

Debt Statistics

The Public Sector Debt Statistics Guide for Compilers and Users
The Barbados Experience



Second Annual Meeting

Caribbean Association of Debt Managers

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- ❖ The Public Sector Debt Statistics Guide for Compilers and Users – what, who and why?
- ❖ Defining the Public Sector and its Components
- ❖ Important Considerations:
 - Treatment of Social Security Funds
 - Treatment of the Central Bank
 - Debt Consolidation
 - Net Debt
 - Additional Components
 - SDRs
 - Sinking Fund
- ❖ Revised Debt Statistics
- ❖ Next Steps



The Public Sector Debt Statistics Guide for Compilers and Users

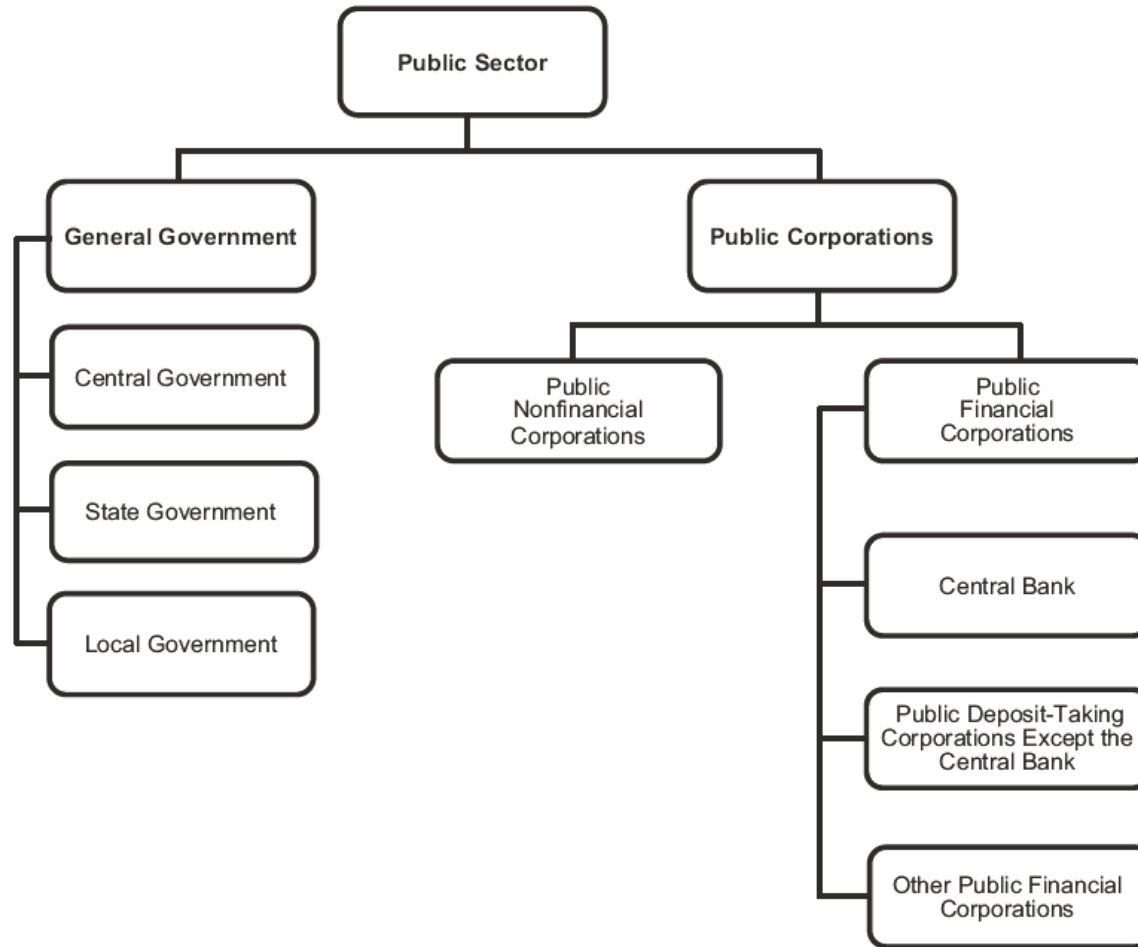
The Public Sector Debt Statistics Guide for Compilers and Users was prepared through the mechanism of the Inter-Agency Task Force on Finance Statistics (TFFS) – a multi-agency group comprising the following members:





