

**REPORTS OF POLICY GROUP
AND TASK FORCE
ON
EXTERNAL DEBT STATISTICS
OF
INDIA**



1992

तार : "रिजर्विस्ट"
नई दिल्ली ।

भारतीय रिजर्व बैंक

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DEPARTMENT OF ECONOMIC
ANALYSIS AND POLICY
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March 31, 19 92

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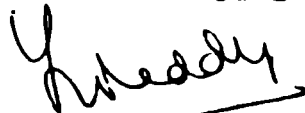
The Governor
Reserve Bank of India
Central Office
Bombay - 400 023

Dear Sir,

Report of Policy Group/Task Force
on External Debt Statistics

We forward herewith the Report of the
Policy Group along with that of the Task Force
on External Debt Statistics of India.

Yours faithfully,



(Y. Venugopal Reddy)
Joint Secretary
Department of
Economic Affairs
Ministry of Finance
Government of India
New Delhi



(A. Seshan)
Adviser
Department of
Economic Analysis
and Policy
Reserve Bank of
India
Bombay

**REPORT OF POLICY GROUP
ON EXTERNAL DEBT STATISTICS
OF INDIA**



1992

INTRODUCTION

1. With the serious external payment crisis that the country went through in the recent past, concern about the size and composition of the country's external debt has come into sharp focus. The increasing variety and complexity of the components that make up external debt and the need to monitor and keep capital transactions, more specifically debt, under close scrutiny, presuppose the availability of reliable and consistent external debt statistics. There are differences in these statistics as between Government of India (GOI) and Reserve Bank of India (RBI) and also between them and those of international agencies raising questions in the minds of the public as to the true magnitude of India's external debt. Thus, there has been a felt need both from within the country as well as from abroad for greater consistency and transparency in the external debt statistics of the country. It is, therefore, necessary to mount proper systems for reporting and classifying all debt transactions. It is equally important to introduce a greater amount of uniformity in the matter of definition, coverage and classification of external debt so that the statistics are reconcilable with those brought out by other international agencies like the World Bank (WB), International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), Bank for International Settlements (BIS) and the Institute of International Finance (IIF).

2. In view of these compelling reasons, it has become imperative that the process of compilation of external debt statistics be streamlined on an urgent footing. With this end in view, the Governor, RBI, in close and continuous consultation with the Ministry of Finance, set up a Task Force and a Policy Group on the External Debt Statistics of India.

3. Dr. Y. Venugopal Reddy, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, and Shri A. Seshan, Adviser, Department of Economic Analysis and Policy, RBI, were nominated as members of the Policy Group. The Group, which guided the work of the Task Force, had the benefit of a full-fledged report from the Task Force.

4. Shri K. Radhakrishnan, Controller of Aid Accounts and Audit, Ministry of Finance, Shri Anil Bisen, Deputy Director, External Commercial Borrowings Division, Department of Economic Affairs, Ministry of Finance, Shri V.S. Santhanam, Director, Balance of Payments Statistics Division, RBI, and Shri S.V.S. Dixit, Assistant Adviser, Division of International Finance, Department of Economic Analysis and Policy, RBI were the members of the Task Force.

CONCEPTS AND APPROACH

5. The Policy Group noted that definitions and classifications are not uniform and different organisations both within and outside India follow different procedures. In fact, the first systematic step towards an internationally acceptable framework was taken only in 1988 with the publication of the Report by an International Working Group on External Debt Statistics jointly commissioned by WB, IMF, BIS and OECD. Even so, there are a number of grey areas.

6. Hence, it was necessary for the Group to examine some crucial conceptual issues. The basic approach of the Policy Group was that even if it is not possible to accept the definitions and procedures of international agencies, the aim should be to present statistics in such a manner that a reader can understand the divergences in data relating to debt as between different agencies in the proper perspective. This would mean essentially the inclusion of memorandum items at appropriate places in the published tables on external debt. The Policy Group endorses the recommendations of the Task Force for building up a sound system on the external debt statistics ^{of the} /country. In order to get a clear-cut understanding as to what constitutes the country's external debt and to ensure the transparency of the statistics, the following categorisation may prove useful.

- a) Debt denominated in foreign currency, owed to non-residents;
- b) Debt denominated in rupees, owed to non-residents but repatriable in foreign currency at their option;
- c) Debt denominated in rupees owed to non-residents and to be redeemed in rupees only;
- d) Debt denominated in foreign currency owed to non-residents but redeemable in rupees to residents or to the non-residents only when the latter become residents;
- e) Debt contracted initially in the form of debt later getting converted into equity at the option of the investor; and
- f) Debt owed to non-residents (e.g. India Development Bonds) raised by a resident (e.g. State Bank of India, Bombay) a part of the proceeds of which are held abroad by the issuer.

7. Keeping the above categorisation in view and the generally accepted components of debt in the context of concepts used in balance of payments, the Group recommends the following procedures :

(i) Items (a) & (b) form part of the country's external debt. While Foreign Currency Non-Resident Account (FCNRA) deposits would fall under category 'a' above, Non-Resident (External) Rupee Account (NRERA) deposits would be classified under category 'b'. The NRERA is maintained by Non-Resident Indians (NRIs) essentially for the maintenance of their families in India and an outflow from the account does not necessarily mean outflow in foreign exchange unlike in the case of FCNRA. In fact it has been observed that only a small portion of the NRER account balances get repatriated out of the country.

(ii) The bilateral rupee and rouble credits (category 'c') are owed to non-residents. Technically they constitute debt. They have macro-economic implications implying transfer of goods and services out of the country to service the debt. They, however, have no direct impact on foreign currency reserves since they can be settled through rupee trade. In view of this grey area, they may not be shown formally as part of total external debt but, in the interests of transparency, they could be depicted as memo items in all debt statistics. In the case of rouble credits, the determination of the rate of exchange for the purpose of valuation bristles with problems. For the present, for purely statistical purposes and without prejudice to bilateral arrangements, the methodology used by the OECD, referred to in the Report of the Task Force, may be adopted in the interests of consistency with international practices.

(iii) The NRI Bond Series I & II and other non-repatriable debt instruments denominated in foreign currencies are in category 'd'. They are owed to non-residents but are redeemable by them when they become residents or redeemable in favour of residents to whom they are endorsed. Hence, no direct outflow of foreign exchange or goods and services is required to discharge these obligations. Hence they cannot be strictly considered as external debt. Yet, in the interests of full information, they could also be monitored and shown as memo items in debt statistics.

(iv) Convertible debentures are typical examples of item 'e'. They will have to form part of debt till they are converted into equity.

(v) As regards India Development Bonds, i.e., item 'f', the total amount of the issue can be shown as gross outstanding external debt and the amount held by the issuer (SBI) can be shown as assets/investments in the form of a memo item.

(vi) Some transactions involving deferred payments and special arrangements are resorted to in the interests of national security. Security considerations generally demand that such transactions be kept confidential in public interest. On this ground traditionally these obligations have not been included in external debt. However, there are important considerations that suggest a review of such a policy. First, under the existing system in India, it is in any case the practice that they are shown in the Budget and approved by Parliament as and when payments have to be made. It is only the obligations that are yet to be discharged under deferred payment, etc., which do not find a place in public documents. Secondly, the international institutions are in a position to gain access to the data on such obligations due to technological developments and the globalisation of financial transactions. The actual figures quoted by them, however, are a combination of conjecture and some hard data. Thirdly, macro-economic management in general and the discharge of debt, in particular, require full understanding of such obligations by those who are involved in the policy making process. Fourthly, this gains added significance in the context of the importance attached to the honouring of contractual obligations. Finally, the Government has in the recent past taken a firm stand in favour of greater transparency in its transactions and the evolution of a national consensus on economic policy.

As a result of all these considerations the Group feels that the Government may review its policy in regard to making such obligations public. Whether they should be formally treated as external debt or not is a debatable point. They may not form part of the aggregate external debt statistics of India. However, they may find a mention in terms of memo items from time to time preferably by depicting them in the relative currencies in which they are contracted.

