

# EXTERNAL DEBT

## STATISTICS

### GUIDE FOR COMPILERS AND USERS



Bank for International Settlements



Commonwealth Secretariat



Eurostat



International Monetary Fund



Organisation for Economic Co-operation and Development



Paris Club Secretariat



United Nations Conference on Trade and Development



World Bank



INTERNATIONAL MONETARY FUND

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# Foreword

This volume, *External Debt Statistics: Guide for Compilers and Users* (the *Guide*), has been prepared under the joint responsibility of our eight organizations, through the mechanism of the Inter-Agency Task Force on Finance Statistics. The preparation of the *Guide*, under way since mid-1999, was based on the broad range of experience of our institutions in close consultation with national compilers of external debt and balance of payments statistics.

International financial crises in the late 1990s underscored the importance of reliable and timely statistics on external debt as a critical element for the early detection of countries' external vulnerability. Against this background, improving the quality and timeliness of key external debt data and promoting convergence of recording practices have been the focus in the preparation of the *Guide*. The *Guide* is a useful source of reference both for national compilers and users of external debt statistics.

The *Guide* updates the previous international guidelines on external debt statistics, *External Debt: Definition, Statistical Coverage and Methodology*, published by four of our organizations in 1988. During the 1990s, new statistical guidelines for national accounts and balance of payments statistics were established, and a substantial growth in financial flows between private sector institutions occurred, including the use of debt instruments and financial derivatives to manage and redistribute risk. The concepts set out in the *Guide* are harmonized with those of the *System of National Accounts 1993* and the fifth edition of the IMF's *Balance of Payments Manual*, also published in 1993.

We recommend that countries adopt the *Guide* as the basis for compiling and disseminating external debt statistics.

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# Preface

The need for comprehensive, comparable, and reliable information on external debt to inform policymakers, financial markets, and other users of statistics has long been recognized. This was once again reinforced by the international financial crises in the 1990s. Because they carry obligations to make future payments, external debt liabilities have the potential to create circumstances that render an economy vulnerable to solvency and liquidity problems. Moreover, as experience has shown, external vulnerability can have widespread economic costs, and not just for the initially affected economy. It is clear, therefore, that external debt needs to be measured and monitored. To this end, *External Debt Statistics: Guide for Compilers and Users* (the *Guide*) provides guidance on (1) the concepts, definitions, and classifications of external debt data, (2) the sources and techniques for compiling these data, and (3) the analytical uses of these data. The *Guide* is intended to be of use to both compilers and users of external debt statistics.

## Evolution of This Guide

The previous international guidance on external debt statistics, *External Debt: Definition, Statistical Coverage and Methodology* (the “Grey Book”), was published in 1988 by the Bank for International Settlements (BIS), International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), and World Bank. This publication provided a common definition of external debt. However, since its publication there have been new international statistical guidelines for national accounts and balance of payments statistics—the *System of National Accounts 1993 (1993 SNA)* and the fifth edition of the IMF’s *Balance of Payments Manual (BPM5)*; a tremendous growth in private sector financial flows, especially to private sector debtors; and, associated with these financial flows, an increased use of instruments such as debt securities and financial derivatives to manage and redistribute risk.

Against this background, the *Guide* provides a comprehensive conceptual framework, derived from the *1993 SNA* and *BPM5*, for the measurement of gross external debt of the public and private sectors. It draws on many of the concepts introduced in the Grey Book and is intended to provide clear guidance that can be applied consistently across the different sectors of an economy and across the different debt instruments used for borrowing. Thereafter, the *Guide* provides a scheme for classifying external debt by instruments and sectors that is developed into a presentation table for the gross external debt position. Data disseminated using this presentation table, and employing the concepts outlined earlier in the *Guide*, are essential for providing a comprehensive and informed picture of the gross external debt position for the whole economy. For countries in which there is a particular interest in public sector debt, the sector information can be rearranged to give focus to public and publicly guaranteed debt, consistent with the approach used by the World Bank’s Debtor Reporting System. Such a presentation may be of central importance where public sector external debt is dominant, although vigilance in monitoring private sector debt liabilities is necessary because experience has shown that these can grow rapidly.

Further, from the evidence of the international financial crises of the 1990s, and from the experience of many countries, additional data series may be vital to assist in identifying potential vulnerability to solvency and liquidity problems arising from the gross external debt position. The important need for data on debt-maturity profiles and currency breakdowns has been highlighted in international forums and, together with improving coverage of private sector debt liabilities, has helped to motivate preparation of the *Guide*.

