

GOVERNMENT FINANCE STATISTICS MANUAL 2014 COMPANION MATERIAL

CLASSIFICATION OF THE GFSM 1986 DATA TO THE GFSM 2014 FRAMEWORK

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I. INTRODUCTION

A. Focus of this Paper

Traditionally, governments have kept their accounts on a cash basis—this is reflected in the analytic framework of *A Manual on Government Finance Statistics, 1986 (GFSM 1986)*. Since the mid-1990s, developments in government accounting and fiscal analysis have placed increasing emphasis on accrual accounting and balance sheets. The analytic framework of the *Government Finance Statistics Manual 2001 (GFSM 2001)* and its update, the *GFSM 2014*, reflect these developments and presents fiscal data in the form of interrelated statements that integrate economic flows and stock positions.¹ As a result, the latest GFS analytic framework differs considerably from the GFSM 1986 framework, which focused on selected stock positions and flows and did not integrate them. For many countries, the first step in the migration to the new GFS system will be to classify cash data to the GFSM 2014 framework. Often, these cash data are available in the GFSM 1986 framework.

The primary focus of this paper is to facilitate the reclassification of data presented in the GFSM 1986 framework to the GFSM 2014 framework by showing the relationships between the two classification systems. In other words, this paper describes the reclassification of all the GFSM 1986 classification categories to the GFSM 2014 classification categories. This paper does not address the differences in basis of recording between GFSM 1986 and GFSM 2014.

This paper is structured as follows: Section I.B provides some explanatory notes on conventions used in this paper. The classification of detailed GFSM 1986 data to the detailed GFSM 2014 classification tables is discussed in Section II. Lastly, the paper describes the classification of GFSM 1986 data to the GFSM 2014 summary tables for transactions (Section III).

B. Explanatory Notes on Conventions Used

In this paper, the classification of data to the GFSM 2014 classification tables is based on the detailed classifications (including all subcategories) of the GFSM 1986, Tables A through G.²

In the **GFSM 1986**, each classification table is identified by a letter (e.g., Table A, Revenue and Grants). The categories and subcategories in each table are identified using both Roman and Arabic numbers (e.g., I, II, ... or 1, 2, 3 ...). When reference is made to a specific classification category, the code first shows the table identifier and then the number for the classification

¹ These statements are derived from the *System of National Accounts 1993 (SNA 1993)* and its update, the *SNA 2008*.

² If the GFSM 1986 data are less detailed than in these detailed GFSM 1986 classification tables, it will further limit the reclassification of some subcategories to the GFSM 2014 framework.

category. For example, when referring to the subcategory *wages and salaries* in the Economic Classification of Expenditure (Table C), the code [C1.1] is used. When referring to total tax revenue in the Classification of Revenue and Grants (Table A), the code [A.IV] is used.

In the **GFSM 2014** coding system, only Arabic numbers are used. The second level of the classification comprises two digits, e.g., expense [2] comprises compensation of employees [21], use of goods and services [22], etc. The third level comprises three digits, e.g., wages and salaries [211] and social contributions [212], and so forth. The first level GFSM 2014 codes are as follows:

Code	GFSM 2014 Type of Economic Flow and Stock Position
1	Revenue
2	Expense
3	Transactions in Assets and Liabilities
4	Holding Gains and Losses (Revaluations) in Assets and Liabilities ³
5	Other Volume Changes in Assets and Liabilities ³
6	Stock positions in Assets and Liabilities (Balance Sheet)
68	Stock positions in Financial Assets and Liabilities by Sector of the Counterparty
7	Expenditure by Classification of Functions of Government (COFOG) ⁴
8	Transactions in Financial Assets and Liabilities by Sector of the Counterparty

The GFSM 2014 framework can be applied to all components of the public sector. In this paper, however, the **focus is on the general government sector and its subsectors** because GFSM 1986 data have traditionally been compiled for the general government and its subsectors.

II. CLASSIFICATION OF GFSM 1986 DATA TO THE DETAILED GFSM 2014 TABLES

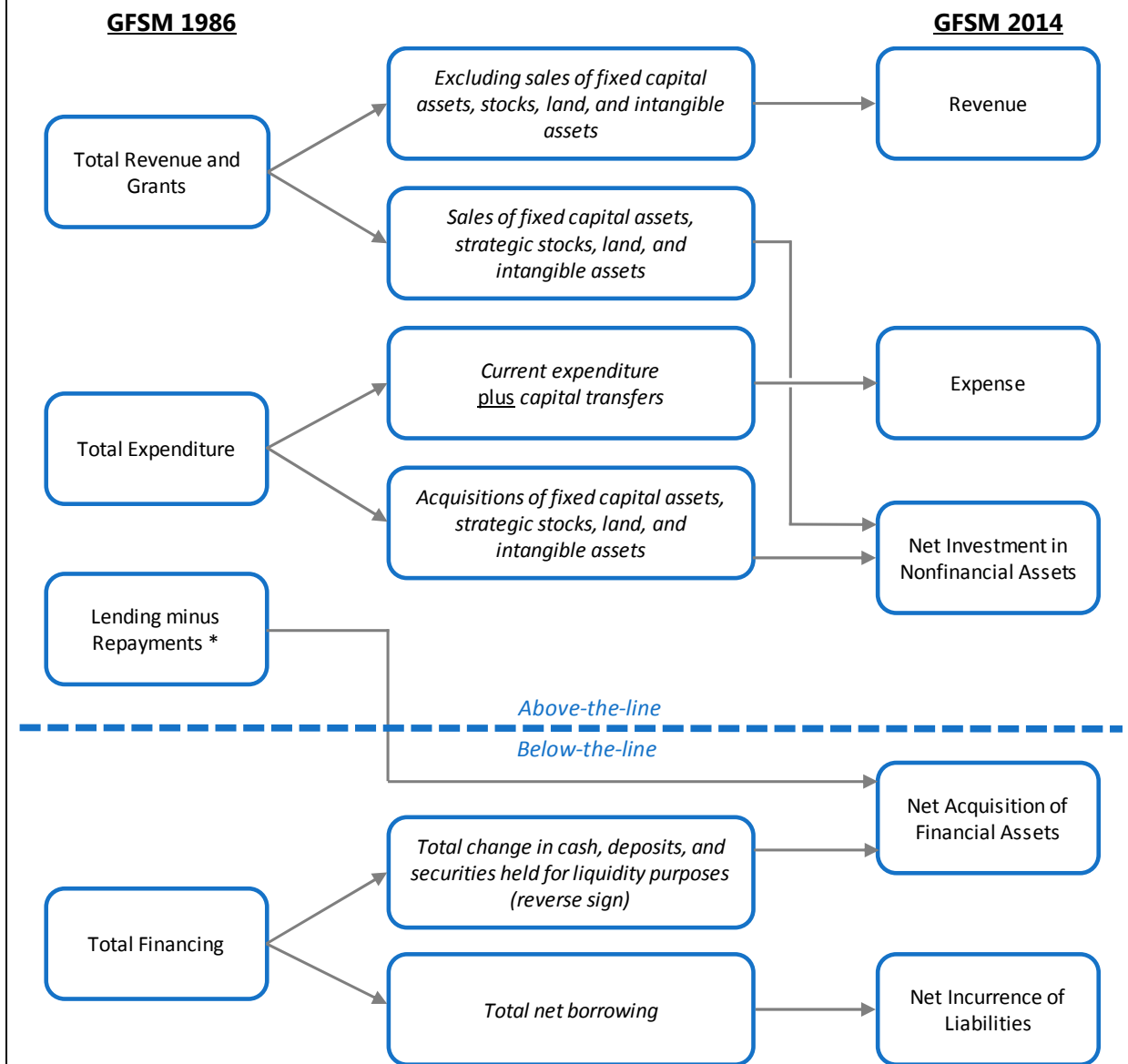
A. Overview

The reclassification of GFSM 1986 data to the classification categories of the GFSM 2014 framework is seen as a first step in the transition to the GFSM 2014 methodology. Broadly, the relationships between the GFSM 1986 and 2014 classification systems for transactions are as follows (see figure 1):

³ The codes 4 and 5 used in the GFSM 2014 are not relevant for the purpose of this paper. Codes beginning with 4 or 5 refer to holding gains/losses (revaluations) and other changes in the volume of assets and liabilities, respectively. These flows were not recorded in GFSM 1986.

⁴ COFOG was produced by the Organisation for Economic Co-operation and Development and was published together with the other three classifications in United Nations, *Classifications of Expenditure According to Purpose* (New York, 2000).

Figure 1: Broad Overview of the Relationships Between the GFSM 1986 and GFSM 2014 Classification Systems for Transactions



* If some lending minus repayments are not representing effective financial claims and, thus, not transactions in financial assets, they should be reclassified as expense (typically, as capital transfers).

- All GFSM 1986 total revenue and grants are classified to the GFSM 2014 aggregate revenue, except for the sales of fixed capital assets, (strategic) stocks, and land and intangible assets, which are classified to the net investment in nonfinancial assets (disposals/sales).