INDIA'S DEBT IN INTERNATIONAL CONTEXT

8. For a proper understanding of the problem, the country's external debt is not to be viewed in isolation but in comparison with those of other developing countries. Interestingly enough, such a comparison on the basis of the standardised data on the external debt of developing countries available in the World Debt Tables (WDT) published by WB indicates that India compares favourably with both Middle-Income as well as Low-Income Countries in some crucial areas as shown below (Table I).

a) Total external debt as a proportion to GNP for India at 25% is much lower compared with the average for all countries (41.8%) and is also lower in comparison with the averages of all other analytical groups such as Severely Indebted Low-Income Countries (SILICs), Severely Indebted Middle-Income Countries (SIMICs), Moderately Indebted Low-Income Countries (MILICs) - India falls under this group - and Moderately Indebted Middle-Income Countries (MIMICs).

b) Total debt service for India as a proportion to export of goods and services at 26.8% is marginally lower than the average for the MILICs and the MIMICs. It is, however, marginally higher than the averages for the SILICs and the SIMICs.

An extract of a box item on India's external debt appearing in WDT is attached to this Report (Appendix I). In the recent period there has been some concern expressed about the extent of India's short-term debt. Data on such debt, which is generally contracted in relation to trade and has a certain self-liquidating character in so far as imports are made for the purpose of producing goods for exports, need to be interpreted not in their absolute magnitudes but in relation to other characteristics like volume of imports, total debt and level of reserves. The problem of short-term debt is essentially a question of liquidity and this needs to be kept in view in debt management.

NEED FOR DEPICTION OF EXTERNAL DEBT IN TRUE CURRENCIES

9. External debt of India has been denominated in rupees in official publications since rupee is the national currency and all accounts of Government, RBI, etc., are kept in terms of rupees. However, the dollar equivalent is also given in many publications. For international comparisons, there are advantages in depicting debt in US dollars also. In addition, the Group considers that the country's external debt statistics have to be drawn up also in the original (true) currencies in which they are contracted and are outstanding. It would give an idea on the currency mix inherent in debt. This information would help in the active management of debt through appropriate changes in currency mix and composition of debt as warranted by the changes in the markets such as fluctuations in exchange rates, changes in the interest rates in different currencies, etc. In any case, in so far as the actual discharge of obligations is in true currencies, it would appear desirable to depict debt outstanding in true currencies also. The Policy Group recommends such a procedure. Table II provides data for purposes of illustration. It brings out the fact that between March 31 and December 31, 1991 the depreciation of the rupee accounted for 89.3% of the rise in external debt in rupee terms.

EXTERNAL DEBT BY MATURITY

10. The maturity profile of the country's external debt is another prerequisite for proper debt management. Such a maturity profile presents a realistic picture of the country's external debt in the context of the time available for its discharge. In fact, the concessional element of India's outstanding debt in relation to period of repayment is particularly large. In any case the repayment obligations arise on maturity. Hence use of debt statistics by maturity pattern is useful in debt management. Projected debt service is presented in Table III.

FURTHER WORK TO BE DONE

11. The Group considers that further work needs to be undertaken in some related areas particularly to get a complete picture of capital account of balance of payments. There are three such broad areas, viz., (a) leasing transactions, (b) equity flows, and (c) statistics on flow of debt. (a) There is no uniformity in the treatment accorded to leasing transactions by the international agencies themselves. While BIS is not in favour of including leasing as part of external debt, the WB data on India's external debt include one leasing transaction. The Task Force has recommended that leasing transactions be excluded from the purview of external debt for the time being, because of the difficulties involved in the compilation and classification of leasing transactions and also because the magnitude of such transactions is small. It has, however, suggested that the proposed Debt Unit for External Sector (DUES) should examine this issue in depth and the Policy Group is in agreement with this suggestion.

(b) While extensive work has been done by the Task Force in the area of external debt, the exercise would be complete only if comprehensive studies are undertaken to examine the necessary systems for compilation and monitoring of equity flows into the country, dividend outflows, etc., for in the absence of such data it would not be possible to have a complete picture on capital flows. This becomes all the more urgent in view of the recent liberalisation of foreign investment policy.

(c) Given the limited time, the Task Force could not go into the problem of reconciliation of statistics of debt flows as between Indian authorities and international agencies. Flow data are as important as stock data and such indicators as debt-service ratios are used by international rating agencies and commercial banks to evaluate the debt burden on the country. Conceptually too if stock data are reconcilable, there is no reason

why flow data also cannot be reconciled. The Policy Group recommends that this aspect of debt statistics be pursued further by DUES.

DEBT STATISTICS

12. The Policy Group is in general agreement with the Report of the Task Force. Specifically it endorses the recommendations of the Task Force on the following aspects.

a) The acceptable definition that can be adopted for external debt, which is broadly in consonance with the conceptual framework indicated to it and elaborated in the earlier paras of this report;

b) The current status of external debt statistics with specific reference to sources of data and classification;

c) The reconciliation of India's debt statistics with those of other international agencies; and

d) The proposed classification of external debt statistics.

13. The analysis of reconciliation of debt statistics has shown that differences in magnitudes are marginal in regard to the different estimates, most of them arising out of various definitions adopted and the valuation methods followed.

14. In particular the Policy Group recommends adoption of the disaggregated classification recommended by the Task Force and the external debt statistics to be compiled under this classification are presented in Tables IVA and IVB in US dollars and rupees, respectively, which facilitates a quick appreciation of India's external debt and easier reconciliation with the statistics of international agencies.

15. The Policy Group endorses the suggested allocation of responsibilities in the matter of data collection and submission to the following agencies:

i) Loans under external assistance programme both on Government and non-Government Account - Office of the Controller of Aid Accounts and Audit (CAAA).

ii) Loans/bonds raised in the international markets, export credits, credits from official export credit agencies of the concerned countries, borrowings from International Finance Corporation (IFC)(W)/Nordic Investment Bank (NIB) and the private sector borrowings from the Asian Development Bank (ADB) - the ECB Division of the Department of Economic Affairs.

iii) Data on NRI deposits - Department of Economic Analysis and Policy (DEAP), RBI.

iv) Data on short-term debt (including NRI deposits up to 1 year maturity) - DEAP, RBI.

16. The Policy Group emphasises that the external debt statistics to be compiled under the recommendations of the Task Force should be published, at least on an annual basis initially, in time for use by the RBI for a proper assessment of the latest position in its Annual Report.

17. The Debt Unit proposed by Task Force should, however, endeavour to update the statistics at more frequent intervals and provide support in the form of Management Information System to all appropriate High Level Committees on external debt to help in understanding magnitudes, instruments, maturities, purposes, priorities, currency mix, etc., of external debt.

18. During the course of the discussions of the Policy Group/Task Force with the international agencies, they agreed to make available in advance to GOI/RBI the debt statistics on India that they would be publishing. The proposed Debt Unit should follow up and interact with the international agencies periodically in the interests of credibility of data.

19. The Policy Group is grateful to the Honourable Finance Minister Dr. Manmohan Singh, Shri S.Venkitaramanan, Governor, Reserve Bank of India, Dr. M.S.Ahluwalia, Secretary, Economic Affairs, Dr. Ashok Desai, Secretary and Chief Consultant, and Shri S.S.Tarapore, Deputy Governor, Reserve Bank of India, for their active encouragement and guidance in completing its task. It also appreciates the cooperation and courtesies extended by WB, IMF, OECD, BIS, IIF and Commonwealth Secretariat in the work of the Policy Group/Task Force but for which the Report could not have been prepared in such a short time. Acknowledgements are also due to the members of the Task Force, who have produced a very exhaustive and valuable report on India's external debt statistics and to Dr.K.Subramanian, Additional Director, National Informatics Centre, and his staff for help received in the timely printing of this Report.

