

Eleventh Meeting of the
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Improvements to Statistics on External Debt and International Reserves

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I. INTRODUCTION

1. The recent financial crises have demonstrated once again the need for adequate statistics for crisis detection and management. There is now a much stronger appreciation by national authorities and international financial organizations that much more needs to be done to improve the quality and dissemination of economic and financial statistics that underpin the decisions being made by the markets and policy makers. Improved monitoring of capital flows and associated positions is crucial. A number of initiatives were launched in early 1998 in various international fora to improve data dissemination in certain critical areas to better monitor countries' exposure to external vulnerabilities, including the possible reversal of capital flows. More generally, the crises have brought to the fore the need to strengthen the architecture of the international monetary system.

2. The First Review of the Special Data Dissemination Standard¹ (SDDS), which was undertaken by the Fund's Executive Board in December 1997, identified external debt and international reserves as being in the front line for initiatives in data improvement. The Fund created an interdepartmental Task Force on External Debt and Reserves to examine data availability in the area of external debt and reserves and to provide support to the Fund's Area Departments in evaluating the adequacy of these data for assessing countries' external vulnerability. Regarding the dissemination of data, the Fund is preparing proposals to strengthen the SDDS specifications for data coverage, with the emphasis on external debt and reserves. Also, the Inter-Agency Task Force on Finance Statistics has taken up work to coordinate activities among international organizations collecting and publishing data on external debt.

3. Outside the Fund, the G-10 Governors asked the Euro-currency Standing Committee (ECSC) to establish a working group—Working Group on Transparency in Foreign Exchange Reserves—to develop a disclosure framework for data on foreign exchange reserves and the potential drains on these foreign currency resources originating from the short-term liabilities and off-balance sheet activities of the public sector. The Finance Ministers and Central Bank Governors of twenty-two economies established three Working Parties on (i) Transparency and Accountability, (ii) Financial System Stability, and (iii) Coping with International Financial Crisis. In addition to a range of technical issues, the Working Party on Transparency and Accountability also examined the issue of data availability in the area of external debt and reserves, albeit in considerably less detail than the G-10 Working Group. The Fund and selected other international organizations were invited to participate in these groups as observers.

¹Established by the Fund in 1996 to guide member countries that have, or that might seek, access to international capital markets in the provision to the public of comprehensive, timely, accessible, and reliable economic and financial statistics.

4. Section II provides a short summary of the work of the Fund's Task Force on External Debt and Reserves, Section III describes the activities of the Inter-Agency Task Force on Finance Statistics, Section IV outlines work on strengthening the SDDS and related discussions with the Fund's Executive Board, and Section V concludes with some issues for discussion.

II. TASK FORCE ON EXTERNAL DEBT AND RESERVES

5. The Fund's Task Force on External Debt and Reserves undertook a review of the analytical and statistical frameworks underlying the available data on external debt and reserves and developed a comprehensive "checklist" or framework for use by Fund Area Department missions in assessing liquidity related vulnerability and in identifying potential data requirements. The checklist has been formulated as a set of questions addressed to the authorities. Not all of the questions apply to all countries. The draft checklist is in the process of being modified to reflect the comments received from Fund staff who tested it while on mission.

6. The Task Force also undertook an in-depth review and reconciliation exercise for 12 member countries, with a view to identifying practical problems in data collection. Extensive use was made of the BIS' international banking statistics to help identify possible gaps in the coverage of external debt, particularly of the private nonbank sector. Two seminars were presented to Fund economists to explain (i) the statistical frameworks that underlie the compiled data on external debt and reserves, (ii) use of the draft checklist, and (iii) use of creditor-source data to assess the coverage of countries' external debt statistics.

7. Reflecting its work, and the consultations described in Section IV below, the Task Force prepared a paper—Data Availability, Dissemination, and Provision to the Fund—which the Executive Board discussed on September 3, 1998. Permission was received from the Board to distribute the paper to the IMF Committee on Balance of Payments Statistics (Annex 1).

III. INTER-AGENCY TASK FORCE ON FINANCE STATISTICS

8. The Inter-Agency Task Force on Finance Statistics, which was created in 1992 with the endorsement of the UN Statistical Commission for the purpose of improving the coordination of activities in finance statistics, was reconvened by the Fund in July 1998 to discuss the implications of financial crises on statistics, and to review work priorities and issues for coordination on external debt statistics. Agreement was reached among the members² on a plan of action to coordinate work on external debt, including through improved sharing among the participating agencies of both information on their ongoing and prospective activities and the relevant data bases, through collaboration on the provision of

²BIS, ECB, EUROSTAT, IMF, OECD, World Bank, and UNSD.

guidance to users and compilers of external debt data (in the form of a revision of the book *External Debt: Definition, Statistical Coverage and Methodology*, (“the *Grey Book*”) published jointly by the BIS, IMF, OECD and World Bank in 1988, and through coordination of technical assistance activities.

9. At its next meeting, at the end of October 1998, the Inter-Agency Task Force members are expected to be joined by representatives of the Commonwealth Secretariat, UNCTAD, and the Paris Club, to begin work on reviewing specific areas where the *Grey Book* needs to be revised or expanded to better meet the needs of external debt compilers and analysts. Members are also expected to provide input to the proposed revision of the external debt category in the Fund’s SDDS and to make progress on templates for early indicators (based on creditor source data) of external debt.

IV. STRENGTHENING THE SDDS AND RELATED ISSUES

10. In concluding the First Review of the SDDS in December 1997, the Executive Board agreed to consider a modification to the coverage of the data category for international reserves to include, as prescribed components, reserve-related liabilities and monetary authorities’ net commitments under financial derivatives positions. At the Board’s request, the Fund’s Statistics Department engaged in a consultative process with subscribers to the SDDS, other interested national authorities, and users of data on the proposed modifications to the data category of reserves. A copy of the consultation paper was sent to the Committee members in June 1998. The staff also held consultations with the financial community in New York and with involved international organizations. Respondents were generally of the opinion that the existing definition of reserve assets was appropriately specified in the international guidelines, but that disseminated information on reserve assets by SDDS subscribers needed to be augmented.

11. In the paper presented to the Board, and following these consultations, the staff made a number of proposals to further strengthen the SDDS data categories of international reserves and international investment position and also for reporting data to the Fund for surveillance purposes. Directors agreed there were serious limitations to existing data on reserves and external debt in many countries and they endorsed the efforts by national authorities and the Fund, working with other international organizations, to improve the accuracy and coverage of the data, as well as their periodicity and timeliness.

12. On reserves, Directors observed that it would be necessary to clarify the concepts of reserve assets, reserve-related liabilities and supplementary items, and the treatment of financial derivatives and methods for recording specific items such as gold loans, repurchase agreements, encumbrances, and guarantees. They encouraged staff to work on these issues with national compilers and involved international organizations. They called on the staff, with the help of the IMF Committee on Balance of Payments Statistics, to develop guidelines to improve the compilation of reserves data upon which international agreement would be sought in 1999. Directors also identified improvements in the compilation of external debt as a high

priority. The staff has prepared a consultation paper which has been posted on the Dissemination Standards Bulletin Board seeking the views of SDDS users and subscribers (Annex 2). They encouraged Fund staff to continue its close contact with other international organizations, such as the BIS and the OECD, on work in this area. It is envisaged that the Inter-Agency Task Force will play a major role in this area.

V. ISSUES FOR DISCUSSION

13. Does the Committee agree that it should advise and guide the staff in the development of operational guidelines for the compilation of reserves data?
14. What are Committee's views on the issues raised in the consultation paper on external debt statistics?