REPORTING ON DEBT RELIEF IN THE GRANT EQUIVALENT SYSTEM

This note presents the methodology for reporting on debt relief in the grant equivalent system approved by the DAC on 24 July 2020.

Methodology for reporting debt relief on a grant equivalent basis[1]

1. The methodology for reporting debt relief on a grant equivalent basis is described below. The rules for reporting are described for non-ODA claims (section 1.1 below), for ODA claims committed and disbursed as from 2018 (section 1.2) and for ODA claims committed and disbursed before 2018 (section 1.3). A narrative explains the rationale for the rules.

2. Examples that illustrate the methodology for non-ODA and ODA claims are presented in Annexes 1 and 2 respectively. The examples illustrate the ODA calculation both for loans committed and disbursed before 2018 and loans committed and disbursed as from 2018.

1.1 Non-ODA claims (OOF, export credits and private flows at market terms)

Narrative

As no ODA grant equivalents will have been recorded for the original claims, the donor effort involved in concessional debt relief (forgiveness and concessional rescheduling) of non-ODA claims should give rise to ODA grant equivalents.

Rules for reporting

3. The donor effort involved in concessional debt relief (forgiveness and concessional rescheduling) of non-ODA claims gives rise to ODA grant equivalents.

- In the case of **forgiveness** of non-ODA claims, the full amount forgiven (principal and interest forgiven) counts as new ODA.
- For **concessional rescheduling** of non-ODA claims, the rescheduling operation results in a new ODA loan, measured on a grant equivalent basis. The classification of the operation as ODA or non-ODA depends on the concessionality of the rescheduled loan. If the grant element of the rescheduled loan is equal to or above the agreed thresholds, the rescheduling operation (principal and capitalised interest) qualifies as ODA and the grant equivalent of the rescheduled loan is recorded as ODA.[2]

4. For **non-concessional rescheduling** of non-ODA claims, i.e. if the grant element of the rescheduled loan is below the agreed thresholds, the rescheduling operation is classified as OOF and no ODA grant equivalent is recorded.

[1] As indicated in the 2014 HLM Communiqué, reporting of debt relief on a cash-flow basis will remain unchanged alongside the reporting of ODA grant equivalents: "Alongside reporting on a grant equivalent basis, ODA figures will continue to be calculated, reported and published on the previous cash-flow system. This means that data on actual disbursements and repayments of loans will continue to be collected and published in a fully transparent manner."

[2] However, as indicated in principle xi) of the principles governing the reporting on debt reorganisation in DAC statistics [see Box 1 in DCD/DAC/STAT(2018)9/FINAL], the rescheduling/refinancing of non-ODA debt on market terms of interest does not qualify as ODA, even when because of long maturities the grant element is above agreed thresholds.

Table 1. Treatment of debt relief for non-ODA claims (OOF, export credits and private flows at market terms)

	Non-ODA claims
Debt cancellation	Amount of debt forgiveness (principal and interest forgiven) recorded as ODA
Concessional debt rescheduling/refinancing	Grant equivalent of the rescheduled loan (principal and capitalised interest) recorded as ODA
Non-concessional debt rescheduling/refinancing	Recorded as OOF. No grant equivalent recorded as ODA

1.2 ODA claims committed and disbursed as from 2018[3][4]

Narrative

Risk-adjusted grant equivalents were introduced in 2014 to recognise that the donor effort in providing a loan consisted both of the funding cost of the loan and the risk associated with it. It was agreed that the cost of risk should then not be double counted and that changing the measurement system from net flows to risk-adjusted grant equivalents would therefore also change the basis for reporting debt relief of ODA loans. Against this background, what does justify counting additional ODA for debt relief?

- It is in line with the 2014 HLM which called for "bearing in mind the past need to encourage debt relief initiatives such as HIPC and MDRI".
- Under the new grant equivalent system, ODA loans are required to conform with the IMF and World Bank debt policies. This strong requirement is expected to lead to more sustainable lending practices and less debt relief in future. However, it is also crucial to recognise that, under some circumstances, additional ODA effort may be necessary to make debt more sustainable. Loans and debt relief may be essential to bridge the financing gap to reach the SDGs; the 2030 Agenda recognizes that multiple sources of finance will be needed, not just grants. The DAC has duly recognised the key role of loans in development co-operation, and in mobilising resources to support the SDGs. The ODA modernisation aimed at better reflecting the development finance landscape, with the grant equivalent measure providing a more realistic comparison of loans and grants, and stronger incentives to use highly concessional loans.
- The original grant equivalent is netted out; the method does not generate more ODA for a loan and subsequent debt relief than a standard grant would generate as a ceiling applies to avoid that situation. The ceiling will reduce the ODA amounts arising from forgiveness or rescheduling, in some cases substantially, including for the treatment of interests and late interests (for which there are no limits in the cash flow system).

[3] ODA claims cover bilateral loans to the official sector (sovereign and sub-sovereign) and loans to multilateral institutions. For private sector instruments (PSI), the method for calculating ODA grant equivalents has not been approved yet and PSI are still recorded in ODA on a flow basis for the time being. Therefore, the rules for reporting on debt relief of ODA PSI are not changed either.

[4] This section pertains to forgiveness or rescheduling of bilateral ODA claims owed to the creditor. Reporting on grants to cover debt owed to third parties, such as multilateral financial institutions (e.g. contributions to IDA-MDRI or HIPC Trust Fund), remains unchanged.

- The differentiated discount rates are a way to assess the degree of concessionality more precisely depending on the context, but the rates, applied ex-ante, do not cover for the "cost of default" ex-post, which entails additional donor effort. The risk of default cannot be assessed precisely at the time of commitment. The occurrence of debt relief means the context has changed in comparison with the original decision to extend the loan: ODA loans may have long maturities over which it is not possible to foresee all possibilities – conflicts or natural disasters may occur; other external factors such as volatility in resource prices or contingent liabilities unknown to the creditor may also lead to unforeseen difficulties for the borrower to repay its loan.
- The risk-adjusted discount rates agreed in 2014 will be regularly reviewed including to reflect evidence gathered on risk. See 2014 HLM Communiqué: "The discount rates and the grant element thresholds to be applied under the changes we are agreeing today will need to be regularly reviewed, reflecting changes in borrowing costs, emerging experience with risk (for example as reflected in default rates) and any need for further incentives for countries most in need." Risk-adjusted grant equivalents are used on all ODA loans, and only a few loans will default incurring a real cost to the lender, hence the need for close monitoring of the implementation of the new method; the balance of the ODA amounts recorded ex-ante and ex-post can only be established based on real data.
- In DAC statistics, the grant equivalent quantifies the concessionality of a loan ("distance" to the market). Through debt relief operations, donors modify the schedule of their loans by either forgiving or rescheduling the payments of principal and/or interests, thereby introducing additional concessionality in the loans. The method for accounting debt relief in a grant equivalent system aims at quantifying this additional concessionality by calculating the new grant equivalent of the loan, post treatment, and deducting the original grant equivalent.
- Not all loans default and need debt treatments. Original grant equivalents of loans that do not default still reflect the concessionality of these loans, as assessed against the agreed benchmarks (differentiated discount rates) at the time of their commitment. While the market will adjust interest rates downwards for a country originally assessed as highly risky but which eventually never defaults, the differentiated discount rates will remain unchanged, thus possibly overstating the concessionality of future ODA loans. Differentiated discount rates are approximate and represent averages for developing countries in the same income group, they may overstate concessionality in some cases, but also underestimate it in other cases. It will be important to regularly review them, as stated in the 2014 HLM Communiqué, to maintain their overall relevance. The Secretariat plans a first review in 2023 (five years after implementation of the grant equivalent system).
- The Secretariat will monitor closely the implementation of the grant equivalent system. Separately, it will monitor the impact of the debt relief methodology including trends in ODA loans versus grants, with close attention to the risk of circumventing the rules (instead of debt relief, providers to give grants for borrowing countries to repay their loans).

Rules for reporting

5. The method for calculating ODA **in the case of debt relief (forgiveness or rescheduling) of an ODA claim** takes into account the fact that the grant equivalent of the original loan has already been reported as ODA.

- Debt forgiveness and debt rescheduling of ODA loans are eligible provided they comply with agreed principles for reporting debt reorganisation.[5]
- The ODA calculation is based on a comparison of the grant equivalent of the rescheduled loan (i.e. post-treatment, be it forgiveness or rescheduling) and the grant equivalent of the original loan (i.e.

