

**IMMEDIATE
ATTENTION**

SM/10/43

February 26, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Government Finance Statistics to Strengthen Fiscal Analysis**

Attached for consideration by the Executive Directors is a paper on government finance statistics to strengthen fiscal analysis.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Friday, March 5, 2010**. In the absence of such a request, the draft decision that appears on 14 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

It is intended that this paper will be published on the Fund's external website after March 5, 2010.

Questions may be referred to Ms. Dziobek, STA (ext. 34874) and Ms. Cheasty, FAD (ext. 38706).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

Government Finance Statistics to Strengthen Fiscal Analysis

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February 25, 2010

Executive Summary

This paper seeks Board approval of a phased migration strategy for implementing the *GFSM 2001* as the standard for Fund fiscal data. The financial crisis has underscored the need for better and more comparable fiscal data, including on government assets and liabilities.

In 2005, the Board endorsed the *Government Finance Statistics Manual 2001 (GFSM 2001)* and asked staff to propose a migration strategy for the Fund, based on lessons to be drawn from conducting pilot studies.

The pilot studies and other tests confirmed that some aspects of the *GFSM 2001* methodology (primarily relating to presentation) can be implemented by staff with relatively modest resource needs, while other aspects can proceed meaningfully only after member countries have made sufficient progress in their own fiscal reporting—including in detailed balance sheet breakdowns, and in strengthening underlying accounting systems. This confirms that a phased migration is necessary.

Thus, the envisaged migration involves:

- *Data presentation.* Inclusion in staff reports by May 2011 of key elements of the *GFSM 2001* presentation, together, if needed, with the presentation the authorities are more familiar with;
- *Assistance to countries in improving their fiscal data reporting.* Continuation of technical assistance into the medium-term to develop countries' capacity to produce comprehensive *GFSM 2001* data; in this period staff will encourage countries to move, both in their own fiscal reporting and in the reporting to the Fund, to *GFSM 2001*.

The final long-run goal would be the full implementation of *GFSM 2001*, including accrual reporting and the associated underlying systems.

Migration to the *GFSM 2001* presentation will be supported by STA and FAD.

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I. INTRODUCTION

1. **The Fund recognized the importance of a more rigorous and comprehensive framework for recording government finances over a decade ago.** This led to the preparation of the *Government Finance Statistics Manual 2001 (GFSM 2001)*. The *GFSM 2001* was adopted by the international statistical community as an international standard in 2001; and in 2005, the Executive Board considered that “*GFSM 2001* provides a comprehensive analytical framework that will strengthen fiscal policy analysis and reporting in Fund surveillance and program work, through its summary fiscal tables—the operations statement (on a cash and/or accrual basis) and the balance sheet—and the core indicators derived from these tables.” Directors also noted that use of the *GFSM 2001* framework will lead to greater transparency and consistency in the presentation of country fiscal data in staff reports. They recognized the *GFSM 2001* as an appropriate framework for handling new and complex fiscal operations that pose challenges to fiscal reporting and analysis, and noted its usefulness for assessing sustainability.¹

2. **The *GFSM 2001* also addresses many of the fiscal data concerns arising from the financial crisis.**² While the crisis originated from the private sector, it is having major implications for fiscal accounts throughout the world—thus highlighting the importance of reliable and comprehensive government sector data.³

- Efforts to track the fiscal stimulus, and in particular, to compare country contributions to it, put a spotlight on the importance of consistent, comparable, and comprehensive government finance statistics.
- The fiscal response to the crisis confirmed the need for information on government balance sheets as a fiscal policy tool. Most government support for the financial system was provided through balance sheet operations (lending, asset purchases, equity injections) or operations that could have implications for the government balance sheet (guarantees and other contingent support, use of special purpose vehicles), rather than by direct government spending. This means that, in many cases, the traditional government operations table—which shows only flows of revenue and expenditure, and how these are financed—is an incomplete depiction of the fiscal response to the crisis, even when complemented

¹ *Using the GFSM 2001 Statistical Framework to Strengthen Fiscal Analysis in the Fund* (SM/05/385) and Public Information Notice (PIN) No. 05/167.

² The treatment of contingent claims remains an on-going work agenda.

³ This paper is supportive of the implementation of recommendation 17 from the October 2009 report to the G-20 Finance Ministers and Central Bank Governors on Financial Crisis and Information Gaps that calls for the IMF to promote timely and cross-country standardized government finance data based on the *GFSM 2001*.

by data on gross debt stocks. The adoption of *GFSM 2001* will also support MCM's sovereign risk assessment.⁴

3. **However, in 2005, Directors also cautioned that national authorities will require time to fully implement the *GFSM 2001*.** They recognized the likely need for a phased introduction. Directors considered that changes in *presentation* would be easiest to implement across the Fund's membership, while improvements in the quality of data reporting would take more intensive technical assistance, and the strengthening of underlying fiscal accounting systems would take longest.

4. **Directors asked staff to conduct pilot studies and to report back with a proposal for a migration path to fully implement the *GFSM 2001* methodology.** The pilot studies were considered necessary to test the system, including assessing the resource implications of the required reforms, to arrive at a determination of how best to adopt this format for the Fund's published fiscal data. This paper describes the findings of the pilot studies and other progress in the worldwide adoption of the *GFSM 2001*, and proposes a migration strategy for Board endorsement.

II. WHAT IS THE *GFSM 2001* INTEGRATED FRAMEWORK?

5. **The figure below is a stylized depiction of the *GFSM 2001* framework.** It incorporates some important innovations compared with the previous Fund standard, *GFSM 1986*.

Figure 1. The Integrated *GFSM 2001* Framework

Opening Balance Sheet		Operations statement		Other Flows		Closing Balance Sheet	
		Revenue					
		Expense					
Net worth (NW)	+	Operating balance (effect of T on NW)	+	Change in NW from other flows	=	Net worth (NW)	
Nonfinancial assets (NFAs)	+	Net transactions in NFAs	+	Other flows in NFAs	=	Nonfinancial assets	
Net financial worth (NFW)	+	Net lending/ borrowing	+	Change in NFW from other flows	=	Net financial worth (NFW)	
Financial assets (FAs)	+	Net transactions in FAs	+	Other flows in FAs	=	Financial assets	
Liabilities	+	Net transactions in liabilities	+	Other flows in liabilities	=	Liabilities	

⁴ Policy aspects of balance sheet management were discussed in the MCM-FAD Board paper *Crisis-Related Measures in the Financial System and Sovereign Balance Sheet Risks* (July 31, 2009).

