STATISTICS

IMF Government Finance Statistics Advisory Committee

Meeting in Brasilia, Brazil

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Paper: GFSAC/2025/05/13A

Summary of Consultation Responses: Proposed Recommendations - Group 2

Prepared by the Statistics Department

INTERNATIONAL MONETARY FUND

Consultation on Proposed Recommendations for Updating the *GFSM 2014* Based on Changes Agreed for Implementation in the *2025 SNA* and *BPM7* (Group 2)

The consultation on twelve Proposed Recommendations for Updating the *Government Finance Statistics Manual 2014 (GFSM 2014)*[1] ran from April 11 – May 2, 2025.

In total 37 responses were received from country authorities in 28 countries, as well as five independent GFS experts. There was fairly good geographical spread of responses, with an almost equal number of respondents from countries in the IMF regions of Asia and Pacific, Africa, and the Western Hemisphere, and slightly fewer responses from countries in Europe and the Middle East and Central Asia.

The vast majority of respondents (89 percent) indicated that they were engaged in macroeconomic statistical compilation (predominantly of government finance statistics (GFS)) with the other respondents reporting they were users of GFS data. One respondent explicitly noted they were both compiler and user.

Around two thirds of the respondents (24 respondents) had also provided responses to the first global consultation on proposed recommendations (Group 1).

The below section provides summary information on the views of respondents with respect to the twelve Proposed Recommendations, Annex 1 provides more details on the responses received, and Annex 2 summarizes the comments made by respondents where they only partially agreed with a Proposed Recommendations document.

RESPONSES TO PROPOSED RECOMMENDATIONS

All twelve Proposed Recommendations were agreed for inclusion in the update of the GFS manual by the majority of respondents who expressed an opinion[2].

One Proposed Recommendation – ***PR 1.21 Islamic finance*** - was agreed unanimously by all respondents who expressed an opinion, without any caveats.

For five Proposed Recommendations there was a single respondent who did not apparently agree with the proposal (by selecting “No”) but in each of these cases there was no comment explaining the reason why the respondent had selected “No”. The five Proposed Recommendations were:

- ***PR 1.10 Super dividends and reinvested earnings of public corporations***
- ***PR 1.28 Work-in-progress, transfer of ownership and capital services***
- ***PR 1.30 Distinction between maintenance and capital repairs for intangible assets***

[1] All twelve Proposed Recommendations were based on changes agreed for the *System of National Accounts 2025 (2025 SNA)* and the *Balance of Payments Manual 7 (BPM7).*

[2] All analysis referenced in this section relates to those respondents who expressed an opinion on a Proposed Recommendation, excluding those who selected “no comment”.

- ***PR 1.31 Treatment of the transfer of leased assets at the end of the lease period***
- ***PR 1.36 Treatment of precious metal accounts***

A single respondent also argued against one other Proposed Recommendation (***PR 1.25 Relationship between SNA and IPSAS/IFRS***), but in this case the reason given was that they wanted to see more detailed information in the GFSM update than in the *2025 SNA*. This is indeed the intention of PR 1.25 which explains that this work is to be taken forward under the GFSM Update Research Project 2.27 (*Relationship between GFS and IPSAS/IFRS*).

Two respondents voted against ***PR 1.20 Payments for nonproduced knowledge-based capital (marketing assets)***. One respondent provided no comments to explain their view, while the other argued that "*moving marketing assets from nonproduced to produced assets introduces significant measurement challenges, especially in the public sector, where such assets are not easily identifiable or consistently valued*". As the proposal is indeed not to change the current treatment of marketing assets as nonproduced assets, this comment actually supports the proposal made under PR 1.20. Furthermore, the challenges with identification, valuation (measurement) remain the same irrespective of the classification in nonproduced or produced assets.

Three Proposed Recommendations attracted more substantive disagreements from some respondents. These are described below.

- ***PR 1.17 Debt concessionality*** was rejected by two respondents. The arguments given by the two respondents are similar and are replicated below.

