TFFS 10/08

Meeting of the Inter-Agency Task Force on Finance Statistics
The World Bank, Washington DC
March 4-5, 2010

Progress Report by the OECD

Prepared by the OECD

2010 Progress Report by the OECD

Official credits

In June 2009, the OECD Development Cooperation Directorate (DCD) provided the JEDH with data on official bilateral loans for 2006 and 2007. As these were not provided in SDMX format, technical difficulties were encountered when loading these data into JEDH. The DCD worked closely with the World Bank and BIS over the summer to develop the SDMX standard for reporting to the JEDH and was able to supply the data in July in this format, which were subsequently uploaded in the JEDH. In June 2010, we shall provide data on official loans in 2008 as well as 2007 (to cover revisions to the data) in SDMX format.

At the last TFFS, the OECD was asked to review historical series on exports credits data, which had been corrupted when reposted in the JEDH. Although the DCD no longer has access to the orginal databases as the activity was taken over by another OECD Directorate and subsequently suppressed in 2004, it compared the data downloaded by the IMF on non-bank Trade credits with data in the OECD's old on-line version of the external debt statistics. The data that were downloaded in September 2009 by the IMF and which currently appear in line 10 of the JEDH "Official trade credits, nonbanks, all maturities" match the data stored in the old on-line OECD database and therefore seem correct.

Export Credits

Export credit flows reported via CRS Forms 1C and 3 are processed by the Export Credits Division of the Trade and Agriculture Directorate of the OECD. A sub-set of this transaction-specific data (export credits provided to buyers in IDA-Only countries) is provided regularly to the World Bank and IMF for use in relation to Debt Sustainability Analyses (DSAs).

Discussions about processing the debt stock data for export credits have not progressed since the time of the last report, in spite of the continued interest among the World Bank, IMF and many Export Credit Agencies for improved data in the context of the Debt Sustainability Analysis Framework. In view of resource constraints and a lack of consensus amongst members of the export credit committees on the importance of collecting and maintaining data on export credit stocks, it is not likely that the stock data will be addressed in the near future.

OECD Activities on Government Debt

The OECD has two databases which contain information on government debt. One deals with the Central Government Debt, which includes quantitative and qualitative information on the Central Government specific debt instruments. The other corresponds to a set of financial balance sheets (which belong to the System of National Accounts - SNA), in which balance sheets of the General Government and its subsectors are included and which contains information on the liabilities of these sectors, by financial instruments (see Annex 1).

For further information, please contact Ms. Michèle Chavoix-Mannato (Michele.chavoix-mannato@oecd.org).

OECD-Italian Network for Supporting Sound Public Debt Management in Emerging Markets

The OECD-Italian Network for Public Debt Management in Emerging Markets is the result of a joint OECD-Italian initiative from 2002 and subsequently adopted by the OECD Working Party on Debt Management (WPDM)[1]. It provides an additional (electronic) feature of OECD co-operation in the area of public debt management, by offering participants from OECD and emerging markets continuous on-line access to the Working Party's pool of knowledge on experiences and leading practices and techniques on all aspects of sound public debt management. The Network also supports the building of strong emerging bond markets.

It is envisaged that in the future the website of the Network will also provide statistical information on public debt of emerging markets using the OECD methodology from the OECD Statistical Yearbook on Central Government Debt.

This electronic source (**www.publicdebtnet.org**) operates under the aegis of the OECD WPDM. A Governance Group (members: Italian Treasury, the Chairman of the WPDM, a number of other Delegates and the OECD Secretariat) is responsible for the implementation of the POW of the Network. The Website of the Network plays therefore an important supporting role in executing the WPDM's outreach programme by diffusing in an efficient fashion the Working Party's pool of information, including statistics. The Network also contributes to the annual Global OECD Forum on Public Debt Management.[2] The Network is also a very useful tool to reduce some of the burden of bilateral contacts between OECD Debt Management Offices and their counter-parts from emerging markets, in particular by providing efficient access to information on OECD debt policies and bond market practices.

A formal MOU was signed in 2004. Its permanent Secretariat is based in the Italian Ministry of Finance [Rome-based manager: Maria Cannata, Director General; Maria.Cannata@tesoro.it). OECD manager: Hans Blommestein Hans.Blommestein@oecd.org].

