Concepts and definitions

1. Concepts

The Government Finance Statistics (GFS) framework is a specialized macroeconomics statistical framework designed by the International Monetary Fund (IMF) to provide statistics that enable policymakers and analysts to study developments in the financial operations and financial position of Government.

Data prior to 2008/09 have been compiled according to the concepts and definitions laid down in "A Manual on Government Finance Statistics (GFS) 1986" of the IMF. As from financial year 2008/09 detailed data on GFS have been prepared in accordance with the Government Finance Statistics Manual 2001 (GFSM 2001).

An updated manual (GFSM 2014) has been released in 2014. One of the changes brought in the GFSM 2014 is the classification of the Social Security Fund (National Pension Fund) as a sector of General Government instead of a sector of the Central Government.

Although the GFSM 2014 has not yet been fully implemented, the new sectorization of the Social Security Fund has been adopted when compiling the data published in this volume.

2. Definition of main aggregates

Revenue is an increase in Net Worth resulting from a transaction. Net Worth is the total value of assets less the total value of liabilities. Net Worth represents the value of the government and also indicates the financial position of the government.

There are four main sources of revenue, namely:

- **Taxes**
- **Social contributions**
- **Grants**
- **Other revenue**

Taxes include the following items of revenue: income tax (Individuals and Companies), VAT, excise duties on spirits, liquors and alcoholic beverages, tobacco products, motor vehicles and motor cycles and petroleum products, betting and gaming taxes, road motor vehicles licences and customs duties.

Social Contributions are contributions made by employers and employees for pension schemes (e.g National Pension Fund) and other social security schemes (e.g Civil Service Family Protection Scheme and Statutory Body Family Protection Scheme)

Grants are transfers (current or capital) received from other levels of government, foreign governments and international organisations.

Other revenue includes items such as property income (interest and dividends), fines and sales of goods and services. The sale of a nonfinancial assets (e.g land, buildings, motor vehicles, etc) is not recognized as a revenue since it does not change the composition of the balance sheet hence not affecting Net Worth.

Expense is a decrease in Net Worth resulting from a transaction. However, the acquisition of a nonfinancial assets is not recognized as an expense since it does not change the composition of the balance sheet hence not affecting Net Worth.

The main items of expense are:

- **Compensation of employees**
- **Use of goods and services**
- **Interest expense**
- **Subsidies**
- **Grants**
- **Social benefits**

Compensation of employees consists of payments of salaries, allowances, wages, travelling and transport, passage benefits and any actual and imputed contributions made by an employer on behalf its employees for pension schemes or any other schemes (e.g retirement pensions, family protection schemes, National Savings Fund etc).

Use of goods and services consists of the value of goods and services used for the production of nonmarket services. Examples are: office requisites, electricity charges, water charges, telephone bills, fuel and oil, rental of building, printing and stationery, air tickets, medical supplies and drugs, repairs and maintenance of vehicles.

Interest represents interest payments on securities and loans.

Subsidies are current unrequited transfers that government units make to enterprises to influence levels of production, the prices at which outputs are sold or the profits of the enterprises. For example, subsidies are paid to fruit growers and crop producers.

Grants are transfers payable to Extra Budgetary Units, Rodrigues Regional Assembly, local authorities, international organisations and foreign governments.

Social benefits are payments made for the following: social aid, basic retirement pension, basic widow's pension, basic invalidity pension and pensions and gratuities.

Other expenses include transfers (current and capital) to non-governmental organizations and other miscellaneous expenses.

Acquisition of nonfinancial assets changes the composition of the balance sheet by exchanging one asset (the nonfinancial asset) for another or a liability (the payment for the asset). Acquisition of nonfinancial assets is not an expense as it has no effect on net worth.

Nonfinancial assets comprise of the following:

- Fixed assets like buildings and structures, machinery and equipment and other fixed assets.
- Non produced assets such as acquisition of land.

Consumption of fixed capital is the decline in the value of the stock of fixed assets during the accounting period as a result of physical deterioration, normal obsolescence, and normal accidental damage.