> *"…my opinion is that there is no sensible reason to again give governments and international organizations a waiver to excluding these transfers (grants) form the core GFS statements. If a government as an employer must estimate the implicit transfer to its employees when awarding them concessional loans, all the more reason for this government to record grants received from other governments or international organizations through concessional loans. As data are available for market rates relevant to any country and loan time span, the more difficult is justify the exclusion of these operations from the core GFS statements."*

> *"I understand the effort to harmonize GFS with other macroeconomic statistics. However, not accounting for the transfers related to subsidized interest in the context of debt concessionality directly affects the GFS framework. In some countries, …a significant portion of the increase in public debt can be explained by concessional lending. In practice, the government increases its debt in order to provide long-term loans with below-market interest rates domestically. These operations are recorded only below-the-line and do not affect the fiscal balances or expenses levels above-the-line. When fiscal targets focus solely on the Primary net lending/borrowing, these operations can go unnoticed. …in fact, some of these loans should involve the recording of expenses on interest equalization (at least covering the difference between the subsidized rate and an estimation of cost of capital for the non-market producer, as discussed in PR 1.27) within the budget. Disclosing these expenditures enhances the transparency of such policies. I do not agree with the rationale presented in PR 1.17 Debt Concessionality. I believe that not recording, within the GFS core framework, at least the difference between the interest paid and received by the government undermines transparency."*

These arguments are to be considered against those respondents who agreed with the proposal and included comments such as the following.

> *"We agree with the recommendation. Recognizing concessionality solely through supplementary information avoids artificial distortions in debt statistics and supports a more faithful representation of fiscal liabilities."*
>
> *"I fully agree with this proposal. Recording the grant element in the statistics will introduce confusion in the understanding of the statistics. The grant element will only be used to characterize the concessionality of the debt (official development assistance or not)."*
>
> *"As long as concessionality (transfer element) is recognized in supplementary information, users will be able to adjust the data for their analytic needs and for comparison purposes."*
>
> *"Maintaining the concessionality details as supplementary items allows for transparency without affecting the main fiscal aggregates. The proposed removal of the transfer element for concessional lending by central banks is reasonable, given their unique role in monetary policy rather than fiscal transfers. This approach supports both clarity and alignment across macroeconomic frameworks."*
>
> *"The proposed recommendation to clarify in the update of the GFSM 2014 that a transfer element for concessional loans should generally not be recorded in the central framework, except in the specific case of employer loans to employees (as a continuous stream of remuneration of employees is supported. The support is primarily on the basis of the rationale summarized in the PR document."*

- ***PR 1.27 Consistency in the application of the sum-of-costs approach*** was rejected by three respondents. The concerns of these respondents focused on the inclusion of a net return on capital within the sum of costs calculation for nonmarket production. The arguments made are shown below.

> *"While it is acknowledged that this is a significant change and we will seriously consider its implementation, we don't agree that this proposal is economically desirable or its proposed methodology robust. A return on capital is more akin to an accounting concept than an economic one and it causes disconnection from the sum of costs methodology. It seems to run counter to the concept of nonmarket gross operating surplus. Furthermore, it does not add to the analytical usefulness of GFS, making it harder to reconcile operating balance with Government's annual financial statements."*
>
> *"Document SNA/M3.24/05 provides guidelines for estimating the net return to capital for non-market production. It uses the European Union as a benchmark to define a default real rate of return of 2% per year. However, the rate of return in the European Union may differ significantly from that of the vast majority of other countries. Document SNA/M3.24/05 explicitly addresses this limitation by noting that: "Taking these criteria into consideration, and based on analysis undertaken in the EU, it is recommended that a two percent be used as the default real rate of return for estimating the net return for government non-market output. Where a country's real bond rate is persistently and significantly in excess of two percent, it is recommended that a real bond rate specific for that country be estimated." However, neither the recommendation in SNA/M3.24/05 nor the proposal to update GFSM 2014 presented in the Proposed*

Recommendations Document 1.27 Consistency in the application of the sum of costs approach addresses how alternative rates should be considered for the majority of countries whose economic conditions differ from the EU benchmark. To adopt such a simplification, it would be necessary to estimate the net return to capital for non-market production across a wide range of countries in order to assess how much the rate varies and what impact this simplification could have on data quality and comparability. Additionally, I propose that the final recommendation of the Proposed Recommendations Document 1.27 – Consistency in the application of the sum of costs approach explicitly recommend that the GFSM Update research project 2.1 – Boundary between government-controlled nonmarket producers engaged in nonfinancial activities and public nonfinancial corporations also include guidelines for estimating the net return to capital for market producers. These guidelines would support the application of the market test used to distinguish between general government entities and public corporations. This topic is already under discussion within research group 2.1, and such a recommendation would constructively reinforce the ongoing work."