[5] The statistical reporting directives present twelve principles governing the reporting on debt reorganisation in DAC statistics [see Box 1 in DCD/DAC/STAT(2018)9/FINAL]. Following the introduction of the ODA grant equivalent measure, the directives need to clarify that a number of these principles only apply to the reporting on flows.

pre-treatment). ODA thus records the additional concessionality conveyed by the debt relief operation.[6]

- The calculations are made using the date of treatment as time reference for the net present value computations and the discount rate associated to the income group (9%/7%/6%) of the country at the date of treatment.
- If relevant, the grant equivalent of late interests forgiven/consolidated interests is also included.
- A ceiling applies so that the method does not generate more ODA for a loan and subsequent debt relief than a standard grant would generate. The ceiling applies to the whole perimeter of the treated debt (including interests and late interests) under nominal terms.
- Members are required to report the full details of these operations, including their post-treatment schedules, to enable the verification of the calculation of the grant equivalent by the Secretariat.

Table 2. Treatment of debt relief for ODA claims committed and disbursed as from 2018

	ODA claims
Debt cancellation or debt rescheduling / refinancing	The amount recorded as ODA at the time of debt treatment is calculated as follows: 1) calculate the difference between the new grant equivalent and the grant equivalent of the original loan, using the date of treatment as time reference and the discount rate associated to the income group (9%/7%/6%) applicable to the country at the date of treatment; add, if relevant, the grant equivalent of late interests forgiven/consolidated interests; and 2) record as ODA the amount over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling that corresponds to the face value of the loan in nominal terms and that applies to the whole perimeter of the treated debt. In other words: 'ODA originally recorded in DAC statistics (in nominal terms)' *plus* 'new ODA for debt relief (including for possible interests)' *is lower or equal to* 'nominal ceiling' i.e. face value of the loan in nominal terms.

1.3. ODA claims committed and disbursed prior to 2018

Narrative

For the sake of simplicity, and to avoid creating disincentives to restructure loans committed before 2018, the same methodology applies for loans committed prior to 2018 as for loans committed as from 2018. The ceiling that applies to the whole perimeter of the treated debt under nominal terms will strictly limit ODA recording for debt relief also in the case of loans committed and disbursed prior to 2018.

[6] Sum of present value of future payments initially due for debt forgiveness (see Case 1 in Annex 2) or the difference between the present value of initial and new loan repayments for debt rescheduling (see Case 2 in Annex 2). Note that the G20 Debt Service Suspension Initiative agreed upon in April 2020 would not entail any ODA recording as it will be neutral in terms of net present value.

Table 3. Treatment of debt relief for ODA claims committed and disbursed prior to 2018

	ODA claims
Debt cancellation or debt rescheduling / refinancing	The amount recorded as ODA at the time of debt treatment is calculated as follows: 1) calculate the difference between the new grant equivalent and the grant equivalent of the original loan[7], using the date of treatment as time reference and the discount rate associated to the income group (9%/7%/6%) applicable to the country at the date of treatment; add, if relevant, the grant equivalent of late interests forgiven/consolidated interests; and 2) record as ODA the amount over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling that corresponds to the face value of the loan in nominal terms and that applies to the whole perimeter of the treated debt. In other words: 'ODA originally recorded in DAC statistics (nominal, including positive and negative amounts recorded under the cash-flow system up to 2017[8])' *plus* 'new ODA for debt relief (including for possible interests)' *is lower or equal to* 'nominal ceiling' i.e. face value of the loan in nominal terms.

[7] Note that this grant equivalent is notional in the sense that it has not been registered in ODA under the cash-flow system.

[8] Note that repayments as from 2018 are not recorded as negative ODA in the grant equivalent system and thus not deducted here either.

Annex 1. Examples for non-ODA claims

This Annex illustrates the application of the methodology for ODA accounting of debt relief (debt forgiveness and debt rescheduling) of non-ODA claims (OOF, export credits, private flows at market terms) as described in section 1.1 of the document.

Consider an OOF loan to a low-income country of USD 300 million, committed and fully disbursed in 2020. The Annex illustrates the application of the methodology in 3 different cases. The summary table below presents the final results for all cases, depending on the income group of the loan beneficiary.

Summary table

Loan to:	**Case A**	**Case B**	**Case C**
	Debt cancellation	**Debt rescheduling**	
LDC and other LIC	277	149	0
LMIC	277	121	0
UMIC	277	104	0

Case A: A debt relief operation occurs at the beginning of 2027 (before the annual payment) in the form of debt forgiveness.

The borrower made one payment of USD 23 million after the end of the grace period and before the debt relief. There are no interests in arrears. The outstanding principal amount to be forgiven is USD 277 million.

Amount to be recorded as ODA in 2027

It is the amount of debt forgiveness, the ODA amount recorded is the face value of the amount forgiven at the date of the treatment (it is equal to the amount in current prices).

ODA = 277.0

Case B: The debt relief operation occurs at the beginning of 2027 (before the annual payment) in the form of a concessional rescheduling.

Similarly to case A, the outstanding principal amount is USD 277 million. It is assumed that there are no interests in arrears. The rescheduling terms provide a maturity of 24 years to 2051, with a grace period of 6 years. The interest rate for the rescheduling is set at 2 %. The operation will lead to repayments in principal of USD 15 million each from 2033.

Amount to be recorded as ODA in 2027

The grant element and grant equivalent of the rescheduled loan can be calculated as shown below. The operation conveys a grant element of 54% which is above the agreed threshold of 45% for ODA eligibility of a loan to a low income country; the grant equivalent of the operation can therefore be recorded as ODA.

			Future payments				
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% $(1.09)^p$	Present value of future payments
01/06/2027							
01/06/2028	1	277.0		5.5	5.5	1.1	5.1
01/06/2029	2	277.0		5.5	5.5	1.2	4.7
01/06/2030	3	277.0		5.5	5.5	1.3	4.3
01/06/2031	4	277.0		5.5	5.5	1.4	3.9
01/06/2032	5	277.0		5.5	5.5	1.5	3.6
01/06/2033	6	277.0	14.6	5.5	20.1	1.7	12.0
01/06/2034	7	262.4	14.6	5.2	19.8	1.8	10.8
01/06/2035	8	247.8	14.6	5.0	19.5	2.0	9.8
01/06/2036	9	233.3	14.6	4.7	19.2	2.2	8.9
01/06/2037	10	218.7	14.6	4.4	19.0	2.4	8.0
01/06/2038	11	204.1	14.6	4.1	18.7	2.6	7.2
01/06/2039	12	189.5	14.6	3.8	18.4	2.8	6.5
01/06/2040	13	174.9	14.6	3.5	18.1	3.1	5.9
01/06/2041	14	160.4	14.6	3.2	17.8	3.3	5.3
01/06/2042	15	145.8	14.6	2.9	17.5	3.6	4.8
01/06/2043	16	131.2	14.6	2.6	17.2	4.0	4.3
01/06/2044	17	116.6	14.6	2.3	16.9	4.3	3.9
01/06/2045	18	102.1	14.6	2.0	16.6	4.7	3.5
01/06/2046	19	87.5	14.6	1.7	16.3	5.1	3.2
01/06/2047	20	72.9	14.6	1.5	16.0	5.6	2.9
01/06/2048	21	58.3	14.6	1.2	15.7	6.1	2.6
01/06/2049	22	43.7	14.6	0.9	15.5	6.7	2.3
01/06/2050	23	29.2	14.6	0.6	15.2	7.3	2.1
01/06/2051	24	14.6	14.6	0.3	14.9	7.9	1.9
						sum =	**127.5**

Grant element = (277.0 – 127.5)/277.0 = **54.0%** > 45% ; Grant equivalent = 277.0 – 127.52 = **149.5**

ODA = 149.5

Case C: The debt relief operation occurs at the beginning of 2027 (before the annual payment) in the form of a non-concessional rescheduling.

Similarly to case A, the outstanding principal amount is USD 277 million. It is assumed that there are no arrears on interests. The rescheduling terms provide a maturity of 17 years to 2044, with a grace period of 6 years. The interest rate for the rescheduling is set at 5.1%. The operation will lead to repayments in principal of USD 23 million each from 2033.

Amount to be recorded as ODA in 2027

The grant element of the rescheduled loan can be calculated as shown below. The operation conveys a grant element of 27% which is below the agreed threshold of 45% for ODA eligibility of a loan to a low income country; the operation is recorded as OOF and there is no grant equivalent recorded as ODA.

