

Public Sector Debt - Instructions

Under the auspices of the Task Force on Finance Statistics¹ the World Bank has developed a new database to disseminate quarterly data on government, and more broadly, public sector debt statistics. The main purpose of this database is to facilitate timely dissemination in standard formats of the government, and more broadly, the public sector debt data (including its components) and metadata to support macroeconomic analysis and cross-country comparisons.

Reporting requirements

Six tables are developed for reporting quarterly time series information on public sector debt. Available data will be reported for the following sectors on a consolidated basis:

- General government
 - o/w Central government
 - o/w Budgetary central government
- Nonfinancial public corporations
- Financial public corporations
- Total public sector

The basic requirement for countries to participate is to supply quarterly data on **Central and General Government debt**. Data on Budgetary Central Government, Non Financial Public Corporations, Financial Public Corporations, and Total Public Sector is encouraged, whenever available.

While, as a rule, the entries in the SNA are not consolidated, consolidation might be relevant for the government sector, and more broadly, the public sector. For this reason, public sector debt data are to be consolidated both at the sector and sub-sector levels, as listed above, so that reciprocal stock positions among units are eliminated. As a consequence, different sectors and subsectors cannot be summed, or state and local derived as a residual, because of debt held between different parts of the public sector.

The first report should preferably include all quarters available from Q1 1995 onwards. The following quarterly questionnaires will include the last five years (20 quarters) to enable countries to report revised data for the past period, in addition to the update of a new quarter.

The reporting currency should be the domestic currency. When reporting data by currency of denomination, foreign currency gross debt shall be converted into the national currency at the representative spot market exchange rate prevailing on the last working day of the quarter.

Do not change the structure of the spreadsheets. Do not remove or add tabs, rows or columns in the template. Even if you fill out only some of the tables in the template, please send it to us in the same shape as we provided.

Please, make sure that totals inside the tables are added up to the sum of their components. Please, check the validations at the bottom of each sheet in the PSD questionnaire, which does not use SDMX NA DSD codes, to ensure that data are correct within each table.

¹ The members of the Task Force on Finance Statistics are the Bank for International Settlements, the Commonwealth Secretariat, the European Central Bank, Eurostat, the International Monetary Fund, the Organization for Economic Cooperation and Development, the Paris Club Secretariat, the United Nations Conference on Trade and Development, and the World Bank.

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The reporting cycle is as follows:

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
Submission date	January 21, 2016	April 21, 2016	July 21, 2016	October 21, 2016	January 20, 2017

OECD countries should send their data to the OECD for validation. Data requested are aligned with the Public Sector Debt Statistics: Guide for Compilers and Users (the Debt Guide).² The classifications and definitions are in line with those used in other statistical manuals, such as the System of National Accounts 2008, the Government Finance Statistics Manual 2001,³ and the Balance of Payments and International Investment Position Manual, sixth edition. However, the valuation, here, differs from SNA valuation rules in that public sector debt is measured at nominal value (not market value as in national accounts).

Methodology and definitions

Definitions of Debt

1.1 Total gross debt—often referred to as “total debt” or “total debt liabilities”—consists of all liabilities that are debt instruments. A debt instrument is a financial claim that requires payment(s) of interest and/or principal by the debtor to the creditor at a date, or dates, in the future.

1.2 For a liability to be considered debt *it must exist and be outstanding*. The decisive consideration is whether a creditor has a claim on the debtor. Debt liabilities are typically established through the provision of economic value by one institutional unit, the creditor, to another, the debtor, normally under a contractual arrangement. Debt liabilities can also be created by the force of law,⁴ and by events that require future transfer payments.⁵ Debt liabilities include arrears of principal and interest. Commitments to provide economic value in the future do not establish debt liabilities until items change ownership, services are rendered, or income accrues; for example, amounts yet to be disbursed under a loan or export credit commitment are not to be included in the gross debt position. Contingencies, such as the granting of most one-off guarantees,⁶ **are not included in the debt of the guarantor** because they are not unconditional liabilities. Guaranteed debt is attributed to the debtor, not the guarantor (unless and until the guarantee is called).

1.3 The provision of economic value by the creditor, or the creation of debt liabilities through other means, establishes a principal liability for the debtor, which, until extinguished, may change in value over time. Interest is the cost (expense) that the debtor incurs for the use of the principal outstanding.⁷ Thus, **interest is a form of investment income that is receivable by the owners of certain kinds of financial assets (SDRs, gold**

² The *Debt Guide* is available at <http://www.tffs.org/>. A blank template of tables is available at <http://www.worldbank.org/qpsds>.

³ The revision of the *Government Finance Statistics Manual* is under way to maintain consistency with the *System of National Accounts 2008*.

⁴ These liabilities could include those arising from taxes, penalties (including penalties arising from commercial contracts), and judicial awards at the time they are imposed.

⁵ These include claims on nonlife insurance companies, claims for damages not involving nonlife insurance companies, and claims arising from lottery and gambling activity.

