



# GFSAC Meeting: May 13-15, 2025

## Cover Page

### 1.17 Debt Concessionalality

Paper: GFSAC/2025/05/13D

## For Endorsement

### For Discussion

#### Global Consultation Responses:

| 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         |
| <b>Total</b>   | <b>37</b> |

#### Global Consultation Comments:

Two respondents disagreed with the Proposed Recommendations, making the following points:

- “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 concessionalality 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 Concessionalality. 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.”*

- *“...my opinion is that there is no sensible reason to again give governments and international organizations a waiver to excluding these transfers (grants) from 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.”*

Some of those respondents who only partially agreed with the proposal also expressed reservations about not capturing a transfer element for debt concessionality in the GFS main accounts. These respondents stated:

- *“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.”*
- *“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 memorandum item.”*
- *“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.”*

Other respondents who only partially agreed with the proposal raised concerns about how to calculate the transfers related to concessional lending. These respondents stated:

- *“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.”*
- *“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.”*



Several of those respondents who agreed with the proposal noted that the use of memorandum item avoided distortions in fiscal reporting, as well as delivering harmonization with the 2025 SNA and BPM7. Responses include:

- *“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.”*
- *“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... This approach supports both clarity and alignment across macroeconomic frameworks.”*
- *“The updated conceptualization of concessional loans will better reflect economic reality and provide better guidance for compilation, as well as consistency with the updated SNA and BPM manuals.”*
- *“I fully agree with this proposal. Recording the grant element in the statistics will introduce confusion in the understanding of the statistics.”*

One of the respondents who also supported the proposal noted:

- *“In our experience, loan concessionality often comes in conjunction with an ex-ante expectation of a significant write-off element. Therefore, more broadly, we found Eurostat’s attempt to describe the different scenarios of government lending in its Manual on Government Deficit and Debt quite helpful and would suggest reviewing the drafting of GFSM to ensure it contains a clear summary (or a decision tree) of cases where loan assets should be recorded at nominal value and those where a capital transfer element should be explicitly recognised in the core statements. The capital injection decision tree is helpful in this context, but does not cover other types of government lending that may equally involve a transfer element, at least in a conceptual sense.”*

### Questions for GFSAC:

- Do you agree that none of the arguments raised by respondents against the proposals in the Proposed Recommendations are sufficiently novel to merit further review of the proposals?
- Do you endorse the draft Notice of Decision?



# GFS Notice of Decision

**DRAFT**

## 1.17 Debt concessionality

**GFS Notice of Decision:**

The update of the *GFSM 2014* will maintain the existing treatment in the *GFSM 2014* (para. 7.246), where concessional loans are generally not recorded in the central GFS framework with concessional lending recorded at the face/nominal value.

The reporting of a memorandum item (or similar) for the value of the implicit transfers resulting from loans at concessional interest rates (GFS code 6M392) will continue. Specifically, for concessional loans provided in non-market contexts, like those from governments or international organizations, supplementary information on the concessionary nature of the loans should be disclosed. Where a transfer element is recognized as supplementary information, it should be recorded as a capital transfer at inception of the loan.

The *GFSM 2014* allows for two exceptions to the above treatment of concessional lending – employer loans to employees (*GFSM 2014* para. 6.17) and central bank lending (*GFSM 2014* Box 6.2 and para. 6.89). In the update to the GFSM the references to reporting a subsidy element for concessional lending by central banks will be removed. However, the exception for concessional loans between employers and employees will remain, with a clarification added that the imputed transfer element should be recorded as a continuous stream of remuneration of employees (compensation of employees) over the period of the loan, to better reflect actual cost of labor.

**GFS Related Documents:**

|   |   |
|---|---|
| <b>GFS Proposed Recommendations Document</b>                | <a href="#">GFSM PR 1.17</a>  |
| <b>GFS Discussion Note</b>                                  | Not applicable  |
| <b>GFS Global Consultations</b>                             | <a href="#">April 2025</a>  |
| <b>Discussions at GFSAC Meeting(s)</b>                      | To be added   |
| <b>SNA/BPM Related Documents:</b>                           |   |
| <b>Guidance/Issue Note</b>                                  | SNA/BPM: <a href="#">GN F.15</a> ; <a href="#">IN: SNA/M4.22/17</a>         |
| <b>Global Consultation(s)</b>                               | SNA: <a href="#">Feb 2022</a>   |
| <b>Discussions at the AEG/BOPCOM<sup>1</sup> Meeting(s)</b> | Joint AEG/BOPCOM: <a href="#">October 2022</a> ; <a href="#">March 2022</a> |

<sup>1</sup> AEG = Advisory Expert Group on National Accounts, BOPCOM = Balance of Payments Committee



**STATISTICS**

***GFSM 2014 update***