

## 4<sup>th</sup> Inter-regional Debt Management Conference, UNCTAD

### Selected Issues in Debt Statistics Reporting

#### Summary of discussion

Tuesday, 11 November 2003

Moderated by Mr. Neil Patterson, Statistics Department, IMF

Panellists: Mr. Rainer Widera, Head of International Financial Statistics, BIS  
Mr. Bostjan Plesec, Head of Statistics and Analysis, Ministry of Finance, Slovenia  
Ms. Punam Chuhan, Lead Economist, Global Monitoring Secretariat, World Bank  
Mr. Mark Allen, Audit Manager, UK National Audit Office  
Mr. Fred Ruhakana, Programme Officer, MEFMI

The panellists presented the current state of play in the domain of debt reporting. The catalyst for revising debt statistics reporting was the Asian financial crisis of 1997, which revealed limitations in the existing debtor data, particularly with regard to short-term external debt. The presentations covered the following issues:

- I. Origin and coverage of BIS international financial statistics and improvements in data
  - II. The Accrual Principle, case of Slovenia
  - III. Selected Issues in Debt Statistics Reporting of the World Bank
  - IV. Public Debt Committee and its role
  - V. Debt recording and statistics in Highly Indebted Poor Countries (HIPC)s
- I. The BIS data, together with other external debt data, are made available through the Joint BIS-IMF-OECD -World Bank Statistics on External Debt. The three major components of the BIS data are: Loans and Deposits of Banks; Short-term international claims; and Issuance of securities collected from market sources.

Since the introduction of the Joint Statistics in 1999 there have been several improvements:

- The increase in data coverage. There are now 36 economies that have joined the locational banking data; and 27 countries are reporting short-term international claims within the consolidated banking statistics.<sup>1</sup>
- Data quality has further improved as double counting of securities holdings has been reduced.

Remaining differences between data from creditor or market sources, on the one hand, and from debtor sources, on the other, are the following:

#### Coverage:

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<sup>1</sup> The locational banking statistics capture cross-border credit – loans, deposits, debt securities and other assets – provided directly by banks, which cover the cross-border positions of all banks domiciled in the reporting area, including positions vis-à-vis their foreign affiliates. By contrast, the consolidated statistics are based on the nationality of the reporting bank and net out intra-group positions

Creditor and market data:

- Locally funded foreign currency claims, which should be excluded from external debt, are included in the consolidated banking data.
- Double counting of foreign short-term securities holdings due to lack of maturity breakdown of bank loans.
- Holdings of domestic securities and Brady bonds by non-residents are excluded.

Debtor data:

- Difficulty to collect comprehensive data on foreign holdings of securities issued by residents.

Valuation:

Creditor and market data: mainly market values.

Debtor data: mainly face value.

Maturity Breakdown:

Creditor and market data: provide remaining maturities.

Debtor data: original maturities.

Prospects and scope for further improvements in creditor and debtor external debt data:

BIS Creditor data:

- Little scope for further improvements in country coverage
- Introduction of maturity breakdown in bank loans too costly to be done
- Use of the IMF Coordinated Portfolio Investment data for reporting foreign holdings of securities

National Debtor data:

- Increased country coverage – subscribe to IMF SDDS<sup>2</sup>
- Increased frequency – quarterly data like in the SDDS site
- Increased timeliness – data should be made available as soon as possible

II. In accordance with the recommendations of the Debt Guide and the Government Finance Statistics Manual, Slovenia introduced the accrual principle. This constitutes the main difference between the Government Statistics reported in 2001 and that of 1986. Other differences are:

- Coverage of units
- Coverage of events
- Valuation
- Integration of flows and stocks
- Other Balancing items.

With the introduction of the accrual recording basis the amount of debt outstanding reported increases. Slovenia also showed that the value of reported total debt outstanding is less when indexation is used. Finally, recording external debt on an accrual basis, although problematic

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<sup>2</sup> The International Monetary Fund's Dissemination Standards Bulletin Board (DSBB) provides access to the Special Data Dissemination Standard (SDDS), the General Data Dissemination System (GDDS), and the Data Quality Reference (DQRS) sites.

in its implementation, has the advantage of being consistent with other macroeconomic statistical systems, such as the *1993 SNA*, *BPM5*, and *ESA95* all of which employ an accrual basis of recording.

III. Four issues were discussed under the heading of Debt Statistics Reporting of the World Bank:

- The Debtor Reporting System (DRS)  
An instrument- and aggregate-level database disseminated through the publication *Global Development Finance*. Main source is the loan-by-loan information on public and publicly-guaranteed debt, supplemented by information from other multilateral organizations and development banks. DRS data are reported on a cash basis and in book value.
- Electronic reporting and its impact on data quality  
There have been improvements in a number of countries in their reporting, and also in data quality due to increased transparency. Inconsistencies are checked automatically. In this respect, UNCTAD's and the Commonwealth Secretariat's debt management systems have been of great help. However, gaps remain in the coverage of private non-guaranteed debt, short-term debt, and debt service projections.
- Debt relief reporting by Multilateral Development Banks (MDBs)  
There are variations in reporting. Not all MDBs report on a loan level, net resource flows and transfers on debt may be underreported, and debt relief is not incorporated in debt service projections, so that future cash flow requirements are overstated and Debt Sustainability Analysis becomes more difficult..
- Other gaps in debt statistics  
There is a large gap in the data quality of domestic public debt. Although it is becoming increasingly important, there still is not enough focus on it.

IV. The role of the public debt committee is to publish information for supreme audit institutes and to encourage proper reporting and fair management of public debt. The main document is the *Guidance on Reporting of Public Debt*. The reliability of government's reports on public debt depends to a large extent on the soundness of definitions used. Regular disclosure of a country's public debt can reveal whether debt levels have been kept within the country's ability to sustain them and can help to identify potential problems.

V. The new guidebook *External Debt Statistics: Guide for Compilers and Users (Debt Guide)*, which has helped the process of standardization of reporting across countries and international organizations, does not address all statistical compilation issues regarding the Heavily Indebted Poor Countries (HIPCs).

The following are a few examples. The Debt Guide advocates that principle and interest payments due and not paid are treated as arrears or short-term liabilities to be included under "other debt liabilities". However, in the case of HIPCs the distinction between arrears arising from failure to meet debt service obligations and those due to the clause that aims at ensuring equal treatment of all creditors has not been taken into account for the compilation of statistics. As debt service cash flows are used in portfolio analysis and risks assessments of

sovereign debt portfolios, it is also important to taken into account that sometimes debt service is paid from trust funds rather than from government budgets. Another issue to be dealt with is the recording of different options granted by creditors within the context of HIPC debt relief, as accurate debt statistics and cash flows are often very difficult to generate.