Joint Thirty-Eighth Meeting of the IMF Committee on Balance of Payments Statistics and Eighteenth Meeting of the Advisory Expert Group on National Accounts

Inter-secretariat Working Group on National Accounts

Remote Meeting
March 7–10, 2022

BOPCOM VM1—22/04.1
SNA/M1.22/04.1
For discussion

F.15 Debt Concessionality: Outcomes of the Global Consultation

Prepared by the Financial and Payments Systems Task Team (FITT)

INTERNATIONAL MONETARY FUND

F.15 Debt Concessionality: Outcomes of the Global Consultation[1]

The global consultation[2] showed that the revisions to the statistical treatment of concessional lending proposed in Option C (record the "loan" and the "transfer" element at inception) received relatively higher support (47 percent) compared to the other options. Supporters of Option A/A1 (status quo) and those undecided commented Option C was too complex, could face practicality issues, and generate asymmetries. On the recording of the grant/transfer element, the recommended Option B (grants to be explicitly recorded in the core accounts at inception) was supported by 49 percent of respondents. Consistent with their response to Issue 1, the other respondents were either in favor of the status quo proposed in Option A (23 percent) or undecided (28 percent). All other proposals of the Guidance Note (GN) received wide support from respondents.

In view of the support received by all proposals (including by Option C on the statistical treatment of concession lending and Option B on the recording of grant/transfer element), the GN F.15 is presented to the IMF's Balance of Payments Statistics Committee (the Committee) and the Advisory Expert Group on National Accounts (AEG) for final decision.

1. *What option do you favor for the statistical treatment of concessional lending (Issue 1)?*

Forty-seven percent supported Option C, 30 percent Option A/A1, and 15 percent of the respondents were undecided.

Conceptually, Option C was considered as a better representation of economic reality. According to some of these respondents, loans provided under favorable conditions imply a "cost" for lenders and an economic benefit for borrowers, which can be regarded as a transfer at the time the transaction is made. Option C was also seen as the best approach to represent a more meaningful debtor/creditor financial positions as it takes into account the time value of money. Respondents favoring Option C also commented that the use of present value for these loans would better align the macroeconomic statistics with International Public Sector Accounting Standards (IPSAS).

In contrast, the supporters of Option A argued that the international statistical standards prescribe nominal valuation for loans, which should hold for concessional loans as well. These respondents also favored Option A/A1 as they do not bear the risk of global asymmetries embedded in the complexities perceived in Option C.

Undecided respondents noted practical difficulties in determining the transfer/grant-element and reporting burden as major issues to favor Option C, but some of them recognized its conceptual soundness. They also commented that different approaches may be desirable given the diversity of concessional loan agreements.

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[1] Prepared by the FITT Secretariat and approved by FITT Co-chairs.

[2] The joint global consultation on the GN F.15 took place in February 2022, collecting input from 47 respondents from 40 economies (Annex I and Annex II provide comprehensive information on the results of the global consultation). Respondents from European countries had the largest participation (43 percent), followed by those from Western Hemisphere countries (23 percent), Asia and Pacific countries (15 percent), African countries (11 percent), and Middle East and Central Asia countries (eight percent).

2. *What option do you favor for the statistical treatment of the grant element of concessional loans provided as substitutes of contributions to agencies (Issue 2)?*

Option B was supported by 49 percent of the respondents. The other respondents were either in favor of the status quo proposed in Option A (23 percent) or undecided (28 percent).

Most respondents agreed with Option B proposing that the transfer element of concessional loans granted as substitute for regular or other transfers/grants to beneficiaries needs to be recorded in any case in the core accounts consistently with regular contributions or other transfers/grants. Therefore, they supported the GN's recommendation that macroeconomic statistics manuals should explicitly clarify this. Twenty-eight percent were undecided while the remaining (23 percent) supported Option A noting that the manuals should not foresee a specific rule for the cases where a concessional loan is offered as a clear substitute for a contribution/transfer.

3. *Do you support the proposal to change the terminology "concessional loans" to "concessionary loans" in the update to the SNA/BPM?*

Most of the respondents supported this proposal (60 percent).

Harmonization with IPSAS was welcome by most of the respondents commenting on this subject.

4. *Do you support the proposal to clarify in the SNA/BPM that the scope of concessional loans is limited to loans granted by creditors that are nonmarket or that conduct their loans on behalf of another nonmarket unit?*

Most of the respondents supported this proposal (72 percent).

The proposed clarification was commented as important as it will eliminate any uncertainty as to whom concessional loans can apply. It will also ensure comparability across countries and draw the line between concessionary loans and low interest rate loans that are not concessionary in nature given that there is no intended benefit/transfer as a result.

5. *Which discount rate(s) do you favor to define and measure concessionality for new concessional loans and cases of debt reorganization (Annex III)?*

There was not a significant preference for a particular discount rate.

The Commercial Interest Reference Rate (CIRR) drew a slightly larger preference (21 percent of the respondents). Respondents noted that CIRR is the most appropriate solution as it would be the easiest choice to apply in practice and also the most transparent one helping to avoid asymmetries between countries (an issue that is perceived as more likely to occur if rates reflecting only the financing cost of one side of the loan agreement). The market rate has been commented as the relevant discount rate which would bring out fairness and would represent the appropriate opportunity cost.

6. *Do you support the proposal that the option recommended for new concessional loans should also be applicable to cases of restructured loans (Annex VII)? If not, what alternative option(s) do members support for cases of restructuring?*

Most of the respondents supported this proposal (68 percent).

Applying a consistent approach for both new concessional loans and restructured loans was largely commented as appropriated by most of the respondents supporting the proposal.