			Future payments				
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% $(1.09)^p$	Present value of future payments
01/06/2027							
01/06/2028	1	277.0		14.1	14.1	1.1	13.0
01/06/2029	2	277.0		14.1	14.1	1.2	11.9
01/06/2030	3	277.0		14.1	14.1	1.3	10.9
01/06/2031	4	277.0		14.1	14.1	1.4	10.0
01/06/2032	5	277.0		14.1	14.1	1.5	9.2
01/06/2033	6	277.0	23.1	14.1	37.2	1.7	22.2
01/06/2034	7	253.9	23.1	12.9	36.0	1.8	19.7
01/06/2035	8	230.8	23.1	11.8	34.9	2.0	17.5
01/06/2036	9	207.8	23.1	10.6	33.7	2.2	15.5
01/06/2037	10	184.7	23.1	9.4	32.5	2.4	13.7
01/06/2038	11	161.6	23.1	8.2	31.3	2.6	12.1
01/06/2039	12	138.5	23.1	7.1	30.1	2.8	10.7
01/06/2040	13	115.4	23.1	5.9	29.0	3.1	9.4
01/06/2041	14	92.3	23.1	4.7	27.8	3.3	8.3
01/06/2042	15	69.3	23.1	3.5	26.6	3.6	7.3
01/06/2043	16	46.2	23.1	2.4	25.4	4.0	6.4
01/06/2044	17	23.1	23.1	1.2	24.3	4.3	5.6
						sum=	**203.5**

Grant element = (277.0 – 203.5)/277.0 = **26.5%** < 45%

ODA = 0

Annex 2. Examples for ODA claims

This Annex illustrates the application of the methodology for ODA accounting of debt relief (debt forgiveness and debt rescheduling) of ODA claims as described in sections 1.2 and 1.3 of the document. A ceiling (face value of the original loan, in nominal terms) applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Consider an ODA loan to a low-income country of USD 300 million, committed and fully disbursed in 2020 i.e. post 2018, with an interest rate of 2%, a grace period of 6 years and a maturity of 18 years.

This Annex illustrates the application of the methodology for calculating ODA debt relief for this loan in 6 different cases (Cases 1-6), step by step. For each of these cases, there is also an illustration of ODA recording if the loan had been committed and disbursed prior to 2018.

Finally, Case 7 illustrates a loan committed and disbursed prior to 2018, substantially repaid prior to 2018 and which accumulated large amounts of late interests.

The summary table below presents the final results for all cases, depending on the income group of the loan beneficiary.

Summary table

	ODA calculated before application of the ceiling							**ODA recorded for debt relief, after application of the ceiling**							*For reference*			
Loan committed and disbursed:	As from 2018						Before 2018	**As from 2018**						**Before 2018**	*Original ODA recorded*		*Ceiling*	
Loan to:	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	**Case 1**	**Case 2**	**Case 3**	**Case 4**	**Case 5**	**Case 6**	**Case 7**	*Cases 1 to 6*	*Case 7*	*Cases 1 to 6*	*Case 7*
LDC and other LIC	207	52	221	72	91	17	401	**154**	**52**	**154**	**72**	**91**	**17**	**77**	*146*	*23*	*300*	*100*
LMIC	225	43	238	61	79	13	249	**184**	**43**	**184**	**61**	**79**	**13**	**77**	*116*	*23*	*300*	*100*
UMIC	235	37	248	54	70	10	199	**202**	**37**	**202**	**54**	**70**	**10**	**77**	*98*	*23*	*300*	*100*

Step 0 (Applicable to all cases). Calculation of the grant equivalent recorded as ODA in 2020

The grant equivalent of the loan, recorded as ODA in 2020 is **USD 146 million.**

Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% $(1.09)^p$	Present value of future payments
01/06/2020							
01/06/2021	1	300.0		6.0	6.0	1.1	5.5
01/06/2022	2	300.0		6.0	6.0	1.2	5.1
01/06/2023	3	300.0		6.0	6.0	1.3	4.6
01/06/2024	4	300.0		6.0	6.0	1.4	4.3
01/06/2025	5	300.0		6.0	6.0	1.5	3.9
01/06/2026	6	300.0	23.1	6.0	29.1	1.7	17.3
01/06/2027	7	276.9	23.1	5.5	28.6	1.8	15.7
01/06/2028	8	253.8	23.1	5.1	28.2	2.0	14.1
01/06/2029	9	230.8	23.1	4.6	27.7	2.2	12.8
01/06/2030	10	207.7	23.1	4.2	27.2	2.4	11.5
01/06/2031	11	184.6	23.1	3.7	26.8	2.6	10.4
01/06/2032	12	161.5	23.1	3.2	26.3	2.8	9.4
01/06/2033	13	138.5	23.1	2.8	25.8	3.1	8.4
01/06/2034	14	115.4	23.1	2.3	25.4	3.3	7.6
01/06/2035	15	92.3	23.1	1.8	24.9	3.6	6.8
01/06/2036	16	69.2	23.1	1.4	24.5	4.0	6.2
01/06/2037	17	46.2	23.1	0.9	24.0	4.3	5.5
01/06/2038	18	23.1	23.1	0.5	23.5	4.7	5.0
					Sum=		**154.0**

Grant element = (300 – 154.0)/300 = **48.7%**; Grant equivalent = 300 – 154.0 = **146.0**

Original grant equivalent = 146.0

Case 1: A debt relief operation occurs at the beginning of 2027 (before the annual payment) in the form of debt forgiveness.

The borrower made one payment of USD 23 million after the end of the grace period and before the debt relief. There are no interests in arrears.

Step 1: Calculation of the new grant equivalent

The grant equivalent of the total operation, post-treatment, can be calculated at the date of treatment as shown below. The original schedule is modified as no repayment will take place after treatment (debt forgiveness).

			Future payments						
Date payment due	**Period (p)**	**Principal outstanding**	**Principal**	**Interest**	**Total**	**Annual factor at 9% (1.09)$^{p-7}$**	**Present value of future payments, at date of treatment**		***For reference: present value of future payments initially due, at date of treatment***
01/06/2020									
01/06/2021	1	300.0		6.0	6.0	0.6	10.1		
01/06/2022	2	300.0		6.0	6.0	0.6	9.2		
01/06/2023	3	300.0		6.0	6.0	0.7	8.5		
01/06/2024	4	300.0		6.0	6.0	0.8	7.8		
01/06/2025	5	300.0		6.0	6.0	0.8	7.1		
01/06/2026	6	300.0	23.1	6.0	29.1	0.9	31.7	*Debt*	
01/06/2027	7			0.0	0.0	1.0	0.0	*treatment*	*28.6*
01/06/2028	8			0.0	0.0	1.1	0.0		*25.8*
01/06/2029	9			0.0	0.0	1.2	0.0		*23.3*
01/06/2030	10			0.0	0.0	1.3	0.0		*21.0*
01/06/2031	11			0.0	0.0	1.4	0.0		*19.0*
01/06/2032	12			0.0	0.0	1.5	0.0		*17.1*
01/06/2033	13			0.0	0.0	1.7	0.0		*15.4*
01/06/2034	14			0.0	0.0	1.8	0.0		*13.9*
01/06/2035	15			0.0	0.0	2.0	0.0		*12.5*
01/06/2036	16			0.0	0.0	2.2	0.0		*11.3*
01/06/2037	17			0.0	0.0	2.4	0.0		*10.1*
01/06/2038	18			0.0	0.0	2.6	0.0		*9.1*
						sum=	**74.4**		***207.2***

Grant equivalent = [300 * (1+0.09)^7] – 74.4 = **474.1**

New grant equivalent = 474.1

Step 2: Derive the amount of additional ODA in 2027, before the application of the ceiling

It is the difference between the new grant equivalent and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount.

Original grant equivalent, discounted = 146.0 * (1+0.09)^7 = 266.9

Amount obtained, before the application of the ceiling = 474.1 – 266.9 = **207.2**

Note that the same result is obtained by summing up the present value of payments initially due, calculated at the date of treatment, which reflects that the ODA amount records the additional concessionality conveyed by the debt relief operation (column "for reference" in the above schedule).

Step 3: Derive the amount to be recorded as additional ODA in 2027, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 300. It applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Ceiling = 300

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

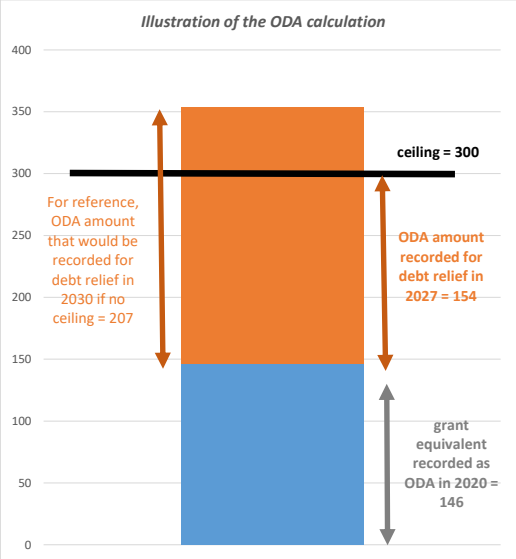
'ODA originally recorded in DAC statistics' = 146 (step 0, nominal)

+ 'new ODA for debt relief (including for possible interests)' = 207 (step 2)

= ≤ ceiling.

As 146 + 207 = 353 > 300, the ceiling applies and 207 - (353 – 300) = 154 is recorded as ODA for debt relief in 2027.

