Second Meeting of the Inter-Agency Task Force on Finance Statistics


Summary of Discussion

Prepared by the Statistics Department
International Monetary Fund
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I. INTRODUCTION

1. Mr. Shigehara welcomed the participants of the Inter-Agency Task Force on Finance Statistics (TFFS) to Paris, and, recalling the importance attached by the IMF Interim Committee\(^1\) to the work of the TFFS, he wished participants a productive meeting.

2. Mrs. Carson reviewed the origins of the TFFS, explained the focus of current TFFS activities on external debt issues, and expressed her appreciation, therefore, that representatives of the Commonwealth Secretariat, UNCTAD, and the Paris Club Secretariat had joined the work of the TFFS at this meeting (see Annex I for a list of participants). She drew attention to interest expressed recently by the private sector as well as by the Executive Board of the IMF\(^2\) and the Willard Group (G-22)\(^3\) in the work of the TFFS on external debt. She invited participants to reflect on approaches to the G-22's request for the TFFS to address the technical issues raised by the compilation and dissemination of information about foreign currency liquidity positions of the public, financial, and corporate sectors. For this meeting, and over the next few months, she felt that the TFFS could usefully focus on refining further the ideas on how the quality and availability of external debt data could be improved, in the short and the long run.

3. A brief tour-de-table allowed participants to get acquainted with each other and with the activities of their organizations.

4. The draft agenda was provisionally adopted, but the order of items 3 ("Grey Book") and 4 (case studies) was later inversed.

II. THE SPECIAL DATA DISSEMINATION STANDARD (SDDS): MODIFICATION OF THE SPECIFICATIONS FOR EXTERNAL DEBT DATA

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\(^1\) See meeting document TFFS/98/2/1B.

\(^2\) See meeting document TFFS/98/2/1D.

\(^3\) See meeting document TFFS/98/2/1C.
5. Mrs. Carson explained that, while work on a modification of SDDS data category for international reserves was going forward rapidly, the strengthening of the SDDS for external debt was necessarily on a slower track. She described the ongoing consultative process, and invited participants to comment on the questions raised in the SDDS Consultation Paper on External Debt and Related Issues,\textsuperscript{4} which was presented by Mr. Patterson. Mr. Patterson also briefed the TFFS on comments received, so far, from the IMF Committee on Balance of Payments Statistics, and, through the Dissemination Standards Bulletin Board, also from other compilers and users of external debt data.\textsuperscript{5}

6. There was broad, albeit in some respects qualified, support for strengthening the data standards with respect to external debt. The representatives of the OECD expressed the view that the SDDS was a voluntary standard for highly sophisticated economies, and most countries experiencing severe debt monitoring problems fell outside that group. They added, nonetheless, that strengthened standards would be valuable, in part, because several Newly Industrialized Countries with access to international capital markets tended to disregard the issue.

7. There was a strongly held view, especially among those who are closest to national compilers, that improvements in data dissemination were severely constrained by institutional shortcomings, including weak legal bases for data collections, and insufficient human and financial resources, which, in combination with the trend toward liberalization of exchange and capital controls, had led to a worsening of external debt monitoring in many countries in

\textsuperscript{4}See meeting document TFFS/98/2/2.

\textsuperscript{5}Mr. Nord provided a brief overview of recent developments relating to a modification of the SDDS for international reserves and related liabilities, explaining how work on templates for the dissemination of international reserves (and potential "drains" on those reserves) was done in parallel by the IMF and the Euro-Currency Standing Committee of the G-10. He also clarified the distinction between data provision to the IMF and to markets, and how this related to broader transparency issues.
recent years. Dr. Kumar cautioned about increased reporting burdens resulting from higher dissemination standards.\(^6\) The issue of resource and technical skill requirements constituted a considerable challenge, including for international agencies providing assistance in this area, and might require unconventional solutions, such as to involve the private sector in the compilation of data. Mr. Mink added that even for industrial European countries it would be difficult to move quickly to higher dissemination standards for debtor data, except for the monetary data. Private sector debt would be particularly difficult to compile from debtor sources, he said.

8. Dr. Kumar felt that it would be especially difficult to require quarterly data on private sector debt. He thought it would help to break down the requirement for private debt in subcomponents, e.g., debt owed to banks abroad or suppliers credit, and to tailor the requirements under the SDDS, or otherwise, accordingly. Ms. Chuhan stressed that there was a need to “raise the bar” especially for government debt, including its contingent liabilities, and bank liabilities, perhaps by requiring dissemination of the data with the same frequency and timeliness as official reserves data. In this connection, Dr. Kumar observed that there was an asymmetry between the private and public sectors under the SDDS, and that corporations, which often held very large external liquid positions, should also be subject to transparency standards.