Annex I. Responses to the Global Consultation Questionnaire

Questions	Number of Responses	%
Your response concerns which area of macroeconomic statistics:		
National Accounts	15	35%
Balance of Payments	14	33%
Government Finance Statistics	3	7%
Both National Accounts and Balance of Payments	11	26%
Total	43	100%
Is this topic of relevance for your country?		
High Relevance	7	17%
Medium Relevance	19	45%
Low Relevance	15	36%
Not Relevant	1	2%
Total	42	100%
Conceptual Issues/Recommendations		
Which option do you support for recording concessional loans (Issue 1)?		
Option A	13	28%
Option A1	2	4%
Option B	4	9%
Option C	21	45%
Undecided	7	15%
Total	47	100%
Which option do you support for recording concessional loans (Issue 2)?		
Option A	11	23%
Option B	23	49%
Undecided	13	28%
Total	47	100%
Do you support the proposal to change the terminology “concessional loans” to “concessionary loans” in the updated manuals?		
Yes	28	60%
No	6	13%
Undecided	13	28%
Total	47	100%
Do you support the proposal to clarify that the scope of concessionary loans is limited to loans granted by creditors that are nonmarket or that conduct their loans on behalf of another nonmarket unit in the updated manuals?		
Yes	34	72%
No	1	2%
Undecided	12	26%
Total	47	100%
Which discount rate(s) do you favor to define and measure concessionality for new concessional loans (Annex III)?		
Option A (‘typical’ financing cost of the debtor)	8	17%
Option B (market rate)	7	15%
Option C (observed financing cost of the creditor)	7	15%
Option D (commonly agreed CIRR)	10	21%
Undecided	15	32%
Total	47	100%
Which discount rate(s) do you favor to define and measure concessionality for cases of debt reorganization (Annex III)?		
Option A (apply the same rule as for new loans)	14	30%
Option B (use the CIRR as in the BPM6)	5	11%
Option C (use the original interest rate/present value of the loan)	10	21%
Undecided	18	38%
Total	47	100%

Do you support the proposal that the option recommended for new concessional loans should also be applicable to cases of restructured loans (Option A in Annex VII of this GN)? If not, what alternative option(s) do you support for cases of restructuring?		
Yes	32	68%
No	4	9%
Undecided	11	23%
Total	47	100%
Practical Implementation		
Do you foresee statistical or analytical needs in your country to implement the recording of concessional lending as recommended by this GN?		
Yes	17	38%
No	12	27%
Undecided	16	36%
Total	45	100%
Do you foresee statistical or analytical needs in your country to implement the recording of the grant element of concessional loans provided as substitutes of contributions to agencies as recommended by this GN?		
Yes	13	29%
No	13	29%
Undecided	19	42%
Total	45	100%
Would your institution be interested in participating in an experimental estimate exercise on this GN?		
Yes	8	18%
No	27	60%
Not sure	10	22%
Total	45	100%

Respondent Countries (in Alphabetical Order)

1	Andorra	EUR	21	Netherlands	EUR
2	Aruba	WHD	22	New Zealand	APD
3	Australia	APD	23	Nicaragua	WHD
4	Austria	EUR	24	Norway	EUR
5	Belarus	EUR	25	Poland	EUR
6	Bolivia	WHD	26	Portugal	EUR
7	Cameroon	AFR	27	Romania	EUR
8	Canada	WHD	28	Saudi Arabia	MCD
9	Colombia	WHD	29	Singapore	APD
10	Finland	EUR	30	South Sudan	AFR
11	France	EUR	31	Suriname	WHD
12	Germany	EUR	32	Sweden	EUR
13	India	APD	33	Switzerland	EUR
14	Ireland	EUR	34	Thailand	APD
15	Japan	APD	35	Turkey	EUR
16	Kazakhstan	MCD	36	Ukraine	EUR
17	Mauritius	AFR	37	United Arab Emirates	MCD
18	Mexico	WHD	38	United Kingdom	EUR
19	Morocco	MCD	39	United States	WHD
20	Namibia	AFR	40	Vietnam	APD

Annex II. Comments Received from Respondents

Please explain the reasons for your response to the question "*Which option do you support for recording concessional loans (Issue 1)?*"
Option A
The other options will lead to a substantial reporting burden as the loans will have to be monitored on an ongoing basis and adjustments will have to be made from the reporting received respondents. Bilateral consistency will also be negatively affected.
In general, the international standards provide for a valuation of loans at nominal value. This holds for concessional loans as well (Option A/A1). The proposed present value-based approach for benefits which accrue over time (like reduced interest) does not seem convincing. Furthermore, it is the nominal value, which is owed to the creditor (and to be considered, for instance, in case of a credit event). In addition, the impact of concessional loans on the accounts of the creditor is already implicitly captured. Hence, the additional burden of an additional reporting is not balanced by a sufficient benefit. Information on large concessional loans could be reported by means of a supplementary table.
We want to avoid to many imputations. Especially we want to avoid alternative C.
data availability, internationally harmonized compilation
No change in the updated BPM and SNA
Concessional loans are generally between Governments or with multilateral institutions, which are more likely to be on concessionary terms. They are already identified separately from private loans which are on market rates.
- Practicality - Not feasible to define proper discount rate / market interest rate for comparable loan - Symmetric recording of loan amount by both creditor and debtor
This is where the country will be able to understand the level of profit or debt sustainability
In general, the international standards provide for a valuation of loans at nominal value. This holds for concessional loans as well (Option A/A1). We see option A as the best solution. Option A avoids the risks of increasing global asymmetries, it is the option with the least compilation problems in practice and still allows for the publication of additional data in supplementary items in case the data is available and relevant for a given country. Options B and C face several issues that will make the compilation very difficult and give rise to asymmetries. Furthermore, option C would imply a deviation from the principle of nominal value for loans.
Option A is the only relevant option for NA. NA is based on the value of actual transactions. If a transfer element can be recognised it should be accounted each year and offset by an equal amount of income. The principal of the loan should only be reduced when the debtor makes amortisations or when the creditor negotiates a debt cancellation with the debtor (SNA §10.19). NA does not record hypothetical transactions or future events in advance.
Option A1
First, we note that within the current recording of concessional loans, the deficit impact is already recorded, although indirectly, through the refinancing cost (or opportunity cost) of the grantor. Therefore, when there is no resale (see below), the issue is only a question of time of recording. The recognition of an explicit gift, which is proposed both by option B and C, is based on the assumption that a market rate for loans exist. We do not agree with this general idea. Option B for instance, would treat loans in the exact same way as bonds, imputing a market interest rate and thus changing the apparent interest paid by the creditor (plus, obviously, a transfer for the amount of cash paid in excess of the "market value" of the loan). While it is possible for bonds, where the market rate is directly observable, it is not for loans. Indeed, the choice of the "market rate", which is addressed by the GN, is very conventional and would entail harmonisation issues. Option C also requires the use of a market rate, so we disagree with C for the same reason. In addition, we must point out that concessional loans are in general granted with very long maturities (30 years or