- **Unlike *GFSM 1986*, which tracks the public finances only with a government operations (flow) table, *GFSM 2001* nests the government operations table between opening and closing balance sheets.** This means that the system tabulates how changes in the government's net worth position from year to year are explained partly by government operations and partly by "other flows" (notably valuation changes, debt write-offs, etc.) The benefits of doing so are: (1) explicit tracking and hence a better understanding of the impact of valuation changes, debt operations, etc., on the health of the public finances; and (2) a potential check on the consistency of flow and stock data.
 - **While the *GFSM 2001* operations statement remains close to the government operations table used in most staff reports, the statement reflects several differences in order to align it as closely as possible with other statistical systems and private sector accounting standards.**
 - *GFSM 2001* envisages government operations being measured on an accrual (or resource-accounting) basis—in the same way as the national accounts, balance of payments, and the operations of private firms. A shift to accrual accounting would systematize many of the ad hoc amendments made by Fund economists to the cash data that were the basis for *GFSM 1986* in order to capture a better picture of the economic impact of government operations (inclusion of in-kind transfers, recognition of interest due, addition of expenditure arrears, adjustments for complementary periods, etc.).⁵ The operations statement is complemented by a cash-flow statement, in recognition of its continued relevance in assessing government's operations.
 - The other differences are changes in classification and in some recommended breakdowns of aggregates. These are shown in Appendix I. The most relevant one is the focus, as a bottom line summary of the fiscal stance, on the "Net lending/borrowing," rather than on the "Overall Balance," —the former being obtained from the latter by moving below the line the government's lending operations.
6. **For ease of presentation, the *GFSM 2001* approach could be summarized through two tables, whose use was tested in the pilot studies.** The first one is the operations statement (or the cash-flow statement), and the second one is a balance sheet showing how the initial balance sheet position is linked to the final position through transactions and other changes.

⁵ Particularly for purposes of multilateral surveillance, there is reputational cost for the Fund in comparing data across countries with disparate coverage and definitions, as well as ad hoc adjustments.

Figure 2. Proposed Fiscal Presentation**Table 1:
Government
Operations Table**

Revenue
Less
Expense (≈ current expenditure)
<i>Equals</i>
Operating balance
Less
Net investment in non-financial assets
<i>Equals</i>
Net lending/borrowing
<i>(financed by)</i>
Transactions in financial assets
Less
Transactions in liabilities

Table 2: Government Integrated Balance Sheet

(Opens Year t)

(Opens Year t+1)

Opening net financial worth	Net lending/borrowing	Change in net financial worth from other economic flows	Closing net financial worth
	<i>(financed by)</i>		
Opening financial assets	Transactions in financial assets	Other economic flows in financial assets	Closing financial assets
Less	Less	Less	Less
Opening liabilities	Transactions in liabilities	Other economic flows in liabilities	Closing liabilities

III. THE PILOT STUDIES—AND RELATED EXPERIENCE

7. **Staff conducted seven pilot studies which have been provided to the Board.**⁶ In addition, there have been three unpublished pilot studies, three desk studies,⁷ and 18 conversions⁸ undertaken by FAD and area department teams—these last to assess whether non-specialist staff could also convert existing tables to the new framework. Box 1 shows an illustrative extract. The experience of European Union member countries in implementing the accrual-based *European System of Accounts (ESA95)* also provides important lessons—since, by design, the *GFSM 2001* is closely aligned with *ESA95*.⁹ The main conclusions that can be drawn from the pilots are the following:

- **Conversion of existing data into the *GFSM 2001* presentation is relatively easy, at least for the operations table and assuming some key data series are available.** Ideally, fiscal data in line with *GFSM 2001* would be compiled from

⁶ Australia (SM/06/313), Czech Republic (SM/07/54), Honduras, for selected public enterprises only (SM/07/55), Mali (SM/08/142, Supplement 1), Mongolia (SM/08/153), Seychelles (SM/07/74), United States (SM/07/254).

⁷ Malaysia, Mauritius, and Uruguay.

⁸ AFR: Burkina Faso, Ethiopia, Ghana, Zambia; APD: Bangladesh, China, Malaysia; EUR: Albania, Germany, Lithuania; MCD: Georgia, Jordan, Kyrgyz Republic, Morocco, Sudan; WHD: Canada, Haiti, Nicaragua.

⁹ The differences relate to unfunded pension schemes, reinvested earnings on foreign direct investment, level of detail, and consolidation of taxes and sales of goods and services; see European Central Bank, *Government Finance Statistics Guide* (December 2008) pages 108-109, available at <http://www.ecb.int/pub/pdf/other/governmentfinancestatisticsguide200812en.pdf>. The differences can be bridged and EU data would be considered equivalent to *GFSM 2001* for reporting to the Fund.

fully compatible government accounting systems—with accrual accounting and charts of accounts aligned with the *GFSM 2001* classification. However, as in those EU member states which still rely predominantly on cash accounting, the alternative is to make adjustments to national data (for instance, adding significant noncash items and adjusting for lags in payment)—so that the presentation is in line with *GFSM 2001* variables even if the underlying systems remain to be aligned. The pilots show that the type of bridge tables widely used in Europe to determine compliance with Maastricht criteria can also be used satisfactorily in other Fund member countries.

- **The *GFSM 2001* presentation can be produced for countries at various degrees of statistical sophistication.** The pilot studies included countries with purely cash data, accrual-based data, and a mixture of both. While the *GFSM 2001* standard for coverage is general government (as was the case for the *GFSM 1986*), the presentation was found to be easily applied also to narrower or broader definitions of government (e.g., budgetary central government or the non-financial public sector). Likewise, even in countries without official government balance sheets, it was almost always possible to construct broadbrush-but-nonetheless-informative aggregate financial balance sheets, based on monetary surveys and debt data. However, only a few advanced countries have comprehensively valued government non-financial assets, so the preparation of full balance sheets remains a long-term goal.
- **Resource needs for introducing the *GFSM 2001* presentation are reasonable, assuming one does not aim at perfection and that some key series are available.** The pilots and unofficial exercises showed that, while there is an initial learning curve as economists become accustomed to the new presentation, in general the resources required for applying the presentation within the Fund are likely to be reasonable—where the presentation is defined to include the amended government operations table and a financial balance sheet (not including real assets). Resource needs were found to be modest for Fund economists in the case of countries already using the *GFSM 2001* and in other cases amounted to about one to two days per country to recast other fiscal data in other formats, including basic backcasting.¹⁰
- **Data reporting by countries remains uneven.** In many cases, the authors of the pilot studies had to identify multiple sources and construct bridge tables to create the *GFSM 2001*-compliant tables. Moreover the exercises highlighted varying gaps in data reported—whether under *GFSM 1986* or *GFSM 2001*. It is clear that—although there has been significant progress—improvements in data reporting remain a core agenda item. That said, as described above, the

¹⁰ It was found that the level of a country's development does not necessarily play a role in the time it takes to recast and backcast the data. Rather, the quality of the fiscal data (including the level of detail) is the determining factor. When the recasting has been established for one year, the re- and backcasting of the remaining years' data is a relatively straight-forward replication of the adjustments made. However, any changes in the structure or formats would require additional work.

GFSM 2001 framework can accommodate existing data without any loss of the information currently available, while showing clearly areas where data are not complete or raise consistency questions. This makes application of the framework, even in countries where data remain poor, extremely useful for guiding economists (and countries) to identify data problems and priorities.

- **Other than in advanced economies, few governments have introduced accrual reporting systems.** A greater number, however, have aligned their charts of accounts with the *GFSM 2001* classifications.

8. **In sum, the pilot studies confirmed expectations that making the presentational shift to the new framework would be possible in most cases, but that improving the underlying data will take time.** With respect to the latter, countries' uneven progress in implementing the underlying reforms in public financial management systems suggests that it would not be reasonable for the Fund to set specific objectives for a shift to accrual reporting—but rather to let the development of best-practice public sector accounting move at countries' chosen pace.