ODA amount to be recorded for debt relief in 2027, after the application of the ceiling = 154



If the original loan had been committed and disbursed in 2013, no additional ODA would be recorded for the debt forgiveness in 2020:

- Steps 0-2 lead to the same results (same treatment for loans pre/post 2018).
- Step 3: additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

'ODA originally recorded in DAC statistics' = 300 (face value of the loan recorded as positive ODA in 2013, no negative ODA recorded for the repayment in 2019)

+ 'new ODA for debt relief (including for possible interests)' = 207 (step 2)

≤ 'ceiling' = 300

As 300 + 207 > 300, the ceiling applies and no additional ODA is recorded for debt relief in 2020.

Case 2: The debt relief operation occurs at the beginning of 2027 (before the annual payment) in the form of a rescheduling.

Similarly to case 1, the outstanding principal amount is USD 277 million. It is assumed that there are no arrears on interests. The rescheduling terms provide an extension of maturity of 6 years to 2044, with a grace period of 12 years (the first grace period of 6 years plus 6 years). The interest rate remains unchanged at 2 %. The debt rescheduling will lead to repayments in principal of USD 21 million each from 2032.

Step 1: Calculation of the new grant equivalent

The grant equivalent of the total operation, post-treatment, can be calculated at the date of treatment as shown below. The original schedule is modified to reflect the payment made in 2026 and the extension of grace and maturity for the rest of the schedule.

			Future payments							For reference	
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% (1.09)^p-7	Present value of future payments at date of treatment			*Present value of future payments initially due, at date of treatment*	*Difference between initial and new loan repayments, present value at date of treatment*
01/06/2020											
01/06/2021	1	300.0		6.0	6.0	0.6	10.1				
01/06/2022	2	300.0		6.0	6.0	0.6	9.2				
01/06/2023	3	300.0		6.0	6.0	0.7	8.5				
01/06/2024	4	300.0		6.0	6.0	0.8	7.8				
01/06/2025	5	300.0		6.0	6.0	0.8	7.1				
01/06/2026	6	300.0	23.1	6.0	29.1	0.9	31.7	*Debt treatment*			
01/06/2027	7	276.9		5.5	5.5	1.0	5.5		extension of grace period	*28.6*	*23.1*
01/06/2028	8	276.9		5.5	5.5	1.1	5.1			*25.8*	*20.7*
01/06/2029	9	276.9		5.5	5.5	1.2	4.7			*23.3*	*18.6*
01/06/2030	10	276.9		5.5	5.5	1.3	4.3			*21.0*	*16.8*
01/06/2031	11	276.9		5.5	5.5	1.4	3.9			*19.0*	*15.0*
01/06/2032	12	276.9	21.3	5.5	26.8	1.5	17.4			*17.1*	*-0.3*
01/06/2033	13	255.6	21.3	5.1	26.4	1.7	15.7			*15.4*	*-0.3*
01/06/2034	14	234.3	21.3	4.7	26.0	1.8	14.2			*13.9*	*-0.3*
01/06/2035	15	213.0	21.3	4.3	25.6	2.0	12.8			*12.5*	*-0.3*
01/06/2036	16	191.7	21.3	3.8	25.1	2.2	11.6			*11.3*	*-0.3*
01/06/2037	17	170.4	21.3	3.4	24.7	2.4	10.4			*10.1*	*-0.3*
01/06/2038	18	149.1	21.3	3.0	24.3	2.6	9.4			*9.1*	*-0.3*
01/06/2039	19	127.8	21.3	2.6	23.9	2.8	8.5		extension of maturity		*-8.5*
01/06/2040	20	106.5	21.3	2.1	23.4	3.1	7.6				*-7.6*
01/06/2041	21	85.2	21.3	1.7	23.0	3.3	6.9				*-6.9*
01/06/2042	22	63.9	21.3	1.3	22.6	3.6	6.2				*-6.2*
01/06/2043	23	42.6	21.3	0.9	22.2	4.0	5.6				*-5.6*
01/06/2044	24	21.3	21.3	0.4	21.7	4.3	5.0				*-5.0*
						Sum=	229.3				***52.2***

Grant equivalent = [300.0 * (1+0.09)^7] – 229.3 = **319.1**

New grant equivalent = 319.1

Step 2: Derive the amount of additional ODA in 2027, before the application of the ceiling

It is the difference between the new grant equivalent and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount.

Original grant equivalent, discounted = 146.0 * (1+0.09)^7 = 266.9

Amount obtained, before the application of the ceiling = 319.1 – 266.9 = **52.2**

Note that the same result is obtained by summing up the differences between the initial and the new loan repayments, in present value terms at the date of treatment, which reflects that the ODA amount records the additional concessionality conveyed by the debt relief operation (columns "for reference" in the above schedule).

Step 3: Derive the amount of additional ODA in 2027, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 300. It applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Ceiling = 300

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

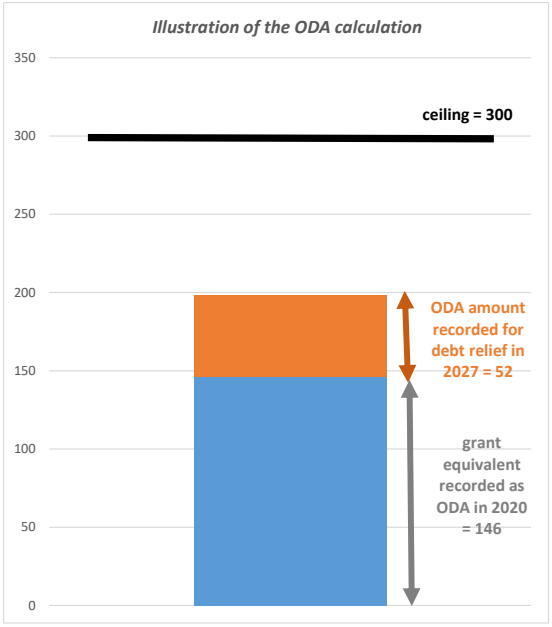
'ODA originally recorded in DAC statistics' = 146.0 (step 0, nominal)

+ 'new ODA for debt relief (including for possible interests)' = 52.2 (step 2)

= ≤ ceiling.

As 146.0 + 52.2 = 198.2 <= 300, the ceiling does not restrict ODA recording and 52.2 is recorded as ODA for debt relief in 2027.

ODA amount to be recorded for debt relief in 2027, after the application of the ceiling = 52.2



If the original loan had been committed and disbursed in 2013, no additional ODA would be recorded for the debt rescheduling in 2020:

- Steps 0-2 lead to the same results (same treatment for loans pre/post 2018).
- Step 3: additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

'ODA originally recorded in DAC statistics' = 300 (face value of the loan recorded as positive ODA in 2013, no negative ODA recorded for the repayment in 2019)

+ 'new ODA for debt relief (including for possible interests)' = 52.2 (step 2)

≤ 'ceiling' = 300

As 300 + 52 = 352> 300, the ceiling applies and no additional ODA is recorded for debt relief in 2020.

Case 3: The debt relief operation occurs at the beginning of 2027 in the form of debt forgiveness. There are interests in arrears.

As with case 1, the outstanding principal amount is USD 277 million. Interests due in 2025 and 2026 were not paid, and interests in arrears thus amount to USD 12 million.

Step 1: Calculation of the new grant equivalent

The grant equivalent of the total operation, post-treatment, can be calculated at the date of treatment as shown below. The original schedule is modified to reflect the payment of principal made in 2026, the non-payment of interests in 2025 and 2026, and the absence of repayments post- treatment (debt forgiveness).

			Future payments						
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% $(1.09)^{p-7}$	Present value of future payments at date of treatment		*For reference: present value of interests initially due and in arrears, at date of treatment*
01/06/2020									
01/06/2021	1	300.0		6.0	6.0	0.6	10.1		
01/06/2022	2	300.0		6.0	6.0	0.6	9.2		
01/06/2023	3	300.0		6.0	6.0	0.7	8.5		
01/06/2024	4	300.0		6.0	6.0	0.8	7.8		
01/06/2025	5	300.0			0.0	0.8	0.0		*7.1*
01/06/2026	6	300.0	23.1		23.1	0.9	25.2	*Debt treatment*	*6.5*
01/06/2027	7			0.0	0.0	1.0	0.0		
01/06/2028	8			0.0	0.0	1.1	0.0		
01/06/2029	9			0.0	0.0	1.2	0.0		
01/06/2030	10			0.0	0.0	1.3	0.0		
01/06/2031	11			0.0	0.0	1.4	0.0		
01/06/2032	12			0.0	0.0	1.5	0.0		
01/06/2033	13			0.0	0.0	1.7	0.0		
01/06/2034	14			0.0	0.0	1.8	0.0		
01/06/2035	15			0.0	0.0	2.0	0.0		
01/06/2036	16			0.0	0.0	2.2	0.0		
01/06/2037	17			0.0	0.0	2.4	0.0		
01/06/2038	18			0.0	0.0	2.6	0.0		
						Sum=	**60.7**		**13.7**

Grant equivalent = [300 * (1+0.09)^7] – 60.7 = **487.7**

New grant equivalent = 487.7

Step 2: Derive the amount of additional ODA in 2027, before the application of the ceiling

It is the difference between the new grant equivalent and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount.