Box 1.4. India's External Debt

India is one of the largest debtors among the developing countries, if ranked by outstanding external debt stocks. Its ranking is, however, much lower by debt service because a large proportion of its debt is concessional. At end-March 1991 its outstanding external debt amounted to approximately US\$70.1 billion, including obligations to the IMF, short-term debt, and approximately US\$12.8 million of foreign currency deposits owed to nonresident Indian citizens. India's external debt has not only grown rapidly in the past decade but has also been contracted on increasingly hard terms. A decade ago 89 percent of India's external debt was owed to official bilateral and multilateral creditors and was on highly concessional terms: interest rates averaged 2.2 percent, and maturities averaged 35 years. In the past five years, private creditor exposure to India has almost quadrupled, from US\$6.3 billion in fiscal year 1985 to almost US\$25.0 billion by March 1991. This includes US\$12.8 billion of foreign currency nonresident deposits with one to three years' maturities and attractive interest rate premiums. These deposits have been a major component of capital inflows, averaging US\$1.3 billion yearly.

The first half of the 1980s saw a large increase in India's public sector deficit, a steady deterioration in the service accounts, and a widening current account deficit. As inflows from its aid consortium decreased, India turned to commercial sources of financing. The share of borrowing from private creditors in outstanding public and publicly guaranteed debt jumped from 9.8 percent in fiscal 1981 to almost 41.0 percent in fiscal 1991. Concomitantly, the concessional component dropped from 79 percent in fiscal 1981 to 38.5 percent. In fiscal 1981 India received 11.7 percent of the concessional loans accorded by the DAC countries to all developing countries. By fiscal 1991 the comparable share had fallen to 5.8 percent.

Net flows from both official and private creditors excluding nonresident Indian deposits have almost doubled since 1985 from US\$2.5 billion to US\$4.6 billion in fiscal year 1991, including almost

US\$1.8 billion from the IMF. But net transfers have recorded a constant decline over the same period; from a peak of US\$1.7 billion in 1985 to a -US\$0.5 billion in fiscal 1991.

External financing from private creditors declined in fiscal 1991 as a consequence of growing uncertainty about the instability of the domestic political environment and doubts about the government's ability to implement corrective economic policies. These concerns were further reinforced in March 1991 when Standard and Poor's downgraded its implied ratings of the Republic of India by one notch: long-term debt to BBB- and short-term debt to A-3, from A-2. Under Standard and Poor's rating system, BBB- represents the lowest investment grade. Nonresident Indian deposits, which have become an important source of external financing during the past few years, have stagnated since last August. These are term deposits (usually six-month to three-year maturity) and are susceptible to quick withdrawal, especially under conditions of economic uncertainty. Nevertheless, throughout these difficulties, India has maintained full debt servicing.

India's debt is still not large in relation to the GNP, 25 percent in 1990 compared with an average of 113 percent for the SILICs and 42 percent for the developing countries as a whole. India was also able to reduce its debt service ratio from 32 percent in fiscal 1987 to 26.4 percent in fiscal 1990 thanks to a sharp rise in export earnings, which grew at an average annual rate of 15 percent in the three years before the Gulf crisis. But during the same period imports outpaced exports, giving rise to large current account deficits. The Gulf crisis exacerbated the situation by pushing up the price of oil imports as well as disrupting exports to Kuwait and Iraq and remittances from Indian workers in the Gulf. More recently, India has taken strong measures, in the context of an IMF program, to correct its underlying fiscal imbalance, and has undertaken structural measures, including deregulation, promotion of foreign domestic investment, and public enterprise reform.

(Source: World Debt Tables 1991-92: External Debt of Developing Countries)

TABLE - 1
COMPARATIVE EXTERNAL DEBT INDICATORS 1990

(Percentage)

	EDT/XGS	EDT/GNP	TDS/XGS	INT/XGS	INT/GNP	RES/EDT
1	2	3	4	5	6	7
SILICS	389.6	112.9	23.8	11.2	3.2	6.1
SIMICS	276.2	44.3	25.5	11.9	2.0	10.2
of which:						
Argentina	405.6	61.7	34.1	18.4	2.8	10.4
Bolivia	428.7	101.0	39.8	15.9	3.8	11.9
Brazil	342.4	22.8	21.8	8.6	0.6	7.9
Mexico	222.0	42.1	27.8	16.7	3.2	10.6
Peru	482.0	60.1	10.8	5.2	0.6	9.0
MILICS	257.6	39.7	27.3	12.8	2.0	9.1
of which:						
India	262.7	25.0	26.8	14.7	1.4	8.0
Pakistan	259.4	52.1	23.7	10.2	2.1	5.1
MIMICS	208.1	59.7	27.5	13.2	3.8	10.1
of which:						
Chile	181.3	73.6	25.9	16.8	6.8	-
Philippines	229.2	65.2	21.2	13.0	3.7	6.7
All countries	176.8	41.8	19.8	8.8	2.1	17.3

SOURCE: World Debt Tables 1991-92, World Bank.

Abbreviations used in the table:

- 1. SILICS : Severely Indebted Low-Income Countries
- 2. SIMICS : Severely Indebted Middle-Income Countries
- 3. MILICS : Moderately Indebted Low-Income Countries
- 4. MIMICS : Moderately Indebted Middle-Income Countries
- 5. EDT : Total External Debt
- 6. GNP : Gross National Product
- 7. TDS : Total Debt Service
- 8. XGS : Export of Goods & Services
- 9. INT : Interest Payment
- 10. RES : International Reserves

TABLE-B*
CURRENCY-WISE BREAKDOWN OF DEBT

(All Figures in Millions)

Currency	FOREIGN CURRENCIES								RUPEE EQUIVALENT							
	March 31, 1991				December 31, 91				Using March 31, 91 exchange rates		Using December 31, 91 exchange rates		Share share in total debt	Change in debt excluding exchange rate fluctuations (13)-(10)	Change in debt due to exchange rate fluctuations (13)-(11)	
	Govt. Accounts	Non-Govt. Accounts	ECB	Total	Govt. Accounts	Non-Govt. Accounts	ECB	Total	Debt as on 31-Mar-91	Debt as on Dec 31,91	Debt as on 31-Mar-91	Debt as on Dec 31,91				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
U.S. Dollars	17902	932	6888	25722	18238	1295	6927	26459	497042	511283	662936	681930	49.5	14241	170647	
Special Drawing Rights	3583	0	0	3583	4007	0	0	4007	95136	106394	132787	148501	10.8	11258	42107	
Deutsche Marks	5154	436	2276	7873	5489	460	2331	8280	92190	96935	134811	141780	10.3	4765	44825	
Swiss Francs	184	0	765	950	224	0	783	1007	12996	13776	18217	19310	1.4	780	5534	
Rupiah	524	0	0	524	519	0	0	519	524	519	524	519	**	-3	0	
U.A.E. Dirhams	23	0	0	23	20	0	0	20	120	104	158	137	**	-16	33	
Australian Schillings	672	0	32	664	630	0	6	636	1104	1057	1612	1544	0.1	-47	487	
Belgian Francs	2575	0	201	3776	3436	0	710	4146	2139	2349	3120	3426	0.2	210	1077	
Canadian Dollars	660	0	187	847	653	0	190	843	14128	14082	18801	18712	1.4	-64	4450	
Danish Kroners	978	0	41	1019	972	0	82	1054	3110	3217	4471	4625	0.3	107	1408	
French Francs	6477	93	239	6809	6387	157	927	7471	23439	25717	34062	37374	2.8	2278	11657	
Japanese Yen	460057	0	527953	988010	540222	0	532160	16406	138321	150133	200764	217908	15.9	11812	67775	
Kenyan Shillings	53	0	50	103	50	0	50	100	6547	6235	9313	8869	0.6	-312	2634	
Dutch Guilders	1903	0	109	2012	1906	0	114	2020	20893	20976	30508	30629	2.3	83	9653	
Saudi Riyals	301	0	0	301	307	0	0	307	1533	1583	2024	2065	0.1	30	502	
Swedish Kroners	360	0	0	360	433	0	0	433	1158	1393	1684	2025	0.1	235	632	
Pounds Sterling	138	0	354	492	134	0	330	464	16942	15978	23930	22568	1.6	-964	6590	
Rovats	942	0	0	942	979	0	0	979	22045	22910	29944	31120	2.3	845	8210	
Other Currencies	0	0	139	139	0	0	151	151	2686	2918	3582	3892	0.3	232	974	
Total									952053	997539	1313248	1376934	100.0	45486	379395	

Notes: This table includes only Government Account, Non-Government Accounts & External Commercial Borrowings above one year maturity.
Columns 1 to 9 are figures in Donor Currencies.
Columns 10 to 13 and 15 & 16 are in Rupees.