- ❖ The Guide is focused on “improving the quality and timeliness of these key debt statistics and promoting a convergence of recording practices”.
- ❖ Specifically, the Guide provides a comprehensive framework of definitions and standardized guidelines for collection, recording and dissemination of **gross** and **net** debt liabilities of the public sector.
- ❖ The Guide builds on the framework provided in the System of National Accounts (SNA), the Balance of Payments (BPM) Sixth Edition and the Government Financial Statistics (GFS) 2001 systems to which most developed and developing countries subscribe.

Defining The Public Sector

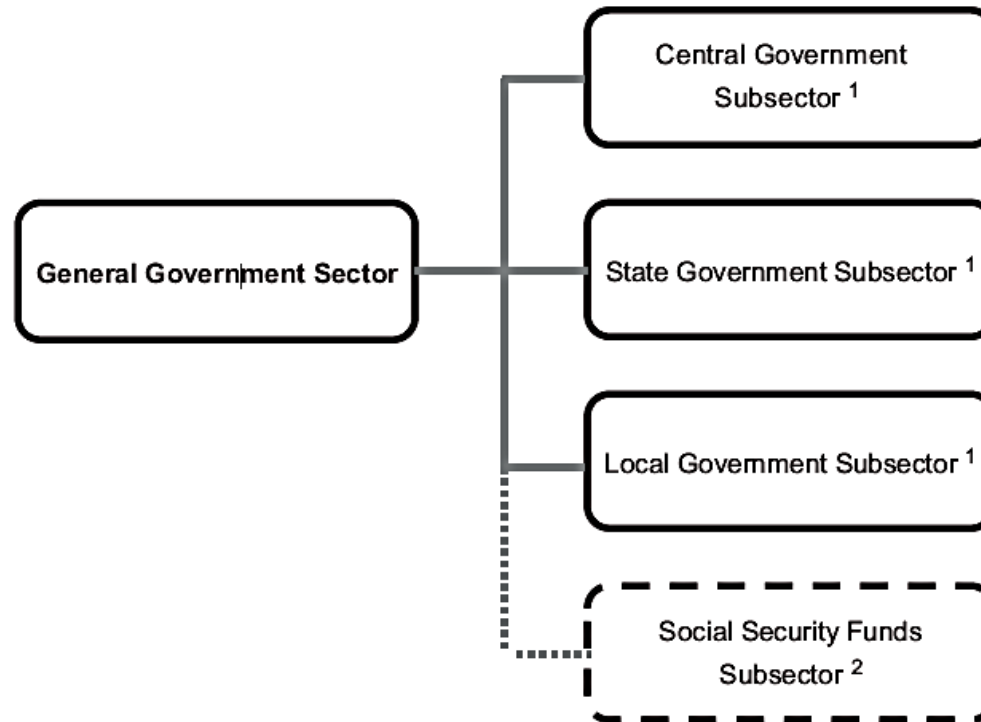


Source: The Public Sector Debt Statistics Guide for Compilers and Users, 2011

Important Considerations



Social Security Funds



¹ Includes social security funds.

² Alternatively, social security funds can be combined into a separate sector, as shown in the box with dashed lines.



How do we determine the treatment of Social Security?

- ❖ Which method is more appropriate in a given country depends on how significant social security funds are and on the extent to which they are controlled by the government units with which they are associated.
- ❖ The guide defines control as “*the ability to determine general corporate policy of the corporation*”. This general corporate policy refers to “*the key financial and operating policies relating to the corporation’s strategic objectives as a market producer*”.