The OECD is also carrying out work on African public debt management and bond markets (see Annex 2). For further information, please contact Mr. Hans Blommestein Hans.Blommestein@oecd.org, Chair of the Steering Committee of the OECD project on African Public Debt Management and Bond Markets.

1. The mandate of the OECD Working Party on Debt Management (WPDM) is to serve as a policy forum for senior government debt managers from OECD Member countries to exchange views, experiences and policies in the field of government debt management and government securities markets. Discussions include also an assessment of the impact of other policies which materially influence debt management operations and government debt markets such as regulation, supervision and reporting standards. Over the years, the Working Party has compiled a unique up-to-date pool of knowledge on leading practices, techniques, strategies, and operations in this special field of government activity and policy. The WPDM has also a significant outreach programme supported by the OECD-Italian Network for Public Debt Management.

[2] For example, the network organised a session on auctions in the 2005 Forum meeting, held in Amsterdam.

ANNEX 1

STATISTICS DIRECTORATE

FINANCIAL STATISTICS

OECD DATABASE ON CENTRAL GOVERNMENT DEBT

In November 1999, the OECD Working Party on Government Debt Management of the Committee on Financial Markets reviewed and agreed the collection of information on central government debt statistics and methodology.

Objectives

The OECD database on Central Government Debt includes comprehensive quantitative information on marketable and non-marketable central government debt instruments of OECD member countries and focuses on borrowings requirements by governments to finance their budget deficits with the aim of meeting the analytical requirements of users such as policy makers, debt management experts and market analysts. Concepts and definitions are based, where possible, on the System of National Accounts. Statistics are presented according to a comprehensive standard framework to allow cross-country comparison.

Coverage

The database includes comparative statistics on outstanding amounts and gross and net issues from 1980 onwards and on the duration and average term to maturity from 1990 onwards, when available. Statistics relating to Central Government Debt refer to all OECD countries and are reported in national currencies.

The coverage of the data is limited to central government debt issuance and excludes therefore state and local government debt and social security funds.

The statistics relate to both marketable (excluding swaps) and non-marketable central government debt instruments. However, they focus mostly on the marketable instruments which are examined in greater detail.

The statistics refer to resident and non-resident holdings. To capture the internationalisation of government securities markets, cross-border transactions of central government debt instruments are included.

Key concepts

The concepts used differ from the Maastricht definition of government debt, both with respect to the institutional coverage and the method of calculation.

Central Government: The coverage of the data is limited to the central government subsector which consists of the institutional units making up the central government plus those NPIs (non-profit institutions) that are controlled and mainly financed by central government. Central government has the authority to impose taxes on all resident and non-resident units engaged in economic activities within the country. (System of National Accounts, 1993, par. 4.117-118)

Marketable instruments: They consist on Money market instruments (Treasury bills, commercial papers and other), Bonds (Fixed rate income instruments, further subdivided into short-term, medium term and long term bonds, Index-linked bonds, Variable-rate notes and other) with details on the length of maturity of Long-term bonds and Index-linked bonds. Other information is also provided: Total marketable debt held by non-residents, Total marketable debt in foreign currency, Weighted average maturity of marketable debt and Weighted average yield of marketable debt.

Non-marketable instruments: they consist on Savings bonds and other. One memorandum item regarding the non-marketable debt held by non-residents is also provided. If countries include swaps in their statistics (e.g. those relying heavily on swaps) they should include this information in the notes.

Duration: the duration of the central government debt can be calculated according to the Macaulay duration or the modified duration methods.

Term to maturity: Maturity is the period of time until the redemption or expiration of a financial instrument. For most countries, the maturity structure is a residual maturity, i.e. the remaining time until the expiration or the repayment of the instrument. For seven countries (Italy, Japan for issues, Korea, Mexico, Poland, Portugal, and Slovak Republic), it is initial: precise definitions are to be indicated in the methodological notes.

Nominal value: Transactions should be reported at their nominal value, i.e. the amount that at any moment in time the debtor owes to the creditor at that moment. If the valuation differs from nominal value, it is requested to indicate it in the methodological notes.

Description

Statistics are collected and presented according to a comprehensive common framework to allow cross-country comparison.