So, the *Guide* provides additional conceptual guidance, and presentation tables, for data series such as the debt-service schedule (especially relevant for liquidity analysis), the currency composition of debt, and other series known from experience to be of analytical use. The *Guide* also explains the concept of net external debt—that is, a comparison of the stock of external debt with holdings of external financial assets of similar instrument type—and incorporates financial derivative positions into external debt analysis.

Drawing on the broad range of experience in the international agencies involved in its production, the *Guide* provides advice on the compilation of external debt statistics, and the analytical use of such data. This advice is not intended to be comprehensive, but rather provides an overview of the issues. The work of international agencies in the field of external debt is outlined. Because the *Guide* is primarily intended to be a source of reference for both compilers and users of external debt statistics, certain sections will be more relevant for some audiences than others. For instance, the first section discusses complex conceptual measurement issues and provides detailed advice as a source of reference—this guidance is intended particularly for the compiler. In contrast, the section on the use of external debt data is directed toward both users and compilers. It is hoped that by this approach the *Guide* will contribute to better external debt statistics and an improved understanding of the complex issues involved in both compiling and analyzing them.

## Acknowledgments

The production of the *Guide* has been jointly undertaken by the international agencies that participate in the Inter-Agency Task Force on Finance Statistics (TFFS), in close consultation with national compilers of external debt and balance of payments statistics. The TFFS is one of the interagency task forces formed under the aegis of the United Nations Statistical Commission and the Administrative Committee on Coordination—Sub-Committee on Statistical Activities, and was set up in 1992. It was reconvened in 1998 to coordinate work among the participating agencies to improve the methodological soundness, transparency, timeliness, and availability of data on external debt and international reserve assets. The TFFS was chaired by the IMF, and the work on the *Guide* involved representatives from the BIS, the Commonwealth Secretariat, the European Central Bank (ECB), Eurostat, the IMF, the OECD, the Paris Club Secretariat, the United Nations Conference on Trade and Development (UNCTAD), and the World Bank. The core participants in the TFFS’s work on the *Guide* are listed below (affiliations are those in effect at the time of preparation of the *Guide*). Their expert contributions and comments made possible the production of the *Guide*.

Chair	Mrs. Carol S. Carson (IMF)
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ECB	Mr. Remigio Echeverría
	Mr. Jean Galand
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Eurostat	Mr. Eduardo Barredo-Capelot
IMF	Mr. Neil Patterson
	Mr. Roger Pownall
	Mr. Robert Heath
	Mr. John Motala
	Mr. Christian Mulder
	Mr. Eduardo Valdivia-Velarde
OECD	Mr. Brian Hammond
	Ms. Deborah Guz
	Mrs. Jane Saint-Sernin
Paris Club Secretariat	Mr. Jérôme Walter
UNCTAD	Mr. Enrique Cosio-Pascal
World Bank	Ms. Punam Chuhan

The preparation of the *Guide* was primarily undertaken in the IMF. Mr. Robert Heath (Senior Economist, Balance of Payments and External Debt Division II, Statistics Department) was the primary drafter and also coordinated and edited the contributions of TFFS participants, national agencies, and other experts. The work was supervised by Mr. Neil Patterson (Assistant Director, Balance of Payments and External Debt Division I, Statistics Department) and Mr. Roger Pownall (Chief, Balance of Payments and External Debt Division II, Statistics Department).

The *Guide* benefited from the written contributions of other experts in the participating agencies; in particular, Mr. Jean Kertudo (BIS); Mr. Dev Userree, Mr. Andrew Kitili, and Mr. Jose Maurel (all Commonwealth Secretariat); Ms. Silvia von Ledebur (ECB); Mr. Marco Committeri, Mr. Richard Harmsen, Mr. Damoni Kitabire, Mr. René Piché, Mr. Sukhwinder Singh, and Ms. Beatrice Timmermann (all IMF); Mr. Steve Cutts (OECD); Mr. Pal Borresen (UNCTAD); and Mr. Paul Beckerman, Mr. Misha V. Belkindas, Mr. Anthony Richard Howe Bottrill, Ms. Hana Polackova Bixi, Ms. Nevin Fahmy, Mr. Sundarshan Gooptu, Mr. Frederick Henry Jensen, Ms. Marie-Helene Le Manchec, Mr. Deepak K. Mishra, and Ms. Gloria R. Moreno (all World Bank). Mr. Eduardo Valdivia-Velarde (Senior Economist, Balance of Payments and External Debt Division II, Statistics Department, IMF) was responsible for overseeing the preparation of the *Guide* in its final stages through publication, coordinating final comments, and refining the text. Ms. Elva Harris and Ms. Marlene Pollard (Statistics Department, IMF) provided administrative support in preparing the manuscript, and Mr. James McEuen (External Relations Department, IMF) copyedited the final manuscript and coordinated publication of the *Guide*.