9. Dr. Kumar and Mr. Cosio-Pascal explained that debtor compilation systems, including COMSEC's CS-DRMS and UNCTAD's DMFAS, can easily generate data on residual maturities, because the repayment schedules are part of the their databases. Ms. Chuhan added that residual maturities could often be derived from original maturity-based data, but not the other way around, and she argued strongly for maintaining the original maturity-based data, but supplementing them with data on residual maturities in order to meet new analytical needs. This view was strongly supported by most other participants, including Mrs. Saint-Sernin, Mr. Cosio-Pascal, and Mr. Gautier, who also pointed out that original maturity-based data remained critically important for debt restructuring negotiations. Dr. Kumar added that residual maturities were mostly irrelevant when there were debt crises, because commercial loan contracts often stipulated that liabilities became due immediately in such circumstances.

\(^6\)In this connection, Dr. Kumar and Mr. Cosio-Pascal also observed that external debt reporting formats for IMF area department missions should be standardized, as they now varied not only from country to country, but sometimes also from mission to mission. This, they felt, put an undue burden on debt offices.
Mr. Cosio-Pascal pointed out that residual maturities are, however, an essential input for budgetary purposes for the central government.

10. There appeared to be broader support for the possibility that the residency criterion in statistical methodologies should perhaps be reconsidered in view of new analytical needs, although it was pointed out that changes in methodology would be associated with considerable implementation cost, and, as Mr. Mink, Mr. Barredo, and Ms. Chuhan pointed out, continued application of the residency criterion for external debt statistics was required for consistency with other macroeconomic data systems. On the other hand, Mr. Cosio-Pascal argued that national compilers of external debt often would not know whether securitized liabilities were held by residents or nonresidents, and the data were of necessity based on whether the debt instruments were denominated in foreign or domestic currency (Argentina was referred to as an example). There was support for collecting data on external debt denominated in foreign currency as a supplementary data category, in addition to external debt based on the residency criterion, but it was indicated that this would require further discussion.

11. The difficulties involved in disseminating good quality quarterly external debt data led most speakers to agree that long transition periods should be allowed for under the SDDS, with, additionally, as Mr. Israël pointed out in light of the EMI/ECB experience, some differentiation according to the degree of difficulty to compile data for specific debt categories (in particular, debt securities and financial derivatives). While there was, therefore, unanimous agreement that when debtor data, ultimately, were of sufficient quality, they would be regarded as the authoritative source for external debt monitoring, it was equally recognized that creditor source data could be used in the short run. Support for creditor source data was qualified in several respects. Because creditor source data had shortcomings, it should be used selectively and should be accompanied by metadata. Government debt and banking sector debt were identified as data categories for which debtor source data could, nonetheless, be available even in the short run.

12. A case was made for improving the creditor source data, especially with respect to timeliness, and Ms. Chuhan observed that data reported by some international financial institutions for compilation by the World Bank were not timely and of insufficient frequency. Improvements would, however, be resource intensive. Dr. Kumar stressed that creditors should improve the timeliness of reporting loan disbursements to national debt offices in order for them to strengthen the debtor source data.

13. After Mr. Patterson had summed up the discussion, Mr. Hammond concluded that many of the views expressed on the strengthening of the SDDS, were in fact relevant to external debt statistics in general, including for countries that were not obvious candidates for the SDDS.

III. Case Study on External Debt
14. Mr. Patterson briefly described the work of the internal task force in the Fund that was researching external vulnerability of 12 member countries as case studies. The exercise, early results of which were reflected in the IMF Executive Board paper on *Data Availability, Dissemination, and Provision to the Fund*, involved attempts to reconcile national source data with creditor source data. So far, the work had pointed to a wide range of statistical problems, including: (i) the need for strengthening the concordance between debtor and creditor source data; (ii) the need for better metadata (including for creditor data); (iii) poor reporting by offshore centers; (iv) uneven recording of Brady bonds, repos, and debt write-offs; and (v) inadequate monitoring of repurchases of external debt instruments by residents, and domestic securities purchased by nonresidents.

15. A case study prepared by the IMF on the Philippines was submitted for discussion. Several speakers thought that data reconciliation exercises were very resource intensive without necessarily providing direct payoffs, and the case studies should be chosen judiciously. It was felt that the Philippines was an unusual case because the authorities had devoted extraordinarily large resources to external debt monitoring. Mr. Gautier suggested that national debt offices were much better placed than others to carry out debt reconciliation exercises. Mr. Gautier added that such local offices should be encouraged to better assume their responsibilities to collect external debt data, and should benefit from international assistance, for instance from the IMF, in order to improve the quality of their debt reporting. Mr. Gautier concluded that this would be one of the best ways to improve the quality of external debt data.