- The GFSM 1986 aggregates *total current expenditure* and *capital transfers* are classified to the GFSM 2014 aggregate *expense*. The remainder of GFSM 1986 expenditure, i.e., the *acquisition of fixed capital assets, and purchases of stocks, land, and intangible assets*, are classified to the GFSM 2014 aggregate *net investment in nonfinancial assets* (acquisitions/purchases).
- The GFSM 1986 aggregate *lending minus repayments* is classified to the GFSM 2014 aggregate *net acquisition of financial assets* because it involves transactions in financial assets. If some lending minus repayments are not representing effective financial claims⁵ and, thus, not transactions in financial assets, they should be reclassified as expense (typically, as capital transfers).
- The GFSM 1986 aggregate *financing* consists of two main components: financial assets acquired for liquidity purposes and liabilities. The financial assets *change in cash, deposits, and securities held for liquidity purposes*, are classified to the GFSM 2014 aggregate *net acquisition of financial assets*. The liabilities that make up *total net borrowing* are classified to the GFSM 2014 aggregate *net incurrence of liabilities*.

In the remainder of this section, the structures of the GFSM 2014 classification tables (see GFSM 2014, Appendix 8) are followed to explain, in detail, the reclassification of GFSM 1986 data. The main GFSM 2014 classification tables are:

- Classification of Revenue (see section B below);
- Economic Classification of Expense (see section C below);
- Classification of Transactions in Nonfinancial Assets (see section D below);
- Classification of Transactions in Financial Assets and Liabilities by Type of Financial Instrument and Residence of the Counterparty (see section E below);
- Classification of Transactions in Financial Assets and Liabilities by Sector of the Counterparty to the Financial Instrument and Residence (see section F); and
- Classification of the Functions of Government (COFOG) (see section G);
- Classification of stock positions in assets and liabilities (the balance sheet) (see section H below).

⁵ An “effective financial claim” is understood to be a claim that is supported by a contract between the debtor and creditor, or (especially in the case of governments) an agreement, with a reasonable expectation to be honored, that the debtor will reimburse the creditor.

In summary, the main GFSM 1986 categories are classified to the main GFSM 2014 aggregates as follows:

GFSM 2014 category	Comprise GFSM 1986 category
1 Revenue	Total revenue and grants [A.I], minus sales of fixed capital assets [A13.], sales of stocks [A14.], and sales of land and intangible assets [A15.]
2 Expense	Current expenditure [C.III] plus capital transfers [C7.]
31 Net investment in nonfinancial assets	Acquisition of fixed capital assets [C4.] plus purchases of stocks [C5.] plus purchases of land and intangible assets [C6.] minus sales of fixed capital assets [A13.] minus sales of stocks [A14.] minus sales of land and intangible assets [A15.]
32 Net acquisition of financial assets	Lending minus repayments [C.V] plus total changes in cash, deposits and securities held for liquidity purposes (domestic and abroad) [E6. and E12.] Note(s): If some lending minus repayments are not representing effective financial claims and, thus, not transactions in financial assets, they should be reclassified as expense (typically, as capital transfers).
33 Net incurrence of liabilities	Total financing [D.I or E.I] minus total changes in cash, deposits and securities held for liquidity purposes (domestic and abroad) [E6. and E12.] or, alternatively, all net borrowing categories in GFSM 1986 Tables D or E.

B. Classification of Revenue⁶

1 Revenue

Comprise: *Total revenue and grants [A.I] **minus** sales of fixed capital assets [A13.], sales of stocks [A14.], and sales of land and intangible assets [A15.]*⁷

Note(s): Sales of nonfinancial assets are classified in a separate table (see *Net Investment in Nonfinancial Assets* below) because they do not represent current operating activities of government.

When GFSM 1986 revenue and grants data are classified to the GFSM 2014 framework, additional information will be needed to adjust for the following:

⁶ See *Government Finance Statistics Manual 2014*, Chapter 5, for details on the definitions and classification of revenue.

⁷ For the detailed classification of total revenue and grants according to the GFSM 1986 methodology, see *A Manual on Government Finance Statistics*, 1986, Table A, page 115–117.

- In the GFSM 2014, the **operations of market establishments** are recorded on a **gross basis**. That is, their gross revenues are classified to the appropriate revenue categories, and their gross expenses are classified to the appropriate expense categories. In the GFSM 1986, operations of market establishments are recorded on a net basis. Only cash operating surpluses or deficits of departmental enterprises are included as revenue (entrepreneurial and property income) or expenditure (current transfers). Because of this, the use of unadjusted GFSM 1986 data will understate both revenue and expense in the GFSM 2014 framework.
- In the GFSM 2014, **social contributions by government as employer** are “rerouted” so that the government is seen paying its employees, who then make payments of the same amount to the social insurance scheme. As a result, such contributions are not eliminated in consolidation in GFSM 2014. In the GFSM 1986, social contributions by government as employer are eliminated in consolidation of government data, because these transactions are considered to be between the contributing level of government and the social security fund(s).

When classifying historical GFSM 1986 consolidated data to the GFSM 2014 framework, data on these social contributions by government as employer would not be available because they have been eliminated in consolidation. Additional, country-specific information would be needed to add social contributions by government as employer. In doing so, both GFSM 2014 revenue and expense will be higher than GFSM 1986 revenue and expenditure data that have the same institutional coverage.

11 Taxes

Comprise: Total *tax revenue* [A.IV] **minus** *social security contributions* [A2.].

Note(s): The GFSM 1986 tax revenue category *social security contributions* [A2.] is classified to the GFSM 2014 category *social contributions* [12]. Apart from the exclusion of social contributions and a few changes to the descriptors of certain types of taxes, the GFSM 2014 classification of taxes is virtually identical to the GFSM 1986 classification of taxes.

The details of taxes are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
111 Taxes on income, profits, and capital gains	Taxes on income, profits, and capital gains [A1.]
1111 Payable by individuals	Individual [A1.1] taxes on income, profits and capital gains
1112 Payable by corporations and other enterprises	Corporate [A1.2] taxes on income profits, and capital gains
1113 Other taxes on income, profits, and capital gains	Other unallocable taxes on income profits, and capital gains [A1.3]
112 Taxes on payroll and work force	Taxes on payroll and work force [A3.]

GFSM 2014 category	Comprise GFSM 1986 category
113 Taxes on property	Taxes on property [A4.]
1131 Recurrent taxes on immovable property	Recurrent taxes on immovable property [A4.1]
1132 Recurrent taxes on net wealth	Recurrent taxes on net wealth [A4.2]
1133 Estate, inheritance, and gift taxes	Estate, inheritance, and gift taxes [A4.3]
1135 Capital levies	Nonrecurrent taxes on property [A4.5]
1136 Other recurrent taxes on property	Other recurrent taxes on property [A4.6]
114 Taxes on goods and services	Domestic taxes on goods and services [A5.]
1141 General taxes on goods and services	General sales, turnover, or value-added taxes [A5.1] plus taxes on financial and capital transactions [A4.4] Note(s): In the GFSM 2014, general taxes on goods and services are classified by whether they are <i>value-added taxes</i> [11411], <i>sales taxes</i> [11412], or <i>turnover and other general taxes on goods and services</i> [11413]. The GFSM 1986 does not make this distinction.
1142 Excises	Excises [A5.2]
1143 Profits of fiscal monopolies	Profits of fiscal monopolies [A5.3]
1144 Taxes on specific services	Taxes on specific services [A5.4]
1145 Taxes on use of goods and on permission to use goods or perform activities	Taxes on use of goods or on permission to use goods or to perform activities [A5.5]
11451 Motor vehicle taxes	Motor vehicle taxes [A5.5.2]
11452 Other taxes on the use of goods and on permission to use goods or perform activities	Business and professional licenses [A5.5.1] plus other taxes on use of goods or on permission to use goods or to perform activities [A5.5.3]
1146 Other taxes on goods and services	Other taxes on goods and services [A5.6]
115 Taxes on international trade and transactions	Taxes on international trade and transactions [A6.]
1151 Customs and other import duties	Import duties [A6.1]
1152 Taxes on exports	Export duties [A6.2]
1153 Profits of export or import monopolies	Profits of export or import monopolies [A6.3]
1154 Exchange profits	Exchange profits [A6.4]
1155 Exchange taxes	Exchange taxes [A6.5]
1156 Other taxes on international trade and transactions	Other taxes on international trade and transactions [A6.6]
116 Other taxes	Other taxes [A7.] Note(s): In the GFSM 2014, <i>other taxes</i> [116] are classified by whether they are <i>payable solely by business</i> [1161], or <i>payable by other than business or unidentifiable</i> [1162]. The GFSM 1986 does not make this distinction— <i>other taxes</i> [A7.] are classified by whether they are <i>poll taxes</i> [A7.1], <i>stamp taxes</i> [A7.2], or <i>other taxes not elsewhere classified</i> [A7.3].

12 Social Contributions

Comprise: *Social security contributions* [A2.] **plus** *contributions to government employee pension and welfare funds within government* [A11.].