** Negligible

Total increase in debt (cols. 13-10) = Rs. 424831 million of which due to exchange rate variation (Col. 16) = Rs. 379395 (89.3%)

T A B L E III

**PROJECTED DEBT SERVICE PAYMENTS ON THE BASIS
OF DEBT OUTSTANDING AS ON MARCH 31,1991**

(US \$ millions)

	1991-92	1992-93	1993-94	1994-95	1995-96
	1	2	3	4	5
External Assistance					
Principal	1831	2056	2096	2255	2356
Interest	1476	1688	2009	1998	1964
E C B					
Principal	1116	1386	1624	1814	1996
Interest	1050	997	918	804	676
I M F					
Repurchases	483*	340	137	919	907
Charges	225*	175	148	136	71
N R I Deposits					
FCNR					
Principal	3362	1592	1258	626	-
Interest	505	328	178	59	-
NRER					
Principal	210	929	322	400	357
Interest	375	354	261	229	189
Total	10633	9845	8951	9240	8516

* Actuals

Note: Principal repayments and repurchases are projected based on repayment/repurchase schedule. Interest payments on external assistance and commercial borrowings (those at fixed interest rates) are estimated based on the rate of interest indicated in loan agreements. Interest on commercial borrowings (those at floating rates), FCNR/NR(E)A deposits and charges payable to IMF are estimated on the basis of the latest rates. Principal repayments under NRI deposits are based on a quick survey of selected banks.

TABLE - IV A
EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

(US \$ million)

(1)	Mar 31, 91 (2)	Dec 31, 91 (3)
I. MULTILATERAL.	20900	22595
A) Government Borrowing :		
i) Concessional		
a) IDA	13052	13931
b) Others	325	309
ii) Non-Concessional.		
a) IBRD	6293	6500
b) Others	217	466
B) Non-Government Borrowing :		
i) Concessional	--	--
ii) Non-Concessional	1013	1389
a) Public Sector		NA
1) IBRD	157	
2) Others	--	
b) Financial Institutions		NA
1) IBRD	451	
2) Others	206	
c) Private Sector		NA
1) IBRD	171	
2) Others	28	
II. BILATERAL	14195	16159
A) Government Borrowing:		
i) Concessional	11963	13693
ii) Non-Concessional	--	-
B) Non-Government Borrowing :		
i) Concessional:		
a) Public Sector	--	--
b) Financial Institutions	266	336
c) Private Sector	--	--
ii) Non-Concessional :		
a) Public Sector	1530	1549
b) Financial Institutions	273	393
c) Private Sector	163	188

TABLE - IV A (CONTD...)
EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

(US \$ million)

(1)	Mar 31, 91 (2)	Dec 31, 91 (3)
III. IMF	2623	3470
IV. EXPORT CREDIT:	2356	2523
A) Buyer's Credit	1154	1194
B) Supplier's Credit	483	487
C) Export Credit Component of Bilateral Credit	719	842
V. COMMERCIAL BORROWINGS :	10209	10538
A) Commercial Bank Loans	6831	6920
B) Securitized Borrowings	3022	3139
C) Loans/Securitized Borrowings etc. with Multinational/ Bilateral Guarantee+IFC(W).	356	479
VI. NRI Deposits (above one-year maturity)	7012	5765
TOTAL LONG-TERM DEBT	57295	61050
VII. SHORT TERM :		
A) Banks	2267	2267*
B) Export Credit	3572	2743
C) NRI Deposit (Up to one-year maturity)	3572	2743
TOTAL SHORT-TERM DEBT	5839	5010
GROSS TOTAL	63134	66060

NA = Not Available

* As short-term figure for 31.12.91 was not available, the previous figure of US \$ 2267 million is repeated. The status of short term debt is as per proposed definition which excludes all credits upto 180 day maturity with the exception of NRI deposits.

Memo: The total debt above excludes : (a) Rouble/Rupee bilateral credit of US \$ 1669 mn. and US \$ 1227 mn. for March 31, 1991 and December 31, 1991 respectively; (b) Rupee suppliers' credits of US \$ 22 mn. for December 31, 1991; (c) Amount outstanding under NRI (non-repatriable) bonds of 1989-90 and 1990-91 of \$ 352 mn. for March 31 and December 31, 1991; and (d) Short-term credits (less than six months) of \$ 2197 mn. for March 31 and December 31, 1991.

TABLE - IV B
EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

(Rs. crore)

(1)	Mar 31, 91 (2)	Dec 31, 91 (3)
I. MULTILATERAL.	40,386	58,234
A) Government Borrowing :		
i) Concessional		
a) IDA	25,221	35,904
b) Others	628	796
ii) Non-Concessional.		
a) IBRD	12,161	16,753
b) Others	419	1,201
B) Non-Government Borrowing :		
i) Concessional	--	--
ii) Non-Concessional	1,957	3,580
a) Public Sector		NA
1) IBRD	303	
2) Others	--	
b) Financial Institutions		NA
1) IBRD	872	
2) Others	398	
c) Private Sector		NA
1) IBRD	330	
2) Others	54	
II. BILATERAL	27,430	41,647
A) Government Borrowing:		
i) Concessional	23,117	35,291
ii) Non-Concessional	--	--
B) Non-Government Borrowing :		
i) Concessional:		
a) Public Sector	--	--
b) Financial Institutions	514	866
c) Private Sector	--	--
ii) Non-Concessional :		
a) Public Sector	2,957	3,992
b) Financial Institutions	527	1,013
c) Private Sector	315	485

TABLE - IV B (CONTD...)
EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

(Rs. crore)

(1)	Mar 31, 91 (2)	Dec 31, 91 (3)
III IMF.	5069	8943
IV. EXPORT CREDIT:	4553	6503
A) Buyer's Credit	2230	3078
B) Supplier's Credit	933	1255
C) Export Credit Component of Bilateral Credit	1390	2170
V. COMMERCIAL BORROWINGS :	19727	27160
A) Commercial Bank Loans	13200	17835
B) Securitized Borrowings	5840	8090
C) Loans/Securitized Borrowings etc. with Multinational/ Bilateral Guarantee+IFC(W).	687	1235
VI. NRI Deposits (above one-year maturity)	13550	14858
TOTAL LONG-TERM DEBT	110715	157345
VII. SHORT TERM :		
A) Banks	4381	5843*
B) Export Credit	6902	7069
C) NRI Deposit (Upto one-year maturity)	6902	7069
TOTAL SHORT-TERM DEBT	11283	12912
GROSS TOTAL	121998	170257

NA = Not Available

* As short-term figure for 31.12.91 was not available, the previous figure of US \$ 2267 million is repeated in rupee equivalent. The status of short term debt is as per proposed definition which excludes all credits upto 180 day maturity with the exception of NRI deposits.

The exchange rate used for arriving at Rupee equivalent are 1 US \$ = 19.3236 and 1 US \$ = 25.7731 for 31.03.91 and 31.12.91 respectively.

Memo : The total debt above excludes ; a) Rouble/Rupee bilateral credit of Rs.2559 crore and Rs.3164 crore for March 31 and December 31, 1991 respectively, b) Rupee Suppliers' credits of Rs.67 crore for March 31, 1991 and Rs.56 crore for December 31, 1991, c) Amount outstanding under NRI (non-repatriable) bonds of 1989-90 and 1990-91 of Rs.690 crore for March 31, 1991 and Rs.915 crore for December 31, 1991; and d) Short-term credits (less than six months) of Rs.5647 crore for March 31 and Rs.7109 crore for December 31, 1991.