Original grant equivalent, discounted = 146.0 * (1+0.09)^7 = 266.9

Amount obtained, before the application of the ceiling = 487.7 – 266.9 = **220.8**

Note that this amount equals the amount obtained in Case 1 (207), plus the interests in arrears, in present value terms at the date of treatment (14, see column "for reference" in the above schedule), which reflects that the ODA amount records the additional concessionality conveyed by the debt relief operation.

Step 3: Derive the amount of additional ODA in 2027, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 300. It applies to the entire perimeter of the debt treated, including interests.

Ceiling = 300

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

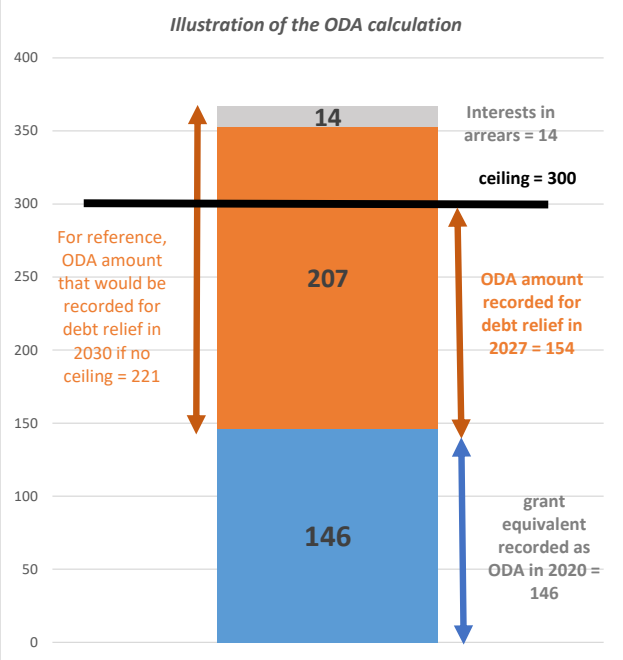
'ODA originally recorded in DAC statistics' = 146.0 (step 0, nominal)

+ 'new ODA for debt relief (including for possible interests)' = 220.8 (step 2)

= ≤ ceiling.

As 146.0 + 220.8 = 366.8 > 300, the ceiling applies and 220.8 - (366.8 – 300) = 154.0 is recorded as ODA for debt relief in 2027.

ODA amount to be recorded for debt relief in 2027, after the application of the ceiling = 154.0



If the original loan had been committed and disbursed in 2011, 23 additional ODA would be recorded for the debt forgiveness in 2018:

- Steps 0-2 lead to the same results (same treatment for loans pre/post 2018).
- Step 3: additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

'ODA originally recorded in DAC statistics' = 300 (face value of the loan recorded as positive ODA in 2011) – 23 (negative ODA recorded for the repayment in 2017)

+ 'new ODA for debt relief (including for possible interests)' = 220.8 (step 2)

≤ 'ceiling' = 300

As 277 + 220.8 = 498 > 300, the ceiling applies and 220.8 - (498 – 300) = 23 is recorded as ODA for debt relief in 2018.

Case 4: The debt relief operation occurs at the beginning of 2027 in the form of rescheduling. There are interests in arrears.

Similarly to case 2, the outstanding principal amount is USD 277 million. Interests in 2025 and 2026 were not paid, and interests in arrears thus amount to USD 12 million. The rescheduling terms provide an extension of maturity of 6 years to 2044, with a grace period of 6 years. The interest rate remains unchanged at 2 %. The debt rescheduling will lead to repayments in principal of USD 21 million each from 2032. Interests in arrears are capitalised in a new loan.

Step 1: Calculation of the new grant equivalent

The grant equivalent of the rescheduled principal, post treatment, can be calculated at the date of treatment as shown below. The original schedule is modified to reflect the payment of principal made in 2026, the non-payment of interests in 2025 and 2026 and the extension of grace and maturity.

			Future payments							Consolidated interests				
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% (1.09)^p-7	Present value of future payments at date of treatment			*Outstanding*	*Principal*	*Interest*	*Total*	*Present value of future payments, at date of treatment*
01/06/2020														
01/06/2021	1	300.0		6.0	6.0	0.6	10.1							
01/06/2022	2	300.0		6.0	6.0	0.6	9.2							
01/06/2023	3	300.0		6.0	6.0	0.7	8.5							
01/06/2024	4	300.0		6.0	6.0	0.8	7.8							
01/06/2025	5	300.0		0.0	0.0	0.8	0.0							
01/06/2026	6	300.0	23.1	0.0	23.1	0.9	25.2	*Debt*						
01/06/2027	7	276.9		5.5	5.5	1.0	5.5	*treatment*	extension of grace period	*12.0*				
01/06/2028	8	276.9		5.5	5.5	1.1	5.1			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2029	9	276.9		5.5	5.5	1.2	4.7			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2030	10	276.9		5.5	5.5	1.3	4.3			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2031	11	276.9		5.5	5.5	1.4	3.9			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2032	12	276.9	21.3	5.5	26.8	1.5	17.4			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2033	13	255.6	21.3	5.1	26.4	1.7	15.7			*12.0*	*1.0*	*0.2*	*1.2*	*0.7*
01/06/2034	14	234.3	21.3	4.7	26.0	1.8	14.2			*11.0*	*1.0*	*0.2*	*1.2*	*0.7*
01/06/2035	15	213.0	21.3	4.3	25.6	2.0	12.8			*10.0*	*1.0*	*0.2*	*1.2*	*0.6*
01/06/2036	16	191.7	21.3	3.8	25.1	2.2	11.6			*9.0*	*1.0*	*0.2*	*1.2*	*0.5*
01/06/2037	17	170.4	21.3	3.4	24.7	2.4	10.4			*8.0*	*1.0*	*0.2*	*1.2*	*0.5*
01/06/2038	18	149.1	21.3	3.0	24.3	2.6	9.4			*7.0*	*1.0*	*0.1*	*1.1*	*0.4*
01/06/2039	19	127.8	21.3	2.6	23.9	2.8	8.5		extension of maturity	*6.0*	*1.0*	*0.1*	*1.1*	*0.4*
01/06/2040	20	106.5	21.3	2.1	23.4	3.1	7.6			*5.0*	*1.0*	*0.1*	*1.1*	*0.4*
01/06/2041	21	85.2	21.3	1.7	23.0	3.3	6.9			*4.0*	*1.0*	*0.1*	*1.1*	*0.3*
01/06/2042	22	63.9	21.3	1.3	22.6	3.6	6.2			*3.0*	*1.0*	*0.1*	*1.1*	*0.3*
01/06/2043	23	42.6	21.3	0.9	22.2	4.0	5.6			*2.0*	*1.0*	*0.0*	*1.0*	*0.3*
01/06/2044	24	21.3	21.3	0.4	21.7	4.3	5.0			*1.0*	*1.0*	*0.0*	*1.0*	*0.2*
						Sum=	215.6						Sum=	6.3

Grant equivalent of rescheduled principal = [300 * (1+0.09)^7] – 215.6 = **332.8**

New grant equivalent = 332.8

Step 2: Derive the amount of additional ODA in 2027, before the application of the ceiling

It is the difference between the new grant equivalent and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount, to which the grant equivalent of consolidated interests is added.

The grant equivalent of the rescheduled consolidated interests, calculated with an interest rate of 2%, a grace period of 6 years and a maturity of 17 years – from 2027 to 2044 is **5.7** = 12 – 6.3 (see in the schedule above).

Original grant equivalent, discounted = 146 * (1+0.09)^7 = 266.9

Amount obtained, before the application of the ceiling = (332.8 – 266.9) + 5.7 **= 71.6**

Note that the difference between the new and original grant equivalents (333 – 267 = 66) equals the amount obtained in Case 2 (52), plus the interests in arrears, in present value terms at the date of treatment (14, see column "for reference" in Case 3); this reflects the additional concessionality conveyed by the debt relief operation.