Note(s): Unlike in the GFSM 1986, social contributions by government as employer are not eliminated in the GFSM 2014 when data are consolidated with the social security funds.⁸

The details of social contributions are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
121 Social security contributions [GFS]	Social security contributions [A2.]
1211 Employee contributions [GFS]	Employees [A2.1]
1212 Employer contributions [GFS]	Employers [A2.2] Note(s): Unlike in the GFSM 1986, social contributions by government as employer are not eliminated in the GFSM 2014 when data are consolidated with the social security funds.
1213 Self-employed or nonemployed contributions [GFS]	Self-employed or nonemployed [A2.3]
1214 Unallocable contributions [GFS]	Other unallocable social security contributions [A2.4]
122 Other social contributions [GFS]	Contributions to government employee pension and welfare funds within government [A11.]
1221 Employee contributions [GFS]	Contributions by employees [A11.1]
1222 Employer contributions [GFS]	Employer contributions from other levels of government [A11.2] Note(s): Unlike in the GFSM 1986, social contributions by government as employer are not eliminated in the GFSM 2014 when data are consolidated with the social security funds.
1223 Imputed contributions [GFS]	Note(s): The accrual concept <i>imputed social contributions</i> [1223] does not exist in the GFSM 1986.

13 Grants

Comprise: Grants [A.VII].

Note(s): The breakdown of grants in the GFSM 1986 does not allow for a complete classification to the GFSM 2014 subcategories, because no distinction is made between grants from foreign governments and grants from international organizations. Additional, country-specific information is needed to classify the GFSM 1986 category *grants from abroad* [A17.] to either grants *from foreign governments* [131], or grants *from international organizations* [132].

The details of grants are classified as shown in the table below.

⁸ These employer contributions are classified in the GFSM 1986 revenue categories [A2.2] and [A11.2], and then eliminated in the consolidation of central government data. When classifying historical GFSM 1986 consolidated data to the GFSM 2014 framework, data on these social contributions by government as employer would not be available because they have been eliminated in consolidation. Additional, country-specific information would be needed to add social contributions by government as employer.

GFSM 2014 category	Comprise GFSM 1986 category
131 From foreign governments	From abroad [A17.] Note(s): Because grants <i>from abroad</i> [A17.] includes grants from international organizations, the GFSM 2014 category grants <i>from foreign governments</i> [131] may be overstated when classifying the unadjusted GFSM 1986 data to the GFSM 2014 framework.
1311 Current	Current [A17.1]
1312 Capital	Capital [A17.2]
132 From international organizations	From supranational authorities to member countries [A19.] Note(s): Because grants from international organizations are classified to grants <i>from abroad</i> [A17.] in the GFSM 1986, the GFSM 2014 category grants <i>from international organizations</i> [132] may be understated when classifying the unadjusted GFSM 1986 data to the GFSM 2014 framework.
1321 Current	Current [A19.1]
1322 Capital	Capital [A19.2]
133 From other general government units	From other levels of national government [A18.]
1331 Current	Current [A18.1]
1332 Capital	Capital [A18.2]

14 Other Revenue

Comprise: Total *nontax revenue* [A.V] **minus** *contributions to government employee pension and welfare funds within government* [A11.] **plus** *capital transfers from nongovernmental sources* [A16.].

Note(s): These GFSM 1986 categories serve as a proxy for *other revenue* [14], because they include cash surpluses from departmental enterprise sales to the public. In the GFSM 1986, these receipts are classified as entrepreneurial and property income (“dividends”), i.e., on a net basis. According to the GFSM 2014 methodology, the gross revenue of market establishments are classified to the various subcategories of *other revenue*.

The details of other revenue are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
141 Property income [GFS]	Entrepreneurial and property income [A.8] Note(s): This GFSM 1986 category is a proxy for <i>property income</i> because surpluses from departmental enterprises are recorded as “dividends” (i.e., on a net basis). According to the GFSM 2014 methodology, their gross sales are classified to <i>sales of goods and services</i> [142] (see <i>Sales of Goods and Services</i> below).

GFSM 2014 category	Comprise GFSM 1986 category
1411 Interest [GFS]	<p>Note(s): The GFSM 1986 breakdown of <i>entrepreneurial and property income</i> [A.8] does not allow for its classification to the subcategories of the GFSM 2014 category <i>property income</i> [141]. In the GFSM 1986, entrepreneurial and property income is classified by whether such receipts are <i>cash operating surpluses of departmental enterprise sales to the public</i> [A8.1], <i>from nonfinancial public enterprises and public financial institutions</i> [A8.2], or <i>other property income</i> [A8.3].</p> <p>The accrual concept <i>reinvested earnings on foreign direct investment</i> [1416] does not exist in the GFSM 1986. Similarly, the accrual of recording of interest does not exist in the GFSM 1986 cash-based system.</p>
1412 Dividends	
1413 Withdrawals from income of quasi-corporations	
1414 Property income from investment income disbursements	
1415 Rent	
1416 Reinvested earnings on foreign direct investment	
142 Sales of goods and services	<p>Administrative fees and charges, and nonindustrial and incidental sales [A9.]</p> <p>Note(s): This GFSM 1986 category is a proxy for <i>sales of goods and services</i> [142], because sales of market establishments and imputed sales of goods and services are not available from the GFSM 1986 data. <i>Imputed sales of goods and services</i> [1424] is an accrual concept, and does not exist in the GFSM 1986 cash-based system. <i>Sales by market establishments</i> [1421] is not available in the GFSM 1986, because of their net treatment in that system (see <i>Property Income</i> above).</p>
1421 Sales by market establishments	<p>Note(s): In the GFSM 1986, the operations of market establishments are recorded on a net basis (see <i>Property income</i> [141] above). As a result, data on the gross sales by market establishments [1421] are not available in the GFSM 1986.</p>
1422 Administrative fees	<p>Administrative fees and charges, and nonindustrial and incidental sales [A9.]</p> <p>Note(s): Separate details to classify <i>administrative fees and charges, and nonindustrial and incidental sales</i> [A9.] to the GFSM 2014 subcategories <i>administrative fees</i> [1422] and <i>incidental sales by nonmarket establishments</i> [1423] are not available from the GFSM 1986. As a rule of thumb, the GFSM 1986 category <i>administrative fees and charges, and nonindustrial and incidental sales</i> [A9.] is classified to the GFSM 2014 category <i>administrative fees</i> [1422], unless additional, country-specific information suggests a classification to <i>incidental sales by nonmarket establishments</i> [1423].</p>
1423 Incidental sales by nonmarket establishments	<p>Note(s): See notes to <i>Administrative fees</i> [1422] above.</p>
1424 Imputed sales of goods and services	<p>Note(s): Data on the accrual concept <i>Imputed sales of goods and services</i> [1424] do not exist in the GFSM 1986.</p>
143 Fines, penalties, and forfeits	<p>Fines and forfeits [A10.]</p>

GFSM 2014 category	Comprise GFSM 1986 category
144 Transfers not elsewhere classified	Capital transfers from nongovernmental sources [A16.] Note(s): This GFSM 1986 category is a proxy for the GFSM 2014 category <i>Transfers not elsewhere classified</i> [144], because details of this category are not separately available in the GFSM 1986. In the GFSM 1986, transfers not elsewhere classified are classified in the category <i>other nontax revenue</i> [A12.].
1441 Current transfers not elsewhere classified	Note(s): This category is not separately available in the GFSM 1986. See notes to <i>miscellaneous and unidentified revenue</i> [145] below.
1442 Capital transfers not elsewhere classified	Capital transfers from nongovernmental sources [A16.] Note(s): See notes to <i>voluntary transfers other than grants</i> [144] above.
145 Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	Other nontax revenue [A12.] Note(s): This GFSM 1986 category is a proxy for the GFSM 2014 category <i>Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes</i> [145] because includes current voluntary transfers other than grants, which should be classified as transfers not elsewhere classified [144] according to the GFSM 2014 framework, as well as sales of goods, scraps, and waste, which would be classified under disposals of nonfinancial assets.

C. Economic Classification of Expense⁹

2 Expense

Comprise: *Current expenditure* [C.III] **plus** *capital transfers* [C7.].¹⁰

Note(s): Other capital expenditure in the GFSM 1986—the *acquisition of fixed capital assets* [C4.], *purchases of stocks* [C5.], and *purchases of land and intangible assets* [C6.]—are not classified here because they do not represent current operating activities of government. These items are classified in a separate table (see *Net Investment in Nonfinancial Assets* below).

When GFSM 1986 expenditure data are classified to the GFSM 2014 framework, further information will be needed to adjust for the following:

⁹ See *Government Finance Statistics Manual 2014*, Chapter 6, for details on the definitions and classification of expense.

¹⁰ For the detailed classification of expenditure according to the GFSM 1986 methodology, see *A Manual on Government Finance Statistics*, 1986, Table C, page 175–176.

- In the GFSM 2014, the **operations of market establishments** are recorded on a **gross basis**. That is, their gross revenues are classified to the appropriate revenue categories, and their gross expenses are classified to the appropriate expense categories. In the GFSM 1986, operations of market establishments are recorded on a net basis. Only cash operating surpluses or deficits of departmental enterprises are included as revenue (entrepreneurial and property income) or expenditure (current transfers). Because of this, the use of unadjusted GFSM 1986 data will understate both revenue and expense.
- In the GFSM 2014, **social contributions by government as employer** are “rerouted” so that the government is seen paying its employees, who then make payments of the same amount to the social insurance scheme. As a result, such contributions are not eliminated in consolidation. In the GFSM 1986, social contributions by government as employer are eliminated in consolidation of government data, because these transactions are considered to be between the contributing level of government and the social security fund.