⁶ **One-off guarantees occur where the risk of a loan or security guaranteed cannot be calculated with any degree of accuracy.** In most cases, these instruments are not recognized as financial assets or liabilities until called, and are not recorded in the *2008 SNA* or *GFSM 2001*.

⁷ In other words, interest is the amount debtors will have to pay their creditors over and above the repayment of the amounts advanced by the creditors.

accounts in monetary gold, deposits, debt securities, loans, insurance, pensions, and standardized guarantee schemes, and other accounts receivable) for putting these financial and other resources at the disposal of another institutional unit. For most purposes, interest is an accrual concept. However, from a cash accounting perspective, periodic debt service payments can be classified as **interest payments**⁸ or **principal payments**.

1.4 The definition of debt does not differentiate between principal and interest accrued. That is, the amount outstanding debt is a total that includes funds originally advanced plus interest accrued to date minus any repayments. It is the future requirement to make payments, not the form of those payments, that determines whether a liability is a debt instrument or not. Payments could be made in the form of currency and deposits or goods and services.

1.5 The definition of debt does not necessarily imply that the timing of future payments of principal and/or interest is known. In many instances, the schedule of payments is known, such as on debt securities and loans. However, in other instances the exact schedule of payments may not be known. For example, the timing of payment might be at the demand of the creditor, such as for noninterest-bearing demand deposits; or when the debtor is in arrears, and it is not known whether or when the arrears will actually be paid. Once again, it is the requirement to make the payment that determines whether the liability constitutes debt, rather than the timing of the payments. The liabilities of pension funds and life insurance companies to their participants and policyholders are considered as debt of those institutions because at some point in time a payment is due, even though the timing of that payment may be unknown.

Debt instruments

1.6 The debt instruments are those instruments that require the payment of principal and interest or both at some point(s) in the future. All liabilities are considered debt, except liabilities in the form of equity and investment fund shares and financial derivatives and employee stock options. They comprise:

- Special Drawing Rights (SDRs);
- Currency and deposits;
- Debt securities;
- Loans;
- Insurance, pension, and standardized guarantee schemes; and
- Other accounts payable.

1.7 *Special Drawing Rights (SDRs) are international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement reserve assets.* SDR holdings represent each holder's unconditional right to obtain foreign exchange or other reserve assets from other IMF members. SDRs are assets with matching liabilities but the assets represent claims on the participants collectively and not on the IMF. A participant may sell some or all of its SDR holdings to another participant and receive other reserve assets, particularly foreign exchange, in return. Participants may also use SDRs to meet liabilities.

1.8 *Currency consists of notes and coins that are of fixed nominal values and are issued or authorized by the central bank or government.* All sectors may hold currency as assets, but normally **only central banks and government** may issue currency. In some countries, commercial banks are able to issue currency under the authorization of the central bank or government. Currency constitutes a liability of the issuing units. Unissued currency held by a public sector unit is not treated as a financial asset of the public sector or a liability of the

⁸ For long-term debt instruments, interest paid periodically are those to be paid by the debtor to the creditor annually or more frequently; for short-term instruments (that is, with an original maturity of one year or less), interest paid periodically are those to be paid by the debtor to the creditor before the redemption date of the instrument. **Interest payments** are distinct from the concept of accruing interest over the life of the liability.

central bank. Gold and commemorative coins that are not in circulation as legal tender, or as monetary gold, are classified as nonfinancial assets rather than currency.

1.9 Deposits are all claims, represented by evidence of deposit, on the deposit-taking corporation (including the central bank) and, in some cases, general government and other institutional units. A deposit is usually a standard contract, open to the public at large, that allows the placement of a variable amount of money. Public sector units may hold a variety of deposits as assets, including deposits in foreign currencies. **It is also possible for a government unit to incur liabilities in the form of deposits.** For example, a court or tax authority may hold a security deposit pending resolution of a dispute. Public financial corporation (for example the central bank) typically incur liabilities in the form of deposits, including to government units. It may be useful to further classify deposits according to whether they are denominated in the domestic currency or a foreign currency. Unallocated accounts for precious metals are also deposits, except for unallocated gold accounts held by monetary authorities for reserves purposes, for which the asset holding is included in monetary gold, with the counterpart liability being recorded as a deposit.

1.10 Debt securities are negotiable financial instruments serving as evidence of a debt. The security normally specifies a schedule for interest payments and principal repayments. Examples of debt securities are bills, bonds and debentures, including bonds that are convertible into shares, commercial paper, negotiable certificates of deposit, loans that have become negotiable from one holder to another, nonparticipating preferred stocks or shares, asset-backed securities and collateralized debt obligations, banker's acceptances, and similar instruments normally traded in the financial markets.

1.11 A loan is a financial instrument that is created when a creditor lends funds directly to a debtor and receives a nonnegotiable document as evidence of the asset.⁹ This category includes overdrafts, mortgage loans, loans to finance trade credit and advances, repurchase agreements, financial assets and liabilities created by financial leases, and claims on or liabilities to the IMF in the form of loans. Trade credit and advances and similar accounts payable/receivable are not loans. Loans that have become marketable in secondary markets should be reclassified under debt securities. However, if only traded occasionally, the loan is not reclassified under debt securities.

