# Table of contents

Foreword ......................................................... vii

Preface ......................................................... viii

1 Introduction ............................................... 1
   A. Purpose of the Manual ...................................... 1
   B. Uses of the GFS System ..................................... 2
   C. Structure and Features of the GFS System .................. 2
   D. Methodological Changes from the 1986 GFS System ........... 3
   E. Implementation of the Revised GFS System .................. 5
   F. Structure of the Manual ..................................... 5

2 Coverage of the GFS System ............................... 6
   A. Introduction ............................................... 6
   B. Sectors and Institutional Units .............................. 7
   C. The General Government Sector and its Subsectors .......... 10
   D. The Public Sector .......................................... 14
   E. Sectors Other than the General Government and Public Sectors ......................................................................................... 15
   F. Residency ..................................................... 16

   Figure 2.1: The General Government Sector and Its Subsectors ......................................................................................... 13
   Figure 2.2: The Public Sector ..................................... 15

Annex to Chapter 2: Social Protection ..................... 18
   A. Introduction ............................................... 18
   B. The Nature of Social Benefits .................................. 18
   C. Classification of Social Protection Schemes .................. 19
   D. The Units Involved in Social Protection Schemes ............. 20

3 Flows, Stocks, and Accounting Rules .................... 23
   A. Introduction ............................................... 23
   B. Types of Flows .............................................. 23
   C. Accounting Rules ........................................... 27

4 The Analytic Framework ..................................... 35
   A. Introduction ............................................... 35
   B. Analytic Objectives ......................................... 35
   C. Construction of the Framework: Relation to the Previous GFS System ......................................................................................... 36
   D. Components and Concepts of the Analytic Framework ....... 36
   E. The Statement of Government Operations .................. 38
   F. Government Cash Operations ................................ 42
   G. The Statement of Other Economic Flows .................... 43
   H. The Balance Sheet .......................................... 44
   I. Additional Summary Measures for Fiscal Policy ............. 44
5 Revenue .......................................................... 47
   A. Revenue and its Components ........................................ 47
   B. Classification and Recording of Revenue ............................ 48

Table 5.1: Classification of Revenue ..................................... 49

6 Expense ............................................................. 62
   A. Classifications of Expense ............................................. 62
   B. The Economic Classification of Expense ........................... 63
   C. The Functional Classification of Expense ......................... 75
   D. Cross-Classification of Expense ..................................... 78

Table 6.1: Economic Classification of Expense .......................... 63
Table 6.2: Classification of Expense by Function of Government .... 76
Table 6.3: Cross-Classification of Functional and Economic Classifications of Expense .... 78

Annex to Chapter 6: Classification of the Functions of Government .... 79

7 The Balance Sheet .................................................... 111
   A. Introduction ........................................................... 111
   B. Definitions of Assets and Liabilities ................................ 111
   C. Valuation of Assets and Liabilities .................................. 114
   D. Classification of Assets and Liabilities ............................... 115
   E. Net Worth .............................................................. 129
   F. Memorandum Items .................................................... 129
   G. Supplemental Cross-Classification of Financial Claims by Sector of the Other Party to the Instrument ... 130

Table 7.1: The Balance Sheet .............................................. 112
Table 7.2: Classification of Nonfinancial Assets ....................... 115
Table 7.3: Classification of Financial Assets and Liabilities .......... 121
Table 7.4: Cross-Classification of Financial Claims and Sectors ......... 131

8 Transactions in Nonfinancial Assets .................................. 132
   A. Introduction ........................................................... 132
   B. Valuation .............................................................. 133
   C. Time of Recording .................................................... 133
   D. Consumption of Fixed Capital ....................................... 134
   E. Netting of Flows ....................................................... 135
   F. Classification of Transactions in Nonfinancial Assets .......... 135

Table 8.1: Classification of Transactions in Nonfinancial Assets .......... 136

9 Transactions in Financial Assets and Liabilities ..................... 140
   A. Introduction ........................................................... 140
   B. Valuation .............................................................. 141
   C. Time of recording ..................................................... 141
   D. Netting and Consolidation of Flows ................................ 142
Appendix 3 Government Finance Statistics and the System of National Accounts ........................................... 164
A. Introduction .................................................................. 164
B. Coverage and Accounting Rules ........................................ 164
C. Comparison of the Structures of the GFS and SNA Systems .......................................................... 164
D. Use of GFS Data to Compile the SNA ................................. 165