Social Security Funds



The *2008 SNA* provides further guidance on indicators that should assist in determining whether a corporation is controlled by a government unit or another public corporation:

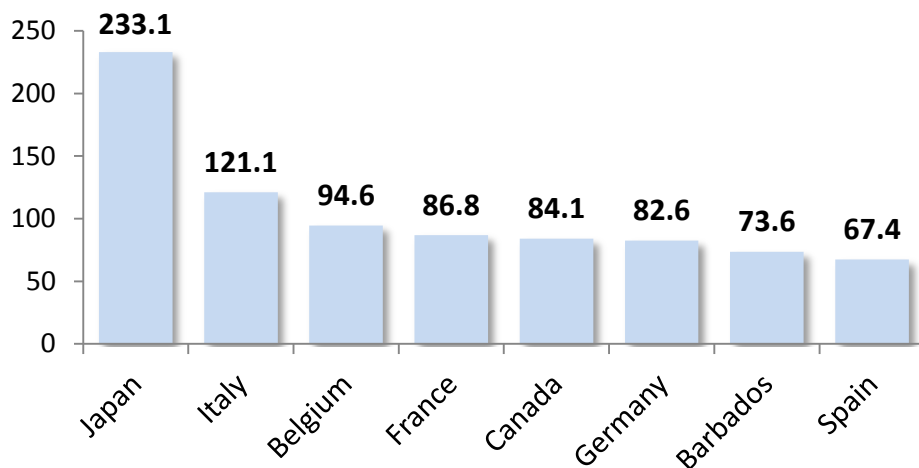
- ❖ ownership of the majority of the voting interest
- ❖ **control of the board or other governing body**
- ❖ **control of the appointment and removal of key personnel**
- ❖ **control of key committees of the entity**
- ❖ golden shares and options
- ❖ **regulation and control**
- ❖ control by a dominant public sector customer or group of public sector customers
- ❖ control attached to borrowing from the government.

Social Security Funds

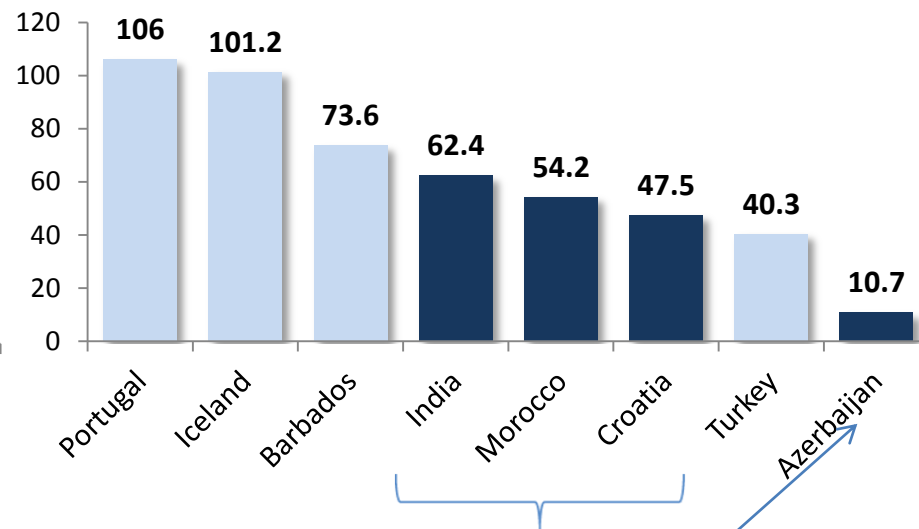


	2005	2006	2007	2008	2009	2010	2011
Government Debt to GDP	63.0	64.3	68.9	76.3	85.3	98.0	97.3
Government Debt to GDP (including NIS)	49.0	49.4	53.2	57.1	66.2	74.0	73.6
Diff.	14.0	14.9	15.7	19.2	19.1	24.0	23.7

Debt Ratios for Industrialized Countries:



Debt Ratios for Countries with a BBB- rating:



Source: IMF WEO Estimates for 2011



General Gov't does not include Social Security



- ❖ In general (and in the case of Barbados) the Monetary Authorities are considered public financial corporations.
- ❖ As such, their balance sheet data is not included in general/central government data, but is categorised under public corporations and consolidated in the presentation of public sector statistics.

Debt Consolidation



What Is Consolidation?

According to the GFSM, consolidation is a method of presenting statistics for a set of units (or entities) as if they constituted a single unit. (Source: PSDSG, Section 8.3)

- ❖ Consolidation involves the elimination of all transactions and debtor-creditor relationships that occur among the units being consolidated. In other words, a transaction or stock position of one unit is paired with the same transaction or stock position as recorded for the second unit, and both transactions and stock positions are eliminated.
- ❖ For example, if one general government unit owns a bond issued by a second general government unit and data for the two units are being consolidated, then the stocks of bonds held as assets and liabilities are reported as if the bond did not exist.



