RESTRICTED CIRCULATION

Meeting of the Inter-Agency Task Force on Finance Statistics

European Central Bank, Frankfurt, Germany
October 11–13, 2000

Summary of Discussion

Prepared by the Statistics Department
International Monetary Fund

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I. INTRODUCTION

1. Mr. Bull welcomed the participants of the Inter-Agency Task Force on Finance Statistics (TFFS).[1] In his remarks, he underlined the importance that the European Central Bank (ECB) attached to external debt statistics and noted that the new *Debt Guide* would fill an important gap in the international statistical manuals.

2. Mrs. Carson thanked the ECB for hosting the meeting. The draft agenda was approved with the following changes: discussion of the occasional reports of the TFFS was brought forward to the first item of discussion; the Joint BIS-IMF-OECD-World Bank Statistics on External Debt would be discussed in the afternoon of the first day; and debt reorganization (the subject of a chapter in the *Guide*) would be discussed in the afternoon of the second day.

II. OCCASIONAL REPORTS

3. Mrs. Carson asked participants to highlight those issues that involved coordination among the TFFS agencies. Each of the participants made a short presentation.

4. In his remarks on the development of CS-DRMS 2000+ software, Mr. Kumar explained to the TFFS that a number of training courses were planned to introduce the new software, the first of which will be in India in November. Mr. Kumar added that the new software can be used to compile data on accrued interest but users do not see this as a high priority because the focus was on cash reporting. Mr. Cosio-Pascal also acknowledged that compiling accrued interest data was not problematic, as it was an accounting requirement.

5. Mrs. Carson explained that the Fund recently introduced benchmarks with respect to the provision of data to the Fund for surveillance purposes, specifically for data on external debt and reserves. Countries' reporting practices will be assessed in relation to the benchmarks. She said the *Guide* would be the common reference for data on debt.

6. Participants also outlined improvements being made to their agencies' websites. Responding to a question from Mr. Heath, Mr. Walter said the Paris Club's website that is being developed was targeted at institutions involved in debt issues and the investment community in general.

7. Ms. Chuhan informed the TFFS that the World Bank's Debtor Reporting System is now on the web, and countries can submit their DRS reports on-line through a data exchange facility.

8. Responding to a question from Mr. Heath, Messrs. Kumar and Cosio-Pascal commented on their experiences with Debt Relief International (DRI). Messrs. Kumar and

[1] The list of participants is shown in Appendix I.

Cosio-Pascal felt that the international donors' community should allocate more resources to the international organizations specialized in the development and maintenance of debt databases, e.g., UNCTAD and the Commonwealth Secretariat. Without this effort, the debt sustainability analysis capacity building activities undertaken by DRI would be undermined through the lack of reliable debt data.

III. Overview of Debt Guide

9. For this agenda item, Mrs. Carson asked participants to focus their comments on major issues e.g., whether the draft *Guide* had the right balance between methodologies, compilation issues, and user issues; whether anything important was missing; whether there was a right mix of text and appendices, etc.

10. Participants expressed their appreciation to Mr. Heath for the excellent work performed in preparing the draft *Guide*.

11. Mr. Cosio-Pascal expressed concern that the orientation of the *Guide* was too much in the direction of balance of payments compilers. He said the needs of debt compilers should be covered with more rigor and greater emphasis placed on debt data on a nominal value basis. Thus, he saw a need for some change in the orientation to meet the needs of both groups of users.

12. Mr. Hammond felt that the document was likely to be a little intimidating for compilers. He favored some restructuring of the *Guide* to provide early on the overview of the data needs of users and then show multiple presentations to meet different user requirements. He favored putting all of the definitions in one part of the *Guide* and suggested a few items that could be dropped, such as Chapter 11 on traded securities. Ms. Guz strongly supported placing more emphasis on the needs of debt compilers and also favored some reordering. In the chapter on debt reorganization, she asked that a short paragraph be included on bond rescheduling.

13. Mr. Mink said that the data needs of users had to be first identified and then clarification provided of data on a nominal and a market value basis to meet these specific needs. Mr. Echeverria Soto commented that there were two ways to look at external debt statistics—as a complement to the balance of payments and international investment position statistics and in the context of identifying future payment obligations. Once these goals were made clear, compilers would decide which approach to take.