Table A3.1: Sequence of SNA Transaction Accounts ................................................................. 165
Table A3.2: Correspondence of GFS and SNA Transaction Categories ............................................... 172

Appendix 2 Government Debt Operations ................................................. 160
A. Introduction .................................................................. 160
B. Interest, Principal, and Arrears ............................................. 160
C. Debt Assumption ............................................................... 160
D. Debt Payments on Behalf of Other Units ............................... 161
E. Debt Forgiveness ............................................................... 161
F. Debt Restructuring and Rescheduling .................................... 161
G. Debt Write-offs and Write-downs ........................................ 162
H. Debt-for-Equity Swaps ....................................................... 162
I. Financial and Operating Leases ............................................. 162
J. Defeasance ..................................................................... 163

Appendix 1 Changes from the 1986 A Manual on Government Finance Statistics ........................................ 156
A. Introduction .................................................................. 156
B. Coverage of Units ............................................................ 156
C. Time of Recording Economic Events ................................. 156
D. Coverage of Events ........................................................... 157
E. Valuation ....................................................................... 157
F. Gross and Net Recording of Flows ....................................... 157
G. Integration of Flows and Stocks .......................................... 157
H. Definitions and Classifications ........................................... 157
I. Balancing Items ................................................................. 158
J. Harmonization with Other Statistical Systems ....................... 159

10 Other Economic Flows .......................................................... 148
A. Introduction .................................................................. 148
B. Holding Gains ................................................................. 148
C. Other Changes in the Volume of Assets ............................... 152

Table 10.1: Classification of Other Economic Flows ................................................................. 149

Table 9.2: Net Acquisition of Financial Assets and Net Incurrence of Liabilities Classified by Sector of the Counterparty to the Financial Instrument and Residence ........................................ 147

Table 9.1: Net Acquisition of Financial Assets and Net Incurrence of Liabilities Classified by Financial Instrument and Residence ................................................................. 143

G. Classification of Transactions in Financial Assets and Liabilities by Sector and Residence .......................... 147
F. Classification of Transactions in Financial Assets and Liabilities by Type of Financial Instrument ................................................................. 147
E. Arrears ........................................................................... 142
D. Debt Payments on Behalf of Other Units ............................... 161
C. Debt Assumption ............................................................... 160
B. Interest, Principal, and Arrears ............................................. 160
A. Introduction .................................................................. 160

H. Definitions and Classifications ........................................... 157
G. Integration of Flows and Stocks .......................................... 157
F. Gross and Net Recording of Flows ....................................... 157
E. Valuation ....................................................................... 157
D. Coverage of Events ........................................................... 157
C. Time of Recording Economic Events ................................. 156
B. Coverage of Units ............................................................ 156
A. Introduction .................................................................. 156

Appendix 1 Changes from the 1986 A Manual on Government Finance Statistics ........................................ 156
A. Introduction .................................................................. 156
B. Coverage of Units ............................................................ 156
C. Time of Recording Economic Events ................................. 156
D. Coverage of Events ........................................................... 157
E. Valuation ....................................................................... 157
F. Gross and Net Recording of Flows ....................................... 157
G. Integration of Flows and Stocks .......................................... 157
H. Definitions and Classifications ........................................... 157
I. Balancing Items ................................................................. 158
J. Harmonization with Other Statistical Systems ....................... 159

10 Other Economic Flows .......................................................... 148
A. Introduction .................................................................. 148
B. Holding Gains ................................................................. 148
C. Other Changes in the Volume of Assets ............................... 152

Table 10.1: Classification of Other Economic Flows ................................................................. 149

Table 9.2: Net Acquisition of Financial Assets and Net Incurrence of Liabilities Classified by Sector of the Counterparty to the Financial Instrument and Residence ........................................ 147

Table 9.1: Net Acquisition of Financial Assets and Net Incurrence of Liabilities Classified by Financial Instrument and Residence ................................................................. 143

G. Classification of Transactions in Financial Assets and Liabilities by Sector and Residence .......................... 147
F. Classification of Transactions in Financial Assets and Liabilities by Type of Financial Instrument ................................................................. 147
E. Arrears ........................................................................... 142
D. Debt Payments on Behalf of Other Units ............................... 161
C. Debt Assumption ............................................................... 160
B. Interest, Principal, and Arrears ............................................. 160
A. Introduction .................................................................. 160