IV. OTHER PROGRESS IN IMPLEMENTING THE *GFSM 2001*

9. **On a conceptual level, the *GFSM 2001* framework is now well established.** The Fund's fiscal transparency code and the data quality assessment framework (DQAF) used for the data module of the ROSC advocate the *GFSM 2001* and evaluate its use. By design, the European Union's data presentation for fiscal monitoring in the context of the Excessive Deficit Procedure is closely aligned.¹¹ A project on harmonization of *GFSM 2001* variables with public sector accounting was conducted in 2003-2006 with the International Public Sector Accounting Standards Board (IPSASB); and in 2009, the Fund hosted an IPSASB meeting to support the move to global standardization of fiscal accounting.¹² Other statistical manuals, such as the *System of National Accounts 2008* and the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, refer to the *GFSM 2001* and use the same definitions and terminology.¹³

10. **STA has pursued a work program of training and technical assistance.** Since 1999, STA has provided training on the *GFSM 2001* at 36 courses, workshops, and seminars, to 1,200 participants and delivered 260 technical assistance missions. It also introduced a section of companion materials with compilation guidance on the IMF website¹⁴ and is currently drafting the Public Sector Debt Statistics Guide.

¹¹ For comparison, the latest ESA 95 table for the EU27 is attached as Appendix II.

¹² See Final Report of the Task Force on the Harmonization of the Public Sector Accounting, <http://www.imf.org/external/np/sta/tfhpsa/>

¹³ The 2008 revision of the *System of National Accounts* will be reflected in amendments to the *GFSM 2001* in its next update. The *European System of Accounts* is fully compatible and is being updated.

¹⁴ See <http://www.imf.org/external/pubs/ft/gfs/manual/comp.htm>.

Box 1. The Uruguay Banking Crisis of 2002—Extract from a Case Study Using *GFSM 2001*

Uruguay: Balance sheet for the Combined Public Sector based on the *GFSM 2001*, 2000-2002 1/

(In percent of GDP)												
	2000				2001			2002				
	Opening balance 2/	Transactions	Other economic flows 2/	Closing/ Opening balance 3/	Transactions	Other economic flows 2/	Closing/ Opening balance 3/	Transactions	Other economic flows 2/			Closing balance 3/
									Holding Gains and Losses	Other volume changes	Residual	
Net worth and its changes:	-16.7	-1.5	-0.1	-17.9	0.2	-7.0	-24.4	-5.0	-36.3	-5.1	1.2	-68.2
Nonfinancial assets	20.0	3.6	...	23.2	3.8	...	26.6	2.6	...	...	...	27.7
Fixed assets	20.0	3.6	...	23.2	3.8	...	26.6	2.6	...	...	...	27.7
Net Financial Worth:	-36.7	-5.1	-0.1	-41.1	-3.6	-7.0	-51.0	-7.6	-36.3	-5.1	1.2	-96.0
Financial assets 4/	14.4	-1.0	3.0	16.0	2.3	2.8	20.8	11.2	-0.5	5.3	-1.5	34.1
Domestic + Foreign	14.4	-1.0	3.0	16.0	2.3	2.8	20.8	11.2	-0.5	5.3	-1.5	34.1
Currency and deposits	13.1	-0.1	2.0	14.7	1.9	2.9	19.2	3.5	-0.5	5.3	-1.7	24.7
Securities other than shares	1.2	-0.9	1.0	1.3	0.4	-0.1	1.6	-1.4	0.0	0.0	2.8	2.9
Loans	...	...	...	...	...	...	...	9.1	...	...	-2.6	6.5
Liabilities 4/	51.1	4.1	3.1	57.1	5.9	9.8	71.8	18.9	35.8	10.4	-2.7	130.1
Domestic + Foreign	51.1	4.1	0.0	57.1	5.9	0.0	71.8	18.9	35.8	10.4	-2.7	130.1
Currency and deposits	15.6	0.4	0.8	16.4	1.2	2.9	20.3	5.1	-5.5	1.8	-2.5	18.1
Securities other than shares	23.4	2.2	2.4	27.4	3.3	4.8	35.1	-0.7	27.2	0.1	0.1	59.8
Loans	12.1	1.6	-0.1	13.3	1.3	2.0	16.4	14.5	14.1	8.6	-0.4	52.3
Memorandum items:												
Net worth (in percent of GDP)	-16.7			-17.9			-24.4					-68.2
Net financial worth (in percent of GDP)	-36.7			-41.1			-51.0					-96.0
Change in Net worth (percentage)	...			-1.2			-6.5					-43.8
Change in Net financial worth (percentage)	...			-4.3			-9.9					-45.0
Liabilities/Assets ratio	1.49			1.46			1.52					2.10
Liabilities/Financial Assets ratio	3.56			3.57			3.45					3.81

Sources: IMF Country Report No. 04/172 and STA staff estimates.

1/ The Combined Public Sector includes the Central Government, Extrabudgetary Funds, Social Security Funds, Local Governments, Non financial Public Enterprises, and the Central Bank.

2/ Other economic flows record holding gains and losses and other changes in the volume of assets and liabilities. For 2000 and 2001 information is available to break this aggregate into its two components.

3/ Data from IMF Country Report No. 03/247 August 2003, Table 15. Uruguay: Public Debt, plus own estimates of monetary liabilities of the BCU based in official data.

4/ The breakdown in domestic and foreign was not available for this case study, but it is reported by the Uruguayan authorities.

The example of Uruguay in the years culminating in the 2002 banking crisis illustrates the impact of balance sheet operations and valuation changes on the government's financial position.

- The February 2003 staff report included two measures of the fiscal deficit: the deficit without one-time costs of bank restructuring, which was 4.6 percent of GDP, and the augmented balance including all bank restructuring as expenditure, which was 21.4 percent of GDP. The first indicator understated the fiscal impact of government interventions in the crisis, and the second overstated it.
- The *GFSM 2001* deficit is 7.6 percent of GDP (the change in net financial worth due to government transactions), including 3 percent of GDP in unrequited capital transfers to banks.
- Also, the government used international reserves, IMF support, and development bank loans to on-lend to other failing banks—in the amount of 9 percent of GDP. While this support would not in itself have reduced net worth (assuming the banks would pay it back), the depreciation of the peso caused significant holding losses for government, which it was unable to pass on to the domestic banks. Other economic flows of 8.6 percent of GDP reflect assumption of mortgage bank debts.
- Thus, public sector net worth declined by about 44 percent of 2002 GDP with another 9 percent value at risk (given the uncertainty about whether banks would pay back their loans).

11. **The *GFSM 2001* has by now been widely adopted by countries for statistical compilation.** As shown in Appendix IV, 124 countries already use the *GFSM 2001* in reporting *GFS Yearbook* data to the Fund. Of these, 83 cover general government and its subsectors (though with data of varying quality and timeliness). Fifty-five countries compile *GFSM 2001* data directly, while others convert national presentations or *GFSM 1986* data to *GFSM 2001* presentations for inclusion in Fund publications.¹⁵ As in other areas of statistics, countries can adopt the *GFSM 2001* without being able to produce complete data on stocks and flows, but must ensure that the definitions are consistent with standards (or divergences noted), and that the framework is used for identifying areas for future progress.

12. **As part of the Fund's response to the financial crisis, staff drafted a Guidance Note in September 2008 to provide well-defined and consistent recording of government interventions based on the *GFSM 2001*.** This note has been widely used to record various government rescue operations and stimulus packages in staff reports and programs, for example in staff work with Iceland. Staff is also participating in the IPSASB Task Force on accounting of major government interventions related to the global financial crisis, to ensure consistency between accounting and statistical standards.