When classifying historical GFSM 1986 consolidated data to the GFSM 2014 framework, data on these social contributions by government as employer would not be available because they have been eliminated in consolidation. Additional, country-specific information would be needed to add social contributions by government as employer. In doing so, both GFSM 2014 revenue and expense will be higher than GFSM 1986 revenue and expenditure data that have the same institutional coverage.

21 Compensation of Employees [GFS]

Comprise: *Wages and salaries* [C1.1] **plus** *employer contributions* [C1.2].

Note(s): Unlike in the GFSM 1986, government social contributions as employer [C1.2] are not eliminated in the GFSM 2014 when data are consolidated with the social security funds.¹¹

The details of compensation of employees are classified as shown in the table below.

¹¹ When classifying historical GFSM 1986 consolidated data to the GFSM 2014 framework, data on these social contributions by government as employer would not be available because they have been eliminated in consolidation. Additional, country-specific information would be needed to add social contributions by government as employer.

GFSM 2014 category	Comprise GFSM 1986 category
211 Wages and salaries [GFS]	Wages and salaries [C1.1] Note(s): Data on the accrual concept <i>wages and salaries in kind</i> [2112] do not exist in the GFSM 1986. As a result, <i>wages and salaries in cash</i> [2111] is equal to total <i>wages and salaries</i> [211].
2111 Wages and salaries in cash [GFS]	Wages and salaries [C1.1]
2112 Wages and salaries in kind [GFS]	See notes to <i>Wages and salaries</i> [211] above.
212 Employers' social contributions [GFS]	Employer contributions [C1.2] Note(s): Data on the accrual concept <i>imputed social contributions</i> [2122] do not exist in the GFSM 1986. As a result, <i>actual social contributions</i> [2121] is equal to total <i>social contributions</i> [212].
2121 Actual employers' social contributions [GFS]	Employer contributions [C1.2] Note(s): Unlike in the GFSM 1986, government social contributions as employer [C1.2] are not eliminated in the GFSM 2014 when data are consolidated with the social security funds.
2122 Imputed employers' social contributions [GFS]	Note(s): Data on the accrual concept <i>imputed social contributions</i> [2122] do not exist in the GFSM 1986.

22 Use of Goods and Services

Comprise: *Other purchases of goods and services* [C1.3].

Note(s): Because of the inclusion of payments for property expenses other than interest, the GFSM 1986 category other purchases of goods and services is a **proxy** for the GFSM 2014 category of *use of goods and services* [22]. In the GFSM 2014, property expenses other than interest are classified to a separate category *other expense* [28], subcategory *property expenses other than interest* [281]. There is no equivalent of the GFSM 1986 aggregate total *expenditure on goods and services* [C1.] in the GFSM 2014.

In practice, the accrual concept *use of goods and services* is estimated by subtracting the change in inventories of materials and supplies (i.e., not strategic stocks) from the value of purchases made. In the GFSM 1986 cash-based system, all purchases of materials and supplies are considered "used" at the time they are paid for. In other words, the change in inventories other than strategic stocks is zero in the GFSM 1986.

23 Consumption of Fixed Capital [GFS]

Note(s): The accrual concept *consumption of fixed capital* [23] does not exist in the GFSM 1986 cash-based system and will show as being "not available" when GFSM 1986 cash data are classified to the detailed GFSM 2014 framework.

24 Interest [GFS]

Comprise: *Interest payments* [C2].

Note(s): The accrual of interest does not exist in the GFSM 1986 cash-based system.

The details of interest are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
241 To nonresidents [GFS]	Interest payments abroad [C2.3]
242 To residents other than general government units [GFS]	Other domestic interest payments [C2.2]
243 To other general government units [GFS]	Interest payments to other levels of national government [C2.1]

25 Subsidies

Comprise: *Subsidies* [C3.1].

Note(s): Because of the inclusion of *cash operating deficits of departmental enterprise sales to the public* [C3.1.3], the GFSM 1986 category subsidies is a **proxy** for the GFSM 2014 category subsidies. In the GFSM 2014, the gross expense of market establishments are classified to the various expense categories.

The details of subsidies are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
251 To public corporations	Note(s): Cannot be calculated from GFSM 1986 categories due to lack of detail. See notes to <i>subsidies to public corporations: to financial corporations</i> [2512] below.
2511 To nonfinancial corporations	Subsidies to nonfinancial public enterprises [C3.1.1] and cash operating deficits of departmental enterprise sales to the public [C3.1.3] Note(s): These payments are treated as “subsidies” to departmental enterprises in the GFSM 1986, rather than classifying the gross expenses of market establishments to the appropriate expense categories.
2512 To financial corporations	Note(s): <i>Subsidies to financial institutions</i> [C3.1.2] cannot be classified to the GFSM 2014 category <i>subsidies to public financial corporations</i> [2512] due to lack of detail. As a result, this GFSM 2014 category will show data as being “not available” when GFSM 1986 cash data are classified to the GFSM 2014 framework, unless additional, country-specific information is obtained.
252 To private enterprises	Note(s): Cannot be calculated from GFSM 1986 categories due to lack of detail. See notes to <i>subsidies to</i>

GFSM 2014 category	Comprise GFSM 1986 category
	<i>private enterprises: to financial enterprises</i> [2522] below.
2521 To nonfinancial enterprises	Subsidies to other enterprises [C3.1.4]
2522 To financial enterprises	Note(s): Subsidies <i>to financial institutions</i> [C3.1.2] cannot be classified to the GFSM 2014 category subsidies <i>to private financial enterprises</i> [2522] due to lack of detail. As a result, this GFSM 2014 category will show data as being "not available" when GFSM 1986 cash data are classified to the GFSM 2014 framework, unless additional, country-specific information is obtained.
253 To other sectors	Note(s): Cannot be calculated from GFSM 1986 categories due to lack of detail.

26 Grants

Comprise: *Current and capital transfers to other levels of national government* [C3.2 and C7.1.1] **plus** *current and capital transfers abroad to governments, international organizations, and to supranational authorities* [C3.5.1–2 and C7.2.1–2].

Note(s): The breakdown of these GFSM 1986 categories do not allow for a complete classification to the GFSM 2014 subcategories of grants, because no distinction is made between grants to foreign governments and grants to international organizations. Additional, country-specific information is needed to distinguish between grants to foreign governments [261] and those to international organizations [262].

The details of grants are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
261 To foreign governments	Current and capital transfers abroad to governments and international organizations [C3.5.1 and C7.2.1] Note(s): When classifying these unadjusted GFSM 1986 categories to the GFSM 2014 framework, the category grants <i>to foreign governments</i> [261] may be overstated because of the inclusion of grants to international organizations other than supranational authorities.
2611 Current	Current transfers abroad to governments and international organizations [C3.5.1]
2612 Capital	Capital transfers abroad to governments and international organizations [C7.2.1]

GFSM 2014 category	Comprise GFSM 1986 category
262 To international organizations	Current and capital transfers abroad to supranational authorities [C3.5.2 and C7.2.2] Note(s): Because grants to international organizations are classified to <i>transfers abroad to governments and international organizations</i> in the GFSM 1986, the GFSM 2014 category <i>grants to international organizations</i> [262] may be understated when classifying the unadjusted GFSM 1986 data to the GFSM 2014 framework.
2621 Current	Current transfers abroad to supranational authorities [C3.5.2]
2622 Capital	Capital transfers abroad to supranational authorities [C7.2.2]
263 To other general government units	Current transfers to other levels of national government [C3.2] plus capital transfers to other levels of national government [C7.1.1]
2631 Current	Current transfers to other levels of national government [C3.2]
2632 Capital	Capital transfers to other levels of national government [C7.1.1]

27 Social Benefits [GFS]

Comprise: *Current transfers to households* [C3.4]

Note(s): *Current transfers to households* [C3.4] is a **proxy** for *social benefits* [27] because it includes transfers that are not regarded as social benefits in the GFSM 2014 (e.g., scholarships and other educational benefits). Data on expense classified as social benefits are not available from the GFSM 1986 expenditure categories. Additional, country-specific information is needed to make a proper classification to the GFSM 2014 categories.

28 Other Expense

Comprise: *Current transfers to nonprofit institutions* [C3.3] **plus** *other current transfers abroad* [C3.5.4]¹² **plus** *domestic capital transfers to nonfinancial public enterprises* [C7.1.2], *to financial institutions* [C7.1.3], *to other enterprises* [C7.1.4], and *other domestic capital transfers* [C7.1.5] **plus** *other capital transfers abroad* [C7.2.4].