1.12 Insurance, pension and standardized guarantee schemes comprise nonlife insurance technical reserves, life insurance and annuities entitlements, pension entitlements, claims of pension funds on pension managers, and entitlements to non-pension benefits, and provisions for calls under standardized guarantee schemes.

1.13 Other accounts payable consist of trade credits and advances and miscellaneous other items due to be paid. All such liabilities should be valued at the amount the debtor is contractually obliged to pay the creditor to extinguish the obligation. Trade credit and advances include (1) trade credit extended directly to purchasers of goods and services and (2) advances for work that is in progress or to be undertaken, such as progress payments made during construction, or for prepayments of goods and services. Trade credit extended by the seller of goods and services does not include loans, debt securities, or other liabilities that are provided by third parties to finance trade. If a government unit issues a promissory note or other security to consolidate the payment due on several trade credits, then the note or security is classified as a debt security.

Maturity definition

1.14 The maturity of a debt instrument follows the 2008 SNA and the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)) and is classified as either short-term or long-term: (a) short-term is defined as payable on demand or with a maturity of one year or less; (b) long-term is defined as having

⁹ A loan is distinguished from a deposit on the basis of the representation in the documents that evidence them.

a maturity of more than one year or with no stated maturity. The long term maturity is also classified by remaining maturity (i.e., the period from the reference date until the final contractually scheduled payment). Data on remaining maturity bases are accommodated by using the following split: (a) long-term due for payment within one year or less; and (b) long-term due for payment in more than one year.

Residency definition

1.15 Debt liabilities owed by residents to residents of same economy are domestic debt, and debt liabilities owed by residents to nonresidents are external debt. The definition of residence follows the current international standards (the System of National Accounts 2008 (2008 SNA) and the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)).

Institutional Coverage and Sectorization of the Public Sector

1.16 The public sector is a combination of the general government sector and all public corporations.

1.17 *The general government sector comprises all government units and all nonmarket nonprofit institutions (NPIs) that are controlled by government units:* Government units are institutional units with legislative, judicial, or executive authority over other institutional units within a given area; they assume responsibility for the provision of goods and services to the community or to individual households on a nonmarket basis; they make transfer payments to redistribute income and wealth; and they finance their activities mainly by means of taxes and other income from units in other sectors of the economy. Nonmarket NPIs that are controlled by government units are legal or social entities created for the purpose of producing goods and services on a nonmarket basis, but whose status does not permit them to be a source of income, profit, or other financial gain for government. Even though NPIs may have a legal status of nongovernment entities, they are considered to carry out government policies and, thus, effectively are part of government. The general government sector includes central, state and local government as well as social security funds.

1.18 *The central government subsector consists of the institutional unit(s) of the central government plus those nonmarket NPIs that are controlled by the central government. The political authority of central government extends over the entire territory of the country.* In most countries, the central government subsector is a large and complex subsector. It is generally composed of a central group of departments or ministries that constitute a single institutional unit (referred to as the **budgetary central government**) plus, in many countries, other units operating under the authority of the central government with a separate legal identity and sufficient autonomy to form additional government units. These other units form the extra budgetary central government: they comprise all nonmarket NPIs and other extra budgetary entities controlled by central government but not fully financed by the main budget account. In principle, social security entities controlled by central government are not to be included in the central government subsector. However, if social security entities are included in central government, please specify this in a footnote attached to the data.

1.19 *Central government entities that are financed fully by the budget constitute the budgetary central government.* Typically these entities include courts of law, ministries, departments, and the parliament.

1.20 *The public nonfinancial corporation subsector consists of all resident nonfinancial corporations controlled by government units or other public corporations.* Nonfinancial corporations are corporations whose principal activity is the production of market goods or nonfinancial services. Typical examples of public nonfinancial corporations are national airlines, national electricity companies, and national railways. This category also includes public nonprofit institutions engaged in market production (such as hospitals, schools, or

colleges that charge economically significant prices). However, this category excludes entities that receive financial aid from government but are not controlled by government.

1.21 All resident financial corporations controlled by government units or other public corporations are part of the public financial corporation subsector. Financial corporations comprise all resident corporations whose principal activity is the provision of financial services including financial intermediation, insurance and pension fund services, and units that provide activities that facilitate financial intermediation to other institutional units. In addition, this category includes public nonprofit institutions engaged in market production of a financial nature such as those financed by subscriptions from financial enterprises whose role is to promote and serve the interests of those enterprises.

1.22 The public financial corporation subsector includes *public deposit-taking corporations* and *public financial corporations* except deposit-taking corporations. **Public deposit-taking corporations** are financial corporations, quasi-corporations, or market NPIs whose principal activity is financial intermediation and who have liabilities in the form of deposits or financial instruments that are close substitutes for deposits. Two types of public deposit-taking corporations can be distinguished: **the central bank** and **other public deposit-taking corporations** except the central bank.