



# 5

## Public and Publicly Guaranteed External Debt

### Introduction

**5.1** For countries in which the public sector is responsible for a large share of the external debt, it is particularly important to identify all the debt owed to nonresidents by this sector. This chapter provides tables for the presentation of the gross external debt position in which the role of the public sector is highlighted. The data for these tables should be compiled using the concepts outlined in Chapters 2 and 3, except the debt of resident entities should be attributed according to whether the debtor is publicly owned or not, and if not, by whether the debt instrument is guaranteed by a public sector unit. For convenience, this presentation is described as being a “public-sector-based approach” and is consistent with the framework of the World Bank’s Debtor Reporting System.

**5.2** In economies where public sector external debt is dominant, the presentation tables provided in this chapter could be the primary ones used for disseminating data. Indeed, in circumstances where the public sector is centrally involved in external debt borrowing activity, both as a borrower or guarantor, these tables are essential. As private sector debt becomes more important in the economy, more detailed breakdowns of private sector debt are required, such as provided in the previous chapter, but the presentation set out in this chapter would remain relevant for monitoring external debt liabilities of the public sector.

**5.3** Because the concepts and definitions for its measurement remain consistent throughout the *Guide*, the gross external debt position for the whole economy—depending on whether debt securities are valued at nominal or market value—should be the same regardless of whether the presentation tables in this

or the previous chapters are used to disseminate such data.

**5.4** In disseminating data, compilers are encouraged to provide methodological notes (metadata) explaining the concepts, definitions, and methods used in compiling the data. For any presentation of gross external debt position, it is particularly important for the compiler to indicate whether debt securities are valued at nominal or market value, and whether interest costs that have accrued but are not yet payable are included.

### Definitions

**5.5.** For the presentation of the external debt position in a “public-sector-based approach,” the first determination is whether a resident unit is in the public sector.<sup>1</sup> In comparison with the “institutional-sector approach” outlined in Chapter 3 and presented in Chapter 4, the public sector comprises the general government, the central bank, and those units in the deposit-taking corporations, except the central bank, and other sectors that are public corporations.<sup>2</sup> A public corporation is defined as a nonfinancial or financial corporation that is subject to control by government units, with control over a corporation defined as the ability to determine general corporate policy.<sup>3</sup>

<sup>1</sup>For more details, please refer to the World Bank’s *Debtor Reporting System Manual* (World Bank, 2000), available at [http://siteresources.worldbank.org/DATASTATISTICS/Resources/drs\\_manual.doc](http://siteresources.worldbank.org/DATASTATISTICS/Resources/drs_manual.doc).

<sup>2</sup>For more details on the definition of public sector, see the *Public Sector Debt Statistics: Guide for Compilers and Users* (PSDS Guide 2011), paragraph 2.17.

<sup>3</sup>General corporate policy refers to, in a broad sense, the key financial and operating policies relating to the corporation’s strategy objectives as market producer. See *2008 SNA*, paragraphs 4.77–4.80 for more details. For a definition of control of a corporation by a government unit, see *PSDS Guide* (2011), paragraph 2.17.

Because the arrangements for the control of corporations can vary considerably, it is neither desirable nor feasible to prescribe a definitive list of factors to be taken into account. The following eight indicators, however, will normally be the most important factors to consider: (1) ownership of the majority of the voting power, (2) control of the board or other governing body, (3) control of the appointment and removal of key personnel, (4) control of key committees of the entity, (5) golden shares and options (golden shares give the holder a decisive vote, even without a majority of shares), (6) regulation and control, (7) control by a dominant customer, and (8) control attached to borrowing from the government. It may be possible to exercise control through special legislation, decree, or regulation that empowers the government to determine corporate policy or to appoint directors. Any domestic institutional unit not meeting the definition of public sector is to be classified as private sector. In terms of institutional sector attribution, the classification of a public corporation as a central bank, deposit-taking corporation, except the central bank, other financial corporation, or nonfinancial corporation depends on the nature of the activity it undertakes.

**5.6** Publicly guaranteed private sector external debt is defined as the external debt liabilities of the private sector, the servicing of which is contractually guaranteed by a public unit resident in the same economy as the debtor.<sup>4</sup> The private sector can include resident units in the deposit-taking corporations, except the central bank, and other sectors. External debt of the private sector that is not contractually guaranteed by a public sector unit resident in the same economy is classified as private sector external debt not publicly guaranteed. If external debt of the private sector is partially guaranteed by a public sector unit resident in the same economy, such as if principal payments or interest payments alone are guaranteed, then only the present value of the payments guaranteed should be included within publicly guaranteed private sector external debt, with the nonguaranteed amount included within private sector external debt not publicly guaranteed.

