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Consolidation: Country Experiences and Lessons Learned

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Agenda:

01 Generic and comprehensive consolidation and GFS compiling process

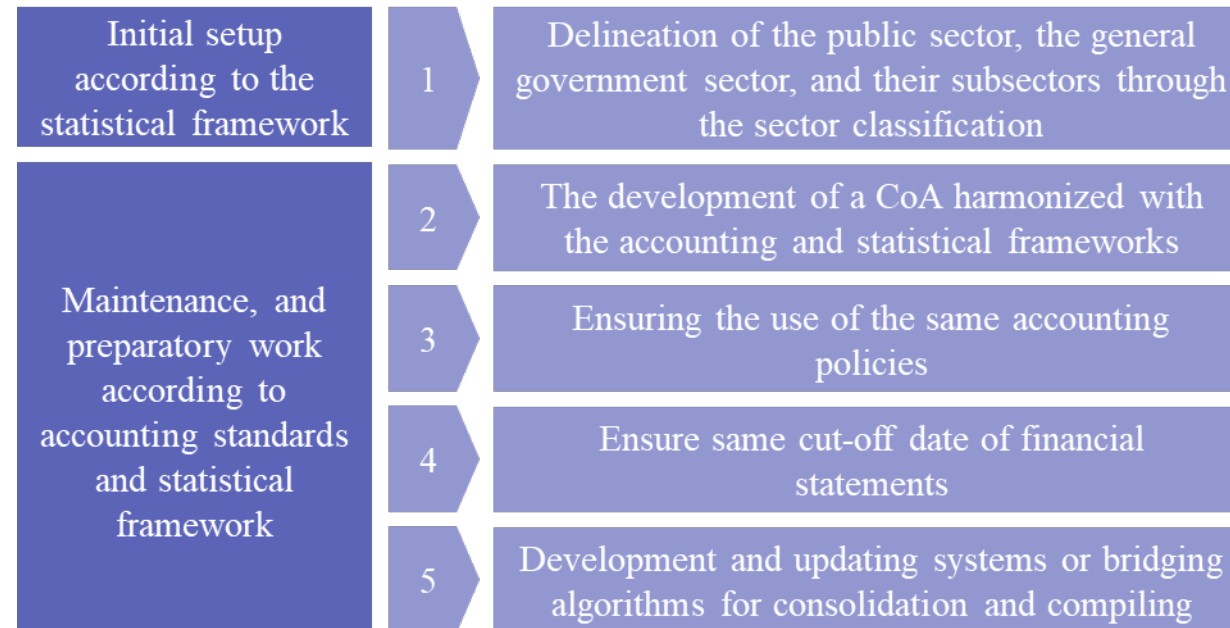
02 Next step: Integration with budgeting

03 Examples of international practices

04 Conclusions

Generic and comprehensive consolidation and compiling process (1)

The proposed generic and comprehensive consolidation and compiling process integrates the necessary activities for the consolidation process according to IPSASs, without considering the principle of control, as well as the essential activities for the compiling process according to GFSM 2014



Source: World Bank, 2023 (presented at the 2022 PULSAR Workshop)

Generic and comprehensive consolidation and compiling process (2)

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Next step: Integration with budgeting

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Budgets are arguably the most relevant document for fiscal policy