14. Ms. Chuhan noted the need to strike some balance on the number of data items to be presented, as compilers would not be able to produce data for all them.

15. Mr. Kumar noted that the draft *Guide* was consistent with the outline that had been agreed upon. He felt it could be strengthened by telling the compiler how what he has been doing relates to what is now required. There is a need for a clear statement of why the debt outstanding and disbursed (DOD) concept of debt has been expanded, and why contractual obligations remain important. Mr. Kumar added that contingencies deserved to be covered in

more depth and expressed concern regarding the ability of compilers to implement the new data requirements, at least in the short- to medium term.

16. Mr. Walter cautioned that the *Guide* was intended to last for a good period of time and thus should be forward looking on data requirements.

17. Several speakers commented that there was some repetition in the *Guide* and that it would benefit from some tightening.

18. Mr. Patterson stressed that the *Guide* had to be forward looking. From the Fund's perspective, the *Guide* was consistent with the IIP framework but also recognized the importance of data on a nominal value basis. Regarding the *Guide's* length, he said users of statistical manuals found it useful to have a self-contained manual and not have to consult other documents for related material. As the *Guide* was intended to be a reference book, he cautioned against cutting too much material. Mrs. Carson noted that from her experience typically the "vision" is provided early in a manual in order to explain why the data are required, but subsequently a sizeable chunk of heavy reading covering accounting principles, sectorization, etc., is required in order to provide the necessary guidance.

19. In her summing up, Mrs. Carson noted that (i) participants wanted the *Guide* to identify in the introductory sections the different uses made of debt statistics and the different sets of data required to meet these needs, (ii) there was agreement that the *Guide* should be a stand-alone document, and (iii) that the *Guide* was intended to have a long shelf life.

IV. COMPILATION ISSUES, INCLUDING CASE STUDIES

20. Mr. Heath provided an overview of the structure of the material on compilation issues. He identified a gap in the present draft—the estimation of quarterly stock data from annual stock data and quarterly transactions data. Regarding the case studies, an attempt had been made to achieve a good regional balance and a good mixture of subject matter. There remained three lengthy unedited case studies and he asked participants (i) for their endorsement to reduce them to around 2,000 words (so that they would more in line with the other case studies) and (ii) how they would like the case studies integrated into the *Guide*.

21. In the discussion of the case studies, it was agreed that one or two additional case studies from Africa would be sought to achieve a better regional balance; the Fund would engage the services of a professional editor to determine how to present the case studies in the *Guide* (the editor would also determine if it would possible for users of the internet version of the *Guide* to be able to "click" on key words in the text to obtain definitions); and the long case studies that remain to be edited would be cut back to around 2000 words. Also, consideration will be given to asking countries if they would like the unedited or edited versions of the case studies included on a website. Ms. Chuhan strongly recommended that the unedited versions of country case studies should be made available to readers, either in an appendix to the *Guide* or on a related website.

22. Regarding the chapters (8-11) on compilation issues, Mr. Hammond questioned the need for much of the material in Chapter 8, the discussion of sampling in Chapter 10, and the technical material on traded securities in Chapter 11. Mr. Echeverria Soto found the material on compilation issues quite useful as it provided a reference for compilers. He was also content with the length and structure of the material. Mr. Patterson noted that some of the items covered in the compilation section responded to frequently asked questions and thus he saw it as a fundamental part of the *Guide*. Ms. Chuhan was also supportive of this material and suggested that the section would benefit from some discussion of the Fund's work on data quality assessment frameworks. Mrs. Carson responded that the work on data quality was still in the development stage, but it might be possible to draw on the material on legal and institutional arrangements. Mr. Mink suggested that a reference be made to the importance of information on the financial sub-sectors. There was strong support for including a short box on the estimation of quarterly stock data.

V. USE OF EXTERNAL DEBT DATA

23. Mr. Heath explained the various changes that had been made to chapters 12-13. Mr. Cosio-Pascal questioned why the discussion of solvency in Chapter 12 focused only on interest payments, which he said should be clarified along with a footnote on net flows (number 2 in the draft circulated a week before the meeting). He suggested that the text should also stress the difficulties in forecasting the level of exports for use in the debt ratios and he highlighted the importance of the ideas in footnote 10 of the draft circulated a week before the meeting (referring to the importance of production in servicing debt).