There are two broad methods of consolidation:

- ❖ ***Intra-sectoral consolidation, which is consolidation within a particular subsector to produce consolidated statistics for that particular subsector.***
 - (for example, within the central government sub-sector or within public nonfinancial corporations subsector)

- ❖ ***Inter-sectoral consolidation, which is consolidation between subsectors of the public sector to produce consolidated statistics for a particular grouping of public sector units***
 - (for example, between central, state, and local governments, or between general government and public nonfinancial corporations).

Debt Consolidation



Why Consolidate?

- ❖ Consolidation eliminates the distorting effects on aggregates of differing administrative arrangements across countries.
- ❖ To relate government aggregates to the economy as a whole (for example, revenue, expense, or debt to GDP ratios), it is better to eliminate the internal churning of funds and include only those flows and stock positions that actually cross the boundaries with other sectors or non-residents.

Debt Consolidation



	General government	Public corporations	Aggregated public sector	Consolidation	Consolidated public sector
	[1]	[2]	[3] = [1] + [2]	[4]	[5] = [3] + [4]
Financial assets corresponding to debt instruments	7,300	3,300	10,600	-400	10,200
of which: Loan to public corporation	400	0	400	-400	0
Liabilities in the form of debt instruments (gross debt)	11,600	2,900	14,500	-400	14,100
of which: Loan from government	0	400	400	-400	0

Source: The Public Sector Debt Statistics Guide for Compilers and Users, 2011



- ❖ For risk management, debt liabilities and assets may be dealt with in an integrated manner, focusing on net debt. For example, debt may have been incurred to fund assets that will generate income to meet liabilities.
- ❖ ***Net debt is calculated as gross debt minus financial assets corresponding to debt instruments***

Net Debt



Gross debt (liabilities in the form of debt instruments) <i>(a)</i>	Financial assets corresponding to debt instruments <i>(b)</i>	Net debt <i>(c)=(a)-(b)</i>
SDRs Currency and Deposits Debt Securities Loans Insurance, Pension and Standardized Guarantee Schemes Other Accounts Payable	Monetary gold and SDRs Currency and Deposits Debt Securities Loans Insurance, Pension and Standardized Guarantee Schemes Other Accounts Receivable	
Total gross debt	Total financial assets corresponding to gross debt	Total net debt

Net Debt



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of which: Loan to public corporation	400	0	400	-400	0
Liabilities in the form of debt instruments (gross debt)	11,600	2,900	14,500	-400	14,100
of which: Loan from government	0	400	400	-400	0
Net debt	4,300	-400	3,900	0	3,900

Source: The Public Sector Debt Statistics Guide for Compilers and Users, 2011

Additional Components





- ❖ ***“Special drawing rights (SDRs) are international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement reserve assets.” (PSDMG, Section 3.21)***
- ❖ The Special Drawing Rights Department of the IMF allocates SDRs among member countries of the IMF (collectively known as the participants). The allocation of SDRs is a liability of the member country and interest accrues on this liability.
- ❖ Participants may also use SDRs to meet liabilities.



- ❖ Sinking funds A sinking fund is a separate account, which may be an institutional unit or not, that is made up of segregated contributions provided by the unit(s) that makes use of the fund (the “parent” unit) for the gradual redemption of the parent unit’s debt. (*PSDMG, Section 2.73*)
- ❖ In the public sector, mostly general government units make use of sinking funds, but public corporations may do so too. Aside from eventually extinguishing all Government debt in a prudent and orderly manner, sinking funds may be meant to inspire confidence, supporting the market for government securities.





