFS within fiscal analysis and policymaking	2.97	70%
Balance Sheet Analysis	3.03	71%

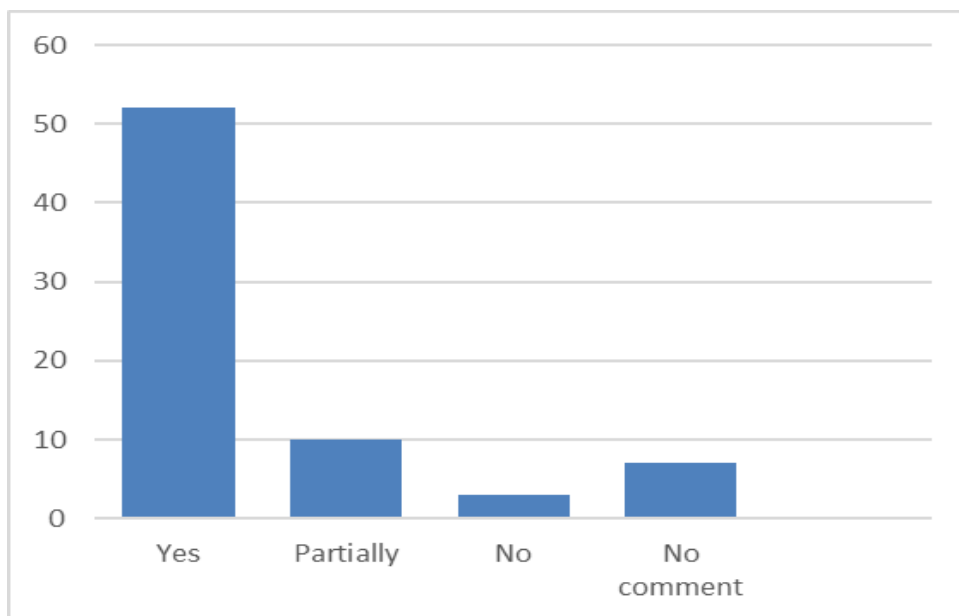
Question: Do you agree that all the topics listed in Table 1 have been sufficiently developed during the SNA/BPM updates to allow proposed recommendations to be drafted on how these topics will be reflected in the updated GFSM?

	Count
Yes	32
Partially	16
No	1
No comment	23
Total	72



Question: Do you agree that all the research projects listed in Table 2 require the development of full discussion notes to decide how these topics should be addressed in the updated GFSM?

	Count
Yes	52
Partially	10
No	3
No comment	7
Total	72



Question: The GFSM defines the concepts, principles, and framework for reporting government finance statistics. It has been suggested that the expected outputs from the research projects listed under “Communicating GFS” and “Fiscal Analysis” (research projects 2.24 to 2.32) will not impact these conceptual features of GFS and so they should not be developed for inclusion within the updated GFSM. In your view how should these research projects be addressed?

	Count
Development of detailed information on the topics - for inclusion in the updated GFSM	22
Development of summary information which signposts compilers and users to relevant resources and materials - for inclusion in the updated GFSM	17
Development of detailed information on the topics as separate documentation – NOT for inclusion in the updated GFSM	15
Development of summary information which signposts compilers and users to relevant resources and materials as separate documentation – NOT for inclusion in the updated GFSM	9
Other	9
Total	72

Summary after analysis:

	Count
For inclusion in the updated GFSM	42
NOT for inclusion in the updated GFSM	25
Other	5
Total	72