<sup>4</sup>External debt for which guarantees are provided to the creditor by a public sector unit resident in a different economy from that of the debtor is not covered under this definition.

## Presentation of Public and Publicly Guaranteed External Debt Position

**5.7** The presentation of the gross external debt position on the basis of a “public-sector-based approach” is set out in Table 5.1.

- The first level of disaggregation is by sector. The primary disaggregation is between public and publicly guaranteed debt and private sector external debt not publicly guaranteed. Because of the nature of the relationship between debtor and creditor, intercompany lending between entities in a direct investment relationship is separately identified under each category, but when combined equals Direct investment: Intercompany lending for the total economy as presented in the previous chapter.
- The second level of disaggregation is by the maturity of external debt—short-term and long-term on the basis of original maturity. A maturity attribution is not provided for intercompany lending.<sup>5</sup>
- The third level of disaggregation is by type of debt instrument, as described in Chapter 3.

**5.8** Total value of arrears and debt securities by sector are separately identified in memorandum items to Table 5.1. Arrears are recorded until the liability is extinguished and are presented in nominal value in the memorandum items because such information is of particular analytical interest. This *Guide* recommends that both nominal and market values be provided for debt securities (see paragraph 2.33). For this purpose, in memorandum items to Table 5.1, debt securities are valued either at nominal value if they are presented at market value in the table or at market value if they are presented at nominal value in the table.

**5.9** Memoranda data series on a public sector basis on arrears, external debt by short-term remaining maturity, financial derivatives and ESOs, equity liabilities, debt securities acquired under reverse security transactions, and guaranteed external debt position could be provided along with Table 5.1. These memorandum tables are described in Chapter 4.

**5.10** Table 5.2 separates public sector external debt and publicly guaranteed private sector external debt.

<sup>5</sup>If a short-term/long-term maturity attribution of intercompany lending data is available to the compiler on an original maturity basis, the *Guide* encourages dissemination of these data.

**Table 5.1 Gross External Debt Position: Public and Publicly Guaranteed Private Sector Debt and Private Sector Debt Not Publicly Guaranteed**

	End Period
<b>Public and Publicly Guaranteed Private Sector External Debt</b>	
<b>Short-term</b>	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2,3</sup>	
<b>Long-term</b>	
Special drawing rights (allocations)	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2</sup>	
<b>Direct Investment: Intercompany Lending</b>	
Debt liabilities of direct investment enterprises to direct investors	
Debt liabilities of direct investors to direct investment enterprises	
Debt liabilities between fellow enterprises	
<b>Private Sector External Debt Not Publicly Guaranteed</b>	
<b>Short-term</b>	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2,3</sup>	
<b>Long-term</b>	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2</sup>	
<b>Direct Investment: Intercompany Lending</b>	
Debt liabilities of direct investment enterprises to direct investors	
Debt liabilities of direct investors to direct investment enterprises	
Debt liabilities between fellow enterprises	
<b>Gross External Debt Position</b>	
<b>Memorandum Items</b>	
<b>Arrears</b>	
Public and Publicly Guaranteed External Debt	
Private Sector External Debt Not Publicly Guaranteed	
<b>Debt securities<sup>4</sup></b>	
Public and Publicly Guaranteed External Debt	
Short-term	
Long-term	
Private Sector External Debt Not Publicly Guaranteed	
Short-term	
Long-term	

<sup>1</sup> It is recommended that all currency and deposits be included in the short-term category unless detailed information is available to make the short-term/long-term attribution.

<sup>2</sup> Other debt liabilities comprise insurance, pension, and standardized guarantee schemes, and other accounts payable—other in the IIP statement. In the absence of information to make the short-term/long-term attribution, it is recommended that insurance, pension, and standardized guarantee schemes be classified as long term.

<sup>3</sup> Arrears are recorded in the original debt instrument rather than in other debt liabilities, short term, and separately identified by sectors in memorandum items.

<sup>4</sup> Debt securities are valued at market value if they are presented at nominal value in the table, or at nominal value if they are presented at market value in the table. Debt securities in the memorandum items do not include those that may be included in Direct investment: Intercompany lending.