Note(s): These GFSM 1986 categories serve as a **proxy** for the GFSM 2014 category *other expense* [28], because data on property expense other than interest are not separately available in the GFSM 1986. Additional, country-specific information is

¹² According to GFSM 2014, only other current transfers abroad other than social benefits are classified as *other expense*.

needed to classify property expense other than interest—which is included in *other purchases of goods and services* [C1.3]—as *other expense* [28].¹³

The details of other expense are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
281 Property expense other than interest	Note(s): Cannot be compiled from GFSM 1986 data due to lack of detail. See notes to <i>use of goods and services</i> [22] and other expense [28] above.
2811 Dividends (public corporations only)	Note(s): These categories are not applicable to general government data (e.g., GFSM 1986).
2812 Withdrawals from income of quasi-corporations (public corporations only)	
2813 Property expense for investment income disbursements	Note(s): Cannot be compiled from GFSM 1986 data due to lack of detail. See notes to property expense other than interest [281].
2814 Rent	Note(s): Cannot be compiled from GFSM 1986 data due to lack of detail. See notes to property expense other than interest [281].
2815 Reinvested earnings on foreign direct investment	Note(s): The accrual concept <i>reinvested earnings on foreign direct investment</i> [2815] does not exist in the GFSM 1986. See also notes to property expense other than interest [281].
282 Transfers not elsewhere classified	Current transfers to nonprofit institutions [C3.3] and other current transfers abroad [C3.5.4], and domestic capital transfers to nonfinancial public enterprises [C7.1.2], to financial institutions [C7.1.3], to other enterprises [C7.1.4], and other domestic capital transfers [C7.1.5], and other capital transfers abroad [C7.2.4]
2821 Current	Current transfers to nonprofit institutions [C3.3] and other current transfers abroad [C3.5.4]
2822 Capital	Domestic capital transfers to nonfinancial public enterprises [C7.1.2], to financial institutions [C7.1.3], to other enterprises [C7.1.4], and other domestic capital transfers [C7.1.5], and other capital transfers abroad [C7.2.4]
283 Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	Note(s): Cannot be compiled from GFSM 1986 data due to lack of detail. Additional, country-specific information is needed.

¹³ In the GFSM 1986, the only property expense other than interest is rent, which is defined as payments for leases of land, subsoil assets, and other naturally occurring assets. Rent should not be confused with the rental of produced assets, which are classified as *purchases of goods and services*. Other leases of nonproduced assets, such as leases of the electromagnetic spectrum, are intangible nonproduced assets under certain circumstances.

D. Classification of Transactions in Nonfinancial Assets¹⁴

In the GFSM 2014, the results of transactions in a particular category of assets can be presented as either total acquisitions and total disposals, or the “net acquisition” of a particular asset. The net acquisition of inventories is referred to as “changes in inventories”. Transactions in fixed assets, valuables, and nonproduced assets are summarized as acquisitions, disposals, and consumption of fixed capital. The accrual concept consumption of fixed capital does not exist in the GFSM 1986 cash-based system.

31.1 Acquisition of Nonfinancial Assets

Comprise: *Acquisition of fixed capital assets [C4.], purchases of stocks [C5.], and purchases of land and intangible assets [C6.].*¹⁵

Note(s): Because the GFSM 1986 expenditure categories do not provide for the separate classification of purchases of valuables, no data can be reclassified to the GFSM 2014 category *acquisitions of nonfinancial assets: valuables* [313.1]. Additional, country-specific information is needed to do so.

31.2 Disposal of Nonfinancial Assets

Comprise: *Sales of fixed capital assets [A13.], sales of stocks [A14.], and sales of land and intangible assets [A15.].*

Note(s): Because the GFSM 1986 revenue categories do not provide for the separate classification of sales of valuables, no data can be reclassified to the GFSM 2014 category *disposals of nonfinancial assets: valuables* [313.2]. Additional, country-specific information is needed to do so.

31 Net Investment in Nonfinancial Assets

Calculated as: *Acquisition* [31.1] **minus** *disposal* [31.2] *of nonfinancial assets.*

Note(s): In the GFSM 2014, *consumption of fixed capital* [31.3] is also subtracted to obtain the net investment in nonfinancial assets. However, the accrual concept

¹⁴ See *Government Finance Statistics Manual 2014*, Chapter 8, for details on the definitions and classification of transactions in nonfinancial assets. For a general discussion of the classification of nonfinancial assets, see Chapter 7.

¹⁵ For the detailed classification of capital expenditure according to the GFSM 1986 methodology, see *A Manual on Government Finance Statistics, 1986*, Table C, page 175.

consumption of fixed capital [31.3] does not exist in the GFSM 1986 cash-based system.

The details of the net investment in nonfinancial assets are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
311 Fixed assets	Acquisition of fixed capital assets [C4.] minus sales of fixed capital assets [A13.]
3111 Buildings and structures	Note(s): Cannot be compiled from GFSM 1986 classifications due to lack of detail. Additional, country-specific information is needed.
3112 Machinery and equipment	
3113 Other fixed assets	
3114 Weapons systems	
312 Inventories	Purchases of stocks [C5.] minus sales of stocks [A14.]
3121 Strategic stocks	Note(s): Unlike other nonfinancial assets, transactions in inventories are always presented on a net basis.
3122 Other inventories	Purchases of stocks [C5.] minus sales of stocks [A14.]
	Note(s): In the GFSM 1986 cash-based system, all purchases of materials and supplies are considered "used" at the time they are paid for. In other words, <i>other inventories</i> [3122] is always zero in the GFSM 1986.
313 Valuables	Note(s): Cannot be compiled from GFSM 1986 due to lack of detail. Additional, country-specific information is needed.
314 Nonproduced assets	Purchases of land and intangible assets [C6.] minus sales of land and intangible assets [A15.]
3141 Land	Note(s): Cannot be compiled from GFSM 1986 due to lack of detail. Additional, country-specific information is needed.
3142 Mineral and energy resources	
3143 Other naturally occurring assets	
3144 Intangible nonproduced assets	

E. Classification of Transactions in Financial Assets and Liabilities by Residence of the Counterparty and Type of Financial Instrument¹⁶

Transactions in financial assets and liabilities—called financing in the GFSM 2014—can be presented by residence and type of instrument or by residence and type of counterparty to the transactions (see Section G). These transactions are presented as the **net acquisition** of each category of financial asset and the **net incurrence** of each category of liability. That is, only the net change in the holding of a type of asset is presented, not gross acquisitions and gross disposals as with most nonfinancial assets. When the same type of financial instrument is held both as a financial asset and a liability, transactions in financial assets are presented separately

¹⁶ See *Government Finance Statistics Manual 2014*, Chapter 9, for details on the definitions and classification of transactions in financial assets and liabilities. For a general discussion of the classification of financial assets and liabilities, see Chapter 7.

from transactions in liabilities, rather than netting transactions in liabilities against transactions in financial assets.

32 Net Acquisition of Financial Assets by Residence and Type of Financial Instrument

Comprise: *Lending minus repayments*¹⁷ [C.V] **plus** total changes in cash, deposits and securities held for liquidity purposes: domestic and abroad [E6. and E12.] (see GFSM 1986 Table E¹⁸).

Note(s): Because changes in cash, deposits, and securities held for liquidity purposes are financial assets and are shown with borrowing transactions (liabilities), the signs of these transactions are reversed in the GFSM 1986 (increases are shown with a negative sign, and decreases are shown with a positive sign). This is not done in the GFSM 2014, where transactions in financial assets are shown separately from liabilities. Thus, when reclassifying domestic and foreign *changes in cash, deposits, and securities* [E6. and E12] to the GFSM 2014 category *net acquisition of financial assets* [32] (or its subcategories) **the signs of the numbers in these GFSM 1986 categories have to be reversed** to show increases with a positive sign and decreases with a negative sign.

The details of the net acquisition of financial assets by residence of the counterparty and type of financial instrument are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
321 Domestic debtors	Domestic lending minus repayments [C.8] plus change in cash, deposits, and securities held for liquidity purposes: domestic [E6.]
3212 Currency and deposits	Change in cash, deposits, and securities held for liquidity purposes: domestic [E6.] Note(s): Strictly, securities should be excluded here and classified to <i>securities other than shares</i> [3213]. However, separate details are not available in the GFSM 1986 to do so.

¹⁷ For the detailed classification of lending minus repayments (expenditure) according to the GFSM 1986 methodology, see *A Manual on Government Finance Statistics*, 1986, Table C, page 175–176.

¹⁸ In the GFSM 2014, the default classification of financing is by residence and type of financial instrument. See *A Manual on Government Finance Statistics*, 1986, Table E, page 212, for the detailed classification categories of financing by type of instrument.

GFSM 2014 category	Comprise GFSM 1986 category
3213 Debt securities	Note(s): Cannot be compiled from GFSM 1986 details of domestic lending minus repayments, because that breakdown is by type of recipient, not by type of instrument. Additional, country-specific information is needed. The accrual concepts <i>insurance, pension, and standardized guarantee schemes</i> [3216] and <i>other accounts receivable</i> [3218] do not exist in the GFSM 1986.
3214 Loans	
3215 Equity and investment fund shares	
3216 Insurance, pension, and standardized guarantee schemes [GFS]	
3217 Financial derivatives and employee stock options	
3218 Other accounts receivable	
322 External debtors	Lending minus repayments abroad [C.9] plus change in cash, deposits, and securities held for liquidity purposes: abroad [E12.]
3211 Special Drawing Rights (SDRs)	Note(s): No monetary functions performed by government is included in the GFSM 1986 system. Thus, details on monetary gold and SDRs do not exist.
3222 Currency and deposits	Change in cash, deposits, and securities held for liquidity purposes: abroad [E12.] Note(s): Strictly, securities should be excluded here and classified to <i>securities other than shares</i> [3213]. However, separate details are not available in the GFSM 1986 to do so.
3223 Debt securities	Note(s): Cannot be compiled from GFSM 1986 details of lending minus repayments abroad, because that breakdown is by type of recipient, not by type of instrument. Additional, country-specific information is needed. The accrual concepts <i>insurance, pension, and standardized guarantee schemes</i> [3226] and <i>other accounts receivable</i> [3218] do not exist in the GFSM 1986.
3224 Loans	
3225 Equity and investment fund shares	
3226 Insurance, pension, and standardized guarantee schemes [GFS]	
3227 Financial derivatives and employee stock options	
3228 Other accounts receivable	

33 Net Incurrence of Liabilities by Residence and Type of Instrument

Comprise: All GFSM 1986 net borrowing categories [E1. through E5.] or, alternatively, total *financing* [E.I] **minus** *changes in cash, deposits, and securities held for liquidity purposes: domestic and abroad* [E6. and E12.] (see GFSM 1986 Table E¹⁹).