Financing includes transactions in financial assets and liabilities which are identified separately by residency of counterparty (domestic or foreign), type of financial instrument (e.g. securities other than shares, loans, shares and other equity, etc.) and sector of counterparty (e.g. general government, central bank, other depository corporations, etc).

Net acquisition of financial assets is identified by residency of counterparty (domestic or foreign), type of financial instrument (e.g. securities other than shares, loans, shares and other equity, etc.) and sector of counterparty (e.g. general government, central bank, other depository corporations, etc).

Net incurrence of liabilities is identified by residency of counterparty (domestic or foreign), type of financial instrument (e.g. securities other than shares, loans, shares and other equity, etc.) and sector of counterparty (e.g. general government, central bank, other depository corporations, etc).

Net operating balance is the balance of transactions affecting net worth (revenue less expense).

Net lending/ borrowing is the net operating balance less acquisition of nonfinancial assets.

Total expenditure by functions represents expense plus the net acquisition of nonfinancial assets disaggregated by the different functions of Government as defined by the Classification of the Functions of Government (COFOG).

3. GFSM 2001 Manual

Over time, new topics have assumed importance for fiscal analysis, e.g. arrears, transactions in kind, balance sheet items (stocks, net worth), and sustainability of fiscal policy. There was also world-wide shift toward resource-based accounting, because of dissatisfaction with cash-based accounting. Other related statistics Manuals such as the System of National Accounts (SNA) and the Balance of Payments (BOP) have been revised in the meantime.

The *GFSM 2001* framework is an integrated statistical system of flows and stocks for use in macroeconomic analysis. It introduces the concept of accrual accounting and is harmonized with the other macroeconomic statistical systems, such as the *System of National Accounts 1993* (*1993 SNA),* 1993 *Balance of Payments Manual*, fifth edition*,* and *Monetary and Financial Statistics Manual* (2000).

4. Main changes in GFSM 2001 Manual

Previously, cash transactions in nonfinancial assets were treated as capital revenue and expenditure, which affected the overall deficit/surplus. Now the difference between revenue and expense is a balancing item, the net operating balance, which measures the change in net worth resulting from transactions.

All transactions involving the acquisition or disposal of financial assets are now treated as financial transactions, and net lending/borrowing is a balancing item defined as the net acquisition of all financial assets less the net incurrence of all liabilities from transactions. In the *1986 GFS Manual*, the net acquisition of financial assets for policy purposes was designated as lending minus repayments and treated like expenditure in deriving the overall deficit/surplus.

Revenue – Expense = Net operating balance

Net operating balance – Transactions in nonfinancial assets = Net lending/borrowing

Net lending/borrowing can also be obtained as the difference between the transactions in financial assets and the net incurrence in liabilities as follows:

Transactions in financial assets – Transactions in liabilities = Net lending/borrowing

The new classification structure of the GFSM 2001 has been used in the compilation of tables as from 2008-09. GFSM 2001 prescribes that all transactions should be on an accrual basis. However, it is recognized that full implementation of the new GFS system is a long-term process including moving to a full accrual basis. As a first step, interest on debt and transactions in relation with employment related pensions has been computed on an accrual basis instead of cash basis.

5. Change in accounting period of the Government

Prior to 2010, accounts of the Government were on a financial year basis (July to June). Government accounts moved to a calendar year basis (January to December) as from 2010. In 2015, the accounting period was reverted to the financial year basis ending June.

6. Methodological changes as from 2016/17 issue of the Digest

6.1 Accrual treatment of Employment Related Pension Benefits – Budgetary Central Government (BCG)

In 2014, a GFS mission recommended Statistics Mauritius to adopt accrual treatment for the contributions and payments related to employment related pension schemes operated by the General Government. Although the actual BCG pension scheme is a non-autonomous unfunded one, a pension fund should be considered to exist. Actual contributions from employees and imputed contributions from employers are therefore being treated as an incurrence of liability (3306 - Pension and Insurance) instead of Revenue. Similarly, payments of employment related pensions are now being treated as a reduction in liability (3306 - Pension and Insurance) instead of Expense.