**REPORT OF TASK FORCE
ON EXTERNAL DEBT STATISTICS
OF INDIA**



1992

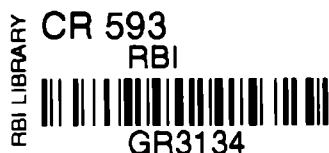
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GLOSSARY OF ABBREVIATIONS

ADB	- Asian Development Bank
BIS	- Bank for International Settlements
CAAA	- Controller of Aid Accounts & Audit (GOI)
CDC	- Commonwealth Development Corporation, United Kingdom
CEEC	- Central & East European Countries
CRS	- Creditor Reporting System
CS-DRMS	- Commonwealth Secretariat Debt Recording and Management System
DEA	- Department of Economic Affairs
DEAP	- Department of Economic Analysis and Policy (RBI)
DEIO	- Department of External Investments and Operations (RBI)
DESACS	- Department of Statistical Analysis and Computer Services (RBI)
DRS	- Debtor Reporting System
DUES	- Debt Unit for External Sector
ECB	- External Commercial Borrowings
ECD	- Exchange Control Department (RBI)
ECP	- Euro Commercial Paper
EDC	- Export Development Corporation, Canada
FCNRA	- Foreign Currency Non-Resident Account
FRN	- Floating Rate Notes
GOI	- Government of India
IBRD	- International Bank for Reconstruction and Development
IDA	- International Development Association
IFC	- International Finance Corporation
IIF	- The Institute of International Finance
IMF	- International Monetary Fund
IFS	- International Financial Statistics
MOF	- Ministry Of Finance
NIB	- Nordic Investment Bank
NIF	- Note Issuance Facility
NRERA	- Non-Resident External Rupee Account
NRI	- Non-Resident Indian
ODA	- Official Development Assistance
OECD	- Organisation for Economic Co-operation and Development
OPEC	- Organisation of Petroleum Exporting Countries
RBI	- Reserve Bank of India
RUF	- Revolving Underwriting Facility
WB	- World Bank
WDT	- World Debt Tables



INTRODUCTION

1.1 FINANCING OF CURRENT ACCOUNT DEFICIT

1.1 Since the Eighties current account deficit has increasingly been met by debt-creating flows. As a result India's external debt has risen rapidly. The composition of debt has also undergone a change. While loans under external assistance rose steadily over the years, the loan mix has been changing with the concessional portion registering a decline and non-concessional portion showing a steady growth. The recourse to commercial borrowings, which was on a modest scale before 1980, became fairly large in the Eighties. The Non-Resident Indian (NRI) deposits lent considerable support to India's balance of payments during the Seventh Five Year Plan. The NRI deposits, particularly Foreign Currency Non-Resident Accounts (FCNRA), have grown significantly. Short-term debt, which was earlier negligible, has also grown during the Seventh Five Year Plan.

1.2 SOURCES OF DEBT STATISTICS

1.2.1 The sources of debt statistics within the country have been Reserve Bank of India (RBI) and Government of India (GOI). The RBI publishes the statistics regularly in its Annual Report and Report on Currency and Finance. The brochure on "External Assistance" published by GOI contains details on loans received from multilateral and bilateral sources under Government and non-Government accounts. The GOI also publishes the statistics in its Economic Survey. Because of the difference in coverage and the exchange rates applied, there have been differences between the two sets of data (Table 1). The sources for India's debt statistics outside India have been the World Debt Tables (WDT) published by the World Bank (WB), and the External Debt Statistics published by the Organisation for Economic Cooperation and Development (OECD). The Bank for International Settlements (BIS) also publishes data on a part of India's external debt. It is, however, confined to the external bank claims on India. Apart from them, there are two other sources, which are restricted for use by members: (i) International Monetary Fund (IMF) (Article IV Consultation) and (ii) The Institute of International Finance (IIF) (Country Report).

1.2.2 The international agencies present different estimates. The debt figures published by the Indian sources (either RBI or GOI) have generally been found lower than those published by them. There have also been differences in the estimates of flow of debt and debt-service ratios. For example, the debt-service ratio for 1990-91 as published (Table 4) by the Indian authorities was 21.3 per cent whereas according to WDT it was 26.8 per cent. This is due to a host of factors including different exchange rates applied. As a result doubts have arisen as to the real magnitude of debt. A need has, therefore, arisen to have a close look at the figures published by the different sources. Efforts have no doubt been made from time to time by the RBI and GOI to reconcile debt data, as published by them, with those of World Bank, IMF and IIF.

1.3 TASK FORCE AND POLICY GROUP

1.3.1 The Governor of RBI, in consultation with Ministry of Finance, GOI, set up a Task Force and a Policy Group on External Debt Statistics in view of the urgency to reconcile the statistics not only with those of WB/IMF but also with those of IIF, OECD and BIS so that a true picture of India's external debt is obtained. The composition of the Task Force and the Policy Group and the terms of reference are given in Annex-I.

1.3.2 The Task Force prepared a series of technical papers for discussions by the Policy Group. The members of the Task Force also prepared a status report on external

debt for briefing by the Policy Group. In preparing these papers the Task Force drew on the work already done in GOI and RBI (Annex- IV) .

1.3.3 The Task Force met separately and also with the members of the Policy Group. The members of the Task Force carried out extensive discussions with the officials of the OECD in Paris, BIS in Basle, and WB, IMF and IIF in Washington and the Commonwealth Secretariat in London, whose names are given in Annex-II. The Task Force places on record its deep sense of appreciation for the support extended to it by the officials of the international agencies with whom it held fruitful discussions. It is also thankful to the officials of RBI and GOI for their co-operation. It is deeply indebted to Mr. K. Sankaravivelu and Miss Rama Rao, Office of Controller of Aid Accounts and Audit, (CAAA) Mr. Krishnakumar, External Commercial Borrowings Division and Mr. V.M. Barapatre and Mr. K.Ravi, Economic Assistants, Department of Economic Analysis and Policy, RBI, for the secretarial assistance rendered. It is particularly thankful to Mr. R. Sridharan of ECB Division for editing the report at very short notice. Help received from Dr. K.B.L. Mathur, Director, DEA, GOI and Dr. K. Subramanian, Additional Director, National Informatics Centre, and his staff is also gratefully acknowledged.

1.3.4 The Task Force was guided by the following considerations in its deliberations and recommendations :

(i) Before looking into the debt statistics of international agencies a reconciliation of the data of GOI and RBI should be made and the reconciled figures should be compared with those of other agencies.

(ii) The external debt of India should include all categories falling under the commonly accepted definition.

(iii) However, as there is no uniform practice of classification and coverage of external debt statistics, it should identify the debt items and classify them according to the needs of users.

1.3.5 A mention has been made in para 1.2.2 that there have been differences in flow of debt and debt-service ratio as published by different agencies; while the principal repayments broadly tally, interest payments differ widely. The debt-service ratio also differs. This is mainly attributable to accrued interest on FCNR deposits, which are not included in Indian debt statistics. The Task Force could not go into the question of reconciling the debt flows as reported by various agencies because of paucity of data and time.

1.4 SUMMARY OF REPORT

1.4.1 There were differences in debt statistics as published by the RBI and GOI. On the other hand, there were variations between the figures published by the Indian authorities and those published by international agencies. This is due to host of factors like coverage, classification and valuation of external debt.

1.4.2 Prior to 1988 there was no formal definition of external debt. The International Working Group on External Debt Statistics, (referred to as Working Group hereafter) constituted jointly by WB, IMF, OECD and BIS, gave an exhaustive and formal definition of external debt. Although the Working Group has broadly indicated inclusions and exclusions under external debt statistics, differences persist in coverage and classification by various international agencies. In the light of this, it is difficult to adopt a standard coverage and classification of debt for India which has one-to-one correspondence with definitions followed by all the international agencies.

1.4.3 The reconciliation has been carried out between RBI figures and GOI and differences have been resolved. Similarly, an exhaustive reconciliation is attempted with the data of international agencies. After the reconciliation, it is found that the differences

are narrowed down and external debt figures as published by Indian authorities and those by international agencies are close. The differences arise mostly due to definitions and valuation procedures.

1.4.4 A summary of recommendations of the Task Force is given below :

(a) The classification of external debt indicated in Table 6 is to be adopted for compilation of data on external debt statistics (para 6.7).