13. **The World Economic Outlook (WEO) will adopt the *GFSM 2001* presentation for the government operations table starting with the Winter 2010 round.** In 2009, FAD, RES, and STA collaborated to harmonize the questionnaires that are used to collect data for the WEO. The WEO's fiscal data questionnaire is to be in line with the *GFSM 2001* presentation starting with the Winter 2010 WEO round; however, reflecting data currently available, the questionnaire is limited to transaction flows and debt—and completion of all lines in the questionnaire will be expected for systemically important countries only.¹⁶ In some cases, approximations were used because of limited data. Updates have already been made in the April 2010 WEO database for early adopters of *GFSM 2001* and the new data are already widely circulated in the Fund.

14. **Staff is also working to improve data on government liabilities.** The Fund currently does not have a complete database for public sector debt. Staff is working with the World Bank to establish such a database for developing countries in coordination with the OECD's database on central government debt of OECD countries. In addition, the envisaged *Public Sector Debt Statistics Guide*, being drafted by STA, and its supporting seminars and training, are designed to improve the availability, quality, and consistency of public sector debt statistics.

15. **Despite the progress described above, an examination of staff reports and IMF publications shows that a range of definitions is used in reporting fiscal data.** Staff reports and IMF publications currently use a mix of *GFSM 2001*, *GFSM 1986*, and other systems in reporting fiscal data, and presentations and definitions vary sharply.

¹⁵ For example, see Appendix V for progress in WAEMU countries.

¹⁶ The new WEO questionnaire also provides a foundation for the data requirements of FAD's *The State of Public Finances*, *International Financial Statistics (IFS)*, and other multilateral surveillance reports.

Adoption of the *GFSM 2001* framework would bring more consistency and clarity to the presentation of public finance statistics.

V. PROPOSED MIGRATION STRATEGY FOR IMPLEMENTATION OF THE *GFSM 2001*

16. **A full migration of the Fund towards *GFSM 2001* would require a full adoption in member countries of the statistical methodology underlying *GFSM 2001*, including full accrual accounting.** This will take time. But there are steps that can be taken in the short- to medium-term by staff to move the *presentation* of fiscal data in staff reports closer to the *GFSM 2001* methodology.

17. **In designing these steps, the following considerations are critical:**

- Fund documents focused on cross-country developments and comparisons (such as the WEO) must ensure, as much as possible, *comparability* across countries.
- Fund documents focused on specific countries—like staff reports for Article IV consultations—must ensure the policy dialogue with country authorities is as effective as possible; this implies that, together with the harmonized *GFSM 2001* presentation, staff reports should continue to report the key fiscal aggregates according to the authorities’ definition.
- Staff reports for surveillance and use of Fund resources are not tools for statistical reporting, per se. However, they should report all information that is needed to support the policy discussions and conclusions of the reports.
- There is a need to ensure the consistency of fiscal data presentations throughout the duration of existing Fund-supported programs.

18. These considerations suggest the following steps for the implementation of the *GFSM 2001* presentation (see Appendix VI):

- **The fiscal data reported for WEO purposes should follow the *GFSM 2001* methodology.** As noted, this will be implemented with the 2010 Winter WEO round for which, for example, the concept of “net lending/borrowing” will replace the concept of “overall balance” for all countries. It should be noted that many countries were already reporting “net lending/borrowing,” so no change will be needed in many cases.
- **Staff reports issued after May 2011 should include presentations of the operations table in the *GFSM 2001* format—expanded, if needed, to include key aggregates in the authorities’ presentation.**¹⁷ The relevant operations table is the transactions flow fiscal table in Appendix VI, Table 1; other presentations

¹⁷ Except for Fund-supported programs—see below.

(*GFSM 1986* or ad hoc presentations) should be discontinued.¹⁸ A cash-flow statement could also be included, as appropriate (see Appendix VI, Table 2).^{19 20} Further breakdowns beyond those identified in Appendix VI, Tables 1 and 2, could be added, as needed. Additional indicators may also be added, as appropriate.

- **As of May 2011, information on the government’s stock of financial assets should be regularly reported together with information on gross debt; this stock information should be supplemented with information on “other flows,” if available.** The inclusion of an integrated balance sheet table in the format presented in Appendix VI, Table 3 is best practice whenever large changes in the composition (amount or valuation) and/or amount of assets and liabilities take place.²¹ This information could be included as part of the debt sustainability analysis annex. Staff should analyze closely the link between flow operations and changes in the balance sheet position of governments and include such analysis in staff reports as needed. Gross debt should be recorded at nominal value, and also market value if available.
- **Deviations from the *GFSM 2001* methodology due to data availability will be acceptable but should be flagged in footnotes.** In general, staff report tables should identify any fiscal data for which “staff estimates” were constructed to account for incomplete data provided by the authorities.
- **The above information should be reported, to the extent possible, for the general government (or wider aggregates when appropriate).** In any case, all Fund publications should specify the coverage of their data, according to the institutional structure defined in Appendix III.
- **For Fund-supported programs in existence prior to May 2011, the shift to *GFSM 2001* can be delayed until completion of the program.** However, *GFSM 2001* tables could usefully be shown in an appendix of the staff report.
- Staff would report back to the Executive Board for information on the implementation of this migration by end-2013.

¹⁸ Given the similarities, *ESA 95* reporting will be regarded as equivalent to *GFSM 2001* reporting.

¹⁹ To assist area departments in making the change, STA will provide Excel files with STA data in the *GFSM 2001* presentation to desk economists for each country that supplies data to STA. In addition, FAD and STA will provide technical support. On request, STA will provide one-on-one assistance through a help desk and will conduct workshops or “clinics” for particular departments or groups within departments to assist in the conversion of the data. For countries that have not already adopted the *GFSM 2001*, existing data would be recast by area department or FAD economists, with support from STA.

²⁰ It would be particularly important to track both cash and accrual data when tracking the implementation of an announced stimulus.

²¹ For example, the 2008 Staff Report for Germany includes an operations table and an integrated balance sheet similar to Tables 1 and 3 in Appendix VI.

19. **As noted, a full implementation of *GFSM 2001* will require changes in the way countries collect and compile their statistics.** Thus, staff will continue to work with countries to fill their data gaps and bring their coverage and data sources closer to the *GFSM 2001* standards—i.e., improving countries’ ability to report statistics in line with the *GFSM 2001*.²² Progress in this effort will benefit from the continuation of STA’s technical assistance program. The main improvements needed are: extension of institutional coverage to general government or the public sector; expansion of transactions coverage (mainly to noncash items); establishment of an accrual basis of recording; valuation of assets and liabilities; and inclusion of a functional classification of outlays.

20. **In the long term, the goal should be that a broad section of the Fund’s membership fully adopts the accrual-based *GFSM 2001* and regularly compiles and disseminates all its statistical tables accordingly.**²³ The regular fiscal reporting of the EU27 countries may be taken as a model. This will best be achieved by PFM reforms to update countries’ underlying accounting and reporting systems. The Fund cannot mandate full implementation of the *GFSM 2001* methodology in countries, as this remains the prerogative and responsibility of national authorities. Hence, this paper does not suggest that any specific deadline be targeted for complete implementation of the *GFSM 2001*. The Fund will, nonetheless, promote full implementation of the *GFSM 2001* framework, as it should remain a goal for both countries and the Fund to be attained in the next five to ten years.

