



STATISTICS

Proposed Research Topics: Debt and Provisions Social Insurance

APRIL 25, 2024

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GFSAC/04/24/09

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Topics related to Debt and Provisions

- Stock positions and related flows with the IMF
- Debt valuation issues
- Debt assumption and debt payments on behalf of others
- Treatment of Central Bank quasi-fiscal operations
- Valuation and recognition of loans
- Recording of provisions

<p>Title: Stock Positions and Related Flows with the IMF</p>	<p>Type: Clarifying</p> <p>Rank: 27th</p> <p>MFS: Yes SEEA: No</p>
<p>Background/Issues: Although the GFSM 2014 includes guidance on this topic in Appendix 3, countries continue to ask for guidance on how to treat specific transactions with the IMF within their GFS and recording remains somewhat heterogenous.</p> <p>Areas for particular attention, as it is not currently covered, would be on the treatment of Special Drawing Rights (SDRs) with currency unions / centralized or decentralized central banks, and the different mechanisms by which governments can make use of SDR allocations.</p>	
<p>Expected Outcomes:</p> <ul style="list-style-type: none"> Expanded guidance on recording of stock positions and related flows with the IMF 	

Title:

Debt valuation issues

Type:

Conceptual

Rank:

20th (joint)

MFS: Yes

SEEA: No

Background/Issues:

This proposed guidance note covers several distinct issues. (1) Nominal value of debt liabilities and remaining confusion on exactly how to calculate nominal valuations. (2) Remaining / residual maturity: Public debt reporting templates include information on the remaining (or residual) maturity of debt, however the GFSM 2014 provides minimal guidance. BPM Clarification Note 2 seeks to provide a standard definition for the BPM, which could be considered alongside extended guidance for the GFSM. (3) Interest accrual on debt securities: For debt securities with coupon payments issued at premia/discount outcomes vary depending on the approaches used in the *Public Sector Debt Statistics Guide* and the *Handbook on Securities Statistics*). (4) Asset-Backed Securities: The issue of how to value the underlying assets and discounted income streams from those assets has been raised as a gap in the GFSM.

Expected Outcomes:

- New / extended guidance for nominal value of debt, and remaining maturity of debt
- Recommendation on a preferred approach identified for the accrual of interest on securities issued at a premia / discount
- Guidance on valuation of asset backed securities and related stocks and flows

Title:

Debt assumption and debt payments on behalf of others (1)

Type:

Conceptual

Rank:

24th

MFS: No

SEEA: No

Background/Issues:

GFSM 2014 guidance on debt assumption has four problematic issues. (1) Existing guidance allows governments to service the debt on behalf of corporations without a guarantee call meaning the debt might never be reflected in the government balance sheet. Eurostat GFS guidance includes tighter guidance on “de facto” debt assumptions. (2) Guidance states that debt assumptions for public corporations which are *going concerns* should be reflected as equity transactions. A similar approach is in place for capital injections but not for debt forgiveness/cancellation of public corporations.

Expected Outcomes:

- Review whether Eurostat guidance on de facto guarantee calls might be incorporated into the GFSM
- Consider whether to treat debt assumptions for public corporations the same way as for non-public entities, and ensure different debt operations between government and PCs are treated consistently

Title: Debt assumption and debt payments on behalf of others (2)	Type: Conceptual Rank: 24 th MFS: No SEEA: No
Background/Issues: (3) GFSM guidance is that cash reporting countries should not report capital transfers for debt assumptions. (4) GFS guidance considers that in the case of debt assumption the capital transfer should always be between the debt assumer and the original debtor, but BPM6 considers the case where the original debtor no longer exists and guides that in this scenario the capital transfer should be between the debt assumer and the creditor.	
Expected Outcomes: <ul style="list-style-type: none"> • Provide revised guidance on how to record debt assumptions for countries that compile data on a cash basis, to avoid cash reporters from avoiding the fiscal impact of debt operations. • Review whether BPM6 guidance on debt assumptions can be incorporated into GFSM 	

<p>Title: Treatment of Central Bank Quasi-fiscal Operations</p>	<p>Type: Clarifying Rank: 25th MFS: Yes SEEA: No</p>
<p>Background/Issues: GFSM 2014 provides specific guidance on the recording of implicit taxes or subsidies within the government accounts in the situation where the central bank interest rates are maintained above or below the market rate – however SNA / BPM has proposed to eliminate this approach.</p> <p>However, there are other central bank operations that may be performed by the central bank on behalf of government, which are quasi-fiscal in nature, but where there is currently no or limited guidance.</p>	
<p>Expected Outcomes:</p> <ul style="list-style-type: none"> • Prepare a guidance note, to consider under what circumstances should central bank operations and the associated stocks be reflected in the government accounts and how these flows and stocks should be incorporated. 	