(b) A permanent Debt Unit for External Sector (DUES) may be constituted with the responsibility of recording and monitoring all debt and debt-related transactions (para 6.9). The unit will

(i) be the primary source for the external debt statistics of India, responsible for continuous reconciliation of debt data supplied by various sources in India, and bring out a periodic publication on debt.

(ii) interact with international agencies and similar Units elsewhere, organise seminars/symposia/talks, run a library of literature on the subject of external debt and endeavour to enhance the quality and use of debt statistics in India; and

(iii) maintain a Management Information System on external debt statistics and provide inputs for aiding management decisions.

(c) Compatible hardware alongwith infrastructural requirements needs to be provided to data supplying agencies (para 6.10).

(d) The agencies for supplying various components of debt to the Debt Unit as identified (para 6.5) are :

Agency	Responsible for
Controller of Aid Accounts and Audit(CAAA),Department of Economic Affairs (DEA), Ministry of Finance (MOF)	Data on official debt which should include loans which are presently shown under Government and non-Government accounts.
External Commercial Borrowings Division, DEA,MOF	Data on commercial borrowings, export credits including lending by official export creditagencies of other countries.International Finance Corporation (Washington) (IFC(W)), Nordic Investment Bank (NIB) and borrowings from ADB by private sector.
Department of Economic Analysis and Policy (DEAP), RBI.	Data on NRI deposits, short-term debt and IMF transactions.

(e) Though rupee credits and rupee suppliers' credits will be kept outside the purview of external debt, the data relating to them will be maintained in the Office of the CAAA and the RBI, respectively. Monitoring of such credits will have to be handled by the proposed Debt Unit.

(f) The definition provided by the International Working Group may be adopted by GOI and RBI (para 6.2).

(g) Henceforth, the end of the quarter market exchange rates may be used by all the sources to estimate debt outstanding in rupees. All debt figures may be converted from various currencies to US dollars by using IMF exchange rates for international comparison and reconciliation (para 2.7.6)

CHAPTER - II

CURRENT STATUS

2.1 DEFINITION

2.1.1 The international debt crisis of the Eighties focused attention on the need for formulating a correct definition of external debt. It is only when external debt is correctly defined, it will be possible to compile reliable and acceptable statistics on it. At present four major international agencies are relied upon as a source for the statistics on external debt of developing countries. They are WB, IMF, OECD and BIS.

2.1.2 Any definition of external debt should keep the commonly accepted components in view. Equally important is that it should take cognizance of the requirements of users.

2.2 COMPONENTS OF EXTERNAL DEBT AS COMPILED BY THE GOI

2.2.1 CLASSIFICATION

I. External Debt under Government account : It relates to borrowings by GOI from external multilateral and bilateral sources.

II. External Debt under non-Government account : This relates to borrowings by non-Government entities in the public sector and private sector (including financial institutions) from multilateral and bilateral sources guaranteed by GOI.

III. External Commercial Borrowings : These include (i) Commercial borrowings from Banks, (ii) Bonds and Floating Rate Notes (FRN) etc., (iii) Export credit, suppliers' credit and institutional credit. The coverage of each one of the categories is detailed below.

(a) Commercial borrowings from banks include borrowings from international banks and other financial institutions on commercial terms.

(b) Bonds, FRN, etc., are securitised instruments and cover fixed and floating rate bonds, issue of short-term recycled paper through instruments like Revolving Underwriting Facility (RUF), Note Issuance Facility (NIF), Euro Commercial Paper (ECP), etc.

(c) Export credit includes buyers' credit, suppliers' credit and institutional credit. Buyers' credits are borrowings on OECD terms from commercial banks against specific imports. They carry back-up guarantee from the credit insurance agency of the concerned country. Suppliers' credits are extended directly by the supplier of the equipment/capital goods. Institutional credits are extended directly by the export credit agency of other countries such as Kreditanstalt Fur Wiederaufbau (KfW), Germany, Credit Development Corporation (CDC), Canada and also those from multilateral institutions like IFC (Washington) and NIB. Private sector borrowings from the Asian Development Bank (ADB) are covered in this category.

IV. IMF transactions : They relate to purchases from IMF by GOI under various facilities available from the Fund.

2.2.2 DATA AVAILABILITY: The data in respect of external debt under Government account and non-Government account are maintained in the office of the CAAA. Those relating to external commercial borrowings are processed in the ECB

Division of DEA,MOF. The data relating to IMF transactions are available in the Fund-Bank Division of the DEA, MOF, and also in DEAP, RBI.

2.2.3 SOURCES: The sources for the data compiled by the Office of the CAAA are the advices received from the donor countries for disbursements and from the Department of External Investments and Operations (DEIO), RBI, for disbursements from the donors under reimbursement procedure and for debt service payments. The sources for external commercial borrowings are (i) loan agreements and (ii) information furnished by borrowers about various loan details.

2.3 COMPONENTS OF EXTERNAL DEBT AS COMPILED BY DEAP,RBI

2.3.1 CLASSIFICATION : The classification of external debt as published by the DEAP,RBI is as follows :

I. External Assistance : It covers data relating to loans under Government Account for which data are maintained by the Office of the CAAA.

II. IMF Transactions : They relate to purchases from IMF by GOI.

III. Commercial Borrowings : This covers all the external commercial loans for which data are maintained by the ECB Division of the DEA and loans under non-Government account for which data are available with the Office of the CAAA. It also covers rupee suppliers' credits.

IV. Short-Term Debt : Comprehensive data on short-term debt were not available till recently. However, the outstanding debt under Bankers Acceptance Facility (BAF), which is a part of short-term debt, was published for the first time for end-March 1991 in the RBI Annual Report for 1990-91.

2.3.2 DATA AVAILABILITY: Data on loans under external assistance are obtained from the MOF of GOI. Details on IMF transactions are available with DEAP, RBI, while the debt outstanding under commercial borrowings are maintained in Department of Statistical Analysis and Computer Services (DESACS). Deposits under Non-Resident (External) Rupee Accounts [NR(E)RA] and Foreign Currency Non-Resident Accounts (FCNRA) are available with the Exchange Control Department (ECD) and DEIO, respectively. The ECD monitors short-term debt under BAF, etc.

2.3.3 SOURCES :

I. The source for External Assistance is MOF (CAAA). The brochure on External Assistance published by the MOF is extensively used to compile the outstanding amounts. For IMF, the source is RBI. They are based on records maintained by the DEAP, RBI, on the basis of data supplied by DEIO, RBI. They are also cross checked with the International Financial Statistics (IFS) brought out by the IMF.

II. As regards commercial borrowings, though there exists Foreign Currency Loan (FCL) System within the Bank (in DESACS) to generate the data on external commercial borrowings, not much use is made of it as the coverage is not satisfactory, due to lack of response. The FCL data are supplemented by the details obtained by the DEAP from the large borrower companies. In fact, both outstanding amounts as well as disbursements and repayments of commercial borrowings are largely drawn from company reports.

III. The data on NRI deposits are published separately and not in the main debt table. The reason is that the NRI deposits were not treated as part of the external debt since a major part was not repatriated being renewed from time to time. The position has changed since the Gulf crisis of 1990 and its aftermath, necessitating a review of the stand taken so far. The source for the NRI deposits is the DEIO for FCNR deposits and ECD

for NR(E)R deposits. The DEIO maintains the record of cumulative purchases and sales of foreign currencies under FCNR deposits from which the outstanding balances are derived. It is difficult to segregate principal and interest payments from the data of DEIO. The FCNR deposits as published by the RBI are exclusive of accrued interest. The balances under NR(E)R Account are collected by the ECD through monthly telex messages received from the Authorised Dealers. They, however, include accrued interest.

IV. The data on short-term debt were not reported till recently. The source for short-term debt which has been published for the first time for end-March 1991 is the ECD. The ECD collects the short-term exposure of commercial banks although there are limitations of coverage in these statistics also.