- Table 1: Outstanding amounts at the end of yearly periods of the central government debt (both marketable and non-marketable debt), by instrument;
- Table 2: Gross and net issues of marketable and non-marketable debt of the central government by instruments;
- Table 3: Duration and average term to maturity of domestic, foreign and total debt. Data refer to both resident and non-resident holdings;
- Table 4: Outstanding amounts at the end of yearly periods of marketable central government debt by type of investors (residents/non-residents).

International comparisons' tables in US dollars and in percentage of GDP are derived from reported statistics and graphics are built to facilitate trends' analysis in OECD countries.

Country notes provide information on debt issuance in each country as well as on the institutional and regulatory framework governing debt management policy and selling techniques. They describe the details of debt instruments in each country.

All OECD countries' data are available on OECD.Stat, under Finance, Central Government Debt, as well as data of the four accession countries (Chile, Estonia, Israel and Slovenia).

Source

Central Government Debt data are mainly reported by Ministries of Finance, Treasuries, Debt management offices, Central Banks and other financial agencies.

STATISTICS DIRECTORATE

FINANCIAL STATISTICS

OECD DATABASE ON FINANCIAL BALANCE SHEETS

The OECD Working Party on Financial Statistics of the Committee on Financial Markets was creating in 1967. It contributes to the OECD aim of deepening the knowledge of Member countries' financial systems and permits a better understanding of the interactions between the "real" economy and financial activities in those economies. It monitors the collection of financial statistics and methodological information, of which Financial Balance Sheets.

The financial balance sheet of the General Government includes an aggregated item, Total Liabilities, which corresponds to the Government Debt (in the SNA).

Objectives

This activity mainly focuses on the collection of comparable quantitative and qualitative information on financial balance sheets (stocks) held by institutional sectors of the economy in the OECD member countries, according to SNA 1993. This database provides harmonised data to analysts and policy makers.

Description

The OECD database on Financial Balance Sheets is part of the full Financial Accounts, which belong to the System of National Accounts (SNA). It corresponds to the final sets of information in the full sequence of the accounts describing the economic cycle and record the stocks of financial assets and liabilities held by the institutional sectors, of which the General Government sector and its subsectors, and give a picture of their net worth, at the end of the accounting period.

As a general rule, in national accounts, the financial accounts are to be recorded on a non-consolidated form. However, the consolidation, which consists in eliminating the positions of assets and liabilities between sub-sectors of the same sector and between institutional units of the same sub-sector, can be more significant for certain kind of analysis, especially for General government (S13). The OECD database on Financial Balance Sheets therefore contains both types of accounts, consolidated and non-consolidated Financial Balance Sheets (Tables 710 and 720).

Methodological information, gathered through specific surveys, complements the database, such as sources and methods regarding the compilation of Financial Accounts, valuation methods, securitization process, compilation and valuation methods for unquoted shares...

Key concepts:

Institutional sectors: they are composed of the institutional units capable of engaging in transactions with other units, and are grouped together into five main categories, some of which divided into sub-sectors: *Non-financial corporations* (S11), *Financial corporations* (S12), ***General government* (S13)**, *Households* (S14), *Non-profit institutions serving households - NPISH* (S15). To these five sectors, which together make the *Total economy* sector (S1), is added the *Rest of the world* sector (S2), which reflects transactions and assets/liabilities vis-à-vis non residents.

***General Government sector (S13)*:** this sector includes general government entities which administer and finance activities, principally providing non-market goods and services, intended for individual or collective consumption, as well as non-profit institutions which are controlled and mainly financed by units of the Government. The major part of output of these units is provided free or at not economically significant prices. The S13 sector is further split into Central Government (S1311), State Government (S1312), Local Government (S1313) and Social Security Funds (S1314).

Stocks: they correspond to the amount of financial assets and liabilities at a point in time. The stocks accounts (Financial Balance Sheets) include a balancing item which corresponds to the net value (assets less liabilities)

Assets and liabilities: they are grouped into seven categories of instruments, most of them divided into sub-instruments, which are ordered according to their liquidity: *monetary gold and SDRs* (F.1), *currency and deposits* (F.2), *securities other than shares* (F.3), *loans* (F.4), *shares and other equities* (F.5), *insurance technical reserves* (F.6) and *other accounts receivable/payable* (F.7). All ***assets*** have a counterpart ***liability***, except for F.1.