**Table 5.2 Gross External Debt Position: Public Sector Debt and Publicly Guaranteed Private Sector Debt**

	End Period
<b>Public Sector External Debt</b>	
<b>Short-term</b>	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2,3</sup>	
<b>Long-term</b>	
Special drawing rights (allocations)	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2</sup>	
<b>Direct Investment: Intercompany Lending</b>	
Debt liabilities of direct investment enterprises to direct investors	
Debt liabilities of direct investors to direct investment enterprises	
Debt liabilities between fellow enterprises	
<b>Publicly Guaranteed Private Sector External Debt</b>	
<b>Short-term</b>	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2,3</sup>	
<b>Long-term</b>	
Currency and deposits <sup>1</sup>	
Debt securities	
Loans	
Trade credit and advances	
Other debt liabilities <sup>2</sup>	
<b>Direct Investment: Intercompany Lending</b>	
Debt liabilities of direct investment enterprises to direct investors	
Debt liabilities of direct investors to direct investment enterprises	
Debt liabilities between fellow enterprises	
<b>Total</b>	
<b>Memorandum Items</b>	
<b>Arrears</b>	
Public Sector External Debt	
Publicly Guaranteed Private Sector External Debt	
<b>Debt securities<sup>4</sup></b>	
Public Sector External Debt	
Short-term	
Long-term	
Publicly Guaranteed Private Sector External Debt	
Short-term	
Long-term	

<sup>1</sup> It is recommended that all currency and deposits be included in the short-term category unless detailed information is available to make the short-term/long-term attribution.

<sup>2</sup> Other debt liabilities comprise insurance, pension, and standardized guarantee schemes, and other accounts payable other in the IIP statement. In the absence of information to make the short-term/long-term attribution, it is recommended that insurance, pension, and standardized guarantee schemes be classified as long term.

<sup>3</sup> Arrears are recorded in the original debt instrument rather than in other debt liabilities, short term, and separately identified by sectors in memorandum items.

<sup>4</sup> Debt securities are valued at market value if they are presented at nominal value in the table, or at nominal value if they are presented at market value in the table. Debt securities in the memorandum items do not include those that may be included in Direct investment: Intercompany lending.

**Table 5.3 Gross External Debt Position: Public Sector Debt, Publicly Guaranteed Private Sector Debt, and Private Sector Debt Not Publicly Guaranteed**

	End Period
<b>Public Sector External Debt<sup>1</sup></b>	
Short-term <sup>2,3</sup>	
Long-term	
<b>Publicly Guaranteed Private Sector External Debt<sup>1</sup></b>	
Short-term <sup>2,3</sup>	
Long-term	
<b>Private Sector External Debt Not Publicly Guaranteed<sup>1</sup></b>	
Short-term <sup>2,3</sup>	
Long-term	
<b>Gross External Debt Position</b>	
<b>Memorandum Items</b>	
<b>Arrears</b>	
Public Sector External Debt	
Publicly Guaranteed Private Sector External Debt	
Private Sector External Debt Not Publicly Guaranteed	

<sup>1</sup>Includes Direct investment: Intercompany lending liabilities.

<sup>2</sup>It is recommended that all currency and deposits be included in the short-term category unless detailed information is available to make the short-term/long-term attribution.

<sup>3</sup>Arrears are recorded in the original debt instrument rather than in other debt liabilities, short term, and separately identified by sectors in memorandum items.

Such a separation allows identification of external debt owed by the public sector and—combined with the information on private sector debt not publicly

guaranteed in Table 5.1—external debt of the private sector. Further, if a public guarantee of private sector external debt is invoked, then the external debt previously recorded under publicly guaranteed private sector external debt in Table 5.2 will subsequently be recorded under public sector external debt. Table 5.2 presents the same levels of disaggregation (by sector, original maturity, and type of debt instrument) and memorandum items as Table 5.1.

**5.11** Table 5.3 presents the gross external debt position separately identifying the public sector debt, publicly guaranteed private sector debt, and private sector debt not publicly guaranteed broken down by original maturity (short-term and long-term). The nominal value of arrears by sector is separately identified in the memorandum item to Table 5.3.

**5.12** Further, as defined in paragraphs 5.5 and 5.6, public sector data can be attributed to general government, central bank, depositary-taking corporations, except the central bank, and other sectors, while private sector information can be attributed to deposit-taking corporations, except the central bank and other sectors. In this regard, it is recommended that if detailed records are kept, the institutional sector of the debtor be identified, so as to allow an economy that is presenting data on a public sector basis to also compile data on an institutional sector basis.