Resource requirements

21. **Resource requirements for area departments, FAD, and STA to implement the steps identified in paragraph 14 are expected to be undertaken within the given budget envelope.** Resources will mainly be required on a one-off basis.²⁴ Many countries already produce *GFSM 2001* data, as shown in Appendix IV. For other countries, while the authorities will undertake a complete conversion based on detailed line-items, Fund staff doing recasting will need to make adjustments only at the aggregate level used for our fiscal monitoring. The full implementation of the *GFSM 2001* methodology in countries is the responsibility of national authorities, so it depends on their available resources, country-specific circumstances, and needs identified. Fund staff will, nonetheless, continue promoting implementation of the *GFSM 2001* framework as resources permit.

²² Movement toward full implementation of *GFSM 2001* will be determined by the pace of development in underlying national source data. The pace of implementation for each country will depend on many elements, such as the level of *GFSM 2001* knowledge, the capacity of the government to recruit, train, and retain skilled staff, and the legal framework governing the production of fiscal statistics.

²³ More specifically, full implementation of *GFSM 2001* is defined by: (i) countries’ adoption and reporting of the complete, integrated set of statistical tables; (ii) based on an underlying accrual accounting system; (iii) broad institutional coverage; (iv) a complete balance sheet, and (v) appropriate valuations.

²⁴ It is recognized that there are also indirect resource costs related to the migration, for example, adjustments to the fiscal databases, input/output spreadsheets, links to other files, etc. while these costs are of a one-off nature, resource pressures at desk level remain a challenge. Also RES participation in collecting *GFSM 2001* data has been budgeted only for the WEO required series.

VI. PROPOSED DECISION

Accordingly, the following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Fund hereby approves the migration strategy for implementation of the *GFSM 2001* as set forth in Section V of SM/10/43, 2/26/10.
2. It is expected that the Fund will review the implementation of the migration strategy for implementation of the *GFSM 2001* by December 31, 2013.

**Appendix I. Classification Differences between the Government Operations
Table Using *GFSM 1986* and *GFSM 2001***

The government operations table's framework will be converted ...
From *GFSM 1986* To *GFSM 2001*

Total revenue & grants o/w: Sales of fixed assets	62.6 0.3		62.3	Revenue
Total expenditure & lending minus repayments	78.5		77.5	Expenditure
Current expenditure	68.8	→	72.7	Expense
Capital expenditure	9.0	→		
Capital transfers	3.9	→	4.8	Net acquisition of NFA's
Purchases of fixed assets	5.1	→		
Lending – Repayments	0.7	→		
			-10.4	Operating balance *
Overall balance	-15.9		-15.2	Net lending/borrowing **
Financing	+15.9		-7.2	Net acquisition of FA's
Domestic (net)		→	-7.2	Domestic
Change in cash & deposits (+ = decrease)	4.4	→	0	Foreign
Domestic borrowing (net)	2.4	→	8.0	Net incurrence of liabilities
Foreign (net)	5.6	→	2.4	Domestic
Sale of equity	3.5	→	5.6	Foreign

* Operating balance = revenue minus expense

** Net lending/borrowing = revenue minus expenditure

Appendix II. The EU Fiscal Reporting Presentation

3

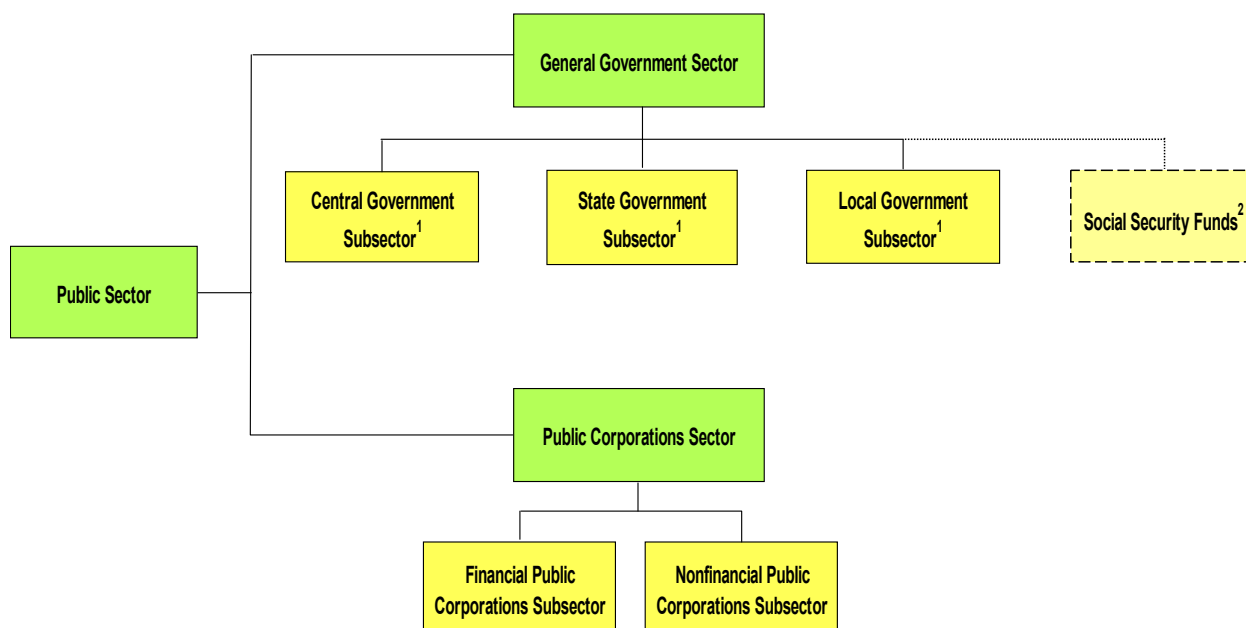
Methodology

Table 3.5.1: EU27 Annual Summary Government Finance Statistics tables
Consolidated general government