Gross General Government Debt: this specific item covers all liabilities (short- and long-term), i.e. F.2 to F.7 instruments, for all institutions of the general government sector, i.e. the central, state and local governments as well as the Social Security funds sector.

Consolidated accounts: in these accounts, stocks of assets and liabilities between sub-sectors of the same sector and between institutional units of the same sub-sector are eliminated. Such accounts take better account of the financial position of the various economic players and therefore can be more useful than non-consolidated financial accounts, for some types of analyses.

Valuation: in line with the general valuation principles described in the SNA, financial assets and liabilities should be valued at current prices whenever they are regularly traded on organised financial markets, and they should also be assigned the same value in the balance sheets whether they appear as assets or liabilities.

The database covers all OECD countries. Data are available from 1950 onwards, depending on the country.

Financial Balance Sheets are reported by Central Banks or National Statistical Institutes.

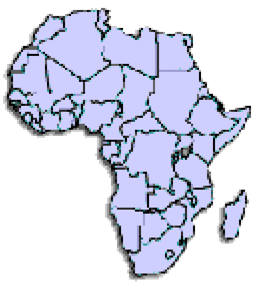
While for EU countries, both consolidated and non-consolidated accounts are provided, in some other OECD countries, this information is not available or remains partial. **However, a special effort has been requested by the WPFS so that consolidated balance sheets are provided by all OECD countries for the General Government sector and its sub-sectors.**

All OECD countries’ data, including data of the four accession countries (Chile, Estonia, Israel and Slovenia), are available on OECD.Stat, under National Accounts, Financial Accounts, accompanied by short country methodological notes.

ANNEX 2

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

OBJECTIVES AND STRUCTURE OF THE OECD PROJECT ON AFRICAN PUBLIC DEBT MANAGEMENT AND BOND MARKETS



April 2009

Public Bond Markets and Debt Management Unit

I. Objectives and structure of the project on African Public Debt Management

The OECD project on African Public Debt Management and Bond Markets targets African public debt managers and other financial officials for encouraging and supporting the introduction of (1) sound public debt management (PDM) strategies, procedures and techniques and (2) an efficient and reliable government securities market infrastructure. The leading or best practices of the OECD Working Party on Public Debt Management play a key supporting role as global standards.

The first objective of the project is to develop an OECD-led policy dialogue with, and among, African debt managers, central bankers, and other financial officials involved in public debt management and government bond markets. Secondly, through the policy dialogue, the capacity of African policy makers to prepare and execute sound debt management strategies and develop local-currency bond markets is enhanced significantly. Thirdly, African debt managers and policy makers get efficient and well-structured access to the worldwide knowledge network of debt managers. Becoming part of that network will add significant durable value in supporting sound public debt management and related market practices in Africa.

The OECD-led policy dialogue is well placed to leverage the largely technical assistance (TA) activities of other international organisations such as IMF, World Bank and African Development Bank in several ways. Firstly, the OECD is well-placed to contribute to the *strategic dimension* of public debt management and bond market development, thereby providing a unifying strategic framework to the various TA programmes. Secondly, African debt managers and policymakers are given efficient and well-structured access to the OECD-led knowledge network of debt managers (notably its Working Party on Debt Management), in particular the leading OECD practices that function de facto as global standards. Thirdly, the OECD has a comparative advantage in collecting structural statistics with a sophisticated methodology. For this project we have begun the creation of a database on African debt statistics that will give a *comprehensive* and *detailed* view of African public debt.

The project has three principal pillars. The OECD Forums on African Public Debt Management constitute the **first pillar.** The Regional Workshops on African Debt Management and Bond Markets the **second building-block**. Both pillars seek to promote frank and open policy discussions between African debt managers, other financial officials and African market participants like banks, exchanges and rating agencies on the one hand, with their counter-parts from the OECD area on the other. The **third pillar** of the OECD project is the construction of an annual African central government debt data base and the undertaking of an annual overview based on cross-country studies on African debt management and bond markets.

II. Pillar 1: Annual OECD Forum on African Public Debt Management

The first meeting of the ***Annual OECD Forum on African Public Debt Management*** **(Pillar 1)** was held in December 2006. Consistent with its purpose of acquainting senior debt managers and other financial officials involved in public debt management and government bond markets in African countries with OECD best practices, the forum focuses on specific problems, technical issues, debt management strategies, policies and operations from the perspective of African policymakers.