16. Participants considered the possible demonstration effect of case studies of good practices in some countries for other countries with respect to e.g., the payment of adequate salaries for debt office workers, the implementation of robust monitoring systems, and the use of creditor source data. Mr. Hammond and Mr. von Kleist suggested that, given the large cost associated with improving debtor source data, case studies should try to demonstrate that interest rate spreads reflecting market perception of risk differentials between various borrowing countries could be reduced as a result of a demonstrated capacity of the countries concerned to better monitor external debt obligations. Mr. Cosio-Pascal observed that the introduction of the UNCTAD debt monitoring system in some countries had indeed had positive results in this regard.

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7 See meeting document TFFS/98/2/1D.

8 See meeting document TFFS/98/2/4.
17. Several participants agreed with Mr. von Kleist that any data reconciliations carried out in the context of case studies should be approached in a constructive way, avoiding unnecessarily negative pronouncements on either debtor or creditor sources. Mr. von Kleist suggested that the BIS would try to pay particular attention in its databases to the treatment of Brady bonds, repos, debt write-offs, and debt repurchases by residents. Mr. Cosio-Pascal and Dr. Kumar said that creditors were often uncooperative when it came to creditor/debtor source data reconciliations, and were helpful mainly when payments crises occurred. Mr. Gautier remarked that official creditors preferred to conduct data reconciliations bilaterally with debtors, and that they were generally reluctant to have their claims reviewed in broader fora. Dr. Kumar suggested that reluctance of reporting by the private sector in debtor countries could possibly be overcome by directly involving the private sector.

IV. REVISION OF THE GREY BOOK

18. Mr. Bové provided a summary of the written comments made by TFFS members on the revision of the Grey Book. They indicated a fairly high degree of convergence of views on the desirability to issue a new revised edition of the Grey Book to make it more relevant for the changing international financial environment (including the need to better monitor vulnerability to exchange crises) and recent developments in international methodologies (including the revisions of the *System of National Accounts (1993 SNA)*) and the *Balance of Payments Manual (BPM5)*). Participants agreed with Mrs. Carson that it would be important to keep in mind the audience for which the Grey Book was destined, and there was a general understanding that both users and compilers of external debt data should be targeted.

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9 Mr. von Kleist said that BIS reporters might not be willing to make a major effort on debt write-offs because resolving data problems in this regard tends to be very resource intensive.

19. Whereas Mrs. Saint-Sernin felt the “core definition” of external debt in the Grey Book remained valid, there was broad agreement among participants that the “core definition” needed to be reviewed based on the International Investment Position (IIP) concepts of the BPM5 and the 1993 SNA. Mr. Cosio-Pascal and Dr. Kumar indicated that the definition should not be too difficult to apply in practice by national debt offices; it should, therefore, be simple and precise, and accompanied by practical guidance and education, as appropriate (e.g., on leasing, and financial derivatives, accrual accounting and valuation principles, the treatment of intercompany accounts, nonresident deposits, arrears, securitization, insurance). The inclusion of case studies in the Grey Book could be useful in this regard. Dr. Kumar added that the debt monitoring software of COMSEC could easily be adapted to cope with the methodological requirements of the BPM5, including, for example, full accrual accounting.

20. There was also agreement that “net debt” concepts had some analytical interest, and whereas they should not be part of the “core definition,” they should, nonetheless, be clearly spelt out in a new edition of the Grey Book. There was general agreement (with some reservations being expressed by Mr. Mink) that other debt concepts (related mostly to vulnerability analysis) also needed to be covered in a new edition of the Grey Book, including, for example, data based on contingent liabilities, and on residual (in addition to original) maturities and on currency of denomination (in addition to the residency of the contractual parties). Several speakers indicated that the Grey Book should cover both stock and flow concepts of debt. Mrs. Saint-Sernin observed that it would be useful to update the glossary in the Grey Book (Mr. Cosio-Pascal stressed the importance of standardizing terminology also in other languages than English). Dr. Kumar suggested that the Grey Book should also cover dissemination issues, including the SDDS. Mr. Gautier added that the revised version of the Grey Book should also mention new debt treatments decided and implemented by Paris Club creditor countries, which now provide a level of debt cancellation of up to 80 percent in some circumstances (Lyon terms treatment within HIPC initiative), and since 1990, a possibility to implement debt swaps (Houston terms) with a view to promoting development of debtor countries.