"We suppose that calculating net return the net return to capital for general government will complicate the GFS compilation process."

Those supporting the proposal included comments such as:

"The application of the sum of costs approach makes the data more complete. Including the net return to capital and rent payable for the calculation enhances the accuracy of Value Added and gross output estimation."

"The proposal enhances the conceptual consistency of the valuation approach for government production and reduces asymmetries in the treatment of market and non-market units. The adoption of standardized parameters facilitates implementation by countries, including in contexts with data limitations."

"We consider this recommendation essential to ensure methodological consistency between national accounts and government finance statistics, particularly in the estimation of output for non-market producers using the sum-of-costs approach."

- ***PR 1.29 Clarifications on the treatment of terminal costs during ownership transfer for different types of assets*** was rejected by two respondents. However, one respondent provided no comments to explain their view. The other respondent argued:

  "I disagree with including the full SNA treatment in the updated GFS because GFS focuses on fiscal reporting, not detailed economic analysis. The SNA's complex guidance on capital services and ownership transfer costs isn't necessary for government financial statistics and could overcomplicate the framework. A simple cross-reference to the relevant SNA chapters would be more appropriate and maintain clarity in GFS."

  Those supporting the proposal included comments such as:

  "We agree with maintaining the GFSM 2014 treatment of terminal costs being written off over the whole life of the asset to avoid the negative value at the end of the asset's life."

> *"We support the recommendation as it aligns the GFSM 2014 with the 2025 SNA, reinforcing conceptual consistency in the treatment of terminal costs."*

For all Proposed Recommendations (except ***PR 1.21 Islamic finance***) there were some responses indicating that they only partially agree with the proposals. The majority of comments highlighted the practical challenges involved in implementing the proposals. However, in a few cases some more conceptual issues were raised, most notably with respect to ***PR 1.8 Valuation of unlisted equity, PR 1.17 Debt concessionality*** and ***PR 1.27 Consistency in the application of the sum-of-costs approach*** (see Annex 2 for more details). These issues raised often supported some of the views expressed by respondents who disagreed with the Proposed Recommendation. In addition, some of the respondents who agreed with a Proposed Recommendations document also included comments, sometimes highlighting implementation challenges.

All feedback from the consultation, including comments from those who agreed with the Proposed Recommendations, will be carefully considered when advancing each of the research projects and drafting Notices of Decision.

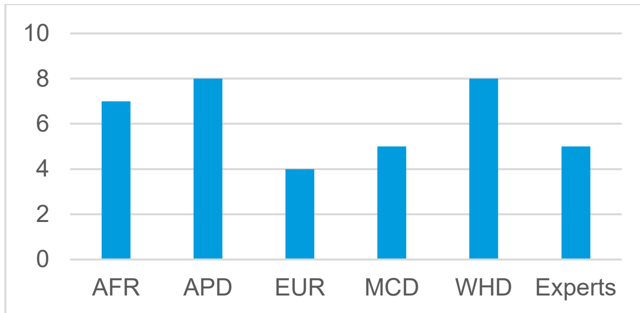
Annex 1: Detailed Responses

RESPONDENTS

Number of responses: 37

BY REGION

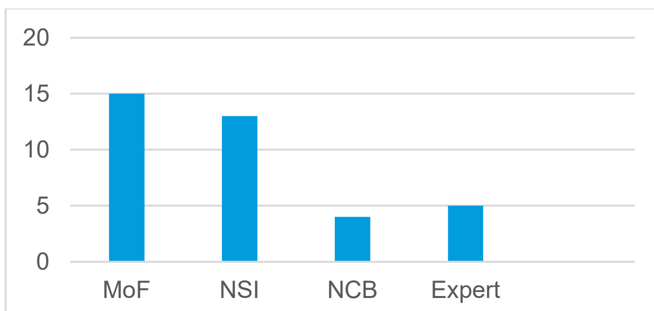
Region	Count
Country authorities in:	32*
Africa (AFR)	7
Asia & Pacific (APD)	8
Europe (EUR)	4
Middle East & Central Asia (MCD)	5
Western Hemisphere (WHD)	8
Individuals (Experts)	5
Total	**37**



