Methodology

1. Concepts

As from financial year 2008/09 detailed data on government finance statistics have been prepared in accordance with the Government Finance Statistics Manual 2001 (GFSM 2001) of the International Monetary Fund (IMF). Data up to 2007/08 have been compiled according to the concepts and definitions laid down in "A Manual on Government Finance Statistics (GFS) 1986" of the IMF.

2. Definition of main aggregates

Revenue represents transactions that increase net worth. The latter represents the value of the government, that is, after payment of the government's liabilities from its assets. The asset that remains 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 employees under New Pension Scheme and Civil Service 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.

Expense represents transactions that reduce net worth of the government (value of the government). It therefore excludes acquisition of asset.

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 contribution to the National Savings Fund.

Use of goods and services consists of payments for the following goods and services: office equipment and furniture, 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 payments made for example to Mauritius Meat Authority, 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 organisations and other miscellaneous revenue.

Transaction in 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).

Transaction in nonfinancial assets is not an expense as it has no effect on net worth. Non financial assets comprise of the following:

- Fixed assets for example, 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.

Cash surplus/ deficit is the net cash inflow from operating activities less net cash outflow from investments in nonfinancial assets.

Total expenditure by functions represents expense plus the net acquisition of nonfinancial assets.

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 mean time.

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
minus	Expense
=	***Net operating balance***
minus	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
minus	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 has been computed on an accrual basis instead of cash basis.

5. Change from fiscal to calendar year basis

Government accounts moved from a financial year basis (July to June of the following year) to a calendar year basis (January to December) as from 2010. This current issue of Digest of Public Finance contains data for calendar years 2010 to 2012.

6. Methodological changes as from 2010 issue of the Digest

The following methodological changes have been brought to the treatment of data on (a) Civil Service Family Protection Scheme and (b) Public Service Pensions Scheme as from 2008-09 onwards.

6.1 Civil Service Family Protection Scheme

In line with the recommendations of the GFSM 2001 Manual, the amount transferred from Budgetary Central Government to the Civil Service Family Protection Scheme (CSFPS) has been rerouted. Budgetary Central Government is now seen as paying its employees, who then are deemed to make payments of the same amount to the CSFPS. Government payments to its employees are classified as 2122 Imputed social contributions and the payments of the same amount to the CSFPS are classified as 1223 Imputed contributions.

6.2 Public Service Pensions Scheme

Government does not operate any autonomous or non autonomous pension fund for the payments of public service pensions to its employees. These are made directly from the consolidated fund. As explained in the Government Finance Statistics Manual 2001, par 6.18 "In this situation, social contributions equal in value to the amount of social contributions that would be needed to secure the de facto entitlement should be imputed". The amount imputed is twice the amount of employee contributions under new pension scheme. The imputed contributions are therefore recorded as a Revenue (1223 - other social contributions) and that same amount is also treated as an Expense (2122 – imputed social contributions under Compensation of Employees)

6.3 Difference with GFS data published on MOFED website

The GFS data on Budgetary Central Government (BCG) posted on the website of the Ministry of Finance and Economic Development (MOFED) is slightly different from the data published in this Digest. This is due to the rerouting and imputation of CSFPS and Public Service Pensions data respectively. As the deadline for publication of monthly GFS BCG data on MOFED website is short, no adjustments are made. However, this does not affect the main aggregates. For example, data for Net Lending and Borrowing are similar.

7. Recommendation of the IMF Multi-sector Mission 2012

7.1 National Pensions Fund

The mission recommended that the data coverage of the NPF should be improved by including its external assets and related income. These have been included in the GFS data as from 2012.

7.2 IMF transactions

In the GFSM 2001, Monetary Gold and Special Drawing Rights (SDRs) are financial assets for which there are no corresponding liabilities and its transactions and stocks are considered as neither domestic nor foreign. However, the mission recommended to change the status of monetary gold and SDRs to domestic financial asset (SDR holdings) with a counterpart in the foreign liability side (SDR allocations). The reason for this change is to align GFS treatment of Monetary gold and SDRs with the SNA 2008 treatment of that same instrument.

7.3 Classification of EBUs and public corporations

The mission on Multisector Statistics and Cross-Sector Data Consistency also recommended that the list of EBUs and public corporations is examined regularly to ensure their correct classification. After consultation with the Ministry of Finance and Economic Development, it was decided that the National Empowerment Foundation and Enterprise Mauritius will be classified under Extra Budgetary Units in the compilation of 2014 data.

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, Extra Budgetary Units and Social Security Schemes.

Budgetary Central Government includes all ministries and departments.

Extra Budgetary Units 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.

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 is the National Pensions Scheme.

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

(iii) Local Government consists of municipalities and district councils/ village 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 public financial 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.

Non-Financial Public Corporations are government-owned or government-controlled units selling goods and services to the public on a large scale.

Public Financial Corporations are government-owned or government-controlled institutions primarily engaged in both incurring liabilities and acquiring financial assets in the market.

Note: The sum of the data may not add up to totals due to rounding off of figures.