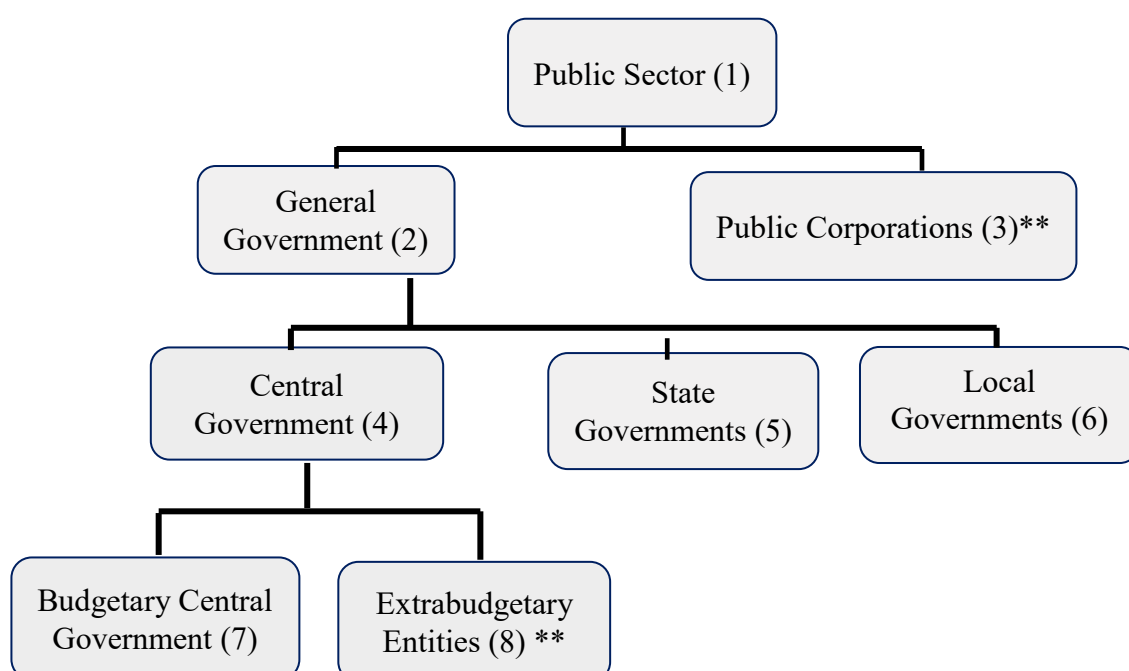


Government Finance Statistics (GFS)

Government Finance Statistics (GFS) are a basis for fiscal analysis, and they play a vital role in developing and monitoring sound fiscal programmes and in conducting surveillance of economic policies. GFS preparation methodology has been introduced by the Statistics Department of International Monetary Fund (IMF) by issuing the 1986 Government Finance Statistics Manual (GFSM). In order to strengthen the worldwide effort to improve public sector reporting and transparency, the IMF introduced the 2nd edition in 2001 clarifying the standards for compiling and presenting fiscal statistics. The 2nd edition contains a substantial modernization and expansion of the system described in the 1986 GFSM. The 3rd edition of GFSM has been released in 2014 and it provides guidance for a precise calculation of surplus or deficit (net lending/borrowing or overall balance) which helps to identify economic issues of a country and the high quality statistics generated are internationally comparable across countries. In this regard, IMF missions are fielded from time to time providing consultancy on the methodology of GFS compilation as per GFSM 2014.

With the intention of gaining the above advantages and strengthening the capacity to formulate fiscal policy and monitoring fiscal developments, the Department of State Accounts (SAD) takes measures to migrate to GFSM 2014 from currently used GFSM 1986. GFS are prepared for Public Sector which consists of Budgetary Central Government, Extrabudgetary Entities, Provincial Councils, Local Authorities and Public Corporations.

