



Dear Sir/Madam:

While there has long been a need for good external debt statistics, recent years have seen increased interest among policy makers and other analysts in these data. We are writing to inform you of a collaborative effort by the World Bank and IMF to bring together external debt statistics of SDDS subscribers, and to ask for your comments on the proposals set out below.

In recent years, important steps have been taken by countries and international agencies towards improving the availability of comprehensive and consistent external debt statistics, including:

- The publication of the *External Debt Statistics: Guide for Compilers and Users* (the *Debt Guide*), prepared by the Inter-Agency Task Force on Finance Statistics (TFFS) in consultation with member countries of the international agencies represented.¹
- The dissemination since September 2003 of quarterly external debt position data with a one quarter lag by countries participating in the IMF's Special Data Dissemination Standard (SDDS).

With the endorsement of the TFFS—and as part of its work program to improve the transparency, timeliness, and availability of external debt statistics—the World Bank is in the process of developing a publicly available centralized database of quarterly external debt statistics to be provided on a voluntary basis, with a one quarter lag (consistent with the SDDS prescription), by SDDS subscribers.

The intention is for the database to be operational by mid-2004. Thereafter it would be updated continuously by the World Bank as new data becomes available. Also, metadata will be included, drawing as far as possible on the metadata provided by subscribers for the IMF's SDDS.

The main purpose of the new database is to facilitate the dissemination in standard formats of external debt data compiled by SDDS subscribers. By bringing such data and metadata together in one central location, the database would support macroeconomic analysis and cross-country comparison. Indeed, we hope that you see the benefit of bringing together comparable external debt data for a large number of SDDS-subscribing countries in one central location. If the interest shown by users in the Joint BIS-IMF-OECD-World Bank

¹ In preparing the *Debt Guide* the participating agencies were the Bank for International Settlements, the Commonwealth Secretariat, the European Central Bank, Eurostat, the International Monetary Fund, Organization for Economic Co-operation and Development, Paris Club Secretariat, United Nations Conference on Trade and Development, and the World Bank.

External Debt Statistics Table is any guide, there is considerable demand for such information (<http://www.imf.org/external/np/sta/ed/joint.htm>).

Later this year we intend to formally request SDDS subscribers to participate in the development of this centralized database by providing data on external debt to the World Bank. But in advance of this, we are attaching for your consideration the draft data templates developed by the World Bank and the IMF for use in providing data to the World Bank. All the tables are aligned with the model presentations in the *Debt Guide*. To facilitate data exchanges, some tables present less detailed data than the corresponding tables of the *Debt Guide*. Attached to this letter is a note that describes, and provides a rationale for, each table.

We are conscious that the whole package is of a significant size, although we are also aware that several countries are already producing a considerable amount of information on external debt, some of them for a number of years. There are two sets of data templates:

- The first set consists of three tables based on the SDDS prescribed external debt data category (table 1) and encouraged debt data categories (tables 2 and 3). Table 1 includes breakdowns of the external debt position data by sector, maturity, and instrument, and the two other tables gather data on the domestic-foreign currency breakdown of external debt and forward debt service schedule, respectively.
- The second set comprises supplementary tables that go beyond the SDDS to provide further analytical presentations—particularly with respect to sectoral data—and facilitate cross country data analysis.

The participation of countries in the centralized database is to be voluntary. Provision of data for Table 1—the table based on the prescribed SDDS data category—by sector, maturity, and instrument would be essential to participation.

Further, once a standard set of templates is agreed, the World Bank will work with individual SDDS subscribers to facilitate data exchange including through Excel or XML-based options.

We would be grateful for your comments on these draft tables by March 1, 2004, providing an initial indication of whether [name of country] might be willing to participate in developing a centralized database, and, if so, for which tables data could be made available. If you have any questions or need any additional information on the tables or the project more generally please contact Punam Chuhan (pchuhan@worldbank.org) at the World Bank or Robert Heath (rheath@imf.org) at the IMF.

Your cooperation to increase the availability of these key macroeconomic data is highly appreciated.

Sincerely yours,

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Attachments (2)

Templates for External Debt Data

SDDS-related Tables

These tables are included to provide data based on the prescribed and encouraged SDDS external debt data categories, and are considered central to the World Bank centralized external debt database.