more). Option B and C are therefore very demanding for the compilers, who should perform imputations during the whole lifetime of the instrument. It would be also a challenge for the BoP compilers, who would have to deal with asymmetric recordings: it is likely that some debtors who receive several concessional loans spread over long periods of time and from different creditors may encounter monitoring and recording challenges. There is therefore a risk of different treatment of both the transfer element and the amount of the loans, which may create asymmetries in the balance of payments (if creditors and debtors are not in the same country). Uncertainties about the choice of rate only increase this risk of asymmetry. We believe that the two options, B and C, are unrealistic from a practical point of view and contrary to the spirit of national accounting principles [Even if the quoted sentence is in ESA and not in SNA, we believe that it is a general principle of national accounts, not specific to European context.] . ESA 2010 §1.20 says that in order to establish a good balance between data needs and data possibilities, one of the eight important characteristics of the ESA2010 system is that the system is "focused on describing the economic process in monetary and readily observable terms". However, taking into account that most concessional loans granted are at better than market conditions, imputation of such flows would definitely not refer to readily observable terms.

However, we are even more reluctant with option C, the main reason being that it introduces the value of time in a specific case, which could be used afterwards for other situations, more or less identical. For instance, the GN could possibly touch the grant for interest reliefs recording. These are situations where government subsidizes the interest of a loan, granted by a bank. In general, the loans are granted under a public scheme by commercial banks. This situation is not a priori in the scope of the guidance, which assume that the grant is borne by the grantor, but there are sufficient similarities for being tempted to generalise the logic. Indeed, while providing a grant for interest relief, government is de facto turning a regular loan into a concessional one (although the loan is not in its balance sheet). The methodology is to treat these grants as subsidies on production, accruing at the time the interest is to be paid, so spread over the lifetime of the instrument, and not to record the present value of these grants. This is coherent with the fact that national account is a system designed for giving a picture of economic development. GN F.15 is somehow challenging this principle, but the issue is not addressed in the paper. In a certain sense, GN F.15 potentially threaten the whole system, by focusing too much on the point of view of one specific agent (government).

The possibility of retired before maturity is also a strong argument for not choosing option C. This possibility is deemed "highly unlikely" by the authors, who consequently disregard this argument. We believe this counterargument is wrong, considering the fact, again, that the maturity of concessional loans is usually very long. As a consequence, it is very likely that some events occur which entail an early redemption of the instrument:

- The financing conditions are very likely to change, such as a loan which was qualified as concessional might become less interesting for the debtor
- Concessionnal loans are also very often granted upon conditions. For instance, the loan contract can require that the debtor keeps the financed asset on its balance sheet, otherwise, an early redemption is to be made. In this context, the early redemption depend strongly on economic value of the asset, which can vary strongly in time.
- A write-off is also a possibility, in case the debtor goes bankrupt.

In all these situations, which can happen many years after the instrument is granted, the recording of a grant element at inception would make the recording highly complex.

The GN also highlights the issue of resale, while admitting that ESA, by departing from SNA, has indeed a solution (to record a capital transfer at the time of the resale when the value of the sale is below the nominal value). This solution could be adopted by the SNA and other manuals, but this is not an option envisaged by the GN. It could also apply explicitly in case of restructuring.

We also want to point out that the GN contains several sentences suggesting that governments are often in the position to cooking their account. We believe this is not appropriate in the context of the SNA review. Here some example of inappropriate sentences:

- « one may fear that governments increasingly substitute transfer schemes with low-interest loans schemes unless the accounting treatments would be homogenized" p6;
- "in case where a creditor sells off the concessional loan granted, a problem would exist because the transfer could permanently escape the deficit if the difference in value is considered as revaluation" p7;
- "it could allow debtors or creditors to play with the time of deficit impact" p8;
- "it defers or changes the deficit impact of the transfer by merely engaging in a financial operation, which would amount to outright fiscal illusion maneuver" p9;
- "thresholds often create incentives, notably in government finance statistics, for agents to indulge in practices targeting at circumventing and avoiding such thresholds, thus avoiding the accounting impacts but with similar economic effects" p20;