H. Definitions and Classifications ........................................... 157
G. Integration of Flows and Stocks .......................................... 157
F. Gross and Net Recording of Flows ....................................... 157
E. Valuation ....................................................................... 157
D. Coverage of Events ........................................................... 157
C. Time of Recording Economic Events ................................. 156
B. Coverage of Units ............................................................ 156
A. Introduction .................................................................. 156

Appendix 2 Government Debt Operations ................................................. 160
A. Introduction .................................................................. 160
B. Interest, Principal, and Arrears ............................................. 160
C. Debt Assumption ............................................................... 160
D. Debt Payments on Behalf of Other Units ............................... 161
E. Debt Forgiveness ............................................................... 161
F. Debt Restructuring and Rescheduling .................................... 161
G. Debt Write-offs and Write-downs ........................................ 162
H. Debt-for-Equity Swaps ....................................................... 162
I. Financial and Operating Leases ............................................. 162
J. Defeasance ..................................................................... 163

Appendix 3 Government Finance Statistics and the System of National Accounts ........................................... 164
A. Introduction .................................................................. 164
B. Coverage and Accounting Rules ........................................ 164
C. Comparison of the Structures of the GFS and SNA Systems .......................................................... 164
D. Use of GFS Data to Compile the SNA ................................. 165

Table A3.1: Sequence of SNA Transaction Accounts ................................................................. 165
Table A3.2: Correspondence of GFS and SNA Transaction Categories ............................................... 172
Appendix 4 Classifications .......................................................... 176

Figure A4.1: The Classification Coding System for GFS .................................. 177
A. Classification of Revenue ............................................................. 178
B. Economic Classification of Expense ............................................. 179
C. Classifications of Flows and Stocks in Assets and Liabilities ............. 180
D. Classification of Outlays by Functions of Government ....................... 182
E. Classification of Transactions in Financial Assets and Liabilities by Sector .................................................. 184

Index .................................................................................................. 185
Foreword

Recent experiences, especially those during financial crises, have shown the importance of detecting sources of vulnerability early and taking timely corrective measures. One focus of the IMF’s work in this area is on increasing the availability of key data. The IMF undertakes a range of activities for this purpose, including the IMF Statistics Department’s work to prepare manuals describing methodologies that should be used to compile economic and financial statistics. In this regard, I am pleased to introduce the second edition of the Government Finance Statistics Manual. This manual takes its place alongside the other manuals prepared by the Statistics Department, including the Balance of Payments Manual, the Monetary and Financial Statistics Manual, and the Quarterly National Accounts Manual. Like the other manuals, this manual is harmonized with the System of National Accounts 1993.

This Manual represents a major step forward in the standards for compilation and presentation of fiscal statistics and thus takes its place as part of the worldwide effort to improve government accounting and transparency in operations. Government finance statistics are a key to fiscal analysis, and they play a vital role both in developing and monitoring sound financial programs and in conducting surveillance of economic policies. Of particular note is that the Manual introduces accrual accounting, balance sheets, and complete coverage of government economic and financial activities. Although only a few countries are currently capable of meeting the standards promulgated in this Manual, the number is increasing steadily and I hope that the trend continues. I commend the Manual to compilers and users as an important instrument in their work and urge member countries to adopt the guidelines of the Manual as the basis for compiling government finance statistics and for reporting this information to the Fund.

This Manual has been prepared by the Statistics Department in close consultation with experts in government financial statistics in member countries and international organizations. I would like to thank all of the experts involved for their invaluable assistance and for their collaborative and cooperative spirit.

Horst Köhler
Managing Director
International Monetary Fund
Preface

The *Government Finance Statistics Manual* is the latest in a series of international guidelines on statistical methodology that have been issued by the International Monetary Fund. The *Manual*, which updates the first edition published in 1986, is a major advance in the standards for compilation and presentation of fiscal statistics and part of a worldwide trend toward greater accountability and transparency in government finances, operations, and oversight. The *Manual* was produced by the IMF’s Statistics Department in fulfillment of its mission to provide strong leadership for the development and application of sound statistical practices.