The details of the net incurrence of liabilities by type of instrument and residency are classified as shown in the table below.

¹⁹ In the GFSM 2014, the default classification of financing is by residence and type of financial instrument. See *A Manual on Government Finance Statistics*, 1986, Table E, page 212, for the detailed classification categories of financing by type of instrument.

GFSM 2014 category	Comprise GFSM 1986 category
331 Domestic creditors	Domestic borrowing categories in Table E [E1. through E5.], or, alternatively, total domestic financing [E.II] minus change in cash, deposits, and securities held for liquidity purposes: domestic [E6.]
3311 Special Drawing Rights (SDRs)	Note(s): No monetary functions performed by government is included in the GFSM 1986 system. Thus, details on monetary gold and SDRs do not exist.
3312 Currency and deposits	Other domestic liabilities [E5.]
3313 Debt securities	Long-term bonds [E1.] plus short-term bonds and bills [E2.]
3314 Loans	Long-term loans not elsewhere classified [E3.] plus short-term loans and advances not elsewhere classified [E4.]
3315 Equity and investment fund shares	Note(s): These categories do not do not exist in the GFSM 1986 classifications because they are either accrual concepts, or are not relevant for the general government sector according to the GFSM 1986. The accrual concepts <i>insurance, pension, and standardized guarantee schemes</i> [3316] and <i>other accounts payable</i> [3318] do not exist in the GFSM 1986.
3316 Insurance, pension, and standardized guarantee schemes [GFS]	
3317 Financial derivatives and employee stock options	
3318 Other accounts payable	
332 External creditors	Borrowing abroad categories in Table E [E7. through E11.], or, alternatively, total financing abroad [E.III] minus change in cash, deposits, and securities held for liquidity purposes: abroad [E12.]
3321 Special Drawing Rights (SDRs)	Note(s): No monetary functions performed by government is included in the GFSM 1986 system. Thus, details on monetary gold and SDRs do not exist.
3322 Currency and deposits	Other liabilities abroad [E11.]
3323 Debt securities	Long-term bonds [E7.] plus short-term bonds and bills [E8.]
3324 Loans	Long-term loans not elsewhere classified [E9.] plus short-term loans and advances not elsewhere classified [E10.]
3325 Equity and investment fund shares	Note(s): These categories do not do not exist in the GFSM 1986 classifications because they are either accrual concepts, or are not relevant for the general government sector according to the GFSM 1986. The accrual concepts <i>insurance, pension, and standardized guarantee schemes</i> [3326] and <i>other accounts payable</i> [3328] do not exist in the GFSM 1986.
3326 Insurance, pension, and standardized guarantee schemes [GFS]	
3327 Financial derivatives and employee stock options	
3328 Other accounts payable	

F. Classification of Transactions in Financial Assets and Liabilities by Residence and Sector of the Counterparty to the Financial Instrument

Transactions in financial assets and liabilities—called financing in the GFSM 2014—are presented as the **net acquisition** of each category of financial asset and the **net incurrence** of each category of liability. That is, only the net change in the holding of a type of asset is presented, not gross acquisitions and gross disposals. When the same type of financial instrument is held both as a financial asset and a liability, transactions in financial assets are presented separately

from transactions in liabilities, rather than netting transactions in liabilities against transactions in financial assets.

Similar to the GFSM 1986 Manual, the GFS Manual 2014 includes also a classification of transactions in financial assets and liabilities by the residence and sector of the counterparty to the financial instrument. This is because analysts are not only interested in the **types of instruments** a general government unit uses to finance its activities, but also which **sectors** are providing the financing. In addition, it is often necessary to analyze financial flows between subsectors of the general government sector.

The types of sectors for the classification of domestic financial assets and liabilities are: general government, central bank, other depository corporations, financial corporations not elsewhere classified, nonfinancial corporations, and households and nonprofit institutions serving households. The types of sectors for the classification of foreign financial assets and liabilities are: general government, international organizations, financial corporations other than international organizations, and other nonresidents.

82 Net Acquisition of Financial Assets by Residence and Type of Counterparty

Comprise: *Lending minus repayments* [C.V] **plus** all financial assets classified as *financing* in GFSM 1986 Table D.²⁰

Note(s): This aggregate is equal to the net acquisition of financial assets by type of instrument [32]. Because changes in cash, deposits, and securities held for liquidity purposes are financial assets and are shown with borrowing transactions (liabilities), the signs of these transactions are reversed in the GFSM 1986 (increases are shown with a negative sign, and decreases are shown with a positive sign). This is not done in the GFSM 2014, where transactions in financial assets are shown separately from liabilities. Thus, when reclassifying domestic and foreign changes in cash, deposits, and securities held by the various sectors to the GFSM 2014 category *net acquisition of financial assets* [82] (or its subcategories), **the signs of these GFSM 1986 categories have to be reversed to show increases with a positive sign and decreases with a negative sign.**

No monetary functions performed by government is included in the GFSM 1986 system. Thus, details on monetary gold and SDRs do not exist.

The GFSM 2014 aggregates [82] and [32] are identical.

²⁰ See *A Manual on Government Finance Statistics*, 1986, Table D, page 198, for a classification of financing by type of debt holder. In Table D, changes in cash, deposits, and securities held for liquidity purposes (domestic and abroad) are classified separately by type of holder.

The details of the net acquisition of financial assets by residence and sector of the counterparty are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
821 Domestic debtors	Domestic lending minus repayments [C8.] plus all domestic financial assets classified as financing in GFSM 1986 Table D Note(s): The sum of all financial assets classified by type of debt holder in Table D is equal to the <i>change in cash, deposits, and securities held for liquidity purposes: domestic</i> [E6.].
8211 General government	Lending minus repayments to other levels of national government [C8.1] plus changes in holdings of securities of other parts of the same level of government for liquidity purposes [D1.1.2] plus change in holdings of other levels of government's securities for liquidity purposes [D1.2.2]
8212 Central bank	Change in deposits [D2.2], change in currency holdings [D2.3] plus transfers to government of unrealized profits on revaluation of foreign exchange [D2.4] Note(s): Details are not available from the GFSM 1986 breakdown of <i>domestic lending minus repayments to financial institutions</i> [C8.3] for classification to the respective domestic categories <i>central bank</i> [8212], <i>other depository corporations</i> [8213], or <i>financial corporations not elsewhere classified</i> [8214]. Additional, country-specific information is needed to do so.
8213 Deposit-taking corporations except the central bank	Change in claims on deposit money banks for liquidity purposes [D3.2] Note(s): This GFSM 1986 category is a proxy because deposit money banks are not the only depository corporations. See also notes to <i>central bank</i> [8212].
8214 Other financial corporations	Change in claims on other financial institutions for liquidity purposes [D4.1.2] Note(s): This GFSM 1986 category is a proxy because it includes some depository corporations that should be classified to <i>other depository corporations</i> [8313]. See also notes to <i>central bank</i> [8212].
8215 Nonfinancial corporations	Lending minus repayments to nonfinancial public enterprises [C8.2] plus change in holdings of nonfinancial public enterprises' securities for liquidity purposes [D4.2.2] Note(s): These GFSM 1986 categories are a proxy because they exclude private nonfinancial corporations. See also notes to <i>households and nonprofit institutions serving households</i> [8216].
8216 Households and nonprofit institutions serving households	Other domestic lending minus repayments [C8.4] Note(s): This GFSM 1986 category is a proxy because it includes lending minus repayments to private non-financial corporations, which is classified to [8215] if additional, country-specific information is available.

GFSM 2014 category	Comprise GFSM 1986 category
822 External debtors	Lending minus repayments abroad [C9.] plus the financial assets change in cash, deposits, and securities held for liquidity purposes: abroad [D9.]
8221 General government	Lending minus repayments abroad to government and international organizations [C9.1] Note(s): This GFSM 2014 category is overstated because of the inclusion of lending minus repayments to international organizations. Separate details are not available to classify the GFSM 1986 category lending minus repayments abroad to <i>governments and international organizations</i> [C9.1] to the GFSM 2014 categories [8221] and [8227]. Additional, country-specific information is needed to do so.
8227 International organizations	Lending minus repayments to supranational authorities [C9.2] Note(s): This GFSM 2014 category is understated because of the inclusion of lending minus repayments to international organizations in [8221].
8228 Financial corporations other than international organizations	Other lending minus repayments abroad [C9.3] plus change in cash, deposits, and securities held for liquidity purposes abroad [D9.] Note(s): This GFSM 2014 category is overstated because of the inclusion of lending minus repayments abroad to other nonresidents [8229]. Separate details are not available to classify the GFSM 1986 category <i>other lending minus repayments abroad</i> [C9.3] to the GFSM 2014 categories [8228] and [8229]. Additional, country-specific information is needed to do so.
8229 Other nonresidents	Note(s): This GFSM 2014 category will show as "not available" when GFSM 1986 data are classified to the GFSM 2014 framework, because the GFSM 1986 category <i>other lending minus repayments</i> [C9.3], which includes financial assets held by other nonresidents, is classified to [8228].