24. Several other speakers also expressed reservations on the material on solvency. Mr. Heath noted that the text benefited from input from the Fund's Policy and Development Review Department (PDR). At the request of the Task Force, Mrs. Carson agreed that the material on solvency would be discussed with PDR and the Fund would prepare a revised text for review by the Task Force.

25. Mr. von Kleist recommended that the chapters on the uses of debt statistics be brought forward in the *Guide*, so providing strong justification for what we want, then followed by a discussion on how compilers could meet these needs. Mr. Heath commented that in an earlier internal draft Chapter 13 had been included early on in the *Guide*, but it had not fitted naturally there, and so had been moved to its present location. Nonetheless, he would review the possibility of bringing this material earlier in the *Guide*.

26. In the discussion of Chapter 14 (publication practices of international organizations), Mr. Hammond commented that too much emphasis was being placed on the discussion of report forms. Also, there was no discussion of the international investment position statistics published in Fund publications. The BIS, OECD, and the Fund agreed to provide revised/additional material.

VI. APPENDICES

27. Mr. Kumar suggested combining appendices 3 and 4—terms and financial instruments—as they contained some overlap. Ms. Guz expressed concern regarding the use of the *BPM5* definition for trade credit, which she thought required clarification. She asked that the use of goods to repay trade credit be clarified in the glossaries. Ms. Chuhan questioned whether the material on contingencies (Appendix 9) could be given more prominence in the *Guide*, perhaps by including it in the section on use of external debt data. Mr. Hammond noted that Appendix 2—national accounts and the IIP—did not contain any reference to debt. Also, he suggested that the references to the ESAF in the glossary of terms could be changed to the new PRGF; a clearer title was required for Appendix 5—classification treatment of specific transactions; the example in Appendix 6 was too detailed and should be reviewed for balance; and Appendix 7—functions of debt office—might be placed within the text of the *Guide*. Mr. Heath noted that as Task Force members had not provided some examples for inclusion in Appendix 5—classification treatment of specific items—the present material could be worked into other parts of the *Guide.* Mr. Kumar said that Appendix 6—HIPC—contained good material but would benefit by presenting more on the data side. Mr. Walter also found the HIPC appendix helpful, while Mr. Cosio-Pascal suggested it could be shortened. Mr. Heath said that he would refer back to the HIPC unit in the Fund to update the appendix at an appropriate time.

28. Mr. Hammond agreed to provide further text on the OECD's technical assistance program, including work on Paris 21, and Mr. Kumar offered to prepare material on COMSEC's technical assistance program.

VII. JOINT BIS-IMF-OECD-WORLD BANK STATISTICS ON EXTERNAL DEBT

29. Mr. Hammond informed the Task Force that the website for the Joint Debt Statistics continued to be popular with users. He noted that if there were no prospects in the near future for including industrialized countries into the database, it might be advisable to alert users to this gap. Several speakers supported extending the coverage to include the industrialized countries but acknowledged that the BIS international banking statistics were the only available quarterly data for these countries.

30. Mr. Patterson explained that quarterly external debt data from a debtor perspective would become available around mid-2003, a requirement for the countries that subscribed to the Fund's Special Data Dissemination Standard (SDDS). At that time, the Fund would probably develop a new database for quarterly external debt statistics. Mr. Patterson also informed the Task Force of the positive response received from the BIS to the letter written by the Fund, at the request of the Task Force, on improving the international banking statistics. The BIS indicated that there was no longer a problem of double counting between the banking and international securities statistics and that a working group of the BIS will consider whether maturity detail can be incorporated into the reporting system for the locational banking statistics. On the latter, Mr. von Kleist commented that eight of the reporting countries already collected such data, although reporting was on an ultimate risk basis in four countries and on an immediate counterparty basis in the others.

31. Ms. Guz suggested including a frequency asked questions (FAQs) section in the website to help users. The Task Force strongly supported this initiative. Ms. Guz offered to prepare the material and forward it to the Task Force for review.