- “in the context of capital injections, governments could easily provide an entity a market-rate based loan at inception, only to later on restructure it to terms more favorable to the debtor, thus evading a deficit impact” p28
Option B
Esta opción reconoce el elemento de transferencia y, en términos prácticos es más factible de realizar.
Por que en el SCN 2008 recomiendan registrar el D41 inicial y ajustar los intereses concesionales como transferencia.
For concessionary loans we're generally only thinking of interest-free student loans as the only substantial ongoing obligation, and it is more prone to policy changes. There is more uncertainty about the length of the loan (people's interest free eligibility changes if they move overseas and are charged interest on the student loan) that the transfer will be paid for the duration of the student loan, so making Option C a bit more prone to getting caught out by policy changes compared to Option B (where transfers will cease if the policy ends, or at least responds to any changes in transfer obligations as they occur).
Option C
We agree that this does prioritize substance over form and will better capture the intent of certain forms of lending activities. However, there will certainly be added complexity in tracking and estimating these transfer portions, which will be reliant on having reasonable NPV calculations. Limiting the scope on the applicability of this treatment to low interest loans provided in a non-commercial context is useful, but a further limiting of scope may be beneficial depending on feasibility.
The transfer element is already granted at inception as part of the legally binding loan contract.
We think an impact on B.9 is correct in the case of concessionality
Clearly separating the genuine loan from the transfer element eases the follow up of the debt and the update of the national accounts. It also helps in reporting the actual level of the country as far as its capacity to get more loans is concerned.
The UK supports the arguments in favour of Option C described in the Guidance Note, particularly the need to reflect economic substance over form. The UK notes an additional advantage of Option C, namely it offers consistency with the treatment of loans where part of the principal is unlikely to be repaid (already partitioned). While supporting Option C, it is the UKs view that alignment with IPSAS is necessary in respect of the balance sheet valuation of concessional loans (as described in the annex of the Guidance Note). The alternative, of compilers calculating their own estimates for the value of each concessional loan, is not viable given the likely number of cases and the lack of detailed information about each particular loan.
The time value of money must be considered, since granting a loan under favorable conditions implies a “cost” for the lender and a benefit for the borrower, which can be considered as a transfer and must be recorded at the time the transaction is made.
The option C appears to be the most logical as it would bring out the fair position of the financial transaction. The concessional loans have an implicit Grant component inbuilt into it and it should come out clearly in the financial reporting. Though, this would be more relevant for the Governments which are recording transaction on accrual basis as in the cash system the transactions are recorded on the basis of actual receipts and payments. The other options do not present the fair valuation of the loan and can be used as a via media in case there is an issue in adoption of option C. The option C represent the correct position both with respect to Debtors and Creditors and considers the time value of money.
Option C would be the best in theory. Concessional loans contain a transfer element and this proposal is an opportunity to follow the economic principle of time value of money; the partitioning of a low interest rate loan at inception follows the substance over form principle. Option C, on the other hand, is the most challenging to implement. In this sense, option B would be simpler to implement
This option will allow for more transparency and consistency as the overall loan amount is split between the real loan and the transfer element at the right time in this case the start of the transaction.
I agree with the recommendation in the GN for the reasons stated.

We agree with option C because we agree with recording the transactions consistent with the time value of money.
In our opinion, option C reflects better the economic reality, although there is a concern on the practical implementation.
From a GFS perspective, we support the idea that macroeconomic statistics must explicitly capture all transfers extended by public sector units within the core SNA accounts. This is particularly important for increasing transparency and accuracy of data, but also to provide meaningful statistics to users / policymakers. The use of present value for these loans is also consistent with the current international standards and would better align macroeconomic statistics with principles already recognized in IPSAS.
Option C recognizes the transfer element at the correct period and provides the present value of the loans consistent with the international accounting standards.
Option C recognises there has been a transfer of value between lender and borrower. This option is broadly consistent with the treatment of concessional loans currently applied as per Australian Accounting Standards (AAS). Option C would therefore eliminate part of the harmonisation differences between AAS and SNA/GFS in the Australian context.
It is consistent with the economic principle of time value of money.
The transfer element is already granted at inception as part of the legally binding loan contract.
I worked to get this approach agreed for BPM6 so support its adoption now. For official-to-official lending only.
It clearly brings out the concessionary element and quantifies the same
Recording of the transfer element present in concessional lending is more realistic using the discount rate.
Undecided
Option C might be conceptually best. However, practical difficulties in determining the transfer/grant-element and potentially high costs make us hesitant to support this option. Furthermore, as long as it is not clear which loans are under the concessional loan regime, different loans could require different preferences. For instance, for loans to/from the IMF option B could be preferred, whereas for social loans option A1 is preferred.
It might need large work-resources compared to user needs of this information.
The way of recording the amount of loan and the transfer element should be aligned with the accounting treatment of the lender.
Источником информации по финансовому сектору для расчета макроэкономических показателей является Национальный Банк Республики Казахстан. Бюро национальной статистики не формирует учет по кредитам, в том числе по льготным кредитам.
Please explain the reasons for your response to the question *“Which option do you support for recording concessional loans (Issue 2)?”*
Option A
In line with the answer to the previous question we see option A as the most appropriate solution, i.e. to avoid a specific rule for concessional loans as a clear substitute for a contribution/transfer. The explanation of issue 2 in the guidance note is too short and makes it difficult to fully understand which cases are meant especially the case with equity in paragraph 17. A more extensive explanation with an example would be very helpful. A potential alternative that is not mentioned in the guidance note would be to fully report such transactions as grants if it is clear at the time of inception of the “loan” that there is no repayment planned in the future.
We can agree that in the specific case where there is an alternative proposed to government by an international agency (concessionnal loans or direct payment), the substance over form principle could command to record a transfer. This exception is justified because the concessionnal loan (more exactly the transfer elements) gives right to the same voting rights as normal contributions.

Why should we record a grant element in the case of loans? Grant elements are not recorded in other cases where government charges lower fees than the cost of providing the service. We do not add interest costs or a hypothetical profit to the government output that is distributed as social transfers in kind. The proposal in GN is out of line with NA principles.
Option B
Si el elemento de transferencia está explícito en el manual se facilitaría la compilación de la estadística
Porque el préstamo concesional esta recomendado tomarlo como subvención en el SCN 2008
Option B is a better economic reflection of the transaction.
To ensure consistency between the recommended approach with 'regular' concessional loans and to ensure that the transfer/grant element is properly reflected in the deficit and not being treated just as a financial transaction.
Substance over form as stated in the document
Reflecting substance over form
Explicitly specifying the nature of funds is the best way to ensure accountability ans transparency in a long run.
The transfer should be recorded in the core accounts from its inception so that the nature of this transaction is adequately reflected in the net lending/borrowing as well as the assets and liabilities.
Similarly to issue 1 the recording of option B allows that the grant/transfer element is explicitly recorded in the core accounts at inception
The adoption of this option will allow the transfer element to be recorded in the accounts to reflect the intention of the creditor to allow the debtor to benefit from a portion exempt from the interest rate applied on the market.
I agree with the recommendation in the GN for the reasons stated.
We agree with option B because we agree that the grant/transfer element of a concessionary loan provided as a substitute for regular contributions to a beneficiary should be recorded in the core accounts.
To ensure consistency between the recommended approach with 'regular' concessional loans and to ensure that the transfer/grant element is properly reflected in the deficit and not being treated just as a financial transaction.
This would ensure a consistent proposed treatment for issues 1 and 2.
For clear cases, to be able to consult macroeconomics statistics manuals is very much welcomed
It would ensure consistency with option C in issue 1.
It deals with the issue of appropriate discount rate for measuring the transfer component.
Better to acknowledge and clarify upfront distinction between contribution and concessional loans
Undecided
In case long-term zero interest rate loans serve as substitutes of contributions to agencies/MDBs, the whole amount should be treated as grant. Thus, the treatment would be the same as capital increases to MDB facilities providing mainly concessional loans as explained in the Eurostat Manual on Government Deficit and Debt, section 4.6.
To address Issue 1, the UK supports Option C, and we have therefore selected “Undecided” here to reflect that opinion. In the UKs view, the case described in Issue 2 is not separate from Issue 1, rather it is a possible sub-set. If Option C was not to be accepted to address Issue 1, the proposed Option B (for Issue 2) would, in our view, be difficult to implement in practice, because it would leave open to interpretation what should fall within this category. Hence, we support Option C to address both Issue 1 and Issue 2.
The statistical treatment of grant element is also correctly depicted in option C. The separation of two components at the inception would have clear distinction between the components. The rationale given in the guidance note is clear and logical.