The agenda for each Forum meeting is prepared in consultation with a Steering Committee of African Debt Managers.

In addition, Forum meetings, organised under the aegis of the OECD Working Party on Debt Management, function as an efficient clearing house to share and exchange information on the activities by the various international and regional players involved in different aspects of African debt management, including the African Development Bank, World Bank, IMF, NEPAD, MEFMI, WAIFEM and BCEAO/BEAC.

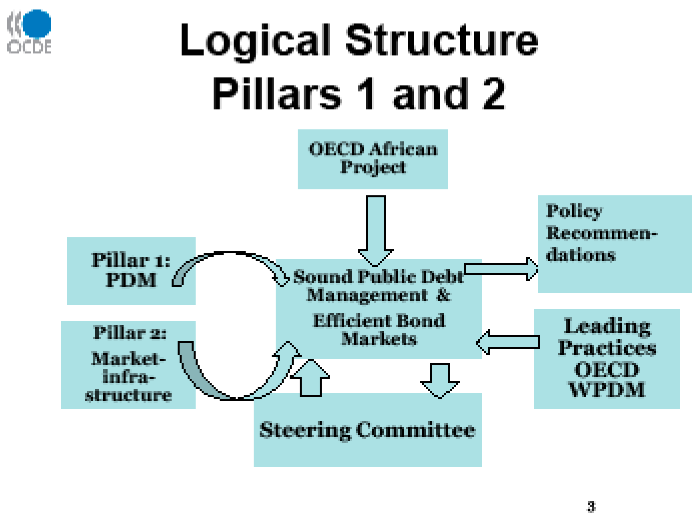
III. Pillar 2: Annual OECD Regional Workshop on African Debt Management and Bond Markets

The ***Annual OECD Regional Workshop on African Debt Management and Bond Markets*** **(Pillar 2)** was launched in 2007. The initiative to hold each year a workshop focused on market-infrastructure issues was suggested by the African debt managers themselves. The agenda for each workshop meeting is prepared in consultation with a Steering Committee of African Debt Managers**.** The National Treasury of South Africa and the Bond Exchange of South Africa (BESA) act as local organisers.

The workshop complements the annual OECD Forum on African Public Debt Management by focusing on the operational and technical aspects of (the development of) the infrastructure of African local currency bond markets. Infrastructure is interpreted in a very broad sense and includes the regulatory structure, clearing and settlement systems, investor base, gatekeepers of the public trust (supervisors, rating agencies, exchanges, accountants, brokers, etc).

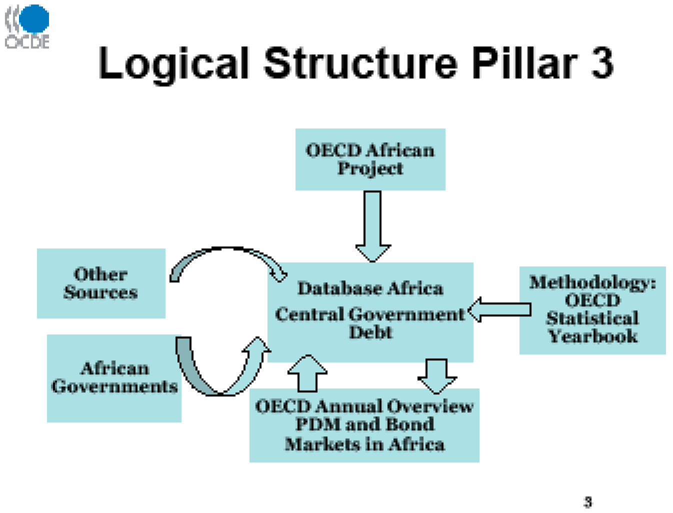
Both pillars I and II seek to improve the capacity of African policy makers to execute sound debt management strategies and operations, as well as the development of an efficient and reliable local-currency bond markets (see *Chart*). Both Forum meetings and regional workshops are therefore supporting the development of sound market practices in the context of public debt and cash management, leading to stronger securities markets that in turn would help reducing the cost of managing public debt, strengthening other parts of the financial sector (such as micro-credit and SME financing) while also contributing to financial stability.