Also, the TFFS acknowledges, with gratitude, the contributions of many compilers and users of external debt statistics in member countries. Responses to requests for comments on the draft *Guide* posted on the Internet in March 2001 came from many official agencies and others in countries across the world, and the text benefited enormously from these views. In addition, the following agencies, listed alphabetically by country, provided the case studies of country experience in various aspects of the compilation and use of external debt data. These case studies are set out in Chapter 14.

Australia	Australian Bureau of Statistics
Austria	Oesterreichische Nationalbank
Canada	Statistics Canada
Chile	Central Bank of Chile
India	Ministry of Finance and Reserve Bank of India
Israel	Bank of Israel
Mexico	Department of Public Credit
New Zealand	Statistics New Zealand
Philippines	Bangko Sentral ng Pilipinas
Turkey	Central Bank of Turkey
Uganda	Bank of Uganda

Carol S. Carson  
*Director*  
*Statistics Department*  
*International Monetary Fund*

# Abbreviations and Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
BIS	Bank for International Settlements
BOP	Balance of payments
<i>BOPSY</i>	<i>Balance of Payments Statistics Yearbook</i> (IMF)
<i>BPM5</i>	<i>Balance of Payments Manual</i> , fifth edition (IMF)
CBDMS	Computer-based debt-management system
CIRR	Commercial Interest Reference Rate (OECD)
CMFB	Committee on Monetary, Financial and Balance of Payments Statistics (EU)
CPIS	Coordinated Portfolio Investment Survey (IMF)
CRS	Creditor Reporting System (OECD)
CS-DRMS	Commonwealth Secretariat's Debt Recording and Management System
DAC	Development Assistance Committee (OECD)
DMFAS	Debt Management and Financial Analysis System (UNCTAD)
DOD	Disbursed and outstanding debt
DRS	Debtor Reporting System (World Bank)
DSM Plus	Debt Sustainability Module Plus (World Bank)
ECB	European Central Bank
<i>ESA95</i>	<i>European System of Accounts, ESA 1995</i>
EU	European Union
GDDS	General Data Dissemination System
GDP	Gross domestic product
GNF	Global note facility
Grey Book	<i>External Debt: Definition, Statistical Coverage and Methodology</i> (Bank for International Settlements, International Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank, 1988)
HIPC Initiative	Initiative for heavily indebted poor countries
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IBS	International Banking Statistics (BIS)
IDA	International Development Association
IFMS	Integrated Financial Management System
<i>IFS</i>	<i>International Financial Statistics</i> (IMF)
IIP	International investment position
IMF	International Monetary Fund
ISIN	International security identification number
LIBOR	London interbank offered rate
MEFMI	Macroeconomic and Financial Management Institute for Eastern and Southern Africa
MOF	Multiple options facility
NIF	Note issuance facility

## Abbreviations and Acronyms

NNA	National numbering agency
NPISH	Nonprofit institutions serving households
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OTC	Over-the-counter [markets]
Repo	Repurchase agreement
RUF	Revolving underwriting facility
SDDS	Special Data Dissemination Standard
SDR	Special drawing rights (IMF)
<i>1993 SNA</i>	<i>System of National Accounts 1993</i>
SPE	Special purpose entity
TFFS	Inter-Agency Task Force on Finance Statistics
UNCTAD	United Nations Conference on Trade and Development

# I. Overview

**1.1** The purpose of the *External Debt Statistics: Guide for Compilers and Users* (the *Guide*) is to provide comprehensive guidance for the measurement and presentation of external debt statistics. It also provides advice on the compilation of these data and on their analytical use. The intention is to contribute to both an improvement in, and a greater understanding of, external debt statistics. In doing so, the *Guide* is responding to the concerns of markets and policymakers for better external debt statistics to help assess external vulnerabilities at a time when increasing international capital flows are resulting in greater market interdependence.