32. In follow up to the January 2000 meeting, Ms. Chuhan provided the Task Force with some information on the level of outstanding claims and flow measures for several of the smaller international organizations not covered in the Joint Debt Statistics and asked whether, in view of their size, they should be approached to provide data. Several speakers supported improving the coverage of multilateral lenders and Mrs. Carson agreed to write to the World Bank to request the Bank's assistance on this issue.

VIII. DISCUSSION OF METHODOLOGICAL ISSUES

33. ***Structure of frameworks***: Mr. von Kleist commented that the level of detail in the nominal value framework was overwhelming and suggested that some prioritization was needed. Ms. Guz also supported this view, as did Ms. Chuhan. Ms. Guz sketched out a two dimensional framework that put more emphasis on memorandum items and less on debt instruments. She urged that arrears be shown separately in the core statements and expressed disappointment that the issue of remaining maturity data was not addressed in the frameworks. Mr. Mink suggested a minimum reporting requirement might be considered. Ms. Chuhan also thought the nominal value framework was too lengthy for a core statement. Mr. Echeverria Soto proposed a framework with a single set of data items that could be used for compiling nominal and market value data, a view supported by Mr. Hammond. Mr. Hammond suggested a matrix presentation along the lines proposed by Ms. Guz that would permit the presentation of nominal and market value statements. Several speakers supported the identification of arrears in the main statement, and more generally of having a single framework or classification scheme for external debt statistics, from which different presentations could be prepared.

34. Mr. Patterson clarified that the SDDS prescription for the external debt data category necessitated the need for data on an original maturity data. Also, the Fund's consultations with debt compilers in 1999 showed a huge resistance to compiling data on a remaining maturity basis, which is one reason why it is being separately specified.

35. Ms. Chuhan noted that the maturity breakdown of direct liabilities was desirable (and she cited the example of Indonesia where this data was an issue). However, she agreed that the data split might be difficult to obtain.

36. In summing up, Mrs. Carson noted that most participants supported a single framework or matrix from which different presentations could be developed to meet different user requirements. She said Mr. Heath would prepare the matrix and present it to the Task Force for review. Following this, the different debt presentations could be developed and set out in an appendix. At the same time, the Fund would begin drafting the preface for the *Guide,* which would recognize the different data requirements of different types of users. Participants agreed to this approach. There was also consensus that a maturity breakdown of

direct investment liabilities (i.e., other capital) would not be included in the framework because of the practical difficulties in collecting such data.

37. ***The notion of the stock of debt***: In presenting his paper on the notion of the stock of debt,[2] Mr. Cosio-Pascal remarked that the present draft of the *Guide* diluted the notion of debt defined as debt outstanding and disbursed (DOD). The crux of the issue was that accrued interest (as well as the inclusion of arrears of interest) could not be included in the measurement of the stock of debt on a nominal value basis. Adding accrued interest to the stock of debt on a nominal value basis would be artificial and the data would not be useful to debt managers.

38. Mr. Patterson responded that Fund's view was that the measurement of the stock of external debt must include accrued interest, both in the nominal and in the market value standard presentations. This was a fundamental issue that was consistent with the requirements of users of IMF statistics. Excluding accrued interest leads to an understatement of vulnerability and furthermore, it leads to inconsistencies with other statistical systems, all of which include accrued interest. At the same time, the Fund acknowledged the usefulness of differentiating the DOD concept of debt, and, along the lines set out in Mr. Cosio-Pascal's paper (page 3), the relationship between the DOD approach and the external debt position in the *Guide*.

39. There followed a lengthy discussion of this conceptual issue, which carried over two days. To reach an agreement, Mrs. Carson proposed that the preface to the *Guide* make clear that the *Guide* was intended to address the different data requirements of different audiences. Then the Guide would present, with clear links to the *Grey Book*, the idea that the *Guide* was forward looking and moving in the direction of accruals accounting while at the same time recognizing that it will take time for compilers to achieve this. Thus a clear transition path would be shown. The stock data would include accrued interest and because accrued interest would be shown in a memorandum item, users could deduct it if they wished to come back to the DOD concept of debt.