* 32 responses were received from authorities in 28 different countries

BY ORGANIZATION

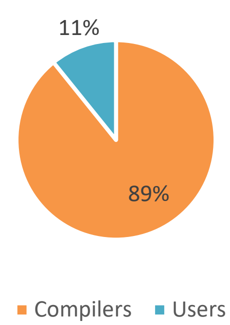
Institution	Count
Ministry of Finance (MoF)	15
National Central Bank (NCB)	4
National Statistics Institute (NSI)	13
Independent Expert (Expert)	5
Total	**37**



BY AREAS OF EXPERTISE / INTEREST

Question: What is your main interest in, and/or relationship with, Government Finance Statistics?

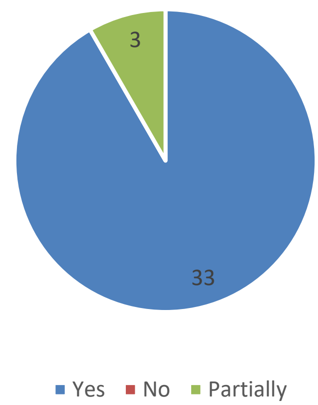
Main Interest	Count
GFS compilation	24
Compilation of other macroeconomic statistics (e.g., national accounts, balance of payments)	7
Policymaking	1
GFS analysis and use (e.g., analyst, academic)	2
Other (2 compilers,1 user and compiler)	3
Total	**37**



VIEWS ON PROPOSED RECOMMENDATIONS

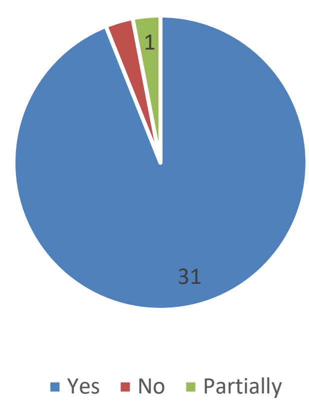
PR 1.8 Valuation of unlisted equity

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	33
No	0
Partially	3
No Comment	1
Total	**37**



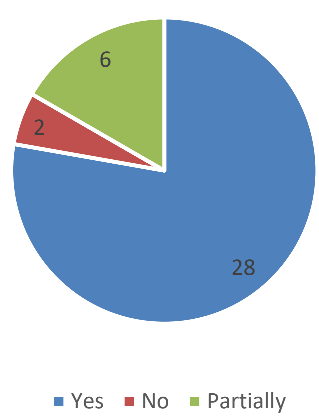
PR 1.10 Super dividends and reinvested earnings of public corporations

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	31
No	1
Partially	1
No Comment	4
Total	**37**



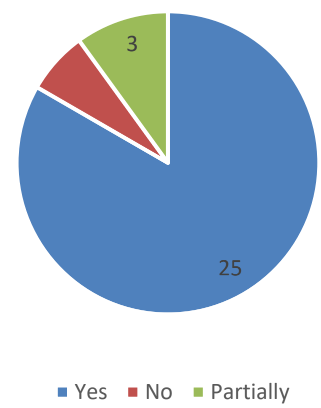
PR 1.17 Debt concessionality

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	28
No	2
Partially	6
No Comment	1
Total	**37**



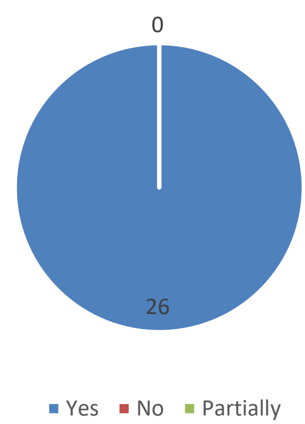
PR 1.20 Payments for nonproduced knowledge-based capital (marketing assets)

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	25
No	2
Partially	3
No Comment	7
Total	**37**



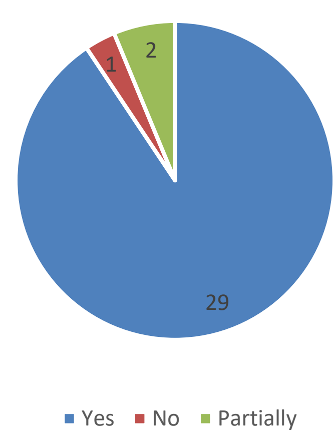
PR 1.21 Islamic finance

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	26
No	0
Partially	0
No Comment	11
Total	**37**