6.2 Difference with the high frequency monthly GFS data published on the website of Statistics Mauritius

The high frequency monthly GFS data on Budgetary Central Government (BCG) posted on the website of Statistics Mauritius is different from the data published in this Digest. The high frequency monthly GFS data is fully on cash basis and is in line with the MOFEPD Budget whereas the data published in this digest is partly accrual (i.e contributions and payments of employment related pension treated

as incurrence and decrease in liability) and partly cash. In the high frequency GFS monthly data, contributions and payments of employment related pensions are treated as revenue and expense respectively. As a result, the Net Lending/Borrowing of the high frequency monthly GFS data and the Net Lending/Borrowing in this digest will be different for corresponding periods due to difference between cash and accrual treatments.

7. Changes made to data

7.1 National Pensions Fund

The mission on Multisector Statistics and Cross-Sector Data Consistency carried out by the Statistics Department of the IMF from 23 January to 5 February 2013 recommended that the data coverage of the NPF should be improved by including its external assets and related income. As from 2012 these were included in the accounts of the NPF.

7.2 IMF transactions

As from 2012, SDR transactions are classified as Foreign transactions under 3201: "Monetary gold and SDRs" and 8227: "International organizations" in table "Transactions in financial assets and liabilities" and table "Transactions in financial assets and liabilities by sector" respectively.

7.3 Classification of EBUs and public corporations

The mission on Multisector Statistics and Cross-Sector Data Consistency recommended that the list of EBUs and Public Corporations should be examined regularly to ensure their correct classification. The last review was carried out in 2018 based on the profitability of the EBUs and Public Corporations for the last 4 years.

7.4 Accrual treatment of Employment Related Pension Benefits

Actual contributions from employees and imputed contributions from employers are now being treated as an incurrence of liability (3306 - Pension and Insurance) instead of Revenue. Similarly, payments of employment related pension are now treated as a reduction in liability (3306 - Pension and Insurance) instead of Expense.

8. Consolidation

It is to be noted that the data for the central government subsector and the general government sector have been presented on a consolidated basis. The sum of the individual units of the sector to be consolidated does not add up to the data for the consolidated sector. All transactions and reciprocal stock positions among the government units being consolidated are eliminated. Consolidation adjustments do not have an impact on the core government finance statistics (GFS) balancing items of net operating balance and net lending/borrowing, as the consolidation entries

are symmetric within given accounts—it makes no difference whether consolidated or unconsolidated data are used in the calculation of these balances to measure "the overall impact" of the government on the economy or the rest of the world.

9. Coverage

9.1 The General Government Sector

Government is defined as consisting of all units performing Government functions: that is, the implementation of public policy through the provision of primarily non-market services and the transfer of income, supported mainly by compulsory levies.

The **General Government** sector is made up of (i) Central Government (ii) Regional Government and (iii) Local Government.

(i) Central Government covers all units that are agencies of the country's central authority. It consists of Budgetary Central Government and Extra Budgetary Units. Budgetary Central Government includes all ministries and departments. Extra Budgetary Units (including special funds) are agencies responsible for the performance of specialised governmental functions in such fields as health, education, social welfare, construction and so on, under the authority of Central Government.

(ii) Social Security Schemes are schemes imposed, controlled or financed by the public authorities for the purpose of providing social security benefits for the community. Included here are the National Pensions Fund and the National Savings Fund-Transitional Unemployment Benefit (NSF-TUB).

(iii) Regional Government consists of the administration of Rodrigues.

(iv) Local Government consists of municipalities and district councils exercising an independent competence as government units.

9.2 The Public Sector

The **Public Sector** consists of the general government sector, non-financial public corporations and financial public corporations.

An institution is considered as public if it is entirely or mainly owned and/or controlled by government itself or by some other public institutions.

'Own' is defined as having all or a majority of the shares or other forms of capital participation. 'Control' implies having an effective influence in the main aspects of management.

Nonfinancial Public Corporations are government-owned or government-controlled corporations whose principal activity is the production of market goods or non-financial services.

Financial Public Corporations are government-owned or government-controlled corporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units.