40. Following discussion, no agreement was reached on Thursday on this proposal.

41. On the following day, Mr. Patterson made a proposal to replace the two standard presentations in the *Guide*—nominal value, including periodic accrued interest and market value—with the following three standard presentations:

(i) Nominal value, excluding periodic accrued interest not yet due;
(ii) Nominal value, including all accrued interest; and
(iii) Market value, including all accrued interest.

[2] At the meeting, Mr. Cosio-Pascal provided an additional note—Additional Information to the Methodological Note on the Notion of the Stock of Debt and Related Issues (September 28, 2000).

The first presentation would reflect the wishes of several members of the Task Force (especially the World Bank) who regard this presentation as both useful and within the capacity of compilers to produce in the immediate future. The second presentation would reflect the wishes of several members of the Task Force who regard this presentation as both useful and an appropriate target for countries to aim for over the medium term. The Fund considers that this presentation meets an essential need of its constituencies. The third presentation had already been accepted.

42. All three presentations would be presented within a single common classification scheme rather than two at present, which would permit users to choose those specific elements of the matrix needed to meet the requirements of different audiences. The advantage of the single classification that had been agreed to earlier was that the clear links between the three proposed presentations could show the sequential manner, for instruments denominated in nominal value, of the calculations to arrive at the market value measure called for in all macroeconomic statistical systems.

43. Although some speakers cautioned that the presentation of three statements could create confusion for users, the majority accepted the compromise proposal. Mr. von Kleist proposed some names for the three presentations and several speakers saw the usefulness of the sequential presentation of the framework.

44. ***Financial derivatives***: In response to a question, Mr. Heath clarified that it was not the intention of the *Guide* to recommend the inclusion of financial derivatives in the debt service schedule. He explained that because of the nature of the market their inclusion could be misleading and it would add to the reporting requirements. Mr. Patterson also cautioned against including notional amounts under financial derivatives in the debt service schedule because it could create difficulties with the SDDS specification, where the debt service schedule was an encouraged data category and the inclusion of such nominal financial derivatives data had not been anticipated. Mr. Echeverria Soto saw some merit in including financial derivatives in the debt service schedule as a memorandum item, but would think more about the issue and contact Mr. Heath, if need be.

45. Mr. Walter proposed that a disaggregation of financial derivatives into forwards and options be introduced into the net debt presentation, and this was agreed. Mr. Walter noted that forwards and options would need to be separately identified if financial derivatives were included in a debt service schedule. In response to a comment, Mr. Heath explained that credit-linked notes were not regarded as financial derivatives in the international statistical manuals and that only the notional positions in financial derivatives relating to foreign currency and interest composition were covered in the complementary presentation.

46. ***Reverse security transactions***: Mr. Patterson noted that the treatment of reverse security transactions as securitized loans in the *Guide* was in line with the new *Monetary and Financial Statistics Manual.* He informed the Task Force that the Fund had conducted some further research in this area, which it would present in a paper at the October meeting of the

IMF Committee on Balance of Payments Statistics. Thus, the present treatment in the *Guide* could change depending on the outcome of the meeting and further developments.

47. ***Trade credit***: Ms. Guz suggested that the reference to multilateral organizations be deleted, as they were not involved in trade credit. It was also agreed that the *Guide* would clarify the type of trade credit to be covered in direct investment relationships. Mr. Heath welcomed comments on the recording of export bills, and on paragraph 191.

48. ***Contingencies***: Ms. Chuhan and Mr. Kumar favored bringing the material on contingencies together in a separate chapter in the main text. Mr. Cosio-Pascal noted that this was a sensitive area as contingencies sometimes reflected political motives. Mr. von Kleist commented that work in this field is still evolving. Mrs. Carson concluded that the *Guide* should proceed cautiously in terms of recommendations in this area.