11 For the European Union and its member states, the European System of National and Regional Accounts (1995 ESA) serves as the central framework of reference for social and economic statistics; it is fully consistent with the 1993 SNA.

12 Mr. von Kleist observed, nonetheless, that the strict application of the principle of market valuation for debt instruments could lead to undesirably large swings in external debt data.
V. TOPICAL ACTIVITIES

21. Among topical activities for discussion, Mrs. Carson invited participants to discuss the usefulness of the quarterly TFFS reports and the BIS proposal for a joint table on external debt indicators.

22. Participants indicated that the quarterly TFFS reports served a useful purpose. They were, inter alia, used to keep other interested staff in the participating agencies informed about important activities in other agencies. The reports should continue to be circulated through the IMF, as the convener of the TFFS, in their present format. E-mail was viewed as the medium of choice, both for sending the reports to the IMF and for the IMF to circulate a consolidated set. Participants who were not permanent members of the TFFS were invited to join this initiative.

23. There was also broad support for the development of a joint table with quarterly data on selected components of external debt, based mainly on creditor sources. The BIS, IMF, OECD, and World Bank representatives agreed to provide data on, respectively, international banking and securities, official reserve assets, export credits, and Brady bonds. Mrs. Saint-Sernin cautioned that export credit data were available only semiannually, and with a delay of five months. Mr. von Kleist said that nationality based international banking data were also available only on a semiannual basis, with a delay of three and a half months. It was agreed that no attempt should be made at providing quarterly intra- or extrapolations of these data, but pressure could be put on reporters of the underlying data to provide higher frequency and more timely figures.

24. The tables should, in principle, be produced for all countries. Participants agreed with Mr. Mink that it would be critically important to supply carefully drafted metadata with the tables, indicating, amongst other elements, how the data relate to internationally agreed concepts. The metadata should be supplied by the agencies producing the data. It was agreed that, although flow data were useful to assess country vulnerability, the exercise would initially focus on stock data.

25. Agreement was reached on a title for the table, viz., “quarterly data on selected components of external debt, based mainly on creditor sources.” This, as Mrs. Carson pointed out, indicated that the table was not intended to provide a comprehensive coverage of countries' external debt. Mr. von Kleist suggested that, in view of resource limitations, only data that were currently available should be included in the joint table and that the table could be posted on the websites of the participating agencies. Mr. Patterson stressed that, in terms of timeliness, the joint table should stay as close as possible to the production schedule of the BIS data on international banking. Some interest was expressed in referring to the creditor

13See meeting documents TFFS/98/2/5A-H.
source data in the SDDS, including by Mr. Israël\textsuperscript{14} and Mr. Hammond, but others, including Ms. Chuhan and Dr. Kumar, felt that debtor data should prevail in this regard and inclusion of creditor source data in the SDDS could send a wrong signal to national debt compilers.

\textsuperscript{14}Mr. Israël and Mr. Mink hold the view that creditor source data is: (i) complementary to the debtor source and may be the most reliable one, notably with respect to debt securities; and (ii) can be referred to in the SDDS for dedicated items (portfolio investment, financial derivatives) as a useful means to improve the quality of national debt data compiled from the debtor side.
26. Mrs. Bertrand circulated a set of documents to participants with a request to provide her with comments at their convenience. In response to a question from Mrs. Saint-Sernin about the availability at the IMF of data on nonresident bank deposits (for India and a limited number of other countries for which these data are important and are used to update the OECD external debt database), Mr. Bové explained that these data were no longer maintained at the IMF since it had stopped publishing the international banking statistics in *International Financial Statistics*.

### VI. Action Plan and Report to the UN Statistical Commission

27. Following a brief discussion of the draft report to the UN Statistical Commission, it was agreed to reflect the comments in a revised version before sending the report to the UN Statistical Division. The revised version of the report is attached (Annex II).

28. The joint table of external debt components was identified as a priority activity for the TFFS over the next few months. It was agreed that the OECD would attempt to circulate a draft of the joint table, based on the specifications agreed on during the meeting, with quarterly data for the five most recent quarters for a few test countries by November 16, 1998. Feedback would be expected by November 23 (with copies to all participants), and the OECD would provide a revised draft by November 30. If necessary, participants would consult by video conference or conference call before the middle of December, so that the IMF would be in a position to report then to the Executive Board on the initiative, if that would be required. It was hoped that the table could be disseminated beginning in February 1999, showing data up to September 1998.

29. It was agreed that the IMF would, by February 1999, produce an outline for a second edition of the Grey Book that, while not yet including substantive material, would at least show the nature of the product. Meanwhile, work could continue in the respective agencies on: (i) studying the methodological issues that would eventually have to be addressed in a

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16See meeting document TFFS/98/2/7.
second edition, as discussed earlier in the meeting; and (ii) consider practical modalities for producing the second edition, including the selection of an editor.