Step 3: Derive the amount to be recorded as additional ODA in 2027, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 300. It applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Ceiling = 300

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

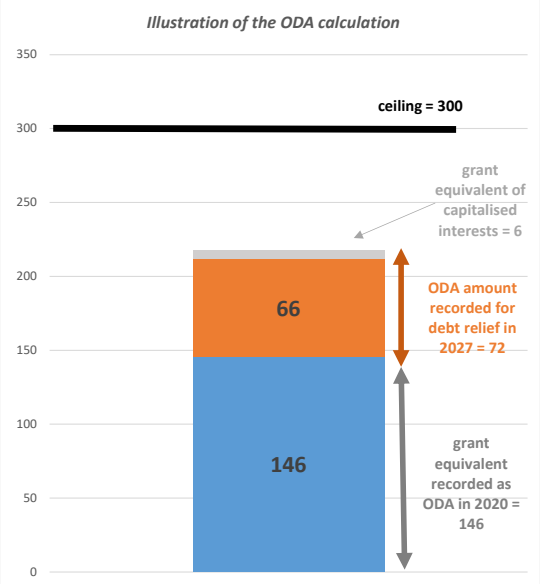
'ODA originally recorded in DAC statistics' = 146 (step 0, nominal)

+ 'new ODA for debt relief (including for possible interests)' = 71.6 (step 2)

= ≤ ceiling.

As 146 + 71.6 = 217.6 <= 300, the ceiling does not restrict ODA recording and 71.6 is recorded as ODA for debt relief in 2027.

ODA amount to be recorded for debt relief in 2027, after the application of the ceiling = 71.6



If the original loan had been committed and disbursed in 2011, 23 additional ODA would be recorded for the debt forgiveness in 2018:

- Steps 0-2 lead to the same results (same treatment for loans pre/post 2018).
- Step 3: additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

'ODA originally recorded in DAC statistics' = 300 (face value of the loan recorded as positive ODA in 2011) – 23 (negative ODA recorded for the repayment in 2017) = 277

+ 'new ODA for debt relief (including for possible interests)' = 71.6 (step 2)

≤ 'ceiling' = 300

As 277 + 71.6 = 348.6 > 300, the ceiling applies and 71.6 - (348.6 – 300) = 23 is recorded as ODA for debt relief in 2018.

Case 5: The debt relief operation occurs at the beginning of 2027 in the form of a rescheduling. There are interests in arrears and longer maturity than in Cases 2 and 4.

Similarly to cases 3 and 4, the outstanding principal amount is USD 277 million. Interests in 2025 and 2026 were not paid, and interests in arrears thus amount to USD 12 million. The rescheduling terms provide an extension of maturity of 13 years to 2051, with a grace period of 12 years (the first grace period of 6 years plus 6 years). The interest rate remains unchanged at 2 %. The debt rescheduling will lead to repayments in principal of USD 14 million each from 2032.

Step 1: Calculation of the new grant equivalent

The grant equivalent of the rescheduled principal, post treatment, can be calculated at the date of treatment as shown above. The original schedule is modified to reflect the payment of principal made in 2026, the non-payment of interests in 2025 and 2026 and the extension of grace and maturity.

			Future payments							Consolidated interests				
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% (1.09)$^{p-7}$	Present value of future payments, at date of treatment			Outstanding	Principal	Interest	Total	Present value of future payments, at date of treatment
01/06/2020														
01/06/2021	1	300.0		6.0	6.0	0.6	10.1							
01/06/2022	2	300.0		6.0	6.0	0.6	9.2							
01/06/2023	3	300.0		6.0	6.0	0.7	8.5							
01/06/2024	4	300.0		6.0	6.0	0.8	7.8							
01/06/2025	5	300.0			0.0	0.8	0.0							
01/06/2026	6	300.0	23.1		23.1	0.9	25.2	Debt treatment						
01/06/2027	7	276.9		5.5	5.5	1.0	5.5		extension of grace period					
01/06/2028	8	276.9		5.5	5.5	1.1	5.1			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2029	9	276.9		5.5	5.5	1.2	4.7			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2030	10	276.9		5.5	5.5	1.3	4.3			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2031	11	276.9		5.5	5.5	1.4	3.9			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2032	12	276.9	13.8	5.5	19.4	1.5	12.6			*12.0*		*0.2*	*0.2*	*0.2*
01/06/2033	13	263.1	13.8	5.3	19.1	1.7	11.4			*12.0*	*0.6*	*0.2*	*0.9*	*0.5*
01/06/2034	14	249.2	13.8	5.0	18.8	1.8	10.3			*11.4*	*0.6*	*0.2*	*0.9*	*0.5*
01/06/2035	15	235.4	13.8	4.7	18.6	2.0	9.3			*10.7*	*0.6*	*0.2*	*0.8*	*0.4*
01/06/2036	16	221.5	13.8	4.4	18.3	2.2	8.4			*10.1*	*0.6*	*0.2*	*0.8*	*0.4*
01/06/2037	17	207.7	13.8	4.2	18.0	2.4	7.6			*9.5*	*0.6*	*0.2*	*0.8*	*0.3*
01/06/2038	18	193.8	13.8	3.9	17.7	2.6	6.9			*8.8*	*0.6*	*0.2*	*0.8*	*0.3*
01/06/2039	19	180.0	13.8	3.6	17.4	2.8	6.2		extension of maturity	*8.2*	*0.6*	*0.2*	*0.8*	*0.3*
01/06/2040	20	166.2	13.8	3.3	17.2	3.1	5.6			*7.6*	*0.6*	*0.2*	*0.8*	*0.3*
01/06/2041	21	152.3	13.8	3.0	16.9	3.3	5.1			*6.9*	*0.6*	*0.1*	*0.8*	*0.2*
01/06/2042	22	138.5	13.8	2.8	16.6	3.6	4.6			*6.3*	*0.6*	*0.1*	*0.8*	*0.2*
01/06/2043	23	124.6	13.8	2.5	16.3	4.0	4.1			*5.7*	*0.6*	*0.1*	*0.7*	*0.2*
01/06/2044	24	110.8	13.8	2.2	16.1	4.3	3.7			*5.1*	*0.6*	*0.1*	*0.7*	*0.2*
01/06/2045	25	96.9	13.8	1.9	15.8	4.7	3.3			*4.4*	*0.6*	*0.1*	*0.7*	*0.2*
01/06/2046	26	83.1	13.8	1.7	15.5	5.1	3.0			*3.8*	*0.6*	*0.1*	*0.7*	*0.1*
01/06/2047	27	69.2	13.8	1.4	15.2	5.6	2.7			*3.2*	*0.6*	*0.1*	*0.7*	*0.1*
01/06/2048	28	55.4	13.8	1.1	15.0	6.1	2.4			*2.5*	*0.6*	*0.1*	*0.7*	*0.1*
01/06/2049	29	41.5	13.8	0.8	14.7	6.7	2.2			*1.9*	*0.6*	*0.0*	*0.7*	*0.1*
01/06/2050	30	27.7	13.8	0.6	14.4	7.3	2.0			*1.3*	*0.6*	*0.0*	*0.7*	*0.1*
01/06/2051	31	13.8	13.8	0.3	14.1	7.9	1.8			*0.6*	*0.6*	*0.0*	*0.6*	*0.1*
						Sum=	197.4						*Sum=*	*5.5*

Grant equivalent of rescheduled principal = Grant equivalent = [300 * (1+0.09)^7] – 197.4 = **351.0**

New grant equivalent = 351.0

Step 2: Derive the amount of additional ODA in 2027, before the application of the ceiling

It is the difference between the new grant equivalent and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount, to which the grant equivalent of consolidated interests is added.

The grant equivalent of the rescheduled consolidated interests, calculated with an interest rate of 2%, a grace period of 6 years and a maturity of 24 years – from 2027 to 2051 is **6.5** = 12 – 5.5 (see in the schedule above).

Original grant equivalent, discounted = 146 * (1+0.09)^7 = 266.9

Amount obtained, before the application of the ceiling = (351.0 – 266.9) + 6.5 **= 90.6**

Note that the difference between the new and original grant equivalents (351 – 267 = 84) equals the summing up of the differences between the initial and the new loan repayments (70), plus the interests in arrears (14), in present value terms at the date of treatment, which reflects the additional concessionality conveyed by the debt relief operation.

Step 3: Derive the amount to be recorded as additional ODA in 2027, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 300. It applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Ceiling = 300

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

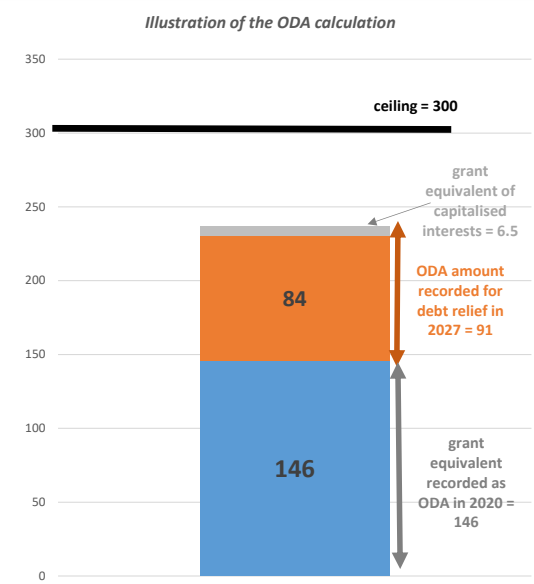
'ODA originally recorded in DAC statistics' = 146 (step 0, nominal)

+ 'new ODA for debt relief (including for possible interests)' = 90.6 (step 2)

= ≤ ceiling.