		in million euro			in % of GDP									
Table A - Summary table		2000	2007	2008	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Government revenue and expenditure														
1=2+6+7+8+9	Total revenue	4,181,273	5,544,709	5,563,330	45.4	44.8	44.2	44.2	44.0	44.4	44.9	44.9	44.5	
2=3+4+5	Taxes	2,516,481	3,354,149	3,312,033	27.3	26.6	26.2	26.0	26.0	26.4	27.0	27.1	26.5	
3	Indirect taxes	1,234,065	1,669,230	1,632,119	13.4	13.1	13.2	13.2	13.3	13.4	13.6	13.5	13.0	
4	Direct taxes	1,260,485	1,654,660	1,633,631	13.7	13.3	12.7	12.4	12.3	12.7	13.2	13.4	13.1	
5	Capital taxes	21,931	30,259	46,283	0.2	0.2	0.2	0.4	0.3	0.3	0.2	0.2	0.4	
6	Social contributions	1,283,199	1,670,374	1,716,153	13.9	13.9	13.8	14.0	13.9	13.8	13.7	13.5	13.7	
7	Sales	203,388	281,404	282,707	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	
8	Other current revenue	161,387	215,218	229,673	1.8	1.9	1.8	1.7	1.6	1.7	1.7	1.7	1.8	
9	Capital revenue	16,818	23,564	22,763	0.2	0.1	0.2	0.3	0.3	0.3	0.2	0.2	0.2	
10=11+...+18	Total expenditure	4,161,480	5,649,660	5,849,801	45.2	46.2	46.7	47.3	46.9	46.9	46.3	45.7	46.8	
11	Intermediate consumption	539,665	784,880	800,848	5.9	5.9	6.1	6.2	6.3	6.4	6.4	6.4	6.4	
12	Compensation of employees	966,486	1,281,666	1,309,679	10.5	10.5	10.7	10.8	10.8	10.7	10.6	10.4	10.5	
13	Interest	335,096	335,705	342,904	3.6	3.5	3.2	3.0	2.8	2.8	2.7	2.7	2.7	
14	Subsidies	118,920	142,187	143,949	1.3	1.3	1.3	1.3	1.2	1.1	1.1	1.2	1.2	
15	Social benefits	1,772,143	2,359,718	2,441,797	19.3	19.4	19.7	20.1	19.9	19.8	19.5	19.1	19.5	
16	Other current expenditure	188,057	286,185	298,133	2.0	2.1	2.1	2.3	2.3	2.4	2.4	2.3	2.4	
17	Capital transfers payable	102,956	148,492	183,138	1.1	1.3	1.2	1.3	1.3	1.5	1.3	1.2	1.5	
18	Capital investments	138,158	310,827	329,352	1.5	2.3	2.3	2.4	2.4	2.2	2.4	2.5	2.6	
19	of which, Gross fixed capital formation	209,345	314,670	331,900	2.3	2.4	2.3	2.4	2.4	2.3	2.5	2.5	2.7	
Government deficit														
20=1-10	Net lending (+) / net borrowing (-) in ESA 1995	19,793	-104,951	-286,471	0.2	-1.4	-2.5	-3.1	-2.9	-2.5	-1.4	-0.8	-2.3	
21	Memo: Adjustment for swaps	1,100	2,119	-126	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	
22	Memo: Other adjustments	35,993	-1,409	-1,390	0.4	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	
23=20+21+22	Net lending (+) / net borrowing (-) under EDP	56,886	-104,241	-287,987	0.6	-1.4	-2.5	-3.1	-2.9	-2.4	-1.4	-0.8	-2.3	
Government financing														
24=20-25	Statistical discrepancy (nonfinancial - financial accounts)	8,377	-455	-2,344	<0.1	<0.1	-0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	
25=26-32	Net financial transactions	11,415	-104,496	-284,127	0.1	-1.4	-2.4	-3.1	-2.9	-2.5	-1.4	-0.8	-2.3	
26=27+...+31	Net acquisition of financial assets	102,235	87,637	414,387	1.1	-0.4	0.2	0.3	0.3	0.7	0.7	0.7	3.3	
27	Currency and deposits	77,594	44,854	138,465	0.8	-0.6	<0.1	<0.1	0.2	0.3	0.5	0.4	1.1	
28	Securities other than shares	20,422	28,065	72,168	0.2	<0.1	<0.1	<0.1	0.1	0.2	0.2	0.2	0.6	
29	Loans	12,224	4,262	89,585	0.1	0.2	<0.1	<0.1	<0.1	0.1	<0.1	<0.1	0.7	
30	Shares and other equity	-15,355	-9,623	80,717	-0.2	<0.1	<0.1	<0.1	-0.1	<0.1	-0.2	<0.1	0.6	
31	Other financial assets	7,350	20,078	33,451	<0.1	<0.1	0.1	0.2	<0.1	0.2	0.2	0.2	0.3	
32=33+...+36	Net incurrence of liabilities	90,819	192,133	698,514	1.0	1.0	2.6	3.3	3.1	3.2	2.0	1.6	5.6	
33	Currency and deposits	3,466	3,501	33,369	<0.1	0.2	0.1	0.2	0.2	0.3	0.1	<0.1	0.3	
34	Securities other than shares	60,643	169,840	598,755	0.7	1.4	2.4	2.9	2.9	2.5	1.4	1.4	4.8	
35	Loans	-27,056	-3,557	52,720	-0.3	-0.3	-0.1	0.2	0.2	0.2	0.1	<0.1	0.4	
36	Other liabilities	53,767	22,348	13,670	0.6	-0.3	0.1	<0.1	-0.1	0.2	0.3	0.2	0.1	
Other economic flows in government assets and liabilities														
37=42(t)-42(t-1)-18+72	Other changes in non-financial assets	:	:	:	:	:	:	:	:	:	:	:	:	
38=43(t)-43(t-1)-26	Other changes in financial assets	7,965	138,681	-309,624	<0.1	<0.1	-0.6	0.7	1.5	1.8	1.4	1.1	-2.5	



39=49(t)-49(t-1)-32	Other changes in liabilities	186,026	-188,685	-109,418	2.0	0.2	0.2	-1.3	1.2	0.6	-1.3	-1.5	-0.9
40=37+38-39=55(t)-55(t-1)-73	Changes in net worth due to other changes in assets/liabilities	:	:	:	:	:	:	:	:	:	:	:	:
Government balance sheet													
41=42+43	Total assets	:	:	:	:	:	:	:	:	:	:	:	:
42	Non-financial assets	:	:	:	:	:	:	:	:	:	:	:	:
43=44+...+48	Financial assets	2,579,643	3,521,699	3,626,462	28.0	26.5	25.1	25.6	26.2	27.6	28.2	28.5	29.0
44	Currency and deposits	506,979	612,970	724,700	5.5	4.7	4.5	4.4	4.5	4.6	4.8	5.0	5.8
45	Securities other than shares	145,181	225,984	291,912	1.6	1.5	1.5	1.4	1.5	1.6	1.7	1.8	2.3
46	Loans	350,040	359,777	431,823	3.8	3.9	3.7	3.6	3.4	3.3	3.1	2.9	3.5
47	Shares and other equity	1,078,284	1,721,425	1,570,399	11.7	11.1	10.1	10.8	11.5	12.9	13.5	13.9	12.6
48	Other financial assets	499,160	601,543	607,628	5.4	5.4	5.3	5.4	5.3	5.2	5.0	4.9	4.9
49=50+...+53	Liabilities	6,290,503	7,856,534	8,445,630	68.4	66.9	67.3	68.1	69.3	70.2	67.3	63.6	67.5
50	Currency and deposits	370,559	417,598	415,029	4.0	4.1	4.0	3.5	3.5	3.7	3.7	3.4	3.3
51	Securities other than shares	4,579,181	5,950,682	6,512,856	49.8	49.4	50.3	51.3	52.8	53.6	50.9	48.2	52.1
52	Loans	1,024,338	1,103,253	1,138,388	11.1	10.5	9.9	10.4	10.1	9.9	9.5	8.9	9.1
53	Other liabilities	316,424	385,001	379,357	3.4	3.0	3.1	3.0	2.9	3.0	3.1	3.1	3.0
54=43-49	Financial assets net of liabilities	-3,710,860	-4,334,834	-4,819,168	-40.3	-40.4	-42.2	-42.6	-43.1	-42.6	-39.0	-35.1	-38.5
55=41-49	Net worth	:	:	:	:	:	:	:	:	:	:	:	:
Table B - Government debt and link with the deficit													
56=23	Government deficit (Net lending (+) / net borrowing (-) under EDP)	56,886	-104,241	-287,987	0.6	-1.4	-2.5	-3.1	-2.9	-2.4	-1.4	-0.8	-2.3
57=63(t)-63(t-1)	Change in Government Debt	48,615	162,610	712,280	0.5	1.6	1.6	2.4	3.3	2.9	1.7	1.3	5.7
58 = 56+57 = 59+...+62	Stock flow adjustment (SFA)	58,369	424,293		0.1	-0.9	-0.7	0.4	0.4	0.3	0.5	3.4	
59	Net acquisition of financial assets		89,855	425,957						0.7	0.6	0.7	3.4
60	Incurrence in liabilities not in the Government debt		-22,837	-20,096						-0.3	-0.3	-0.2	-0.2
61	Valuation effects and other changes in volume in Government debt		-9,391	16,335						<0.1	<0.1	<0.1	0.1
62	Statistical discrepancies		743	2,095						<0.1	<0.1	<0.1	<0.1
63=64+65+66	Government debt (nominal value)	5,693,168	7,249,674	7,696,717	61.9	61.0	60.3	61.8	62.2	62.7	61.3	58.7	61.5
64	.. Currency and deposits	:	341,824	344,354	:	3.4	3.3	2.7	2.8	3.0	3.0	2.8	2.8
65=66+67	.. Securities other than shares	4,351,425	5,806,154	6,216,079	47.3	47.1	47.2	48.6	49.3	49.8	48.8	47.0	49.7
66	.. short term	:	446,810	702,209	:	3.7	4.3	4.7	4.6	4.3	3.7	3.6	5.6
67	.. long term	:	5,359,345	5,513,870	:	43.4	42.8	43.9	44.7	45.5	45.0	43.4	44.1
68=69+70	.. Loans	1,019,792	1,101,684	1,136,299	11.1	10.4	9.9	10.4	10.1	9.9	9.5	8.9	9.1
69	.. short term	:	169,976	176,345	:	1.1	1.1	1.3	1.3	1.4	1.3	1.4	1.4
70	.. long term	:	931,706	959,954	:	9.4	8.8	9.1	8.8	8.5	8.2	7.5	7.7
Table C - Memorandum items													
71	Government consumption	1,819,543	2,514,348	2,590,132	19.8	19.9	20.4	20.8	20.7	20.8	20.7	20.4	20.7
72	Consumption of fixed capital	159,647	218,022	:	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8	:
73=20+18-72	Changes in net worth due to savings and capital transfers	-1,697	-12,147	:	<0.1	-0.8	-2.0	-2.5	-2.3	-2.0	-0.8	<0.1	:
74	GDP	9,202,308	12,355,101	12,506,693									