Sectorization of Public Sector as per GFS Manual



Definitions

- 1) **Public Sector:** The public sector consists of all resident institutional units controlled directly, or indirectly, by resident government units; that is, all units of the general government sector and resident public corporations. This sector includes all government units and all nonmarket, nonprofit institutional units (NPIs) that are controlled by government units.
- 2) **General government sector:** The general government sector consists of resident institutional units that fulfill the functions of government as their primary activity.
- 3) **Public Corporations**:** The public corporations subsector consists of all resident corporations controlled by government units or by other public corporations.
- 4) **Central Government:** Central Government consists of the institutional unit(s) of the central government plus those nonmarket NPIs that are controlled by the central government. The political authority of the central government extends over the entire territory of the country.
- 5) **State Government:** State governments consist of institutional units exercising some of the functions of government at a level below that of central government and above that of the government institutional units existing at a local level. State governments are distinguished by the fact that their fiscal authority extends over the largest geographical areas into which the country as a whole may be divided for political or administrative purposes. They are institutional units whose fiscal, legislative, and executive authority extends only to individual “states” into which the country as a whole may be divided.
- 6) **Local Government:** Local government units are institutional units whose fiscal, legislative, and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes. The local government subsector consists of local governments that are separate institutional units plus those nonmarket NPIs that are controlled by local governments.
- 7) **Budgetary Central Government:** The budgetary central government is often a single unit of the central government that encompasses the fundamental activities of the

national executive, legislative, and judiciary powers. This component of general government is usually covered by the main (or general) budget.

- 8) **Extra Budgetary Entities****: General government entities with individual budgets not fully covered by the main (or general) budget are considered extrabudgetary. These entities operate under the authority or control of a central, state, or local government. Extrabudgetary entities may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources.

(Source: Definitions given by GFS Manual 2014, IMF)

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State Owned Enterprises that are resident nonmarket Non Profit Institutions that are controlled by government units are classified as Extrabudgetary Entities. A nonmarket producer provides all or most of its output to others for free or at prices that are not economically significant. State Owned Enterprises which are Market Producers that provides all or most of its output to others at prices that are economically significant are categorized as Public Corporations. To assess whether a producer is a market producer, it is necessary to carry out a comparison between the receipts from sales and the production costs of the goods and services sold.

Institutional Coverage of Sri Lanka according to the GFS Manual

- 1) **Public Sector**: Public Sector of Sri Lanka comprises of the General Government institutes and SOEs classified as Public Corporations.
- 2) **General government sector**: General government includes Central Government institutes, Provincial Councils and Local Authorities.
- 3) **Public Corporations**: SOEs which are not continuously depend on the budgetary support are categorized as Public Corporations.
- 4) **Central Government**: Central Government of Sri Lanka comprises of Budgetary Central Government institutes and SOEs classified as Extrabudgetary Entities.

- 5) **State Government:** State Government of Sri Lanka consists of 9 Provincial Councils.
- 6) **Local Government:** Local Government includes 24 Municipal Councils, 41 Urban Councils and 276 Pradeshiya Sabha.
- 7) **Budgetary Central Government:** Budgetary Central Government consists of 19 Special Spending Units, 30 Cabinet Ministries, 39 State Ministries, 98 Departments and 25 District Secretariats.
- 8) **Extra Budgetary Entities:** SOEs which are continuously depend on the budgetary support are categorized as Extrabudgetary Entities.

Progress of GFS in DSA

- Compiled Budgetary Central Government GFS for 2015 – 2018.
- Analysed all State Owned Enterprises that prepared Financial Statements to identify Extrabudgetary Entities and Public Corporations.
- Compiled 36 Extrabudgetary Entities and Compile Partial Central Government GFS for 2015.
- Compiled Provincial Councils GFS for 2015. Collected Financial Statements for 2016. Requested Financial Statements for 2017 and 2018.
- Collected Financial Statements of Colombo Municipal Council for 2015-2018 to compile Local Government GFS.