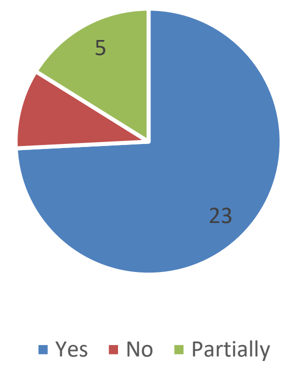
PR 1.25 Relationship between SNA and IPSAS/IFRS

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	29
No	1
Partially	2
No Comment	5
Total	**37**



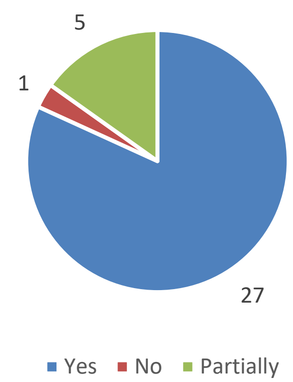
PR 1.27 Consistency in the application of the sum-of-costs approach

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	23
No	3
Partially	5
No Comment	6
Total	**37**



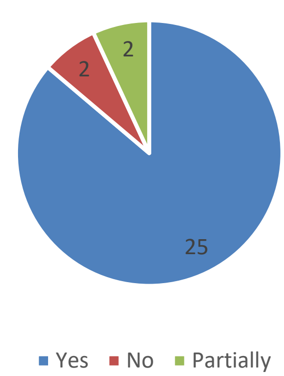
PR 1.28 Work-in-progress, transfer of ownership and capital services

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	27
No	1
Partially	5
No Comment	4
Total	**37**



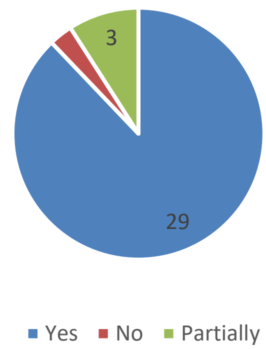
PR 1.29 Clarifications on the treatment of terminal costs during ownership transfer for different types of assets

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	25
No	2
Partially	2
No Comment	18
Total	**37**



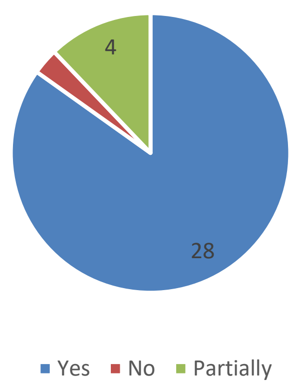
PR 1.30 Distinction between maintenance and capital repairs for intangible assets

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	29
No	1
Partially	3
No Comment	4
Total	**37**



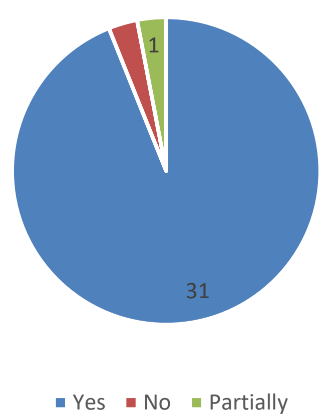
PR 1.31 Treatment of the transfer of leased assets at the end of the lease period

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	28
No	1
Partially	4
No Comment	4
Total	**37**



PR 1.36 Treatment of precious metal accounts

Do you agree with the recommendations and their incorporation into the update of the GFS manual?	Count
Yes	31
No	1
Partially	1
No Comment	4
Total	**37**