As 146 + 90.6 = 236.6 <= 300, the ceiling does not restrict ODA recording and 90.6 is recorded as ODA for debt relief in 2027.

ODA amount to be recorded for debt relief in 2027, after the application of the ceiling = 90.6



If the original loan had been committed and disbursed in 2013, no additional ODA would be recorded for the debt rescheduling in 2020:

- Steps 0-2 lead to the same results (same treatment for loans pre/post 2018).
- Step 3: additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

'ODA originally recorded in DAC statistics' = 300 (face value of the loan recorded as positive ODA in 2013, no negative ODA recorded for the repayment in 2019)

+ 'new ODA for debt relief (including for possible interests)' = 90.6 (step 2)

≤ 'ceiling' = 300

As 300 + 90.6 > 300, the ceiling applies and no additional ODA is recorded for debt relief in 2020.

Case 6: The debt relief operation occurs at the beginning of 2035 in the form of a rescheduling

The outstanding principal amount is USD 92 million. There are no interests in arrears. The rescheduling terms provide an extension of maturity of 3 years, with a grace period of 4 years. The interest rate remains unchanged at 2 %. The debt rescheduling will lead to repayments in principal of USD 31 million each from 2039.

Step 1: Calculation of the new grant equivalent

The grant equivalent of the total operation, post-treatment, can be calculated at the date of treatment as shown below. The original schedule is modified to reflect the payment of principal made in 2026, the non-payment of interests in 2025 and 2026, and the extension of grace and maturity.

		Future payments								*For reference*	
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 9% (1.09)$^{p-15}$	Present value of future payments, at dae of treatment			*Present value of future payments initially due, at date of treatment=2035*	*Difference between initial and new loan repayments, present value at date of treatment=2035*
01/06/2020											
01/06/2021	1	300.0		6.0	6.0	0.3	20.1				
01/06/2022	2	300.0		6.0	6.0	0.3	18.4				
01/06/2023	3	300.0		6.0	6.0	0.4	16.9				
01/06/2024	4	300.0		6.0	6.0	0.4	15.5				
01/06/2025	5	300.0		6.0	6.0	0.4	14.2				
01/06/2026	6	300.0	23.1	6.0	29.1	0.5	63.2				
01/06/2027	7	276.9	23.1	5.5	28.6	0.5	57.0				
01/06/2028	8	253.8	23.1	5.1	28.2	0.5	51.5				
01/06/2029	9	230.8	23.1	4.6	27.7	0.6	46.4				
01/06/2030	10	207.7	23.1	4.2	27.2	0.6	41.9				
01/06/2031	11	184.6	23.1	3.7	26.8	0.7	37.8				
01/06/2032	12	161.5	23.1	3.2	26.3	0.8	34.1				
01/06/2033	13	138.5	23.1	2.8	25.8	0.8	30.7				
01/06/2034	14	115.4	23.1	2.3	25.4	0.9	27.7				
01/06/2035	15	92.3		1.8	1.8	1.0	1.8	*Debt treatment*	extension of grace period	*24.9*	*23.1*
01/06/2036	16	92.3		1.8	1.8	1.1	1.7			*22.4*	*20.7*
01/06/2037	17	92.3		1.8	1.8	1.2	1.6			*20.2*	*18.6*
01/06/2038	18	92.3		1.8	1.8	1.3	1.4			*18.2*	*16.8*
01/06/2039	19	92.3	30.8	1.8	32.6	1.4	23.1		extension of maturity		*-23.1*
01/06/2040	20	61.5	30.8	1.2	32.0	1.5	20.8				*-20.8*
01/06/2041	21	30.8	30.8	0.6	31.4	1.7	18.7				*-18.7*
						Sum=	544.4				*16.6*

Grant equivalent = [300 * (1+0.09)^15] – 544.4 = **548.4**

New grant equivalent = 548.4

Step 2: Derive the amount of additional ODA in 2027, before the application of the ceiling

It is the difference between the new grant equivalent and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount.

Original grant equivalent, discounted = 146 * (1+0.09)^15 = 531.8

Amount obtained, before the application of the ceiling = 548.4 – 531.8 = **16.6**

Note that the same result is obtained by summing up the differences between the initial and the new loan repayments, in present value terms at the date of treatment, which reflects that the ODA amount records the additional concessionality conveyed by the debt relief operation (columns "for reference" in the above schedule).

Step 3: Derive the amount to be recorded as additional ODA in 2027, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 300. It applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Ceiling = 300

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

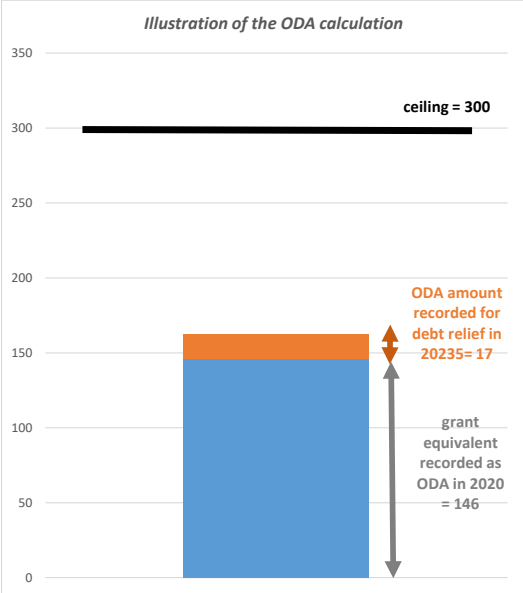
'ODA originally recorded in DAC statistics' = 146 (step 0, nominal)

+ 'new ODA for debt relief (including for possible interests)' = 16.6 (step 2)

= ≤ ceiling.

As 146 + 16.6 = 162.6 <= 300, the ceiling does not restrict ODA recording and 17 is recorded as ODA for debt relief in 2035.

ODA amount to be recorded for debt relief in 2035, after the application of the ceiling = 16.6



If the original loan had been committed and disbursed in 2005, 16.6 additional ODA would be recorded for the debt rescheduling in 2020:

- Steps 0-2 lead to the same results (same treatment for loans pre/post 2018).
- Step 3: additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

'ODA originally recorded in DAC statistics' = 300 (face value of the loan recorded as positive ODA in 2005) – 162 (negative ODA recorded for the repayments in 2011-17, no negative ODA recorded for the repayments in 2018-19) = 138

+ 'new ODA for debt relief (including for possible interests)' = 16.6 (step 2)

≤ 'ceiling' = 300

As 138 + 16.6 <= 300, the ceiling does not restrict ODA recording and 16.6 is recorded as ODA for debt relief in 2020.

Case 7: The loan is committed and disbursed in 2002, substantially repaid prior to 2018, and the debt relief operation occurs at the beginning of 2050 in the form of a debt forgiveness

Consider an ODA loan of 100 to an LMIC, committed and fully disbursed in 2002. The interest rate is 2 %, there are 6 years of grace period and 18 years of maturity. A debt forgiveness occurs in 2050. There are interests and principal in arrears (no interest nor principal paid starting in 2018); the rate for late interest is 7%.

Step 0. Calculation of the grant equivalent of the original loan

The grant equivalent was not recorded as ODA as the loan was committed and disbursed prior to 2018.

Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 7% $(1.07)^p$	Present value of future payments
01/06/2002							
01/06/2003	1	100.0		2.0	2.0	1.1	1.9
01/06/2004	2	100.0		2.0	2.0	1.1	1.7
01/06/2005	3	100.0		2.0	2.0	1.2	1.6
01/06/2006	4	100.0		2.0	2.0	1.3	1.5
01/06/2007	5	100.0		2.0	2.0	1.4	1.4
01/06/2008	6	100.0	7.7	2.0	9.7	1.5	6.5
01/06/2009	7	92.3	7.7	1.8	9.5	1.6	5.9
01/06/2010	8	84.6	7.7	1.7	9.4	1.7	5.5
01/06/2011	9	76.9	7.7	1.5	9.2	1.8	5.0
01/06/2012	10	69.2	7.7	1.4	9.1	2.0	4.6
01/06/2013	11	61.5	7.7	1.2	8.9	2.1	4.2
01/06/2014	12	53.8	7.7	1.1	8.8	2.3	3.9
01/06/2015	13	46.2	7.7	0.9	8.6	2.4	3.6
01/06/2016	14	38.5	7.7	0.8	8.5	2.6	3.3
01/06/2017	15	30.8	7.7	0.6	8.3	2.8	3.0
01/06/2018	16	23.1	7.7	0.5	8.2	3.0	2.8
01/06/2019	17	15.4	7.7	0.3	8.0	3.2	2.5
01/06/2020	18	7.7	7.7	0.2	7.8	3.4	2.3
						sum =	**61.3**

Grant element = (100 – 61.3)/100 = 39%; Grant equivalent = 100 – 61.3 = 38.7

Grant equivalent of the original loan = 38.7

Step 1: Calculation of the new grant equivalent

The grant equivalent of the total operation, post-treatment, can be calculated at the date of treatment as shown below. The original schedule is modified to reflect the non-payment of interests or principal from 2018 onwards; no repayment will take place after treatment (debt forgiveness).