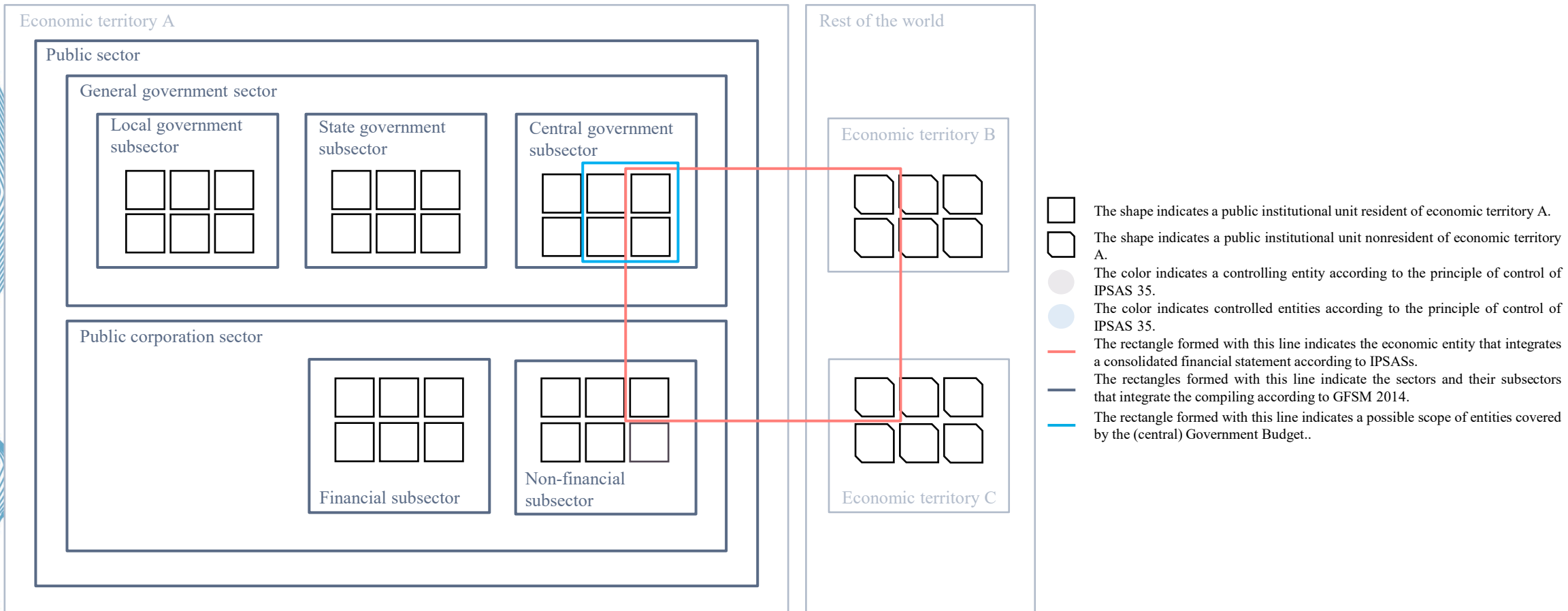


Image: courtesy of [parlament.ch](https://www.parlament.ch)

Next step: Integration with budgeting

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The scope of consolidation under IPSAS considers an economic perspective that is based on the concept of control. In turn, GFS compilation under GFSM 2014 follows a statistical perspective. Budgeting considers a combination of legal, statistical and economical criteria:



Source: World Bank, 2023 (adapted to include Budgeting)

Next step: Integration with budgeting

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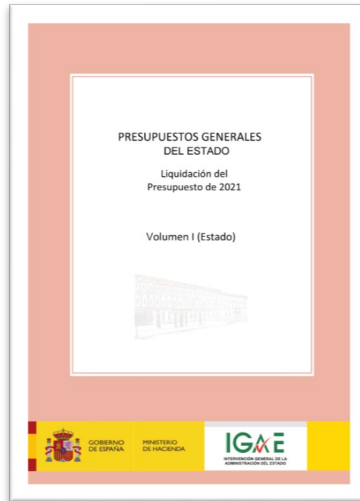
-  Budgets usually include various (many) entities
-  Usually (but not always) they respect sectorial boundaries
(e.g., central government)
-  Usually, there are some entities excluded (i.e., “extra-budgetary entities”)
-  Sometimes, the budget includes some entities which belong to other sectors
-  (e.g., in unitarian countries the budget may include subnational governments; in some countries they may include some SOE, etc.)
-  Often, the budgetary entities lack legal personality
(i.e., act in the name of the nation/state; even more so at subnational level where they act in the name of the province or municipality)

Examples of international practices



Decentralized state

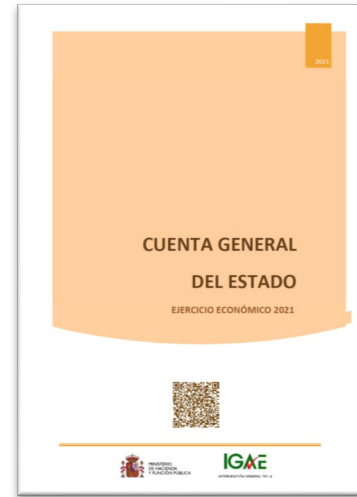
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Budget Execution of consolidated budgetary entities

Binding budget for comparison

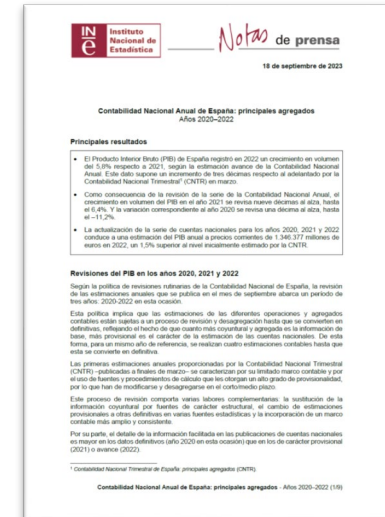
National Government



Consolidated Financial Statements including SOE (based on IPSAS 35)

Binding budget (~budgetary entities) plus estimational budget (~SOE) for comparison

National Government



National accounts (based on SNA/GFSM/ESA)

No budget comparison

General Government Sector



Examples of international practices

Federal state

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Budget Execution of consolidated budgetary entities

Binding budget for comparison

National Government



Consolidated Financial Statements including SOE (based on IPSAS 35)

No budget comparison

National Government



Finance Statistics (based on SNA/GFSM/ESA)

No budget comparison

General Government Sector

Conclusions

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- A consolidation process is usually necessary for the presentation of
 - The Budget Execution including all budgetary entities
 - The Consolidated Financial Statements according to IPSAS 35 including budgetary and extra-budgetary entities
 - The Government Finance Statistics according to ESA10/GFSM2014 according to statistical sectors, including subnational governments, ultimately the entire Public Sector
- All three have their own purpose and users

Recommendations

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- Organize the consolidation process according to the generic process outlined at this conference in 2022 and published by World Bank in the technical note in 2023
- **The additional consolidation according to the scope of the budget, as a subsector including only budgetary entities**

Financial reporting
according to
accounting standards

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Generating the consolidated financial statement
of the public sector, the general government
sector, and their **subsectors**

Thank you!