Annex 2: Reasons for Partial Agreement with Proposed Recommendations

Proposed Recommendation	Number of respondents indicating their partial agreement	Summary of rationales given for only partially agreeing to the Proposed Recommendation
PR 1.8 Valuation of unlisted equity	3	• "Introducing negative valuations for non-listed shares could raise issues with valuation consistency, distort economic data, and create discrepancies between private and public sectors, given the differences in how losses are recognized." • "We support the harmonization of SNA and GFS and the idea of valuing unlisted equities. However, there are elements of PR 1.8 proposals that seem contradictory. For example, it states that equity prices -- particularly market prices -- can be difficult to obtain. But it then goes on to include prices in the preferred valuation methods. The term "transaction prices" is ambiguous and "market capitalization" implies that an equity can be directly priced, which is at odds with the paper itself. So if the preferred methods are to involve pricing equities there needs to be guidance on how to derive indicative prices. For example, dividing the number of a units shares by its book value (a very crude estimation method)? Does the decision tree provide such guidance? If numbers of shares and earnings are available, equity valuations can be made using earnings per share. Has this been considered?" • Not opposed conceptually but suggest that flexibility should be allowed depending on country circumstances.
PR 1.10 Super dividends and	1	• Not opposed conceptually but suggest that flexibility should be allowed depending on country circumstances.

reinvested earnings of public corporations		
PR 1.17 Debt concessionality	6	• "While the recommendation encourages supplementary details on the impacts of concessional lending, including imputed capital transfers, the complexity of accurately identifying and reporting these elements could pose significant challenges. Given the practical difficulties in distinguishing between various types of concessional loans and their economic effects, it may be more effective to focus on core reporting requirements rather than introducing additional, potentially burdensome data collection." • "I believe that for fiscal analysis, it is important to identify the nature of all loans (not just those to employees) as a sub-item. This is important information when analyzing fiscal accounts and merits more relevance than a mere "memorial item." • "The discussion on concessional loans focuses on the interest rate differential between loans at market rates and loans at concessional rates. This approach is limited, because it ignores the impact of concessions in terms of repayment and grace periods. A present value approach could be an option. The differential between the present value of a market loan and the present value of a concessional loan can be calculated, and the differential allocated over the life of the loan." • "IPSAS classifies the transfer element of concessional loans as a subsidy. The general government has a lot of concessional loans, so it is important to display the subsidy separately. I wonder if GFS plans to apply IPSAS accounting for concessional loans." • "Agree conceptually but note concerns about potential for divergence between GFS and accounting standards and impact on providers… [Accounting standards] report concessional elements as an expense on initial recognition and unwound over the loan term. Also, consideration on expanding scope of recognition of transfer element for concessional loans beyond the specific case of employer loans to employees could reduce the divergence between international accounting standards and GFS and may better reflect the economic reality of concessional loans. More detail on how to apply the memorandum treatments could support consistency of decision making on when to apply those treatments." • Not opposed conceptually but suggest that flexibility should be allowed depending on country circumstances.

PR 1.20 Payments for nonproduced knowledge-based capital (marketing assets)	3	• "Agree with the conceptual direction of recognizing marketing assets as produced assets, especially to reflect their role in modern economies. However, since the UN Statistical Committee has decided not to incorporate this change in the *2025 SNA* and to keep the topic on the research agenda, we suggest that GFS maintains alignment and does not yet implement this recommendation. Premature incorporation could create inconsistencies across macroeconomic frameworks. Further research and practical experience, especially in identifying and valuing government marketing assets, are still needed before integrating this into the GFS manual." • "This recommendation was not endorsed in the *2025 SNA*. Therefore, we consider it advisable to maintain consistency between the GFS Manual and the updated SNA framework by not incorporating it into the GFSM." • "At this point marketing assets and goodwill are recorded under the same code (61442). I do not think this is because they are deemed the same but because both of them jointly are estimated (calculated) as a residual (value of the enterprise minus (value of assets minus value of the liabilities)) when it comes to statistical recording. So, they are now statistically indistinguishable by now, but this occurs as a way to simplify their recording. Then, a move in the right direction, might be to establish a clearer boundary between goodwill and marketing assets, and to split them in two codes (614421 and 614422) which means that, at the very least, *GFSM 2014,* paras. 7.115-116 should be rewritten. Also, a recommendation should be made on how to estimate the value of marketing assets."
PR 1.21 Islamic finance	0	*Not applicable*
PR 1.25 Relationship between SNA and IPSAS/IFRS	2	• "We agree with the proposal but note that it appear to focus on IPSAS. In our experience, instances where public corporations are required to apply IFRS rather than IPSAS are not that rare globally, and this should be acknowledged in the GFSM." • Not opposed conceptually but suggest waiting for the conclusion of GFSM Research Project 2.27.
PR 1.27 Consistency in the application of the	5	• "Depreciation (consumption of fixed capital) does not apply on inventories, so it will be difficult to apply the methodology described in para. 4.c to these nonfinancial assets." • "On the whole, we agree with the 2025 SNA approach. We had practical reservations around a specific rate being prescribed in a statistical standard at the time of the SNA consultation, noting how

