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# 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.

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