Table 1

The table is based on the prescribed items of the SDDS external debt data category and is considered essential to the World Bank external debt database. The table includes two additional breakdowns to the prescribed items of the SDDS: arrears and direct investment-intercompany lending. These additional breakdowns are included in Table 4.1 in the *Debt Guide*, from which this template table is derived. Discussions revealed that: (i) direct investment-intercompany lending of banks and/or other sectors is of a different nature to other external debt, and (ii) monitoring the build-up of arrears can be important for external debt analysis. In both instances, these breakdowns make explicit data that are implicit in the external debt total. The table presents less detailed data than Table 4.1 of the *Debt Guide*, as there is no breakdown of *other sectors* into three subsectors.²

Table 2

The table is consistent with the SDDS encouraged foreign currency/domestic currency split of the total gross external debt position, but includes an additional breakdown by maturity (short-term and long-term—on an original maturity basis). The table is the same as Table 7.5 of the *Debt Guide*.

Table 3

The table is consistent with the SDDS encouraged forward debt service schedule except it presents the additional breakdown of direct investment-intercompany lending—for the same reason as explained under Table 1 above—and includes two additional time periods—immediate and over two years—which are included in Table 7.3 of the *Debt Guide*. However, to simplify the reporting, this template table presents less detailed data than Table 7.3, as there is no breakdown of *other sectors* into three subsectors, no breakdown by type of instrument, and no breakdown of direct investment-intercompany lending into debt liabilities to affiliated enterprises and debt liabilities to direct investors. Consistent with the SDDS, this table can be reported twice yearly rather than quarterly.

Supplementary Tables

These tables are intended to provide further analytical breakdowns of tables 1-3, and are considered supplementary in the World Bank external debt database.

² Nonbank financial corporations, nonfinancial corporations, and households and nonprofit institutions serving households (NPISH).

Table 1.1

The table is a supplementary table to Table 1 that provides a framework for reconciling the nominal and market value of traded external debt instruments: with a breakdown by sector and instrument. As relevant, SDDS subscribing countries are disseminating the prescribed external debt data either on a nominal or market value basis. This table presents less detailed data than Table 7.13 of the *Debt Guide*, as there is no breakdown of *other sectors* into three subsectors.

Table 1.2

The table is a supplementary table to Table 1 that provides a disaggregation of *other sectors* into three subsectors, as defined in the *Debt Guide*: data are also broken down by maturity—short-term and long-term—on an original maturity basis, and by instrument. The separate identification of data on the nonbank financial sector and the nonfinancial sector in particular is of growing interest among analysts given the different nature of their activities and the type of debt structure they incur. This further sectoral disaggregation is provided in Table 4.1 of the *Debt Guide*.

Table 1.3

The table is a supplementary table to Table 1 that separates public sector external debt (current outstanding debt liabilities) and publicly guaranteed private sector debt (contingent public sector debt liabilities). There is a breakdown by maturity—short-term and long-term—on an original maturity basis, and by instrument. The table is the same as Table 5.2 of the *Debt Guide*. The table highlights the role of the public sector—again of increasing interest to external debt analysts and of relevance for countries in which there is a particular focus on public sector debt.

Table 1.4

The table is a supplementary table to Table 1 that presents the outstanding arrears by sector. Data are further disaggregated into arrears of principal, arrears of interest, and interest on arrears (of principal and interest). This table is of relevance when arrears are significant and is based on paragraph 4.5 of the *Debt Guide*.

Table 2.1

The table is a supplementary table to Table 2 that provides an attribution of foreign currency and foreign-currency-linked external debt by sector and by major foreign currency. There is a memorandum item for the notional value of foreign currency and foreign currency-linked financial derivatives contracts with nonresidents both to receive and pay foreign currency, and by type of currency, as these data can be essential in analyzing the foreign currency external debt position of the economy. This table is less detailed than Table 7.6 of the *Debt Guide*, as there is no breakdown of *other sectors* into three subsectors. The table provides further information on the exposure to exchange rate movements to that set out in Table 2 above. Knowing the amount of foreign currency debt can be important in analyzing the vulnerability of an economy to unexpected outside events such as sharp movements in

exchange rates, and may be of particular interest for those countries with significant gross foreign currency external debt.

Table 3.1

The table is a supplementary table to Table 3 that presents the short-term external debt position data on a remaining maturity basis by institutional sector and by type of instrument. This table is the same as Table 7.2 of the *Debt Guide*. Remaining maturity is one approach to monitoring liquidity risk, important for analyzing the vulnerability of an economy to unexpected outside events such as a reduction in the availability of foreign funds, as it indicates that part of the gross external debt position that is expected to fall due in the coming year.