49. ***Definitional issues***: Responding to a question from Ms. Guz, Mr. Heath agreed that paragraph 20 of the *Guide* was implying that accrued interest is part of principal. Also this and other paragraphs needed to be reviewed to ensure consistency with the decisions taken early in the morning on presentational frameworks. Mr. Cosio-Pascal asked that [in addition to interest] the *Guide* should address the issue of accrued fees and other charges. In this context, Mrs. Carson suggested that as a starting point Mr. Heath could review the new *Manual on Monetary and Financial Statistics,* which discussed the treatment of such items within Islamic banking. Mr. Mink remarked that consistent with the treatment of the net equity in life insurance and pension funds as debt, some clarification of the treatment of reinsurance liabilities was needed in the *Guide*. Messrs. Kumar and Cosio-Pascal asked whether it was the intention of the *Guide* to take into account in the debt service schedule future disbursements (i.e., loans not fully disbursed). It would be also important to clarify whether debt service projections of outstanding debt was on the “truncated” or the “pro rata” method. Mr. Cosio-Pascal pointed out that this is an important issue, because before the HIPC Initiative the truncated method was used. The importance of the issue is because the pro rata method systematically leads to a smaller present value than the truncated method. The question is whether the truncated method will be used as before, for instance for middle-income countries and the pro rata only for HIPCs. Mr. Heath responded that from the description given, the *Guide*’s debt service schedule only includes debt service on debt outstanding as of the reference period. He agreed to investigate, and then clarify in the *Guide*, the issue of the amortization method for debt outstanding. Mrs. Carson asked participants to respond to Mr. Heath by the end of October if there were other concerns regarding definitions.

50. Mr. von Kleist raised the issue of valuation in the net statement and Mr. Heath agreed to review the wording in the *Guide*.

IX. DEBT REORGANIZATION

51. In introducing the discussion on debt reorganization, Mr. Heath explained that he had summarized the comments on the circulated discussion paper provided by the Task Force in the two documents that were distributed on the first day of the meeting—Way Forward on Debt Re-organization, Discussion Note and A short summary of the comments on the discussion paper on debt re-organization. The notes presented a number of issues of discussion.

52. Mr. Walter noted that for analysis it was useful to differentiate debt relief in nominal and in market value terms. He provided an example involving a bond exchange by Ecuador in July, which in nominal terms yielded debt relief of 40 percent but because of a divergent movement in bond prices the computed value of debt relief in market value terms was negative ten percent. In addition to nominal and market values, he proposed a framework that would also encompass stocks and flows—four categories. He also asked if it would useful for the *Guide* to provide guidelines on the recording of debt relief rather than coming up with a single approach. Mr. Kumar remarked that the negative result could not be considered debt relief.

53. Ms. Guz commented that it would require a meeting to finalize the treatment of debt reorganization. Ms. Chuhan suggested that debt relief be measured in both a stock and a flow context. Mr. Kumar remarked that further research was required to determine how debt relief was recorded in practice, including under the HIPC initiative. Mr. Cosio-Pascal described some of the different types of debt reorganization arranged by private bankers and said that only "forced emergency hair-cut" debt rescheduling situations, like the Brady Bonds, have actually led to any debt relief. As far as official debt was concerned, the Paris Club Naples terms was the only debt relief mechanism, as for the multilateral debt, the only debt relief mechanism was the HIPC Initiative. Nevertheless, more thought should be given to this matter and he urged caution in this area.

54. On the basis of the discussion, Mrs. Carson asked whether the Task Force was willing for the *Guide* to present an overview of the various approaches to debt relief ("reduced approach") or to aim higher and have the Task Force present the "definitive word" on this difficult subject.

55. The participants agreed to the reduced approach, and that agreement on this chapter would not hold up the production of the *Guide*. A sub-group comprising the Fund, the OECD, Paris Club Secretariat, the Work Bank, and UNCTAD would discuss, via video conferencing, if possible, the debt reorganization chapter. COMSEC, the ECB, and Eurostat would be kept informed. Mr. Health will prepare a draft for review by the sub-group that builds on the discussion paper and the comments received, takes account of discussion at the meeting, and in particular Mr. Walter's proposed four-way nominal value/market value/stock/flow framework. Stocks would be given priority and then if time permitted, flows would be addressed. It was recognized that the timetable for the debt reorganization chapter

might have to proceed on a different track. The work would be time limited to be completed within a month or so.