83 Net Incurrence of Liabilities by Residence and Type of Counterparty

Comprise: All categories classified as net borrowing in GFSM 1986 Table D²¹ or, alternatively, total *financing minus* the financial assets *changes in cash, deposits, and securities held for liquidity purposes (domestic and abroad)*.

Note(s): No monetary functions performed by government is included in the GFSM 1986 system. Thus, details on monetary gold and SDRs do not exist.

The GFSM 2014 aggregates [83] and [33] are identical.

²¹ See *A Manual on Government Finance Statistics*, 1986, Table D, page 198, for a classification of financing by type of debt holder.

The details of the net incurrence of liabilities by residence and sector of the counterparty are classified as shown in the table below.

GFSM 2014 category	Comprise GFSM 1986 category
831 Domestic creditors	All categories classified as domestic net borrowing in GFSM 1986 Table D Note(s): The GFSM 2014 aggregates [831] and [331] are identical.
8311 General government	Net borrowing from other parts of the same level of government [D1.1.1] plus domestic net borrowing from other levels of government [D1.2.1]
8312 Central bank	Net borrowing from monetary authorities [D2.1]
8313 Deposit-taking corporations other than central bank	Net borrowing from deposit money banks [D3.1] Note(s): This GFSM 1986 category is a proxy because deposit money banks are not the only depository corporations.
8314 Other financial corporations	Net borrowing from other financial institutions [D4.1.1] Note(s): This GFSM 1986 category is a proxy because it includes some depository corporations that should be classified to <i>other depository corporations</i> [8313].
8315 Nonfinancial corporations	Net borrowing from nonfinancial public enterprises [D4.2.1] plus domestic financing from nonfinancial private enterprises [D4.3.1] Note(s): The GFSM 1986 category <i>domestic financing from nonfinancial private enterprises</i> [D4.3.1] is a proxy as it may include some financial assets as well.
8316 Households and nonprofit institutions serving households	Domestic financing from households [D4.3.2] and other domestic financing not elsewhere classified [D4.4] Note(s): The GFSM 1986 categories <i>domestic financing from households</i> [D4.3.2] and <i>other domestic financing not elsewhere classified</i> [4.4] are a proxy , as they may include some financial assets as well.
832 External creditors	Borrowing from international development institutions [D6.] plus borrowing from foreign governments [D7.] plus other borrowing abroad [D8.] Note(s): The GFSM 2014 aggregates [832] and [332] are identical.
8321 General government	Financing from foreign governments [D7.]
8327 International organizations	Financing from international development institutions [D6.]
8328 Financial corporations other than international organizations	Other borrowing abroad [D8.] Note(s): This GFSM 1986 is a proxy because it includes borrowing from other nonresidents. Additional, country-specific information is needed to distinguish between borrowing from financial corporations other than international institutions and from other nonresidents.
8329 Other nonresidents	Note(s): This GFSM 2014 category will show as "not available" when GFSM 1986 data are classified to the GFSM 2014 framework, because the GFSM 1986 category <i>other borrowing abroad</i> [D8.], which includes borrowing from other nonresidents, is classified to [8328].

G. Classification of Outlays by Function of Government (COFOG)²²

The Classification of Functions of Government (COFOG) is a detailed classification of the functions, or socioeconomic objectives, that general government units aim to achieve through various kinds of outlays. It is one of a family of four classifications referred to as classifications of expenditure according to purpose.

COFOG can be applied to government expense and the **net** investment in nonfinancial assets (i.e., acquisitions minus disposals minus consumption of fixed capital or, in a cash-based system, acquisitions minus disposals). In total, expense plus the net investment in nonfinancial assets are referred to as government **outlays**.

Although there are many similarities between the classifications of the GFSM 2014/COFOG and those published in the GFSM 1986, there are also significant differences.²³ The main differences can be summarized as follows:

- The GFSM 2014 does not have a category *expenditure not classified by major group* [B14.]. The items classified in the GFSM 1986 as expenditure not classified by major group are classified as *general public services* [701] in the GFSM 2014.
- The GFSM 2014 includes a new category *environmental protection* [705]. The GFSM 1986 does not classify these types of expenditures separately, but some environmental type expenditures are included in *housing and community amenity affairs and services* [B7.].
- The GFSM 2014 classifies outlays on research and development (R&D) as a separate group (subcategory) within each division (main category). In most GFSM 1986/COFOG divisions, expenditures on research and development are not identified separately.

7 Total outlays

Comprise: Total expenditure [B.I] (= [C.II])

Note(s): This GFSM 1986 category is a **proxy** for total outlays because no detail exist in GFSM 1986 to classify the sales of fixed assets, stocks, and land and intangible assets ([A13.], [A14.], and [A15.]) to the GFSM 2014/COFOG categories.

When GFSM 1986 expenditure data are classified to the GFSM 2014 framework, further information will be needed to adjust for the following:

²² COFOG was produced by the Organisation for Economic Co-operation and Development and was published together with the other three classifications in United Nations, *Classifications of Expenditure According to Purpose* (New York, 2000). For details of the COFOG categories, see *Government Finance Statistics Manual 2014*, Annex to Chapter 6.

²³ For the detailed COFOG in the *GFSM 1986*, see Table B, page 147-148.

- In the GFSM 2014, the **operations of market establishments** are recorded on a **gross basis**. That is, their gross receipts for operating activities are classified to the appropriate revenue categories, and their gross payments are classified to the appropriate expense categories. In the GFSM 1986, operations of market establishments are recorded on a net basis. Only cash operating surpluses or deficits of departmental enterprises are included as revenue (entrepreneurial and property income) or expenditure (current transfers). Because of this, the use of unadjusted GFSM 1986 data will understate both cash receipts from, and cash payments for, government operating activities.
- In the GFSM 2014, **social contributions by government as employer** are “rerouted” so that the government is seen paying its employees, who then make payments of the same amount to the social insurance scheme. As a result, such contributions are not eliminated in consolidation. In the GFSM 1986, social contributions by government as employer are eliminated in consolidation of government data, because these transactions are considered to be between the contributing level of government and the social security fund.

When classifying historical GFSM 1986 consolidated data to the GFSM 2014 framework, data on these social contributions by government as employer would not be available because they have been eliminated in consolidation. Additional, country-specific information would be needed to add social contributions by government as employer. In doing so, both cash receipts from, and payments for, government operating activities will be higher than GFSM 1986 revenue and expenditure data that have the same institutional coverage.

The details of total outlays are classified as shown in the table below.²⁴

GFSM 2014 category	Comprise GFSM 1986 category
701 General public services	General public services [B1.] plus expenditure not classified by major group [B14.]
702 Defense	Defense affairs and services [B2.]
703 Public order and safety	Public order and safety affairs [B3.]
704 Economic affairs	Economic affairs [B9 through B13.]
7041 General economic, commercial, and labor affairs	General economic and commercial affairs other than general labor affairs [B13.4] plus general labor affairs and services [B13.5]
7042 Agriculture, forestry, fishing, and hunting	Agriculture, forestry, fishing, and hunting affairs and services [B10.]

²⁴ Only the main divisions of the GFSM 2014/COFOG are shown here, except for *Economic Affairs*, *Health*, and *Education*. In these three divisions, it is useful to show the classifications to their main groups as well.

GFSM 2014 category	Comprise GFSM 1986 category
7043 Fuel and energy	Fuel and energy affairs and services [B9.]
7044 Mining, manufacturing, and construction	Mining and mineral resource affairs and services, other than fuels; manufacturing affairs and services; and construction affairs and services [B11.]
7045 Transport	Transport and communication affairs and services [B12.] Note(s): Details are not available in GFSM 1986 to make a proper classification to the GFSM 2014 categories <i>transport</i> [7045] and <i>communication</i> [7046]. Additional, country-specific information is needed to do so. In the absence of such information, as a rule of thumb , transport and communication affairs and services [B12.] is classified to transport [7045].
7046 Communication	Note(s): See notes to <i>transport</i> [7045] above.
7047 Other industries	Distributive trade affairs and services including storage and warehousing; hotel and restaurant affairs and services [B13.1] plus tourism affairs and services [B13.2] plus multipurpose development projects affairs and services [B13.3]
7048 R&D: Economic affairs	Note(s): Cannot be compiled from GFSM 1986 due to lack of detail. Additional, country-specific information is needed.
7049 Economic affairs n.e.c.	Other economic affairs and services n.e.c. [B13.6]
705 Environmental protection	Note(s): The GFSM 1986 did not classify environmental protection separately. However, the subcategory <i>sanitary affairs and services including pollution abatement and control</i> [B7.3] (if available) is classified as a proxy for <i>environmental protection</i> [705]. If [B7.3] is not available, no GFSM 1986 categories are classified to <i>environmental protection</i> [705].
706 Housing and community affairs	Housing and community amenity affairs and services [B7.] Note(s): If separately available, the subcategory <i>sanitary affairs and services including pollution abatement and control</i> [B7.3] should be excluded and classified to <i>environmental protection</i> [705].
707 Health	Health affairs and services [B5.]
7071 Medical products, appliances, and equipment	Medicaments, prostheses, medical equipment and appliances, or other prescribed health-related products [B5.4]
7072 Outpatient services	Clinics, and medical, dental, and paramedical practitioners [B5.2]
7073 Hospital services	Hospital affairs and services [B5.1]
7074 Public health services	Public health affairs and services [B5.3]
7075 R&D: Health	Applied research and experimental development related to the health and medical delivery system [B5.5]
7076 Health n.e.c.	Health affairs and services n.e.c. [B5.6]
708 Recreation, culture, and religion	Recreational, cultural, and religious affairs and services [B8.]
709 Education	Education affairs and services [B4.]
7091 Pre-primary and primary education	Pre-primary and primary education affairs and services [B4.1]
7092 Secondary education	Secondary education affairs and services [B4.2] Note(s): Includes postsecondary nontertiary education.