An important general objective is to identify concrete policy recommendations (see *Chart*). Also OECD governments, investors and financial intermediaries stand to gain from African progress in implementing these recommendations.



IV. Pillar 3: Data base African central government debt and annual overview PDM and bond market developments

The OECD has also started the construction of ***a new data base of African central government debt*** **(Pillar 3)**. The database project is based on the existing OECD methodology of the Statistical Yearbook on Central Government Debt. In parallel, the OECD has begun ***a cross-country study*** based on a survey of African debt management practices and stage of development of local debt markets. It is envisaged that this cross-country study will serve as a pilot for the annual overview of African public debt management (PDM) and bond market developments. Both the data base and overview mutually re-enforce each other (see *Chart logical structure of pillar 3*).



It is further envisaged to set-up a network of academic experts who focus their research on African public debt management and bond markets. This network may support the overview publication.

V. Policy impact of the OECD project

Thus far, a wide range of African countries (in both sub-Saharan Africa and North Africa) have benefited from the project. African policy makers have gained a greater understanding of sound public debt management strategies, their implementation, and the development of robust local-currency government bond markets. These activities take on greater importance as many countries take advantage of debt reduction initiatives and seek to avoid falling back into positions of unsustainable debt.

The ongoing credit crisis underlines the importance of sound debt public management and stronger local-currency government bond markets. The OECD is well-placed to make major contributions to the strategic dimension of public debt management and bond market development and in assessing the implication of the crisis for PDM strategies and operations. The project is therefore essential and even timelier than before. Developing public debt management and government bond markets is both a highly technical activity and also a critical area of financial and macroeconomic policy. In light of these arguments and considerations, it is recognised more urgently than before, that better debt public management and stronger local-currency government bond markets help to reduce the cost and risk of public debt and avoid a build-up of new unsustainable debt burdens in the post-debt relief stage. They are essential ingredients for a more stable and efficient financial system and a more prosperous economy. In addition, debt managers from emerging market countries increasingly face challenges similar to those of their counterparts from advanced markets due to pressures from global finance and the related need to implement OECD best practices in this area.

Emerging markets are an increasingly important asset class for investors from the OECD area. As local-currency government bond markets in Africa gain strength in terms of liquidity, maturity structure, transparency, operational efficiency, and regulatory safeguards, they become more attractive as a destination for long-term investment by a wider range of categories of investors. African governments stand to benefit from this development, as it should lead to broader and more reliable sources of market-based funding for the public investment that is needed to grow their economies, reduce poverty, and make progress in reaching the *Millennium Development Goals*.

VI. High political profile

During the last couple of years, G8 and IMF communiqués have emphasised the crucial importance of sound public debt management and robust bond markets. For example, the G8 summit declaration of 8 June 2007 called for initiatives aimed at "providing assistance to enhance capital markets in Africa, among other things, local-currency debt market development," with the OECD identified as having a prominent role in this effort. In implementing its ***action plan*** of October 2007 for developing bond markets in emerging market economies, the G8 specifically noted that *"the OECD Working Party on Debt Management organises annual meetings tailor-made for emerging market economies and low-income countries and will hold a second forum on African debt management later this year."*

Because of the success of OECD's Africa project sponsored by the Icelandic government, the OECD project manager has been invited as an advisor to the *World Bank's Debt Management Facility (DMF) for Low-Income Countries (LICs).* In this way, new opportunities are created to raise the profile of OECD's Africa project.

Also the African Development Bank (AfDB) has expressed a strong interest in finding ways how we can best work together in the context of OECD's project on *African Public Debt Management and Government Bond Markets.* Consultations concerning possibilities for structuring future co-operation are ongoing.

VII. Purpose of the Steering Committee of the OECD project on African Public Debt Management and Bond Markets

The main purpose of the Steering Committee (SC) is to assist the organisers in planning and executing activities related to the OECD project. In doing so, the SC provides feed-back on, and makes suggestions for, agendas of events such as the annual OECD Global Forum on Public Debt Management and the OECD Regional Workshop on African Public Debt Management and Bond Markets. In this way, the OECD events are directly shaped by the African debt managers and other financial policy makers themselves. See Annex for the current composition of the SC.