X. OTHER BUSINESS

56. Mr. Patterson briefed the Task Force on two seminars on external debt statistics that the Fund was planning to conduct in Mexico in March 2001 and in Africa later in 2001. He welcomed the participation of the other agencies in these seminars and thanked them for their participation in two similar seminars held this year. Mr. Hammond questioned whether one seminar would be sufficient for Africa. Ms. Chuhan suggested that in Africa, the IMF could use agencies like MEFMI to host external debt seminars. Mr. Kumar invited the Fund to participate in COMSEC seminars in Africa to increase public awareness of the *Guide*. Mrs. Carson responded that the Fund looked forward to receiving the invitations but could not promise that the Fund would always accept. In particular, one factor would be whether the Fund attendee could link participation with other business in the region.

57. Mr. Cosio-Pascal said that UNCTAD would very much like to begin implementation of the decisions taken by the Task Force. He offered to prepare some material on the way forward and will contact Mr. Heath in this regard. Mr. Hammond offered to review the structure of the *Guide* and to provide a possible way of re-ordering the *Guide* (he subsequently provided, via email, his proposed changes and a detailed reasoning of the changes). Mr. Mink offered to provide a contribution on public sector debt drawn from the *ESA95* manual on government deficit and debt. Ms. Guz asked that moratorium interest be defined and that there be more discussion of late interest in the *Guide.*

58. Mrs. Carson summarized the agreements reached during the meeting on the *Guide*. The Fund distributed two documents on the outcome of the meeting—Future work on the external debt guide arising from the October 2000 meeting and Timetable for the way forward with the debt guide (an updated version of these documents that reflected additional comments made by speakers on the last day of the meetings was transmitted the following week). Mrs. Carson stressed that countries were under pressure to improve external debt statistics and that the Task Force was obliged to publish the *Guide* as soon as possible. She stressed that the timetable was ambitious but doable. The *Guide* will be translated into French, Spanish, and Russian, as a minimum. It was agreed that the draft version of the *Guide* that will become available at the end of February 2001 could be used in training seminars.

59. The future work on the *External Debt Statistics Guide* arising from the October 2000 meeting is presented in Appendix II. It is the same as that circulated soon after the meeting, as no comments were received. The Fund will also write to the World Bank regarding the coverage of multilateral lenders in the Joint Debt Statistics (item 31).

Meeting of Inter-Agency Task Force on Finance Statistics
European Central Bank, October 11-13, 2000

List of Participants

Chairperson
Mrs. Carol S. Carson, IMF

European Central Bank
- Mr. Peter Bull
- Mr. Remigio Echeverría Soto
- Mr. Jean Galand
- Mr. Reimund Mink
- Mr. Carlos Sanchez Munoz

Bank for International Settlements
- Mr. Karsten von Kleist

Commonwealth Secretariat
- Mr. Raj Kumar

International Monetary Fund
- Mr. Neil Patterson
- Mr. Robert Heath
- Mr. John Motala

Organisation for Economic Cooperation and Development
- Mr. Brian Hammond
- Ms. Deborah Guz

Paris Club Secretariat
- Mr. Jérome Walter

United Nations Conference on Trade and Development
- Mr. Enrique Cosio-Pascal

World Bank
- Ms. Punam Chuhan

Task Force on Finance Statistics: Future Work on the External Debt Statistics Guide Arising from the October 2000 Meeting

The tasks fall to the Fund's Statistics Department unless stated otherwise.

Introductory Sections

A preface will be drafted setting out the purpose and aims of the *Guide*, and, inter alia, emphasizing that the several different audiences that it addresses and provide an overview of the uses of external debt data.

The concept of debt outstanding and disbursed will be introduced into the introduction so helping to explain the link between the *Grey Book* and the new *Guide*.

Methodological Section

There will be one comprehensive framework of external debt in chapter five, rather than the two at present. A matrix approach is to be investigated that has economic sectors, maturity, and instruments as rows, as before, and, through the use of columns, shows how the public sector and publicly guaranteed debt can be derived from economic sectors.

Arrears will be separately identified in the presentation under "other debt liabilities," but the memorandum item will stay so more detail can be provided by countries if need be.

There are to be three comprehensive framework presentations of external debt: (1) nominal value without the accrual of periodic payments of interest not yet due; (2) nominal value with full accrued interest; and, (3) market value-based with full accrued interest. Dividends declared but not paid would be excluded in (1) but included in (2) and (3). The names of these presentations should be agreed soon, through e-mail, with one suggestion provided at the meeting. The text of the *Guide* needs to be reviewed to ensure consistency with the three presentation approaches e.g., paragraph 20.