Issue 2 arises from grant element recognition/identification and thus one decision between options A or B would be extreme. Nonetheless, the manuals recommendation would be of interest, orientative and clear.
Further clarification on this issue would be beneficial, noting the logic of Option B appears sound.
The difference between issue 2 and issue 1 is not clear. If "the form of long-term zero-interest loans" in issue 2 refers to the case where the contract interest rate of the concessional loan is 0%, the same conclusion as in issue 1 should be drawn.
Источником информации по финансовому сектору для расчета макроэкономических показателей является Национальный Банк Республики Казахстан. Бюро национальной статистики не формирует учет по кредитам, в том числе по льготным кредитам.
Please explain the reasons for your response to the question *“Do you support the proposal to change the terminology “concessional loans” to “concessionary loans” in the updated manuals?”*
Yes
This is not a significant change and alignment with IPSAS terminology is also important.
Could be more informative.
Either one is fine.
Esto aseguraría la consistencia conceptual entre los diferentes manuales
La pregunta no propone un planteamiento claro ya que aparentemente las opciones son las mismas
we have no objection.
This choice is because the definition of "concessionary loans" proposed by IPSAS is adapted to option C that we choosed above and also very similar to that of "concessional loans" but with a clean emphasis on the need for transparency in reporting financial transaction.
We agree, it is important to standardize concepts and taxonomy across macroeconomic statistics manuals.
It would be aligned with IPSAS.
I agree with aligning the terminology with IPSAS.
We agree with using the terminology from the International Public Sector Accounting Standards.
It is a more explicit term.
This enhances convergence with IPSAS
No objections
From BOP/IIP perspective, the terminology change would not have any impact, leaving room for core accounts to be compliant with IPSAS requirements.
A change in the terminology would support improved consistency across standards.
No
This change will cause countries to update the data range as well as the accounting method
If we change the wording the meaning also will change
While we agree with the idea of seeking alignments of terms with other manuals such as the IPSAS, we see a potential problem in this case since the definition of “concessionary loans” would not be the same in the new SNA/BPM and in the IPSAS.
This is better English

The term concessional loans is well established. Harmonization might only be helpful, if the same recording in national accounts and IPSAS was to be applied. In our view, a different recording seems justified (see comment to question 3).
Undecided
I don't see any difference.
There is no substantive change between the two nomenclatures. We would prefer continuing with existing nomenclature of concessional loan.
Источником информации по финансовому сектору для расчета макроэкономических показателей является Национальный Банк Республики Казахстан. Бюро национальной статистики не формирует учет по кредитам, в том числе по льготным кредитам.
Cannot see any reason that merits the change in terminology
Please explain the reasons for your response to the question *"Do you support the proposal to clarify that the scope of concessionary loans is limited to loans granted by creditors that are nonmarket or that conduct their loans on behalf of another nonmarket unit in the updated manuals?"*
Yes
This clarification is important as it eliminates any uncertainty as to whom concessionary loans can apply.
Could be more informative.
Even if it assumed to be very unexpected that commercial banks loans could be considered as concessionary loans, the clarification would be welcome. It would avoid for instance that fixed-interest rates granted in a market context become considered as concessionnary loans after a rise of interest rates.
Esto garantiza la unidad en el criterio de compilación para todos los países.
Por que en nuestro país los acreedores son exclusivamente de no mercado
The non-market is feasible for data collection and statistical compilation of SNA and BPM. The non-market units are economically significant.
Yes, clearly stating the scope is useful for this exercise. however, the guidance note lists several examples of low interest rate loans in the private sector, but explains that these are not concessionary in nature as there is no intended benefit/transfer as a result. Additionally, our understanding is that intercorporate borrowing, frequently at rates below market, would remain out-of-scope even though they may be considered nonmarket (between affiliated entities) and frequently designed to yield a benefit to the parties involved (i.e., tax efficiencies, jurisdictional shifting of incomes, etc.).
The clear specification of the scope of concessionary loan reduces the risks of wrong reporting. It also eases financial auditing and fiscal follow up.
We agree, since it is these loans that require adjusting the face values to consider the value of money over time and adequately reflect the nature of the transactions.
Currently, the statistical manuals do not offer a precise description of debt concessionality.
Concessionary loans in the U.S. are largely provided by government entities.
We agree that the definition of concessionary loans should be limited to cases that fit the type of loan and type of benefit described in option C for issue 1.
Important to avoid confusion, ensure comparability across countries and to clearly distinguish from other types of concessionary loans.
The intention of a concessionary loan is to provide or receive resources at below market terms.