Appendix III. Institutional Coverage of Government

¹ Budgetary, extrabudgetary, and or social security funds included for each of these subsectors.

² As an alternative, social security funds could be treated as a separate subsector.

Appendix IV. Standard Used by Countries in Reporting to STA

Reporting for *Government Finance Statistics Yearbook (GFSY)*

COUNTRY	GFSY	COUNTRY	GFSY
AFGHANISTAN, I.S. of	01	FIJI	01
ALBANIA	01	FINLAND	01/ESA95
ALGERIA	01	FRANCE	01/ESA95
ARGENTINA	01	GABON	-
ARMENIA	01	GAMBIA, THE	-
AUSTRALIA	01	GEORGIA	01
AUSTRIA	01/ESA95	GERMANY	01/ESA95
AZERBAIJIAN	01	GHANA	01
BAHAMAS, THE	01	GREECE	01/ESA95
BAHRAIN	01	GRENADA	-
BANGLADESH	01	GUATEMALA	01
BARBADOS	01	GUINEA	-
BELARUS	01	HAITI	-
BELGIUM	01/ESA95	HONDURAS	01
BELIZE	-	HUNGARY	01/ESA95
BENIN	01	ICELAND	01
BHUTAN	01	INDIA	01
BOLIVIA	01	INDONESIA	01
BOSNIA & HERZEGOVINA	01	IRAN	01
BOTSWANA	-	IRELAND	01/ESA95
BRAZIL	01	ISRAEL	01
BRUNEI DARUSSALAM	-	ITALY	01/ESA95
BULGARIA	01/ESA95	JAMAICA	01
BURKINA FASO	01	JAPAN	01
BURUNDI	-	JORDAN	01
CAMBODIA	01	KAZAKHSTAN	01
CAMEROON	-	KENYA	01
CANADA	01	KOREA, REP. OF	01
CAPE VERDE	01	KUWAIT	01
CENTRAL AFRICAN REP.	01	KYRGYZ REPUBLIC	01
CHAD	-	LAO P.D.R	01
CHILE	01	LATVIA	01/ESA95
CHINA, PR: MAINLAND	01	LEBANON	01
CHINA, PR: HONGKONG SAR	01	LESOTHO	01
CHINA, PR: MACAU SAR	01	LIBERIA	-
COLOMBIA	01	LITHUANIA	01
CONGO, DEM. REP. OF	-	LUXEMBOURG	01/ESA95
CONGO, REP. OF	01	MACEDONIA, FYR	01
COSTA RICA	01	MADAGASCAR	01
COTE D'IVOIRE	01	MALDIVES	01
CROATIA	01	MALAYSIA	-
CYPRUS	01/ESA95	MALAWI	-
CZECH REPUBLIC	01/ESA95	MALI	01
DENMARK	01/ESA95	MALTA	01/ESA95
DOMINICAN REPUBLIC	01	MAURITANIA	-
ECUADOR	-	MAURITIUS	01
EGYPT	01	MEXICO	-
EL SALVADOR	01	MOLDOVA	01
ESTONIA	01/ESA95	MONGOLIA	01
ETHIOPIA	86	MOROCCO	01

MOZAMBIQUE	-	SOUTH AFRICA	01
MYANMAR	86	SPAIN	01/ESA95
NAMIBIA	86	SRI LANKA	01
NEPAL	01	ST. KITTS & NEVIS	01
NETHERLANDS	01/ESA95	ST. LUCIA	-
NEW ZEALAND	01	ST. VINCENT & GRENADINES	01
NICARAGUA	01	SUDAN	-
NIGER	01	SURINAME	-
NIGERIA	-	SWAZILAND	01
NORWAY	01/ESA95	SWEDEN	01/ESA95
OMAN	-	SWITZERLAND	01
PAKISTAN	01	SYRIAN ARAB REPUBLIC	-
PANAMA	-	TAJIKISTAN	01
PAPUA NEW GUINEA	-	TANZANIA	-
PARAGUAY	01	THAILAND	01
PERU	01	TOGO	01
PHILIPPINES	01	TONGA	-
POLAND	01/ESA95	TRINIDAD AND TOBAGO	01
PORTUGAL	01/ESA95	TUNISIA	01
QATAR	01	TURKEY	01
ROMANIA	01/ESA95	UGANDA	01
RUSSIAN FEDERATION	01	UKRAINE	01
RWANDA	-	UNITED ARAB EMIRATES	-
SAN MARINO	01	UNITED KINGDOM	01/ESA95
SAO TOME AND	-	UNITED STATES	01
SAUDI ARABIA	-	URUGUAY	01
SENEGAL	-	VANUATU	-
SEYCHELLES	01	VENEZUELA, REP.	01
SERBIA	01	VIETNAM	-
SIERRA LEONE	86	WEST BANK AND GAZA	01
SINGAPORE	01	YEMEN, REPUBLIC OF	-
SLOVAK REPUBLIC	01/ESA95	ZAMBIA	01
SLOVENIA	01/ESA95	ZIMBABWE	-

Summary: Total number of countries

	Included in GFSY
<i>GFSM 2001 (including ESA 95)</i>	124
<i>GFSM 1986</i>	4
Total	128

86—GFSM 1986

01—GFSM 2001

GFSY—Government Financial Statistics Yearbook 2009

The *European System of Accounts (ESA 95)* uses concepts and terms closely related to *GFSM 2001*. Some countries are in the process of adopting *GFSM 2001* (e.g., see Appendix V).