On the treatment of liabilities within Islamic banking, review the text of the newly published *Monetary and Financial Statistics Manual* and introduce appropriate text.

A more detailed explanation of what is required to calculate accrued interest needs to be provided.

Make clear that the debt service schedule "only" covers future expected payments on existing debt and not payments on debt not yet disbursed. Explain that the prorated not the truncated method of calculating future payments on debt that is only partially disbursed is that recommended by the *Guide* i.e., future repayments are prorated according to the percentage of the total debt that has been disbursed at any one time.

While net equity in life insurance and pension funds is in debt, check wording on justification. Issue of reinsurance companies liabilities requires a mention.

For the trade credit complementary data series, need to be clear as to the type of trade credit to be covered under direct investment enterprises, and to delete multilateral organizations as a creditor sector.

Consider bringing the contingency appendix into the use of data section as a chapter, and include in this chapter the ultimate risk concept. Draw on the work of the BIS and World Bank.

In the net external debt presentation, a disaggregation of financial derivatives into forwards and options is to be introduced. Consideration is to be given to adding financial derivatives to a debt service schedule as a memorandum item (ECB to consider).

Check the valuation wording for net external debt.

The TFFS decided against a short-term/long term split of the direct investment item, and reviewed and accepted the definitions of public sector and publicly guaranteed private debt. ECB to provide a contribution on public sector drawn from the *ESA95* manual on government deficit and debt.

A small sub-group is to be created to discuss, via video conferencing, if possible, the debt reorganization chapter. This sub-group is to include OECD, World Bank, Paris Club, UNCTAD and IMF, and would keep others informed, from whom comments would be expected. The TFFS agreed against trying to produce the definitive word on debt reorganization but using the work undertaken so far plus the ideas placed before the meeting, including the Paris Club nominal value/market value/stocks and flows matrix. The work, which would work with a bounded time period, that is within the next month or so, would start with stocks and if time is available move onto flows.

Consideration should be given to adding something on bond restructuring.

Compilation Section

Consideration should be given to adding some elements of the quality framework work being developed by the Fund into the compilation section.

Methods of estimating positions by cumulating flows on previous stocks needs to be added, drawing on a forthcoming Fund working paper.

Some forward looking element could be added to the chapter on public sector debt, that is, what might be possible (Fund to discuss with UNCTAD).

Another case study from Africa would be welcomed; World Bank to consider a name.

It was agreed that the case studies should remain around 2,000 words and so the unedited case studies should be reduced accordingly. Consideration should be given to including some of the text of these case studies in the main text. All countries that have provided case studies will be formally approached to see if they are willing for their case study, edited or unedited, to be placed on the Fund's website.

Use of Data

The use of the term "solvency" in connection with countries should be reviewed in order that the idea that countries can become insolvent not be left. The definition of solvency could be clarified, if not changed. Also, the idea that debt is ultimately paid out of the income arising from production should be reintroduced as it is well established in the economic literature. These points will need to be discussed with the Fund's PDR department.

The BIS and OECD may have additional comments on its section in chapter 14, and something on the publication practices of the Fund need to be added.

The placing of the use of data section and/or various elements of it should be reviewed, with the idea that some of the justification for compiling the different proposed data series might be included earlier.

Appendices

The appendix bringing together all the frameworks set out in the *Guide* needs to be added.

The glossary entries for trade credit, re buyers prepayment type credit, and ESAF need to be considered. This appendix three and that following needs to be reviewed for repetition of entries. Consideration to be given to including all the definitions in one place, consulting with a professional editor to see the possibilities on the internet—where the *Guide* is to be included—of highlighting text and providing definitions when key words are "clicked."

Consideration should be given to including appendix seven in the main text.

The Fund's PDR department needs to be approached to update the HIPC appendix.

General

The document needs to be reviewed for repetition (to be provided by TFFS members).

Cross referencing to other documents should be encouraged where possible, but this *Guide* should be regarded as a stand alone document.

Mr. Hammond to review the structure and to provide a possible way of re-ordering the *Guide*. Chapter Two should include more "vision" of why it is important for these external debt data to be compiled.