Title:
Valuation and recognition of loans

Type: Conceptual
Rank: 10th

MFS: Yes **SEEA:** No

Background/Issues:

The SNA/BPM update has confirmed that loans will continue to be recorded at nominal value (see GN F.9 Valuation of loans), but recognizes scenarios under which the value of loans can be "reset". As "resets" are most common for the government / public sector, it is proposed to consider scenarios where this should be applied within GFS.

A related topic is how to record bilateral instruments which have features of loans but where repayment is contingent on certain conditions. (e.g. income contingent loans). Eurostat have introduced guidance in the MGDD to partition these "loans" into separate loan and transfer elements. It is proposed to consider whether this or a similar approach such as use of provisions might be introduced in the GFSM.

Expected Outcomes:

- Explore scenarios where loan values could be "reset" in fiscal statistics
- Consider adoption of Eurostat approach for income contingent loans and similar instruments in GFSM
- Consider use of provisions for loans (see next item)

Title: Recording of provisions	Type: Conceptual Rank: 11 th (joint) MFS: No SEEA: No
Background/Issues: <p>The SNA/ BPM update has considered the topic of provisions and concluded that in most cases these should remain outside the “core accounts”. However as provisions (and contingent liabilities) can be significant within the financial statements of government units, discussion on the recording of provisions within GFS seems merited and their exclusion from GFS could distort the government's fiscal position.</p> <p>GFS / SNA / BPM / MFS already incorporates some provision-like approaches for (i) standardized guarantees, (ii) tax obligations that cannot be collected, (iii) terminal costs; and (iv) OAP for non-performing loans (MFS)</p>	
Expected Outcomes: <ul style="list-style-type: none"> • Guidance note to explore pros and cons for wider inclusion of provisions or similar approaches in GFS including non-performing loans and concessional lending 	

Topics related to Social Insurance

- Social security schemes
- Government assumption of pension obligations

Title:

Social Security Schemes

Type:

Conceptual

Rank:

7th (joint)

MFS: Yes

SEEA: No

Background/Issues:

The SNA update has authored an issue note seeking to provide clarification on: (i) distinction between social security and employment-related schemes; (ii) constructive liabilities; (iii) delineation between social insurance and employer-independent schemes; and (iv) provident funds. We need to consider the SNA recommendations from a GFSM perspective to ensure that they are appropriately integrated in the updated GFSM. In addition, there are related topics where the GFSM requires more detailed guidance than the SNA including (i) delineation between social security schemes (what is meant by "schemes that cover the community as a whole or large sections of the community"), and employment related schemes; (ii) the concept of "constructive liabilities"; and (iii) some examination of whether the current GFSM 2014 text on provident funds needs to be expanded to cover classification within the financial corporations sector, and the classification of their liabilities.

Expected Outcomes:

- Clearer guidance to delineate between social security and employment-related social insurance
- Extended guidance on provident funds (classification within the financial corporations sector and classification of their liabilities)

<p>Title: Government Assumption of Pension Obligations</p>	<p>Type: Conceptual Rank: 23rd MFS: Yes SEEA: No</p>
<p>Background/Issues: GFSM 2014 includes guidance on government assumption of pension obligations of other institutional units. However, the current guidance is limited and has several gaps. One such gap is when the assets and liabilities of provident funds or other assets and liabilities accumulated in the second pillar are transferred to the first pillar of the country's pension system. The transfer might be voluntary, encouraged by government or compulsory.</p> <p>Some existing guidance is available in Eurostat's Manual on Government Deficit and Debt Sections 1.3.4 and 3.7 which can inform the discussion.</p>	
<p>Expected Outcomes:</p> <ul style="list-style-type: none"> • New / expanded guidance to provide clearer guidance on what to record in GFS and debt statistics under the different scenarios. 	