Yes, this seems to be a useful restriction in defining concessionary loans
See Question 5.1
It would be beneficial to clarify the scope. The Commonwealth Department of Finance also note that what constitutes "non-market" should also be clarified to assist GFS data providers. The current definition of concessional loans in GFS refers to loans with off-market interest rates only, even though discussion refers to other terms and conditions. Focussing only on interest rates is different from the AAS definition, with concessionality being the difference in present value between the actual loan and a market-based loan. This would encompass all loan terms and conditions that give rise to a difference, such as non-market grace periods.
Again in line with the answer to the question about issue 1 we support the clarification of a limited scope of concessionary loans in the new manuals. There is no precise definition of concessional loans in the standards. However, 2008 SNA and ESA 2010 are explicitly mentioning that one generally accepted feature of concessional loans is the engagement of the general government sector. In our understanding, loans that are rearranged to government accounts should also be taken into account. Concessional interest between enterprises is classified in the standards under the label transfer pricing and should not be covered.
The only non-market actors we envisage are intra-group lenders; in this case we think that the functional category in BOP reflects the economic reality of this activity.
This precision will make the task easier for the compilers and limits the extent of the application of this recommendation.
The clarification in the guidance note will obviate any confusion and hence should be there
It is preferable not to mix different like government lending and private lending to employees.
Private loans with low interest rates should not qualify as concessional loans because the difference between the fair value and the redemption value of these loans is not intended as a transfer.
To look into the treatment of the grant element of concessional loans that are provided as a clear substitutes of regular contributions to agencies.
No
Although rare, market creditors can, in principle, provide a concessional loan, so the definition/clarification of "concessionality" in the updated manuals should rather focus on the lower-than-market interest rate and better terms & grace period nature/characteristics of the loan.
Undecided
In principle there should be the same rules for all actors in the core accounts.
There is no precise definition of concessional loans in the standards. However, 2008 SNA and ESA 2010 are explicitly mentioning that one generally accepted feature of concessional loans is the engagement of the general government sector (creditor and debtor). In our understanding, loans that are rearranged to government accounts should also be taken into account. Concessional interest between (affiliated) enterprises is classified in the standards under the label transfer pricing and should not be covered.
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Please explain the reasons for your response to the question *"Which discount rate(s) do you favor to define and measure concessionality for new concessional loans (Annex III)?"*
Option A ('typical' financing cost of the debtor)
Esta opción tiene en cuenta las características del perfil de endeudamiento de una unidad institucional y, por tanto, reconoce de una mejor manera el elemento de transferencia de los préstamos concesionales.

Theoretically, the discount rate should be the debtor's typical financing rate. If option C is selected, the amount of concessions received by the debtor will change depending on the creditworthiness of the creditor, which is inappropriate for calculating the amount of concessions.
Only option A ensures the recording of the full concessional element as a transfer. Option C only captures a small part of the concessional element in case the risk rate of the creditor and debtor differ much. If accounting data on the financing cost of the debtor and the interest rate is available, Option A should be applied. If data is not available, another Option could be applied.
Because the benefit accrual has to be valued based debt incurred
As long as the government covers its financing costs for the credit given there exists no grant element in the lending activity.
Option B (market rate)
A market rate will be easier to obtain and apply for compilers. Market rate best captures and represents the cost of debt funding. This is also in support of Paragraph 9 of (Annex III) in F.15 GN.
Market rate will be more objective.
Por que es la tasa mas representativa para calcular la subvención a la tasa de descuento del préstamo concesional
Market rate is relevant for New Zealand.
There is no CIRR rate for SGD, and a market rate based on SIBOR or SORA is easily accessible. Hence, market rate is operationally more practical.
It is more convenient for compilers to use because it is a single indicator reflecting an overall rate in the market.
The market rate would represent the correct account rate in this case. The guidance note is focused on accurate depiction of liability of an organization and market rate would bring out the correct discount factor for new and restructured loans. The market rate brings out the fair interest rate and would represent the appropriate opportunity cost in the organization.
Option C (observed financing cost of the creditor)
This would better incorporate the actual credit market conditions facing creditors so as to accurately determine the transfer portion of concessionary loans.
We believe that it is easier to have creditor information, and more so if it is the government. In addition, this option establishes a more specific criterion that can be applied in both developing and developed countries.
Paragraph 10 in Appendix 3 lays out a good rationale for this option, particularly for government loans.
The amount of concessionality intended by the creditor in extending the loan can be measured accurately by comparing the loan rate to the observed financing cost of the creditor to show the discount from the creditor's perspective as explained in Annex III, paragraph 10.
To accurately measure and consider the credit conditions of creditors in their respective markets. This information should be easily accessible and would provide a more accurate measure of the benefits conveyed from the creditor point of view.
Option D (commonly agreed CIRR)
This option seems best because it provides low rates hence making the situation easy for borrow and reducing default risks. Also, as it is commongly agreed by the parties concerned, there is a high probability that it fits their fiancing cost all thing being equal
It is aligned with current orientations of macroeconomic statistics manuals. Easily observable.

In our opinion is financing cost of creditor for many countries not a good benchmark. The relationship between that interest rate and the interest rate on granted loans is weak (think of negative interest on some government bonds). The low funding costs of the IMF and other organizations have their own reasons, it should not be mixed with interest rates on granted loans.
To support our preferred option related to issue 1 we opt for commonly agreed CIRR to avoid cross-border asymmetries.
This can be consistently applied; good proxy for market rate
CIRR seem to be easy to apply and transparent. In addition, they would help reducing cross border asymmetries. On the other hand, the market-based financing cost of the debtor would be more suitable to determine the grant impact. However, we do not recommend present value based calculations in the national accounts as the benefit accrues gradually over time and the nominal value is the amount owed by the debtor (see also answer to question 3).
It is easily observable by all NSIs and are generally fairly low rates reflecting very low credit risks.
OECD CIRR as it is easily observable. To use the creditor rate of borrowing would be problematic for IMF concessional lending. The interest rate should be of the same maturity as the loan. And the rate should be set at inception and not change during the life of the loan.
It is consistent with BPM6
Easy to track and implement
Undecided
Since we are in favor of option A for question 3, we do not have a favor for this question.
Where “undecided” has been selected, this is due to time constraints when completing the questionnaire. The UK will email a detailed response to the SNA mailbox.
From a conceptual perspective, Option B would be favoured as it is consistent with market value principles. Both Options C and D appear conceptually sound as well though, particularly noting the practical challenges in identifying and observing market rates.
We see the choice of the correct discount rate as problematic as there are conceptual arguments for taking either the point of view of the creditor or the debtor. As we do support option A of issue 1 there is actually no need for a choice of an appropriate discount rate and a clear cut definition of concessional loans. In case option A is not chosen, we would see the CIRR as the most appropriate solution as it would be the easiest choice to apply in practice and also the most transparent one helping to avoid asymmetries between countries.
It is not feasible to define a proper discount rate, as it is difficult (impossible in some cases) to find a comparable loan with similar characteristics (e.g. size of credit line, currency denomination, term range, grace period, number of instalments, etc.) that charge market interest rate. In other words, loan with relaxed terms & interest rate could be marked as “concessional”, but quantifying or measuring the size of “concessionality” is too subjective and would likely lead to asymmetric recording by debtor and creditor of such loan.
Options A and D are not good ones. 'Market rate' is too vaque.
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Please explain the reasons for your response to the question *“Which discount rate(s) do you favor to define and measure concessionality for cases of debt reorganization (Annex III)?”*
Option A
Esta opción tiene en cuenta las características del perfil de endeudamiento de una unidad institucional y, por tanto, reconoce de una mejor manera el elemento de transferencia de los préstamos concesionales.