GFSM 2014 category	Comprise GFSM 1986 category
7093 Postsecondary nontertiary education	Note(s): Cannot be compiled from GFSM 1986 due to lack of detail. Additional, country-specific information is needed.
7094 Tertiary education	Tertiary education affairs and services [B4.3]
7095 Education not definable by level	Education services not definable by level [B4.4]
7096 Subsidiary services to education	Subsidiary services to education [B4.5]
7097 R&D: Education	Note(s): Cannot be compiled from GFSM 1986 due to lack of detail. Additional, country-specific information is needed.
7098 Education n.e.c.	Education affairs and services n.e.c. [B4.6]
710 Social protection	Social security and welfare affairs and services [B6.]

H. The Balance Sheet

The GFSM 2014 balance sheet shows the **current market values** of government's total assets and liabilities at a specific time. Stock positions of assets and liabilities are classified by residence and type of nonfinancial asset and instrument, and the classification is identical to that of transactions in assets and liabilities discussed in Sections D and E above. Stock positions of financial assets and liabilities are also classified by residence and sector of the counterparty and the classification is identical to that of transactions in financial assets and liabilities discussed in Section F above.

61, 62 Nonfinancial and Financial Assets

No stocks of nonfinancial and financial assets are recorded in the GFSM 1986.

63 Liabilities

Comprise: *Total debt* [F.I or G.I] in GFSM 1986 Tables F or G.²⁵

Note(s): When classifying the GFSM 1986 stock of outstanding debt by instrument to the GFSM 2014 balance sheet, further information will be needed to adjust for the following:

- Debt is valued at **face value**, not current market value (or nominal value).
- The changes in the stock of debt will not be fully explained by the flows recorded in as the net incurrence of liabilities because the GFSM 1986

²⁵ See *A Manual on Government Finance Statistics*, 1986, Table G, page 227–228 and page 221 for the classifications outstanding debt by type of debt instrument and outstanding debt by type of debt holder, respectively.

does not provide for the recording of noncash transactions (such as debt assumption) nor for other economic flows (such as revaluations).

The classification of the GFSM 1986 stock of outstanding debt by type of instrument (GFSM 1986, Table G) to the GFSM 2014 balance sheet is not explained in detail here, since it is exactly the same as the classification of net borrowing by type of instrument described in Section E above (except that the codes start with 6). Similarly, the classification of outstanding debt by type of debt holder (GFSM 1986, Table F) is not explained in detailed here, since it is exactly the same as the classification of net borrowing by type of debt holder in Section F above (except that the codes start with 68).

Domestic and external debt are classified as follows to the GFSM 2014 balance sheet:

GFSM 2014 category	Comprise GFSM 1986 category
631 Domestic	Domestic debt [G.II]
632 External	Foreign debt [G.III]

III. SUMMARY STATEMENTS

A. Statement of Government Operations and Statement of Source and Uses of Cash

In the GFSM 2014, government's transactions are summarized in two separate statements: the Statement of Government Operations summarizes transactions on an accrual basis and the Statement of Sources and Uses of Cash summarizes cash flows.

In the GFSM 2014, where government transactions are recorded on an accrual basis, the **Statement of Government Operations** (see Box 1 on page 35) summarizes *all* the general government sector's transactions (i.e., not only cash flows) in a given accounting period. Transactions are classified in this statement to demonstrate the effect of fiscal policy on government's net worth, on its demand for credit, and on its holdings of assets and liabilities. In addition to summarizing the transactions affecting government's net worth (revenue and expense), the Statement of Government Operations shows transactions in nonfinancial assets, financial assets, and liabilities. Two, principal analytic balances are derived in the Statement of Government Operations: Revenue minus expense equals the *net operating balance*. The subsequent deduction of transactions in nonfinancial assets results in government's *net lending/net borrowing*, which is also equal to the net result of government's transactions in financial assets and liabilities.

The **Statement of Sources and Uses of Cash** (see Box 2 on page 35) summarizes government's cash inflows and outflows in a given accounting period. When government operations are recorded on an accrual basis (or any basis of recording other than pure cash), information on government's cash flows is still important for assessing the liquidity of the general government sector. The Statement of Sources and Uses of Cash shows the total amount of cash generated, or absorbed, by government's (i) current operations, (ii) transactions in nonfinancial assets, and (iii) financing activities other than cash itself. The *net change in the stock of cash* of government is the sum of the net cash received from these three sources. The following balancing items are also derived in the Statement of Sources and Uses of Cash: cash receipts from minus cash payments for operating activities equals the *net cash inflow from operating activities*. The subsequent subtraction of the net cash flow from investments in nonfinancial assets (purchases minus sales of nonfinancial assets) results in the *cash surplus/deficit*.

GFSM 1986 data—which are, by definition, on cash basis—classified to the detailed GFSM 2014 tables (Section II of this paper) **are only summarized in the Statement of Sources and Uses of Cash** (and not in the Statement of Government Operations). However, if any of the transactions classified in the detailed GFSM 2014 tables are recorded on a basis other than cash, *all* the transactions in the detailed tables are summarized in the Statement of Government Operations. In this case, the cash flows related to the transactions recorded in the detailed GFSM 2014 tables are summarized in the Statement of Sources and Uses of Cash.²⁶

Basis of recording	Detailed GFSM 2014 classification tables	Statement of Government Operations	Statement of Sources and Uses of Cash
Accrual basis	All transactions, on an accrual basis	Summary of all transactions recorded in detailed classification tables	Summary of cash flows related to transactions recorded in detailed classification tables and in Statement of Government Operations
Cash basis	All transactions, on a cash basis	—	Summary of cash flows recorded in detailed classification tables
Mixture of cash and accrual basis (e.g., all data on a cash basis and interest on an accrual basis)	All transactions: Some are on a cash basis, and some on an accrual basis (e.g., interest)	Summary of all transactions recorded in detailed classification tables (some on a cash basis and some on an accrual basis, e.g., interest)	Summary of cash flows related to transactions recorded in detailed classification tables and in Statement of Government Operations (in the example, interest is on a cash basis in this statement)

²⁶ The IMF's annual GFS database follows a different convention: all transactions—regardless of the basis of recording—are summarized in the Statement of Government Operations. Only if both accrual and cash data available, the database also includes a Statement of Sources and Uses of Cash.

BOX 1	
STATEMENT OF GOVERNMENT OPERATIONS	
Transactions affecting net worth:	
1	Revenue
11	Taxes
12	Social contributions [GFS]
13	Grants
14	Other revenue
2	Expense
21	Compensation of employees [GFS]
22	Use of goods and services
23	Consumption of fixed capital [GFS]
24	Interest [GFS]
25	Subsidies
26	Grants
27	Social benefits [GFS]
28	Other expense
<i>NOB/GOB Net/gross operating balance</i>	
Transactions in nonfinancial assets:	
31	Net/gross investment in nonfinancial assets
311	Fixed assets
312	Change in inventories
313	Valuables
314	Nonproduced assets
2M	Expenditure
<i>NLB Net lending(+)/net borrowing(-)</i>	
Transactions in financial assets and liabilities (financing):	
32	Net acquisition of financial assets
321	Domestic
322	External
33	Net incurrence of liabilities
331	Domestic
332	External

BOX 2	
STATEMENT OF SOURCES AND USES OF CASH	
Cash flows from operating activities:	
C1	Revenue cash flows
C11	Taxes
C12	Social contributions
C13	Grants
C14	Other receipts
C2	Expense cash flows
C21	Compensation of employees
C22	Purchases of goods and services
C24	Interest
C25	Subsidies
C26	Grants
C27	Social benefits
C28	Other payments
<i>CIO</i>	Net cash inflow from operating activities
Cash flows from investments in nonfinancial assets:	
C31	Net cash outflow from investment in nonfinancial assets
C311	Fixed assets
C312	Inventories
C313	Valuables
C314	Nonproduced assets
C2M	Cash expenditure
<i>CSD</i>	Cash surplus/cash deficit
Cash flows from transactions in financial assets and liabilities (financing):	
C32x	Net acquisition of financial assets other than cash
C321x	Domestic
C322x	External
33	Net incurrence of liabilities
331	Domestic
332	External
<i>NFB</i>	Net cash inflow from financing activities
<i>NCB</i>	Net change in the stock of cash