Title:

Equity for public corporations

Proposed by:

Phil Samborski

Background/Issues:

In a vast majority of cases, public corporations are 100% owned by general government units and their shares are not traded on the markets. However, the government ownership (net worth) in these enterprises must be valued and reflected in the general government assets/liabilities (GFS equity and investment fund shares). This record must also be symmetrical in GFS public corporations balance sheet. The value of these corporations is often significant for the evaluation of the financial position/net worth of general government units. The statistical treatment may be similar to consolidation on the basis of modified equity in public and private accounting standards, by adjusting for direct financial claims already recorded in the balance sheet of government units / public corporations (loans and advances, debt securities, accounts receivable/payable, etc.).

Expected Outcomes:

Compilers (and users) could greatly benefit from better guidance regarding:

- methodology for measuring the value of public corporations;
- recording the variation from one accounting period to another in the value of public corporations, transactions versus other economic flows (revaluations);
- the treatment of negative equity value in public corporations, and the gross versus net treatment (equity assets / equity liabilities)

Title:

Contingent liabilities

Proposed by:

Phil Samborski

Background/Issues:

With the evolution of public sector accounting standards, new liabilities are recognized and recorded by governments, several of which are in principle contingent liabilities in macroeconomic statistics such as:

- environmental liabilities,
- non-pension employee benefits,
- SSF technical reserves.

For GFS compilers and users, it is essential to know precisely under what circumstances these liabilities can/should be recognized as actual liabilities. Likewise, it is often very burdensome and complex for compilers to adjust the source data (financial statements, general ledger accounts) with regard to transactions, other economic flows, stocks linked to these contingencies/provisions/liabilities and maintain the consistency of the data (in particular for net lending-borrowing above and below the line) and to determine which transactions should be included or excluded from the analytical framework and when.

Expected Outcomes:

Compilers (and users) could greatly benefit from better guidance in the manual regarding the treatment/compilation of these “liabilities”.

Title:

Employee Benefits – Defined Benefit Schemes

Proposed by:

João Carlos Fonseca

Background/Issues:

The guidance on how to account for Employee Benefits – Defined Benefit Schemes in GFSM 2014 is very limited, which may lead to inconsistent statistical reporting of employee-related pension liabilities in the public sector across jurisdictions. IPSASB has issued IPSAS 39, *Employee Benefits* with guidance on how to account for employee benefits-related defined benefit plans. However, it is not aligned in some areas with the limited guidance in GFSM 2014. The GFSM 2014 does not provide guidance in several areas, such as:

- (a) Definitions relating to the net defined benefit liability and defined benefit cost;
- (b) Actuarial valuation method;
- (c) Attributing benefit to periods of service;
- (d) Actuarial assumptions;
- (e) Gains and losses on settlement;
- (f) Components of defined benefit cost; and
- (g) Presentation.

Expected Outcomes:

- Whether the IPSAS 39 guidance can be included in the updated GFSM, and if so, how and to what extent.

Questions and Discussion

Options for Each Research Topic

1. Endorse research topic for inclusion in global consultation, as is
2. Endorse research topic for inclusion in global consultation, subject to specified edits/changes
3. Endorse for inclusion in global consultation, but move research topic to “Group 1” issues list
4. Move research topic to list of topics requiring supplementary guidance outside the GFS Manual
5. Drop research topic completely from the proposed research agenda

Proposed Outcomes for Research Topics

Based on written consultation responses we would tentatively propose:

Option 1 : Endorse research topic for inclusion in global consultation, as is

- Debt valuation issues
- Debt assumption and debt payments on behalf of others
- Valuation and recognition of loans
- Recording of provisions
- Social security schemes
- Government assumption of pension obligations

Option 4 or 5 : Move research topic to topics requiring supplementary guidance outside the GFS Manual or Drop research topic completely from the proposed research agenda

- Stock positions and related flows with the IMF
- Treatment of Central Bank quasi-fiscal operations

For discussion - as new topics not included in list shared for consultation

- Equity for public corporations
- Contingent liabilities
- Employee benefits – defined benefit schemes