

D.5 Recording Nonresident Government-Controlled Special Purpose Entities (SPEs) Used for Fiscal Purposes: Outcome of the GFS Consultation

This note summarizes the outcome of [a consultation](#) of the GFS community on the [Guidance Note D.5 Recording Nonresident Government-Controlled Special Purpose Entities Used for Fiscal Purposes](#), a guidance note prepared as part of the update to the [Balance of Payments and International Investment Position Manual](#) and the [System of National Accounts](#). The consultation concluded on August 25, 2021.

Consultation Responses

- 1. Around three quarters of the respondents¹ to the government finance statistics (GFS) consultation favored continuing to treat nonresident government-controlled SPEs used for fiscal purposes as nonresident institutional units (i.e., Options 2, 3a, or 3b).** Of these respondents, a great majority (over 90%) favored improving the current statistical treatment by introducing enhanced imputations to better reflect the fiscal activities of these SPEs (i.e., Options 3 or 3b). Of those respondents who supported the introduction of enhanced imputations for non-resident government-controlled SPEs a significant majority favored the extended treatment which would mirror the SPE debt instrument in the government accounts (i.e., Option 3b), rather than recording the imputed government debt as simply a loan to the SPE.
- 2. It is noteworthy that a significant minority of respondents (around one quarter) favored not treating the SPE as a separate nonresident institutional unit, but instead consolidating the SPE into the controlling government accounts (i.e., Option 1).** Preference for this approach was particularly prevalent within European countries. The most common argument given for consolidating the SPEs was that in economic substance these SPEs are not sufficiently independent of the controlling government. In addition, it was argued that the proposed imputations were much more complex to implement than consolidation of the SPE.
- 3. The establishment of nonresident government-controlled SPEs for fiscal purposes appears to be very rare with only three respondents able to provide examples of such SPEs.** However, those three respondents who did identify current, or historic, nonresident government-controlled entities all favored, or practiced, consolidating the SPEs.
- 4. None of the consultation respondents suggested further theoretical improvements to the enhanced imputations described in the guidance note but some respondents mentioned potential practical challenges in compiling the enhanced imputations.** Many of the practical challenges cited

¹ The GFS consultation received 36 responses with 30 of those providing an opinion on the preferred treatment of nonresident government-controlled SPEs, which are used for the subsequent analysis. There was a good geographic spread of responses with slightly under half the responses being from European and North American countries (or international organizations) and the rest being from the other regions of the world. The Annex provides more detail on the consultation responses.

are also applicable to the current treatment in the international statistical manuals (i.e., Option 2). For instance, potential difficulties for statistical compilers in (i) identifying nonresident government-controlled SPEs; (ii) sourcing the required SPE data; and (iii) ensuring consistency of recording of SPEs across countries and across macroeconomic statistical domains. Other practical challenges mentioned were more specific to the enhanced imputations, and include possible lack of availability of detailed SPE transaction data required for the enhanced imputations, and the potential burden on statistical compilers due to the complexity of the enhanced imputations.

Further Points for Consideration

5. **As noted in the guidance note, previous consultations and discussions had identified a preference for retaining nonresident SPEs as separate institutional units and recording enhanced imputations in the case of nonresident government-controlled SPEs which conduct fiscal activities.** Specifically, both the IMF's Committee on Balance of Payments Statistics (BOPCOM), in its June 2021 meeting, and the UN's Advisory Expert Group on National Accounts (AEG), in its July 2021 meeting, advised that SPEs abroad should be treated as institutional units resident in their economy of incorporation, and that where an entity was conducting fiscal operations it would be appropriate to carry out special imputations of transactions and positions between the government and that entity.

Concluding remarks

- a. a substantial majority of respondents to the GFSAC and GFS community consultation favor introducing enhanced imputations to better reflect the fiscal operations of government-controlled SPEs;
- b. the enhanced imputations described in the guidance note are considered appropriate and sufficient by most respondents, and significant support exists for extending the enhanced imputations to reflect the imputed debt in the government accounts under the same financial instrument as the debt incurred by the SPE;
- c. there is support from a minority of consultation respondents in not treating the government-controlled SPEs as institutional units in the economy of incorporation but instead consolidating them within the accounts of the controlling government, although it was recognized by these respondents that this would go against the current statistical conventions on residency;
- d. nonresident government-controlled SPEs appear to be rare, with the consultation finding little evidence for significant government usage of such entities.

Annex: Summary of detailed consultation responses²

Total number of responses	30
Of which: from GFSAC members/observers*	8
Of which: from WHD countries/organizations	4
Of which: from EUR countries/organizations*	8
Of which: from MCD countries/organizations	4
Of which: from APD countries/organizations	3
Of which: from AFR countries/organizations	3

* Eurostat provided a response as a GFSAC observer, based on their own survey of EU member countries. Some EU countries also responded directly to the IMF consultation and their individual responses are included under EUR countries and have been separately recorded.

1. Has the government in your country/territory (or others that you are aware of) established an SPE abroad to conduct fiscal operations?

a. If Yes, please provide details, and if known, provide information on the current recording in the Government Finance Statistics.

b. If Yes, is the same treatment followed in the National Accounts and External Sector Statistics of your country/territory? If a different treatment is followed then please explain why.

Three respondents identified examples of nonresident government-controlled SPEs established for fiscal purposes. A number of these SPEs appear to have been established historically and are no longer active, but at least two of the SPEs referenced are currently operating.

2. Which of the options considered in the guidance note do you believe is the best treatment in macroeconomic statistics for government-controlled nonresident SPEs? Please explain why..

Option 1 Consolidate the concerned entity in government accounts (like territorial enclaves)

Option 2 Current treatment

Option 3a Enhanced imputations

Option 3b Enhanced imputations, extended to mirror SPE debt instrument in government accounts

Option 1 : Consolidate in government	7
Option 2 : Current treatment	2
Option 3 : Enhanced imputations	21
<i>Of which: Option 3b : with debt instrument mirroring</i>	14

² The analysis of responses is limited to those responses where the respondent provided an opinion on their preferred treatment for nonresident government-controlled SPEs.

3. In the event of Option 3 or 3b being chosen, do you foresee any practical difficulties in implementing the enhanced imputations? Please explain why.

No practical difficulties foreseen	9
Some difficulties foreseen	8
No comment or no response	13

Difficulties foreseen relate to identification of SPEs; availability of detailed data; complexity of imputations; and consistency of recording.

4. In the event of Option 3 or 3b being chosen, do you have any comments on ways the enhanced imputations can be further improved/simplified? Please explain how.

No potential improvements identified	7
Some potential improvements identified	2
No comment or no response	21

Potential improvements were more practical than theoretical and included a suggestion that identifying the counterparties in SPE transactions would assist in identifying, simplifying and consolidating the enhanced imputations.