2.4 PUBLICATIONS

2.4.1 The publications currently available for use and the organisations responsible for such publication are given below :

Name of Publication	Organisation
a) Annual Report	RBI
b) Report on Currency and Finance	RBI
c) Economic Survey	GOI
d) Brochure on External Assistance	GOI

2.4.2 The RBI Annual Report for 1990-91 estimated that the outstanding balances under Bankers Acceptance Facilities (BAF) etc., which are one portion of short-term debt amounted to \$3551 million as at end-March 1991. This has been stated separately and not included under debt statistics. The GOI estimated for the first time short-term debt of \$4800 million as at end-March 1991 in its publication, "Economic Survey 1991-92". The GOI figures are higher than those of RBI as more recent data covering not only BAF but also short-term suppliers' credits could be captured and included.

2.5 OTHER ISSUES

2.5.1 The classification of debt by both RBI and GOI is shown in Table 1. The classifications, though broadly on similar lines, differ in coverage.

2.5.2 At present, rupee credits taken by India from the East European countries and the erstwhile USSR (designated in roubles) are included in external debt statistics. The international agencies also include them in their data on India's external debt. As these credits are repaid through export of goods and services, they do not constitute foreign currency liability for India. A view could, therefore, be taken that such rupee credits should be excluded from the purview of the country's external debt. These credits are discussed in detail in Chapter V.

2.6 EXISTING SYSTEMS

2.6.1 The existing system of collection, maintenance and dissemination of external debt data by GOI and RBI has been based on the needs of the users so far. The sources for data collection are fairly reliable. The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) has been used for maintaining the data both in respect of external commercial borrowings and loans under Government account and non-Government account. The RBI also has a comprehensive data base on external assistance, external commercial borrowings, IMF purchases and NRI Deposits. The Office of CAAA has, in addition to CS-DRMS, made extensive use of the External Finance Management Information System (EFMIS) developed for it by the National Informatics Centre (NIC) of GOI.

2.6.2 The existing arrangements met the requirements of the early Eighties. The steady increase in the magnitude of external debt in the late Eighties and the attention bestowed upon it by the international agencies and the lending community have underscored the need for a review of the arrangements. The review is required to bring about necessary changes keeping in view the practices followed by the international agencies in coverage and classification of external debt and the increasing demand of users of debt data in India and abroad for up-to-date and adequate data. This is considered necessary because, even though the existing data base contains sufficient information, the classification followed is different from that of international agencies. This has led to difficulties in reconciliation of figures. Further, non-inclusion of data relating to NRI deposits and short-term debt in the published documents has resulted in large variations in figures of GOI/RBI from those of international agencies. The Task Force has taken into account these aspects while making its recommendations.

2.7 VALUATION OF EXTERNAL DEBT

2.7.1 The external debt of India consists of various currencies. Though availability of debt data by currency constituents is useful, it may not convey any meaning when inter-country comparisons of debt figures are to be made. For any meaningful comparison in this regard, the figures have to be shown in a numeraire currency, viz., US dollar.

2.7.2 NEED FOR DEPICTION OF DEBT IN RUPEES: In the case of India, the debt figures are denominated in local currency, i.e., Indian rupees. The budget of the Central Government is presented in rupees, although dollar equivalents are also occasionally given. The figures published in Economic Survey and in the various reports of the RBI are also generally in rupees. This necessitates adoption of an exchange rate for rupees vis-a-vis other currencies for conversion purposes.

2.7.3 NEED FOR DEPICTION OF DEBT IN US DOLLARS: The international agencies publish debt statistics in terms of US dollars. It is the commonly used currency for international comparisons. Debt figures in US dollars are also required for local publications along with rupee figures. This requires conversion of different currencies into US dollar equivalent using an acceptable exchange rate. Two alternative methods can be used for conveying external debt of India in terms of US dollars. These are :

- i) Foreign currency to US dollar using direct cross rates.
- ii) Foreign currency to rupee and rupee to US dollar.

2.7.4 EXISTING PRACTICE :

(a) In converting foreign currency figures into rupees, different debt reporting agencies have been using different exchange rates. The office of CAAA, which is the primary source of data for the bulk of multilateral and bilateral debt and is also the accounting agency for the transactions, uses daily exchange rates furnished by the DEIO of RBI for conversion of the various currencies forming external debt into rupees. The justification for using the rates is that all inflows/outflows are valued at these rates by the RBI.

(b) The ECB of MOF, which is responsible for data maintenance relating to commercial loans, securitized instruments, export credit, lending by official export credit agencies of various countries, etc., does not have an accounting function. Its main role is to keep updated record of debt data for information and for policy decisions. However, it uses the average of the monthly exchange rates as supplied by the DEAP of RBI.

(c) For the purpose of converting foreign currencies to US dollar, the office of CAAA uses end-period exchange rate for rupee vis-a-vis US dollar as furnished by the

DEIO, RBI. Thus, the conversion route followed is foreign currency to rupee to US dollar.

(d) The ECB of MOF also resorts to foreign currency to rupee to US dollar route for arriving at the US dollar figures. The ECB Division's data base is maintained on the lines of the CS - DRMS. The CS-DRMS does not have a provision for direct cross exchange rates between U.S. dollar and other foreign currencies. The System is so designed that it follows the foreign currency -rupee-US dollar route. Thus, the selection of this route is essentially a technical requirement rather than one based on any rationale.

(e) The currency-wise estimates of external debt outstanding under Government Account, Non-Government Account and ECB (according to the existing definition) as on April 1, 1991 and December 31, 1991 are in Table 1A.

2.7.5 LIMITATION OF THE EXISTING METHOD: The use of the above-mentioned method does not facilitate comparison of the country's external debt with the figures of international agencies. The WB data base, which is based on Debtor Reporting System (DRS), uses the IMF cross rates for converting different currencies into US dollar equivalent. Thus, differences in valuation methods would account for part of the difference in debt figures.

2.7.6 SUGGESTED METHOD:

(a) Keeping in view the need for minimising discrepancies resulting from valuation methods used, the Task Force examined the issue in depth. It felt that the existing method of valuation followed by the office of the CAAA is satisfactory. All inflow/outflow transactions are valued at the same exchange rates as are used by DEIO, RBI, to arrive at rupee equivalent. As far as the ECB Division is concerned, the average monthly rates are adequate for the purpose they are meant for. As explained earlier the ECB Division is not an accounting agency. However, it would be seen that while figures on disbursements and principal and interest payments could be captured fairly correctly using the average monthly exchange rates, there would be a slight downward bias if debt outstanding figures in rupees are arrived at using the average exchange rates. To overcome the problem, the Task Force feels that, henceforth, in addition to monthly average rates for flow data, end-of-the quarter exchange rates be adopted for quarters ending June, September, December and March in order to get a correct estimate of debt outstanding in terms of rupees.

(b) Under the Liberalised Exchange Rate Management System (LERMS) from March 1, 1992 onwards, all external loan transactions with the exception of those relating to IMF are to be governed by market exchange rates. The Office of the CAAA would, therefore, use the daily market exchange rate as intimated by DEIO, RBI, for accounting of disbursement and debt service payments. The ECB Division would use the average monthly market exchange rates and end-of-the quarter market exchange rates for flow and stock data, respectively.

(c) The existing foreign currency - rupee - US dollar route may continue to be followed. As already stated, this is a technical requirement rather than a choice. In the light of LERMS, the conversion of foreign currencies into rupees and rupees into US dollars would be at the market exchange rate. The adoption of foreign currency - rupee - US dollar route may, however, lead to difficulties in reconciling the debt figures with those of WB and other institutions. The WB produces debt figures annually in WDT, which, for India, cover end-March.

(d) It is proposed that for the purpose of international comparison and reconciliation, all debt figures may be converted from various currencies to US dollar by using the IMF exchange rates. This would be an annual exercise since the WB publishes only end-of-the financial year figures. This should pose no problem as the WB has agreed to make available exchange rates used by them. There would be some difference in GOI/RBI figures expressed in US dollar by following foreign currency - rupee - US dollar route vis-a-vis those arrived at by using the IMF exchange rates.