For its simplicity from a compiler point of view.
The most important thing here is to have an approach that is inclusive and coherent, and avoiding as much as possible to further complicate the work of compilers and to improve the data comparability across countries.
The most important thing here is to have an approach that is inclusive and coherent, and avoiding as much as possible to further complicate the work of compilers and to improve the data comparability across countries.
No reason to apply different rules
Reorganising a loan means in this case that part of the original debt is cancelled and it is only the remaining part that should be regarded when a grant element is estimated. The observed financing cost are still relevant to compare with the actual debt service charges when the grant element is estimated.
Option B
To be in line with BPM6.
The same as above (see answer to question 7)
Option C
This is aligned with the accounting standards, both locally and internationally (i.e. IPSAS 41 on financial instruments).
This is in accordance with the recommendations of IPSAS 41, Financial Instruments.
We believe that using the original interest rate is the option that makes the most sense, it also simplifies decision-making and is the most accurate.
In debt reorganization, the original contract rate is a natural standard for assessing concessionality if the interest rate is lower.
In debt reorganization, the original rate of the contract is a natural standard for assessing concessionality if the new interest rate is lower.
Using the original interest rate helps to access the real degree of concessionality. Using another interest rate can lead to a reporting which is far from reality especially if this rate is far from the initial interest rate
The common discount rate agreed CIRR stipulates the minimum interest rates applicable to official financing support for export credits. Discount rates are low, reflecting excellent credit risk conditions.
It tracks what was in the original debt conditions
Undecided
Por que habría que conocer los términos y las condiciones de la reprogramación de la deuda
The market rate would represent the correct account rate in this case. The guidance note is focused on accurate depiction of liability of an organization and market rate would bring out the correct discount factor for new and restructured loans. The market rate brings out the fair interest rate and would represent the appropriate opportunity cost in the organization.
Since we are in favor of option A for question 3, we do not have a favor for this question.
Where "undecided" has been selected, this is due to time constraints when completing the questionnaire. The UK will email a detailed response to the SNA mailbox.
Further consideration would be required before a view is presented on these options.
See the explanation to the previous question.
Same reasoning as 7.1

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Please explain the reasons if you support the proposal that the option recommended for new concessional loans should also be applicable to cases of restructured loans (Option A in Annex VII of this GN). If you prefer alternative option, please specify the option and explain the reasons for your preference.
Support to Option A
Esta opción tiene en cuenta las características del perfil de endeudamiento de una unidad institucional y, por tanto, reconoce de una mejor manera el elemento de transferencia de los préstamos concesionales.
Yes loans are always based on new conditionality and therefore based on new situation apple
See the reasons given in questions 7 and 8 above.
To avoid maintaining exceptions and specific treatments in the manuals, for a more integrated and coherent approach.
To avoid maintaining exceptions and specific treatments in the manuals, for a more integrated and coherent approach.
No reason to apply different rules
We opt for the same approach, for consistency reasons.
Please see above. We are preferring Option A.
For consistency reasons with option C
No reason to treat differently, but may warrant a case by case examination
Consistency is important.
A general rule defined for concessional lending should be applicable across both new concessional lending and restructured loans.
We agree, because it helps to avoid fiscal illusion practices that an economic agent that wants to restructure its debt can easily incur.
The GN lays out a good case for option A.
The single principle of the time value of money should be applied to new concessional loans and to restructured loans using appropriate discount rates.
This ensures that all financial transactions are accessed on the same basis. This helps achieve a smooth follow up of the net assets of each party and a unique method of reporting through out.
Support Option A as initial loan from the non-market source is likely to have a public good intention. So the restructure is therefore public good rather than minimizing loss.
the market rate should be used for both.
As indicated above, adopting the ESA 20.229 rule in the future SNA could be an interesting option. It could also apply to restructured loans.
Applying a consistent option for both new concessional loans and restructured loans appears appropriate. The Commonwealth Department of Finance also note that AAS distinguishes between restructurings and other changes that result in a materially new instrument (which would be a 5-10 per cent value change), where it requires the treatment to be reset using new parameters; and those that don't result in material change, such as minor repayment extensions, where the parameters of the original loan are used.
Distinguishing reductions in rates from reductions in principal can be seen as putting undue emphasis on form over substance.