## The Grey Book

**1.2** Previous guidance on the measurement of gross external debt was provided in *External Debt: Definition, Statistical Coverage and Methodology* (the “Grey Book”), published jointly in 1988 by the Bank for International Settlements (BIS), International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), and the World Bank. The Grey Book provided an agreed definition of what constituted external debt, with the intention of encouraging a greater consistency of approach in the measurement of external debt:

Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to nonresidents to repay principal, with or without interest, or to pay interest, with or without principal.

**1.3** The measure of external debt using this definition is commonly known as disbursed and outstanding debt (DOD) and is valued on a nominal-value basis. Under this definition, there must be a contractual liability to make principal or interest payments, or both. The contractual liability—used in the wide sense of entailing a legal obligation—must be a

claim of a nonresident on a resident to qualify as external debt, and only that part of the liability that is outstanding and disbursed qualifies as debt.

**1.4** The DOD approach is a basic cornerstone of external debt statistics and provides the conceptual basis for the majority of the existing external debt compilation systems, including those of countries using the Commonwealth Secretariat and United Nations Conference on Trade and Development (UNCTAD) debt-management systems, and those of the OECD and World Bank. It has facilitated vulnerability, debt-sustainability, and creditworthiness analyses and can provide a transparent standard for comparable statistics across countries. For instance, the World Bank’s *Global Development Finance* and the OECD’s *External Debt Statistics* present and analyze data on a DOD basis.

**1.5** To a considerable extent, the Grey Book reflects the traditional focus of external debt statistics, which is on borrowing from banks and government sources, often by the public sector. For the purposes of public debt management, a DOD measure of external debt allows a debt manager to determine how much is owed, to make budgetary projections, and to inform policymakers of the borrowing position in relation to any authorized limits. Also, DOD can serve as a baseline for debt managers to analyze the impact of exchange rate movements and indexation of principal on the stock of debt outstanding. In a number of countries, DOD is typically a measure derived from a debt-management system that records contractual obligations on existing debt, which are essential for cash-flow management and for implementing payments.

## Conceptual Approach in the Guide

**1.6** Depending on the stage of economic development, borrowing by the public sector from banks and



government sources may still remain the focus of external debt analysis for a number of countries. But for many countries, the growth during the 1990s of cross-border private sector capital flows, the exposure of the private sector to foreign borrowing, the widespread issuance of debt securities, and the use of financial derivatives and similar instruments, have necessitated a wider scope of external debt analysis. In other words, in addition to the traditional focus, a need has increasingly arisen to monitor the cross-border financial borrowing activities of the nonbank private sector, including external borrowing by all sectors of the economy in the form of debt securities.

**1.7** In responding to these developments, the *Guide* introduces a comprehensive conceptual framework that is derived from that contained in the *System of National Accounts 1993 (1993 SNA)*<sup>1</sup> and the IMF's *Balance of Payments Manual, fifth edition (BPM5)*<sup>2</sup> for measuring the gross external debt position. This approach facilitates consistency and comparability among external debt statistics and other macroeconomic statistics, such as balance of payments, the international investment position (IIP), and national accounts. Under this conceptual framework, external debt includes all liabilities as defined in the *1993 SNA* (excluding equity liabilities and financial derivatives) that are owed to nonresidents, and the total amount of such liabilities is presented as the gross external debt position.

**1.8** This new conceptual framework draws on many of the concepts introduced in the Grey Book. For instance, external debt continues to include those instruments that are owed to nonresidents, require payments of interest and/or principal, and are out-

standing. Thus, compilation systems developed to produce data on the basis of the Grey Book, particularly for the public sector, can be a statistical building block for the measurement of the gross external debt position outlined ahead. But the new framework also discusses and clarifies many items not discussed or decided in the Grey Book, particularly in respect to the range of instruments that are classified as external debt.

**1.9** Tables are provided for the presentation of the gross external debt position, and related data, both for the whole economy and by sector of debtor. Using the concepts provided in Chapters 2 and 3, data compiled and presented in the format of the table in Chapter 4 provide a comprehensive and informed picture of the gross external debt position for the whole economy. Subsequently in Chapter 5, the gross external debt position is presented in a table that highlights the role of the public sector, a table particularly relevant for countries where the public sector is centrally involved in external debt borrowing activity, as a borrower and/or guarantor.