The *Manual* is designed for compilers of government finance statistics, fiscal analysts, and other users of fiscal data. It may also be useful to compilers and users of other macroeconomic statistics in understanding the relations between the various sets of statistics, in particular to compilers of the national accounts who may depend on government finance statistics as an input to their work. It is focused, however, on definitions, classifications, and guidelines for presenting government finance statistics. As such, it does not describe the methods to be used to compile the statistics. Practical guidance based on the *Manual* will be provided in a compilation guide and through technical assistance and training work with member countries. In addition to this English language version, the *Manual* will be published in Arabic, Chinese, French, Russian, and Spanish.

Fiscal analysis is rapidly evolving in response to the growing complexity of formulating and evaluating government fiscal policies. To meet these new requirements, the *Manual* introduces the accrual basis of recording economic events so that all resource flows are included, integrates balance sheets with transactions and other flows, and defines multiple balancing items so that a balancing item appropriate to a specific analytical need can be selected. Moreover, the concepts and principles set out in the *Manual* are harmonized with those of the *System of National Accounts 1993 (1993 SNA)* so that government finance statistics can be utilized jointly with other macroeconomic statistics.

The *Manual* is an ambitious step forward in statistical methodology. It is recognized that the implementation of the fully integrated system presented in this manual will take some time and will need to progress at a pace determined by the differing needs and circumstances of the country involved. In particular, many countries will need to revise their underlying accounting systems to reflect the accrual basis of recording and revised classifications.

The preparation of the *Manual* has been a long and complex endeavor involving a number of people with different skills who were able to build on each other’s work over an extended period. The primary author of the *Manual* was Mr. John Pitzer, a consultant. The project was begun under the supervision of Mr. Thomas McLoughlin and completed under the guidance of Mr. Paul Cotterell, successive chiefs of the Government Finance Division in the IMF’s Statistics Department. The drafting involved close consultation with experts in the IMF, member countries, and international organizations. Mr. Sean Culhane of the IMF’s External Relations Department managed the production process of the final publication.

The publication of the *1993 SNA* and growing recognition of deficiencies in the methodology of the 1986 manual provided the impetus for this revision. In March 1995, an issues note and questionnaire was sent to compilers in member countries to gather views on a number of methodological issues and ascertain the availability of source data. In October 1995, an internal paper was prepared by Mr. McLoughlin that gave shape to the new system. In July 1996, an IMF working paper *The Case for Accrual Recording in the IMF’s Government Finance Statistics System*, by Mr. Don Efford, a consultant, was distributed. It was a key document in the debate over the shift from the cash basis of recording to the accrual basis. In August 1996, *Government Finance Statistics: Annotated Outline* was circulated for comment and the first draft of a manual was written by Mr. Efford throughout 1996 and 1997. Mr. Pitzer oversaw the finalization of the *Manual* through successive rounds of review and redrafting to take account of comments from experts in member countries and by IMF staff. A meeting of government finance statistics experts was convened in February 2001 to discuss the *Manual* and a final round of changes made to incorporate conclusions that were reached at the meeting.
Particular note should be made of the collaboration between the IMF’s Statistics and Fiscal Affairs Departments. Ms. Adrienne Cheasty took the lead in drafting Chapter 4, The Analytic Framework, and she and her colleagues provided valuable consultation and advice with respect to the entire manual.

The IMF staff wishes to acknowledge, with thanks, the contributions of the following experts who participated in the February 2001 meeting.

Australia  Ms. Betty Gruber
Australia  Mr. Don Efford
Australia  Mr. Brett Kaufmann
Canada  Mr. Terry Moore
Hungary  Ms. Gizella Csonka
India  Mr. Tarun Das
Portugal  Ms. Margarida Salvacao Claro
Russia  Mr. Irina Dubinina
South Africa  Mr. Louis Venter
Thailand  Ms. Chalalai Jiwasukapimat
United States  Mr. Timothy Dobbs
Uruguay  Ms. Isabel Rial
BCEAO  Mr. Bernard Konan
CIS  Mr. Youri Ivanov
ECB  Mr. Werner Bier
ECB  Mr. Manuel Coutinho Pereira
Eurostat  Mr. Denis Besnard
OECD  Mr. Christopher Heady
OECD  Mr. Paul McCarthy
UN  Mr. Viet Vu
World Bank  Ms. Barbro Hexeberg

Carol S. Carson  
Director  
Statistics Department  
International Monetary Fund