sum-of-costs approach		infrequently these standards are updated. As long as the GFSM language permits deviating from the rate where strong rationale exist, we endorse the proposal. With regards to the market test implications, we acknowledge the potential this change may have on some types of public units, notably infrastructure companies. We would find further research helpful but not essential in our national context, where the fiscal framework covers public sector as a whole.” • “The benefits of applying a return on capital to non-market production, as introduced in the 2025 SNA , must outweigh the disadvantages of the method. This fact is questionable. The approach relies on assumptions that may not reflect local realities, introduces complexity, and could distort macroeconomic aggregates like GDP or national savings. While it seeks to enhance international comparability, the potential for inaccuracies and the added methodological burdens call into question its overall effectiveness.” • Not opposed to the proposal but highlight the need for very clear guidance on the rate of return on capital and the value of nonfinancial assets used in production to ensure international comparability. Also suggest there is an opportunity to clarify the application of the market test given the inclusion of the return on capital. • “Agree conceptually but note concerns about measurement issues, potential for divergence between GFS and accounting standards, and impact on providers. We note that the revisions to the definition of production costs may lead to an increase in costs and therefore may impact sector classifications due to the market/non-market test….This has the potential to create further estimation issues or burden on data providers as currently they do not incorporate a net return to capital in the valuation of own-account fixed assets.”
PR 1.28 Work-in-progress, transfer of ownership and capital services	5	• “Agree conceptually but note concerns about measurement issues, potential for divergence between GFS and accounting policy, and impact on providers.” • “Agree in principle but it is hard to see how this can be implemented in practice. In reality work in progress values consist of many projects contracted to multiple providers, all starting and finishing at different times. The problem is, source data relating to these projects is bundled up so no information is available on them separately. As a result, it is impossible to know about timing of ownership change or valuation of each asset type within each project. We would imagine therefore, that in most cases we will need to adopt an approach where a contract of sale exists and regular ownership transfers are made from the work in progress "pool". We believe too that the producer will typically be

		recording stage/progress payments as part of their output and value added, so we need to maintain consistency." • "The manual should cover this topic in more detail, especially work-in-progress related to cultivated biological resources." • Not opposed conceptually but suggest that flexibility should be allowed depending on country circumstances. • Note challenges in sourcing the data in order to correctly record the transactions.
PR 1.29 Clarifications on the treatment of terminal costs during ownership transfer for different types of assets	2	• Agree conceptually, but likely challenges in estimating the terminal costs. • Agree conceptually, but notes "that it would be more useful if the upcoming manual contained detailed information on this issue".
PR 1.30 Distinction between maintenance and capital repairs for intangible assets	3	• Agree in principle, however, "with government data largely coming from administrative sources, we are not sure how practical or implementable the proposal is unless it is sufficiently aligned with IPSAS/IFRS treatment". • Agree conceptually, but notes that the *Handbook on Measuring Data* recognizes difficulties in separating intermediate consumption from fixed capital formation and recommends that where no separation can be made then the default treatment should be to record as a capital transaction. As such, it is suggested to ensure GFSM consistency with the *Handbook on Measuring Data*. • No rationale provided.
PR 1.31 Treatment of the transfer of leased assets at the end of the lease period	4	• Not opposed conceptually but suggest that additional guidance on applying the concept should be provided in the GFSM. • Not opposed conceptually but suggest that flexibility should be allowed depending on country circumstances. • "Agree conceptually but note concerns about measurement issues, ongoing divergence between GFS and accounting policy, and impact on providers. We expect significance challenges with

		measurement/estimation of future asset value particularly for assets with a long-life span at future point of transfer.” • “We are content with the proposed text to the point that the source data supports this treatment, for example in the case of large individual public-private partnerships and other large single infrastructure assets.”
PR 1.36 Treatment of precious metal accounts	1	• Not opposed conceptually but note the compilation challenges in valuing precious metals.