**1.10** Further, the *Guide* provides additional accounting principles to assist in compiling data series of analytical use in understanding the gross external debt position. The priority that individual countries give to compiling each of these data series will vary depending on circumstances. But such data series as the debt-service schedule—that is, a schedule that provides information on the expected amounts and timing of future payments—and the foreign currency composition of external debt—one indication of the exposure of the economy to movements in the exchange rate—can reveal essential information on potential external vulnerabilities facing an economy. Similarly, the *Guide* advises on the measurement and presentation of the net external debt position—gross external debt less external assets in the form of debt instruments. For economies whose private sector is active in international financial markets, this concept, and indeed, that of the net asset position of the IIP,<sup>3</sup> is particularly relevant in assessing sustainability of the external position.

<sup>1</sup>The *1993 SNA* was published jointly by the Commission of the European Communities (Eurostat), IMF, OECD, United Nations, and World Bank. The *1993 SNA* is a comprehensive, consistent, and flexible set of macroeconomic accounts intended to meet the needs of government and private sector analysts, policymakers, and decision takers. Also, it is the point of reference in establishing standards for related statistics, such as government finance and monetary and financial statistics.

<sup>2</sup>*BPM5* was published by the IMF in 1993 and provides international guidelines for the compilation of data for an articulated set of international accounts encompassing the measurement of external transactions (balance of payments), on the one hand, and the stock of financial assets and liabilities (the international investment position, or IIP), on the other. There is harmonization to the maximum extent possible with the national accounts as articulated in the *1993 SNA*.

<sup>3</sup>The IIP of an economy is the balance sheet of the stock of external financial assets and liabilities, with the difference being the net asset (or liability) position. The IIP is described in Chapter 17 and its standard components are set out in Chapter 3.

## Structure of the Guide

- 1.11** The *Guide* is presented in four parts:
- (I) Conceptual Framework—covering Chapters 2–9;
  - (II) Compilation: Principles and Practice—Chapters 10–14;
  - (III) Use of External Debt Statistics—Chapters 15 and 16; and
  - (IV) Work of International Agencies—Chapters 17–19.

There are also several appendices.

## Conceptual Framework

- 1.12** The structure of Part I is as follows:
- Chapter 2 provides a definition for gross external debt and explains in detail the accounting principles required for the measurement of the gross external debt position. Chapter 3 discusses the identification of institutional sectors and financial instruments.
  - Chapter 4 sets out a table for the presentation of the gross external debt position. Highest priority is given to institutional sectors, followed by maturity and then type of instrument. Chapter 5 provides a table for the presentation of data on public and publicly guaranteed external debt.
  - Chapter 6 provides further accounting principles for compiling additional data series of analytical use in understanding the gross external debt position. Chapter 7 provides further presentation tables (for example, a debt-service payment schedule and foreign currency debt tables).
  - Chapter 8 discusses the dissemination of appropriate information on the impact of debt reorganization on external debt. Chapter 9 considers contingent liabilities and provides a table for the presentation of external debt on an ultimate-risk basis.

## Compilation: Principles and Practice

- 1.13** Chapter 10 provides an overview of compilation methods, and Chapters 11, 12, and 13 cover

compilation methods for government and public sector data; banks and “other sectors” data; and data on traded securities, respectively. Chapter 14 contains case studies of country experience in the compilation of external debt statistics.

## Use of External Debt Statistics

- 1.14** Chapters 15 and 16 cover the analytical use of external debt data. These chapters are included to help compilers place their work in context and to assist users in interpreting the range of information that can be available. Chapter 15 briefly describes debt-sustainability analysis and explains some of the most commonly used debt ratios. Chapter 16 highlights the need to analyze external debt data in a broad context.

## Work of International Agencies

- 1.15** Chapter 17 sets out the external debt data available from the BIS, IMF, OECD, and the World Bank, all of which have been developed to meet specific analytical needs. Chapter 18 covers the debt-monitoring systems of the Commonwealth Secretariat and UNCTAD. Chapter 19 discusses technical assistance activities in external debt statistics, and related macroeconomic statistics, of the international agencies involved in production of the *Guide*.

## Appendices

- 1.16** Appendix I provides detailed definitions and classifications of debt instruments, and specific transactions. Appendix II discusses reverse security transactions and how they should be recorded in the gross external debt position. Appendix III provides a glossary of external debt terms. Appendix IV describes the relationship between the national accounts and the IIP. Finally, Appendix V explains the Initiative for Heavily Indebted Poor Countries (the HIPC Initiative).