30. It was agreed that participating agencies would give thought to the references in the G-22 ("Willard") Report relevant to the work of the TFFS with a view to addressing them in the work program of the TFFS in the future.

31. It was agreed that the next quarterly TFFS reports would be due to the IMF on January 15, 1999.

32. It was agreed that the IMF would schedule the next meeting based on a judgement as to whether and when enough substance would be ready for a productive two-day meeting.
INTER-AGENCY TASK FORCE ON FINANCE STATISTICS
LIST OF PARTICIPANTS AT THE MEETING OF OCTOBER 29–30, 1998

Chairperson
Mrs. Carol S. Carson, IMF

Mr. von Kleist Bank for International Settlements (BIS)
Dr. Kumar Commonwealth Secretariat (COMSEC)
Mr. Israël European Central Bank (ECB)
Mr. Mink

Mr. Barredo Statistical Office of the European Communities (EUROSTAT)
Mr. Cosio-Pascal United Nations Conference on Trade and Development (UNCTAD)

Mr. Gautier Paris Club Secretariat
Ms. Chuhan World Bank

Mr. Shigehara Organisation for Economic Cooperation and Development (OECD)
Mr. Carey
Mr. Hammond
Mrs. Bertrand
Mr. Grolleau
Mrs. Saint-Sernin
Ms. Guz

Mr. Patterson International Monetary Fund (IMF)
Mr. Bové
Mr. Nord
INTER-AGENCY TASK FORCE ON FINANCE STATISTICS

REPORT TO THE UN STATISTICAL COMMISSION—1998

I.  INTRODUCTION

1. The Inter-Agency Task Force on Finance Statistics (TFFS) was one among several inter-agency task forces endorsed by the UN Statistical Commission and the Administrative Committee on Coordination (ACC) Subcommittee on Statistical Activities and to which the International Monetary Fund was assigned the role of convener in 1992. The terms of reference of the TFFS included: (i) assessing problems, duplications, weaknesses, imbalance and priority gaps in finance statistics; (ii) identifying actions needed to improve the system-wide work in the area, including through better coordination; (iii) reducing the time lag in publication and considering the need and scope for dissemination of more recent statistical information; and (iv) reporting on actions taken and current proposals. Membership of the TFFS comprises the Bank for International Settlements (BIS), the European Central Bank (ECB), EUROSTAT, the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the World Bank, and the UN Statistics Division.

II.  MEETINGS HELD DURING 1998

2. The TFFS held two meetings in 1998. A first meeting was hosted by the IMF in Washington, D.C., on July 13–14, 1998 and the second one was hosted by the OECD in Paris on October 29–30, 1998. At the second meeting, the permanent members of the TFFS were joined by representatives of UNCTAD, the Paris Club Secretariat, and the Commonwealth Secretariat.

3. The agendas for both meetings were inspired by the financial crises in Asia, which had shown the lack of comprehensive statistics that shed light, on a timely basis, on the vulnerability of countries to changes in the external environment. Two areas have been identified to be of special interest in this regard, namely, international reserves and external debt.

4. Several initiatives were launched by the TFFS to improve collaboration in these areas:

   • Participants have begun producing brief quarterly reports for circulation within the TFFS on past and prospective activities, including new data requests, production and publication of new data, development of concepts, training, and technical assistance.

   • Work has been initiated on the sharing of data through the development of bilateral arrangements between participating agencies.

   • The TFFS has taken an initiative to collaborate on the production and publication of a table with quarterly data on selected components of external debt, based mainly on creditor source data.
The TFFS has identified gaps in data needed to analyze the external debt and liquidity positions of countries, including information on: (i) financial derivatives; (ii) domestic debt issues held by nonresidents; (iii) domestic debt denominated in (or indexed to) foreign currency; (iv) contingent liabilities; and (v) residual (as opposed to original) debt maturities (especially for short-term liabilities of the corporate sector). It explored the need for providing conceptual and compilation guidelines in these and other areas.

Work has started toward a revision of the joint publication of the BIS, The IMF, the OECD, and the World Bank: *External Debt—Definition, Statistical Coverage and Methodology* (Paris, 1988) (the “Grey Book”),¹ which provides guidance to compilers and users of external debt data.

The TFFS provided valuable comments on enhancing the coverage of the IMF’s *Special Data Dissemination Standard (SDDS)* with regard to data on international reserves and, especially, external debt.

¹The Grey Book was followed by a second joint publication in 1994, *Debt Stocks, Debt Flows and the Balance of Payments*. 