Yes, but for official-to-official lending only. No non-official lending.
Proposed alternatives to Option A
We do not support the idea that a potential special treatment of concessional loans (options B and C in issue 1) should be extended to restructuring. For restructuring cases we would propose to follow guidance note F.9 which keeps the nominal value for loans but allows for the reflection of special events that are publicly known such as restructuring in official statistics.
Benefits to debtor from loan restructuring is not intended at the time of inception. It should rather be treated as debt forgiveness or loan refinancing, as the case may be.
Undecided
Both options could be appropriate depending on the objective of the compiler.
Depende de los términos y condiciones de la reestructuración a la deuda
Where "undecided" has been selected, this is due to time constraints when completing the questionnaire. The UK will email a detailed response to the SNA mailbox.
Do you have any other views on the statistical treatment of concessional lending and the grant element of concessional loans provided as substitutes of contributions to agencies?
I suggest providing illustrated numerical examples either in the guide or in the manual which will be updated with detailed explanations for each calculation step (this is important for compilers).
In conclusion, the best statistical methods remain those that have proven to be efficient in the past. The choice of the best statistical treatment should also be inspired from previous experience.
It might be useful to ponder whether moving towards too prescriptive reporting would be helpful, given that concessionary loans can already be identified separately.
Please explain the reasons for your response to the question *"Do you foresee statistical or analytical needs in your country to implement the recording of concessional lending as recommended by this GN?"*
Yes
Though not sure of the present recording method in Cameroon, there is a clear need for the update of the statistical recording to meet the standards of option C mentioned above as it guarantees transparency and ease in the follow up of the countries debts and assets.
We currently have a fairly mature statistical framework and the necessary experience. The remaining question is ensuring resources are available to implement this treatment and maintain it.
South Africa received concessional loans in recent years and therefore proper recording of these loans is necessary for transparency
The UK sees it necessary to align with IPSAS concerning the balance sheet valuation of these loans.
The application of accepted accounting principles may differ from one government unit to another. Despite the fact that the measurement of concessionality is a recognized principle in public sector accounting standards, the methodology may differ from one administraton to another. This may involve necessary adjustments to ensure consistent treatment within the public sector, but also in the overall framework, between creditors and debtors within macroeconomic statistics.
It is necessary to evaluate the availability of information sources that allow us to identify the loans granted with interest rates below the market. We anticipate that we will not have problems when the government is the creditor.
Информация по льготному кредитованию будет полезна для более качественного и детального формирования показателей национальных счетов.
If this would be the case, BOP/IIP statistics will need an update related to its identification and compilation.

A recording as recommended by this GN would require substantial additional resources.
It would depend on the adopted option. No if option A; yes if option B or C.
Por que estaría sujeto a las nuevas recomendaciones del SCN
No
Current analytical tools are adequate.
El país cuenta con información suficiente para compilar este tipo de transacciones.
The topic needs further research, but the budget treatment of Federal loans may provide useful source data.
We don't need support to implement as we have the data available.
If we considered statistical issues many things will change and the meaning will also change too and not as recommendations
Identifying concessional loans and record them in the memorandum should suffice.
For the recommendations of the GN to be implemented a recording on a loan-by-loan basis would be necessary. Furthermore, the relevant discount rate would have to be collected from reporting agents. It would require substantial additional resources. We do not see this as a relevant issue for Germany now or in the future.
Accounting applies IPSAS 41 guidance on concessionary loans.
We have not noticed any explicit need for this kind of information.
Undecided
I am participating in this survey as an IMF short-term expert and not as a representative of my institution.
Depends on the definition for consessionary loans. Not all sources have sufficient information on a granular level for loans. For instance, sources for local government
Debt concessionality is not common in the U.S. external sector statistics so we have not assessed the statistical or analytical needs for implementation.
The existing treatment and measurement of concessional loans in Australia has not been identified as a critical statistical issue to be resolved.
Government of India Accounts are carried on cash basis as of now.
Please explain the reasons for your response to the questions *"Do you foresee statistical or analytical needs in your country to implement the recording of the grant element of concessional loans provided as substitutes of contributions to agencies as recommended by this GN?"*
Yes
It is important the concessional loans provided as substitutes to contributions be recorded as such. This increases transparency and eases the follow up of the evolution of the countries debt
In accordance with the current accounting standard applied by South Africa in compiling National Accounts (i.e Modified Cash Basis of Accounting) the grant element currently does not satisfy the definition required for it to be recorded in the manner recommended by the GN.
In the UKs view, the proposed Option B presents practical challenges, as described in Q.11.
Информация по льготному кредитованию будет полезна для более качественного и детального формирования показателей национальных счетов.
We are not aware of any concessional loans provided as substitutes of contributions to international agencies.
No se tiene la información a detalle, sin embargo el que recopila esta información es el BCB.
NSos have less roles to play on the matter unless

When non-observables are estimated there is always a need for expert advice and methodological considerations.
No
We should have the information needed to apply the correct statistical treatment but of course this will require some efforts.
If we collect the necessary information, we should have no problem implementing the recommendations in this guidance note.
Debt concessionality provided as contributions to agencies does not occur in the U.S. context.
Current analytical tools are adequate.
El país cuenta con información suficiente para compilar este tipo de transacciones.
The topic needs further research, but the budget treatment of Federal loans may provide useful source data.
We don't need support to implement as we have the data available.
Same as 11.1; and that measuring the size of grant element is too subjective (on proper choice of market interest rate).
See the answer to the previous question. We are currently not aware of any concessional loans provided as substitutes of contributions to international agencies.
Not sure
Given the definition/explain provided by this GN, from the BOP/IIP perspective there is no current identification of such contributions to agencies. The issue needs to be investigated furthermore.
I am participating in this survey as an IMF short-term expert and not as a representative of my institution.
The issue potentially leads to high costs. Depends on the definition (broadly of narrowly applied)
The recording of the grant element of concessional loans has not been identified as a critical statistical issue to be resolved.
Government of India Accounts are carried on cash basis as of now.
Do you have any other comments on the practical implementation of the issues discussed in the GN?
It is not clear what should be used as the reference rate. The GN should include more detailed instruction how to calculate the concessional part. In practise in Balance of Payments it might be difficult to separate various parts of these loans to correct items.
Most of the proposals and options given remain very general. It is important that during th epractical implementation, the option choosen should be modified if necessary in order to fit the context of the country or the parties concerned. This guarantees more efficiency.
there are practical issues related to the topic that should be acknowledged (definition of market conditions, degree of deviation from market conditions)
We currently do not have any further comments.
We impute a transfer for student loans from government to households which are interest free for those who are in NZ.
Would be of interest the experience of other countries which may have encountered such matter. Clear and detailed issue identification should be envisaged within new/updated BOP/IIP/EDS manuals.