INFRA-FISCAL RADAR · WEEKLY

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Is the State paying its companies — or are its companies paying the State?

Money runs both ways between a government and the companies it owns, and the headline fiscal number sees only one direction. This fortnight: local vehicles that borrowed **90% of GDP** on the State's behalf. One-off dividends worth **4% of GDP** that shrank a deficit. **Ten years** of unpaid electricity bills turned into a sovereign-guaranteed bond. And two rail companies whose debt service the Treasury has paid, **line by line in the budget**, for years.

Four decisions and one anchor. **The flow flatters; the stock is what the market reads.**

Austral Fiscal & Infrastructure Intelligence · drawn from public reporting, with the Austral research series referenced throughout.

CHINA · THE COMPANY THAT BORROWED FOR THE STATE

Legally a company. Fiscally, 90% of GDP of local debt.

An IMF departmental paper published on 25 September: official local-government debt plus the debt of local government financing vehicles reached **90% of GDP** in 2025. The vehicles were built because local governments could not borrow directly — they are **legally state-owned enterprises**, and the IMF counts their debt in its *augmented* definition of general government.

2.2% of GDP a year in vehicle interest costs **net of their own operating cash** — against local tax and fee revenue of about 9% of GDP, and vehicle net income of 0.5%

The company label moved the borrowing off the budget. It did not move the repayment: the interest comes back to local budgets, and past rescues have already swapped **RMB 14 trillion** of vehicle debt into official debt, with another **RMB 10 trillion** of swap quota running to 2028.

> **Count the vehicle where the repayment lands.** A company that borrows for a government mandate and services its debt from the budget is general government in all but name. Report it inside the augmented perimeter from day one, with a rules-based borrowing limit — not after the swap.
>
> Austral papers → ***The Anchor and the Perimeter*** · ***The Useful Silence***

ALGERIA · THE COMPANY THAT PAID THE STATE

The deficit fell 3.5 points. The one-off dividends were worth about 4.

The 2026 Article IV, published on 21 September: the overall deficit narrowed from **14% of GDP in 2024 to 10.5% in 2025**, "supported by large one-off dividend payments from SOEs and the Bank of Algeria of about **4 percent of GDP**." The stabilisation fund was exhausted in 2024; central-government debt reached 52.1% of GDP.

~4% of GDP in one-off dividends from state companies and the central bank — **more than the entire improvement in the deficit**

And the loop closes through the banks: six state-owned banks hold close to **90% of loans and deposits**, and their credit is concentrated on the government and the same state companies. A dividend paid up today can be a loan drawn down tomorrow — **the money moves; the public sector's position does not.**

Show the balance without the one-offs — and consolidate. On a consolidated public-sector basis a dividend from a state company is an internal transfer and nets to zero. Publish the balance excluding one-off dividends alongside the headline, as the IMF's own tables already do.

Austral papers → ***The Anchor and the Perimeter*** · ***The Recognition Rule***

NIGERIA · THE STATE THAT PAID THE COMPANY'S BILLS

Ten years of unpaid electricity, now a sovereign-guaranteed bond.

The state bulk electricity trader, NBET, stopped paying the generators in full. The bills ran from **February 2015 to March 2025**. They are now being settled through a **₦4 trillion** bond programme issued by an NBET vehicle and "guaranteed by the full faith and credit of the Federal Government".

₦729 bn Series 2, closed this month — ₦402 bn raised in cash, ₦327 bn handed to generators as bonds. **About ₦1.23 trillion issued so far**

This is the programme working: generators get paid and the sector gets liquidity. It is also a decade of **arrears becoming explicit sovereign debt** — a liability that existed the whole time, but only as unpaid invoices inside a state company, where no debt statistic was looking.

> **Count arrears as debt when they accrue, not when they are refinanced.** Payables of a state offtaker are a liability of the public sector from the day the invoice is unpaid. And the guarantee behind a power-purchase agreement is a contingent liability to price before signature — not a bond to issue ten years later.
>
> Austral papers → ***The Third-Party Guarantee Decision*** · ***Stress-Testing PPP Portfolios***

CHILE · THE STATE THAT PAYS THE COMPANY'S INTEREST

The debt sits in the company. The interest is a line in the budget.

Chile's 2026 Budget Law sets aside **CLP 548,000 million** for the state railway, EFE, and the Santiago Metro. The glosas say why, in the law's own words: EFE's transfer pays "the interest on the domestic and external debt that the Company cannot cover with its available cash"; Metro's covers costs it "cannot meet from its operating cash flow".

CLP 320,000 million of the Metro money is booked as a **purchase of shares — a financial transaction —** although it pays for expansion "and the corresponding debt service"

The debt stays on the companies' books, outside the central-government anchor. Only part of it carries an **explicit guarantee — about 0.7% of GDP**; the rest is serviced exactly the same way, from the Treasury, year after year. The 2027 budget reaches Congress on Wednesday with the same lines.

> **Classify by what the money does, not by what the entry says.** A transfer that services the debt of a company that cannot cover its costs is, in GFS terms, a transfer rather than an equity purchase — and the debt it services belongs inside the consolidated perimeter, guaranteed or not.
>
> Austral papers → ***The Anchor and the Perimeter*** · ***The Recognition Rule***

GLOBAL · THE ANCHOR

Ratings read the stock. The flow barely registers.

A new IMF working paper by Olivier Blanchard, Daniel Leigh and Prachi Mishra asks how much weight sovereign ratings put on debt versus forecast primary balances. In their model, a point of primary balance should be worth about **fourteen points of debt**. In the actual ratings of emerging markets it is worth **0.7** at S&P, **0.5** at Fitch, **0.1** at Moody's.

14 vs 0.7 the weight a primary balance should carry relative to debt, and the weight ratings actually give it. **What moves a rating is the stock**

Read the four pages before this one against that finding. A dividend that flatters one year's deficit moves the flow the market barely reads. The vehicle debt and the refinanced arrears move the stock — **which is exactly the number that sits outside the headline.**

> **Publish the stock the market is going to find anyway.** If ratings and investors weight debt far above balances, a government gains little by managing the flow and loses a great deal when the stock surfaces through a swap or a bond. Report the consolidated stock first.
>
> Austral papers → ***The Useful Silence*** · ***The Anchor and the Perimeter***

THE THROUGH-LINE

The money moves both ways. The headline sees one.

Borrowed through a vehicle in China, paid up as dividends in Algeria, parked as unpaid bills in Nigeria, paid from the budget in Chile. Four versions of the same flow between a State and its companies — and **in every case the headline caught the flow and missed the stock:**

VfM value for money	Compare delivery routes on the consolidated cost, including what the company borrows for the mandate.
FARO PPP fiscal risk	Price the offtaker guarantee before the PPA is signed, and book arrears as they accrue.
GFS accrual accounting	Consolidate: intra-public dividends net out; vehicle and offtaker debt count in.

Thursday, in English: *The Anchor and the Perimeter* — what the same rule says when it is run on the whole balance sheet.

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