- ❖ In Barbados, Sinking Funds are accumulated at CBB, prescribed by annual payments from Central Government, equivalent to at 2% nominal value of domestic debt and 2.5% for foreign debt.
- ❖ The parent unit of the sinking fund is essentially central government (Ministry of Finance).
- ❖ As such, the assets of these sinking funds are treated as part of the Central government and are consolidated when presenting the debt statistics

Contingent Liabilities



- ❖ Contingencies/Contingent liabilities are obligations that do not arise unless a particular, discrete event(s) occurs in the future.
- ❖ A key difference between contingent liabilities and liabilities (and public sector debt) is that one or more conditions must be fulfilled before a financial transaction is recorded
- ❖ Guarantees are a type of contingent liability in which a government unit accepts the responsibility for the liability of a public sector entity in the event of default by that entity.
- ❖ In general, contingent liabilities are *not* considered liabilities of the guarantor unless there is an effective default by the borrower.
- ❖ These guarantees, however, must be recorded on the balance sheets (and in the presentation of debt statistics) of the borrower.

Revised Debt Statistics



Barbados Government Debt Statistics



	2008	2009	2010	2011
General Government				
External Debt	1,978.0	2,225.1	2,482.6	2,520.7
Domestic Debt* (of which)	2,982.3	3,423.0	3,659.8	4,127.9
PPPs	575.6	618.7	608.0	594.7
Debentures	1,585.4	1,820.1	1,962.7	2,279.7
T-bills	529.39	752.82	890.79	953.40
SDRs (+)	0.1	170.2	171.6	184.0
Gross General Government Debt**	4,960.5	5,818.3	6,314.0	6,832.6
General Government Assets (-)	1,644.4	1,633.0	1,728.8	1,848.8
Government Assets	825.9	872.3	968.0	1,088.0
Deposits	219.4	239.8	357.7	377.0
Central bank	61.2	90.2	239.4	277.4
Commercial Banks	158.3	149.6	118.3	99.6
Sinking Fund	606.5	632.5	613.3	711.0
Sinking funds for dom. debt	371.3	409.2	425.6	470.9
Sinking funds for fgn. debt	235.2	223.3	187.7	240.1
Other General Government Assets	818.5	760.8	760.8	760.8
Net General Government Debt	3,316.0	4,185.3	4,585.2	4,983.8

* Excludes Social Security-held debt

**Equivalent to Central Government debt based on the IMF's Public Sector Statistics: Guide for Compilers and Users

Barbados Government Debt Statistics



	2008	2009	2010	2011
Public Sector				
Gross General Government Debt	4,960.5	5,818.3	6,314.0	6,832.6
Debt Held By Central Bank (-)	-	101.7	95.0	223.7
T-Bills	-	26.7	20.0	177.4
Debentures	-	75.0	75.0	75.0
Public Corporations' Debt (+)	1,238.7	1,422.1	1,509.9	1,527.9
Domestic	1,034.6	1,194.3	1,195.1	1,223.0
External	204.0	227.8	314.8	304.8
Gross Public Sector Debt	6,199.1	7,138.7	7,728.9	8,136.8
Net General Government Debt	3,316.0	4,185.3	4,585.2	4,983.8
Other Central Bank Assets (-)	1,090.0	1,156.7	1,181.8	1,204.3
Foreign Assets	1,045.2	1,126.1	1,150.2	1,171.1
Other Foreign Assets	1,045.0	955.9	978.5	987.1
SDRs	0.1	170.2	171.6	184.0
Domestic Assets	44.8	30.6	31.6	33.2
Public Corporations' Deposits	213.8	289.4	306.6	311.7
Net Public Sector Debt	2,012.2	2,739.2	3,096.8	3,467.8

Barbados Government Debt Statistics



	2008	2009	2010	2011
Gross General Government Debt/GDP	57.1	66.2	74.0	77.6
Gross Public Sector Debt/GDP	71.3	81.2	90.6	92.4
Net General Government Debt/GDP	38.2	47.6	53.8	56.6
Net Public Sector Debt/GDP	23.2	31.2	36.3	39.4

Memo Debt Held by NIS (-)	1,673.0	1,849.6	2,213.8	2,380.9
T-Bills	128.5	105.1	185.3	270.9
Debentures	1,544.6	1,744.5	2,028.5	2,110.0

Next Steps



- ❖ Revision of Online Statistics and Quarterly Press Release with debt table
- ❖ The ongoing collection and inclusion of NIS liabilities (long-term claims on the Fund)
- ❖ Better coverage of contingent liabilities and assets of state-owned enterprises
- ❖ Ensuring greater collaboration with the NIS, Treasury and commercial banks to ensure that the data is comprehensive, timely and accurate.