Appendix V. Regional Implementation of the *GFSM 2001*: The Example of WAEMU

In June 2009, the Council of Ministers of the West African Economic and Monetary Union (WAEMU)²⁵ adopted a set of public finance directives based on the *Tableau des opérations financières de l'État* (Table of government financial operations, or TOFE), which constitutes the common framework for reporting government finance statistics for fiscal surveillance and convergence within WAEMU. The new TOFE directive uses the *GFSM 2001* as the methodology of reference, notably with respect to its analytical framework and classification.

The adoption of the revised directives is the culmination of several years of efforts by the WAEMU Commission and the member states, with the cooperation of the IMF's Fiscal Affairs Department (FAD), Statistics Department (STA), AFRITAC West (AFW), World Bank, and AfDB. The revised TOFE directive is a modified version of the draft prepared in March 2006 during a workshop in which the WAEMU Commission, STA, FAD, and AFW participated.²⁶

It prescribes the eventual accrual recording of financial stocks and flows once the government accounting reforms are in place in line with the new government accounting directives, which prescribe accrual recording. The new TOFE includes a Statement of Government Operations; underlying detailed classification tables for revenue, expense, and transactions in assets and liabilities, and a balance sheet supplemented by a more detailed government debt table; and a cash-flow statement.

Implementation of the TOFE and other directives started during a Workshop organized by the WAEMU Commission in Dakar (September 27-October 2, 2009) in which AFRITAC West, STA, and FAD experts participated with a view to specifying the modalities of application of the new directives (transcription into national legislation, timetable, drafting of implementation guidelines, etc.). The Commission and the member states expressed the need for the continuing assistance of FAD, STA, and AFW in the dissemination and implementation phases of the new system.

At first, implementation of the *GFSM 2001* methodology will consist mostly of recasting current WAEMU members' GFS in the new framework and classification. In the longer run, as new government accounting systems are put in place in line with the new directives on accounting, the more complex aspects of the *GFSM 2001* should be addressed.

²⁵ WAEMU member countries are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

²⁶ STA, FAD, and AFW also assisted the Commission in ensuring that the revised common budget nomenclature would be fully harmonized with the classification system of the *GFSM 2001*.

Appendix VI. Proposed *GFSM 2001* Fiscal Tables
Table 1: Statement of Operations – [Institutional Coverage]

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Revenue					
Taxes					
Social contributions					
Grants					
Other revenue					
Expenditure					
Expense					
Compensation of employees					
Use of goods and services					
Consumption of fixed capital					
Interest					
Subsidies					
Grants					
Social benefits					
Other expense					
Net acquisition of nonfinancial assets					
Acquisitions of nonfinancial assets					
Disposals of nonfinancial assets					
Consumption of fixed capital					
Gross / Net Operating Balance (= revenue minus expense)					
Net lending/borrowing (= revenue minus expenditure)					
Net acquisition of financial assets					
Domestic ^{1/} _{2/}					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts receivable					
Foreign ^{1/} _{2/}					
Monetary gold and SDRs					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts receivable					
Net incurrence of liabilities					
Domestic ^{1/} _{2/}					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts payable					
Foreign ^{1/} _{2/}					
Monetary gold and SDRs					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts payable					
Memorandum items:					
....					
^{1/} For financing, the <i>GFSM 2001</i> allows for a classification, under each instrument, by the sector of the counterparty. For residents (domestic), these are: general government, central bank, deposit-taking financial corporations except the central bank, other financial corporations, nonfinancial corporations, and households and nonprofit institutions serving households. For nonresidents (foreign), these are: general government, international organizations, financial institutions except international organizations, and other nonresidents.					
^{2/} The instrument classification is consistent with the <i>2008 System of National Accounts</i> .					

Table 2 (optional): Statement of Sources and Uses of Cash – [Institutional Coverage]

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Cash receipts from operating activities					
Taxes					
Social contributions					
Grants					
Other receipts					
Cash payments for operating activities					
Compensation of employees					
Purchases of goods and services					
Interest					
Subsidies					
Grants					
Social benefits					
Other payments					
<u>Net cash inflow from operating activities</u>					
Net cash outflow from investments in nonfinancial assets					
Purchases of nonfinancial assets					
Sales of nonfinancial assets					
<u>Cash surplus/deficit</u>					
Net acquisition of financial assets other than cash					
Domestic <u>1/ 2/</u>					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Foreign <u>1/ 2/</u>					
Monetary gold and SDRs					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Net incurrence of liabilities					
Domestic <u>1/ 2/</u>					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Foreign <u>1/ 2/</u>					
Monetary gold and SDRs					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
<u>Net cash inflow from financing activities</u>					
<u>Net change in the stock of cash</u>					
Memorandum items:					
....					
<p><u>1/</u> For financing, the <i>GFSM 2001</i> allows for a classification, under each instrument, by the sector of the counterparty. For residents (domestic), these are: general government, central bank, deposit-taking financial corporations except the central bank, other financial corporations, nonfinancial corporations, and households and nonprofit institutions serving households. For nonresidents (foreign), these are: general government, international organizations, financial institutions except international organizations, and other nonresidents.</p> <p><u>2/</u> The instrument classification is consistent with the <i>2008 System of National Accounts</i>.</p>					

Table 3: Integrated Balance Sheet – [Institutional Coverage]

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
STOCK POSITIONS:					
<u>Net worth</u>					
<u>Nonfinancial assets</u>					
<u>Net financial worth</u>					
<u>Financial assets</u>					
Domestic <u>1/ 2/</u>					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts receivable					
Foreign <u>1/ 2/</u>					
Monetary gold and SDRs					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts receivable					
<u>Liabilities</u>					
Domestic <u>1/ 2/</u>					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts payable					
Foreign <u>1/ 2/</u>					
Monetary gold and SDRs					
Currency and deposits					
Debt securities					
Loans					
Equity and investment fund shares					
Insurance, pensions, and standardized guarantee schemes					
Financial derivatives and employee stock options					
Other accounts payable					
<u>Memorandum items:</u>					
....					
OTHER ECONOMIC FLOWS:					
<u>Change in net worth from other flows</u>					
<u>Nonfinancial assets</u>					
<u>Net financial worth</u>					
<u>Financial assets</u>					
Domestic <u>1/</u>					
<i>Instrument classification as above, if possible</i>					
Foreign <u>1/</u>					
<i>Instrument classification as above, if possible</i>					
<u>Liabilities</u>					
Domestic <u>1/</u>					
<i>Instrument classification as above, if possible</i>					
Foreign <u>1/</u>					
<i>Instrument classification as above, if possible</i>					

Note: Nonfinancial assets are valued at [...], financial assets are valued at [...], and liabilities are valued at [...].

1/ For financing, the *GFSM 2001* allows for a classification, under each instrument, by the sector of the counterparty. For residents (domestic), these are: general government, central bank, deposit-taking financial corporations except the central bank, other financial corporations, nonfinancial corporations, and households and nonprofit institutions serving households. For nonresidents (foreign), these are: general government, international organizations, financial institutions except international organizations, and other nonresidents.

2/ The instrument classification is consistent with the *2008 System of National Accounts*.