		Future payments							Arrears and late interests		
Date payment due	Period (p)	Principal outstanding	Principal	Interest	Total	Annual factor at 7% (1.07)$^{p-48}$	Present value of future payments		*Principal in arrears*	*Interests in arrears*	*Late interests, cumulative*
01/06/2002											
01/06/2003	1	100.0		2.0	2.0	0.0	48.1				
01/06/2004	2	100.0		2.0	2.0	0.0	44.9				
01/06/2005	3	100.0		2.0	2.0	0.0	42.0				
01/06/2006	4	100.0		2.0	2.0	0.1	39.3				
01/06/2007	5	100.0		2.0	2.0	0.1	36.7				
01/06/2008	6	100.0	7.7	2.0	9.7	0.1	166.2				
01/06/2009	7	92.3	7.7	1.8	9.5	0.1	152.8				
01/06/2010	8	84.6	7.7	1.7	9.4	0.1	140.5				
01/06/2011	9	76.9	7.7	1.5	9.2	0.1	129.2				
01/06/2012	10	69.2	7.7	1.4	9.1	0.1	118.7				
01/06/2013	11	61.5	7.7	1.2	8.9	0.1	109.1				
01/06/2014	12	53.8	7.7	1.1	8.8	0.1	100.2				
01/06/2015	13	46.2	7.7	0.9	8.6	0.1	92.0				
01/06/2016	14	38.5	7.7	0.8	8.5	0.1	84.4				
01/06/2017	15	30.8	7.7	0.6	8.3	0.1	77.5				
01/06/2018	16	23.1			0.0	0.1	0.0		*7.7*	*0.5*	*0.6*
01/06/2019	17	23.1			0.0	0.1	0.0		*15.4*	*0.9*	*1.7*
01/06/2020	18	23.1			0.0	0.1	0.0		*23.1*	*1.4*	*3.4*
01/06/2021	19	23.1				0.1	0.0		*23.1*	*1.4*	*5.1*
01/06/2022	20	23.1				0.2	0.0		*23.1*	*1.4*	*6.8*
01/06/2023	21	23.1				0.2	0.0		*23.1*	*1.4*	*8.6*
01/06/2024	22	23.1				0.2	0.0		*23.1*	*1.4*	*10.3*
01/06/2025	23	23.1				0.2	0.0		*23.1*	*1.4*	*12.0*
01/06/2026	24	23.1				0.2	0.0		*23.1*	*1.4*	*13.7*
01/06/2027	25	23.1				0.2	0.0		*23.1*	*1.4*	*15.4*
01/06/2028	26	23.1				0.2	0.0		*23.1*	*1.4*	*17.1*
01/06/2029	27	23.1				0.2	0.0		*23.1*	*1.4*	*18.8*
01/06/2030	28	23.1				0.3	0.0		*23.1*	*1.4*	*20.5*
01/06/2031	29	23.1				0.3	0.0		*23.1*	*1.4*	*22.3*
01/06/2032	30	23.1				0.3	0.0		*23.1*	*1.4*	*24.0*
01/06/2033	31	23.1				0.3	0.0		*23.1*	*1.4*	*25.7*
01/06/2034	32	23.1				0.3	0.0		*23.1*	*1.4*	*27.4*
01/06/2035	33	23.1				0.4	0.0		*23.1*	*1.4*	*29.1*
01/06/2036	34	23.1				0.4	0.0		*23.1*	*1.4*	*30.8*
01/06/2037	35	23.1				0.4	0.0		*23.1*	*1.4*	*32.5*
01/06/2038	36	23.1				0.4	0.0		*23.1*	*1.4*	*34.2*
01/06/2039	37	23.1				0.5	0.0		*23.1*	*1.4*	*36.0*
01/06/2040	38	23.1				0.5	0.0		*23.1*	*1.4*	*37.7*
01/06/2041	39	23.1				0.5	0.0		*23.1*	*1.4*	*39.4*
01/06/2042	40	23.1				0.6	0.0		*23.1*	*1.4*	*41.1*
01/06/2043	41	23.1				0.6	0.0		*23.1*	*1.4*	*42.8*
01/06/2044	42	23.1				0.7	0.0		*23.1*	*1.4*	*44.5*
01/06/2045	43	23.1				0.7	0.0		*23.1*	*1.4*	*46.2*
01/06/2046	44	23.1				0.8	0.0		*23.1*	*1.4*	*47.9*
01/06/2047	45	23.1				0.8	0.0		*23.1*	*1.4*	*49.7*
01/06/2048	46	23.1				0.9	0.0		*23.1*	*1.4*	*51.4*
01/06/2049	47	23.1				0.9	0.0	*Debt treatment*	*23.1*	*1.4*	***53.1***
01/06/2050	48					1.0					
					sum=		1381.6				

Grant equivalent = [100 * (1+0.07)^48] – 1381.6 = **1191.3**

New grant equivalent = 1191.3

Step 2: Derive the amount to be recorded as additional ODA in 2050, before the application of the ceiling

It is the difference between the new and the original grant equivalent, i.e. the difference between amounts obtained under step 1 and step 0, after discount, to which the late interests are added.

Original grant equivalent, discounted = 38.7 * (1+0.07)^48 = 995.4

Amount obtained, before the application of the ceiling = (1191.3 – 995.4) + 53.1 = 249.0

Step 3: Derive the amount of additional ODA in 2050, after application of the ceiling

The ceiling is the face value of the original loan, in nominal terms, i.e. 100. It applies to the entire perimeter of the debt treated, including interests in arrears and late interests.

Ceiling = 100

Additional ODA for debt relief is recorded over and above the amounts previously recorded as ODA for the loan concerned, up to the ceiling: 'ODA originally recorded in DAC statistics' + 'new ODA for debt relief (including for possible interests)' ≤ 'ceiling'.

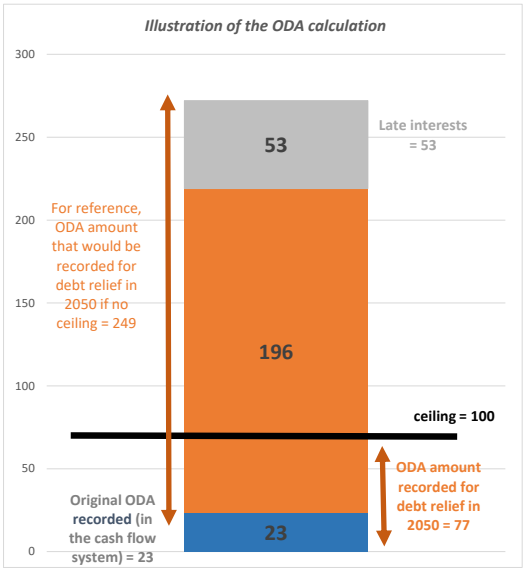
'ODA originally recorded in DAC statistics' = 100 (face value of the loan recorded as positive ODA in 2002) – 76.9 (negative ODA recorded for the repayments in 2008-17) = 23.1

+ 'new ODA for debt relief (including for possible interests)' = 249.0 (step 2)

≤ 'ceiling' = 100

As 23.1 + 249.0 = 272.1 > 100, the ceiling applies and 249.0 – (272.1-100) = 76.9 is recorded as ODA for debt relief in 2050.[9]

ODA amount to be recorded for debt relief in 2050, after the application of the ceiling = 76.9



[9] If part of repayments had taken place as from 2018 (thus not recorded as negative ODA), e.g. an amount of 23 out of 77, the figure recorded as ODA for debt relief after application of the ceiling would be reduced by the same amount:

'ODA originally recorded in DAC statistics' = 100 (face value of the loan recorded as positive ODA in 2002) – 53 (negative ODA recorded for the repayments in 2008-17) = 46

+ 'new ODA for debt relief (including for possible interests)' = 249 (step 2)

≤ 'ceiling' = 100

As 46 + 249 = 295 > 100, the ceiling applies and 249 – (295-100) = **54 (77 – 23)** is recorded as ODA for debt relief in 2050.