CHAPTER - III

INTERNATIONAL DEFINITION

3.1 PRIOR TO 1988

3.1.1 A quick survey of international definition of external debt reveals that there was no uniform and formal definition of external debt until recently. The Working Group provided an exhaustive and formal definition of external debt (Annex-III). Prior to that, the definition of external debt was somewhat informal and the items under external debt were identified more by convenience and general practice of data coverage than by a formal definition. However, the evolution of debt statistics has also improved the definition of external debt over the years.

3.1.2 In tracing the evolution of external debt statistics, it is observed that the two important international institutions that engage in publication of such statistics for the developing countries, namely, the WB and OECD have broadened the coverage of data, from year to year. The WDT of WB did not include the use of Fund Credit under the core debt in the past. Likewise, the OECD had a number of specific exclusions like (a) debt denominated in domestic currency, (b) use of Fund Credit, (c) non-civilian debt etc. With the definition given by the Working Group, the coverage under external debt statistics has become more or less uniform except for those discussed below.

3.2 INTERNATIONAL WORKING GROUP (1988)

3.2.1 In its report the Working Group defined external debt as under.

"Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest with or without principal"

3.2.2 The Report clarifies that the contractual liability is an underlying factor in deciding the inclusion of particular liability under debt. Whenever a liability is followed by specific terms for repayment or a schedule of repayment, it is considered as debt. By this criterion, equity participation, either direct or portfolio, is excluded. The Report further clarifies that the SDR allocation by the IMF is a contingent liability and will have to be repaid only if the country withdraws from participation in the SDR account or if the SDR account is terminated. Therefore, it is excluded from the core definition.

3.2.3 To avoid any ambiguity, the Report has come out with a list of specific inclusions and exclusions. It has also discussed inclusions raising special reporting problems. But it has left a host of borderline cases undecided.

3.3 DIFFERENCES IN COVERAGE

3.3.1 Although the benchmark definition has been given by the Working Group, the international agencies do not appear to have been following it strictly. A careful scrutiny of the debt statistics published by the WB (WDT), OECD ("External Debt Statistics"), BIS ("Statistics of International Indebtedness" and semi-annual "International Banking Statistics") and IIF (Country Report) indicate that there is a wide variation among the various sources.

3.3.2 OECD, which uses the mix of Creditor and Debtor Reporting Systems, includes total non-civilian debt whereas other international institutions do not normally include it. OECD treats financial leasing as part of a country's debt incorporated through WB data whereas BIS does not. The latter views it as an off-balance sheet transaction and

it is not normally included under indebtedness. Also banks which report to BIS through their central banks do not report lease transactions. Accrued interest on NRI deposits is not included by the OECD or by IIF.

3.3.3 The WB does not include non-civilian debt except to the extent it is reported by the debtor country, but includes accrued interest on NRI deposits. It includes use of Fund credit (IMF) under stock data and purchases, repurchases and charges paid to the IMF under flow data. But it does not include the latter in the calculation of aggregate net resource flows and net transfers.

3.3.4 The IIF treats the net local currency claims of foreign bank branches in domestic economy on local residents as part of country's debt and puts them under short-term debt whereas other institutions do not appear to be doing so.

3.4 DIFFERENCES IN CLASSIFICATION

3.4.1 While there is variation in coverage, there exists a significant difference in classification also among the international sources. OECD publishes debt statistics in two different publications. The data as published in 'External Debt Statistics' contain the broad categories and those published in 'Financing and External Debt of Developing Countries' consist of a detailed breakdown. The non-concessional components of bilateral assistance routed through commercial banks (e.g. under French Credit, German and Swiss Mixed Credit) extended under external assistance programme are treated as export credits. The loans extended by IFC are not included under multilateral debt. The use of Fund credit is included under multilateral debt. The cross-border claims by non-banks as given in International Financial Statistics (IFS) published by the IMF are included under short-term debt.

3.4.2 The WB classifies the lending by IFC as private non-guaranteed debt. Unlike in the case of OECD, some of the non-concessional loans routed through commercial banks under external assistance programme (German and Swiss Mixed Credit) are not treated as export credits by the WB.

3.4.3 The IIF treats the lending by IFC as multilateral. There are many instances of direct lending by certain official agencies like Exim-Japan, Exim-USA, EDC, Canada, CDC, UK etc. WB and IIF classify them as bilateral. However, it is treated as export credit by OECD.

3.4.4 BIS data are based mainly on reporting banks in OECD countries and off-shore centres. Lending by Korean Exim-Bank, for example, is therefore excluded. WB's DRS covers all debt except that part of non-civilian debt which is not reported by the debtor country. OECD draws upon both creditor and debtor sources.

3.5 INDIAN APPROACH

To sum up, though the definition of external debt has been given by the Working Group, the differences in coverage and classification of debt as followed by different international agencies persist. As a result, it is extremely difficult to adopt a standard coverage and classification of debt for India which has one-to-one correspondence with definitions followed by all the international agencies. After examining the various procedures on merits, the Task Force has made its recommendations.

RECONCILIATION OF DEBT STATISTICS

4.1 As brought out earlier, there exists a considerable degree of difference in external debt statistics for India. On the one hand, there were differences in debt statistics as published by the RBI and GOI. On the other hand, there were large variations between the figures published by the Indian authorities and those published by the international agencies.

4.2 RECONCILIATION OF GOI FIGURES WITH RBI BY TASK FORCE

4.2.1 To start with, a reconciliation was attempted between the statistics of RBI and GOI. The extent of difference could be seen from the data given in Table 1 for 1985-86 through 1990-91. The data reveal the following features : (a) On an aggregate basis there was a difference ranging between Rs.100 crore to Rs.1000 crore during 1985-86 to 1990-91. This is mainly because the RBI commercial borrowing figures are normally higher than those of GOI. Unlike GOI, the RBI covers the rupee suppliers' credits. Also, there could have been an element of over-estimation in RBI data on commercial borrowings. As the FCL system could not provide a firm figure on outstandings under commercial borrowings, they were supplemented by reports obtained from large borrowers. In the process, some duplication might have occurred. In the past, there was another reason for the difference. The GOI figures on IMF used to be lower, as it was applying the rupee representative rate to convert the use of Fund Credit figures from SDRs to Indian rupees whereas RBI applied end-period rates*. However, from the issue of Economic Survey 1991-92, GOI has also started applying the end-period rates for conversion.

(b) Component-wise, there is some difference under external assistance which is due to the coverage factor. RBI includes only the loans on Government account under external assistance whereas GOI includes non-Government loans also. RBI includes non-Government loans under commercial borrowings. Taking this into account, there is no difference between RBI and GOI figures. Under IMF, the difference in the past was due to the exchange rates applied as mentioned earlier. On account of commercial borrowings, the difference is due to the factor explained in the preceding paras. In respect of NRI deposits, there has been no difference except for the year 1990-91 (Rs.104 crore) which is relatively small. Short-term debt data were not published by either RBI or GOI (up to 1990-91) as they were not available. For end-March 1991, the GOI figure was higher by Rs.2425 crore as it includes the short-term suppliers' credit also whereas RBI figure pertained to such data which were available at the time of publication of the Annual Report for 1990-91.

4.2.2 An attempt has been made to reconcile the figures and the reconciled numbers are given in Table 2. There is no difference in data on external assistance on Government account; it includes non-Government loans also. On IMF account, the RBI figures are taken as they are based on end-period rates. In respect of commercial borrowings, a detailed loan-by-loan reconciliation was carried out and agreed figures were arrived at. According to the reconciled numbers, the external debt of India, as at the end of March 1991, amounted to Rs.130271 crore (\$ 67 billion). It includes rouble/rupee bilateral credits and short-term debt under the existing definition.

* The Rupee Representative Rate is the rate fixed by the IMF at the beginning of its financial year, viz., May 1, applicable to all transactions with the IMF during that year which are booked in IMF Account No.1 with the RBI.

4.3 RECONCILIATION WITH INTERNATIONAL AGENCIES

4.3.1 The data on India's external debt for 1985-86 through 1990-91 according to Indian statistics and those of international agencies are given in Tables 3, 3A and 3B. The Task Force noticed discrepancies in the figures. For reconciliation, the exchange rates of WB were adopted to arrive at GOI debt figures.

4.4 WORLD BANK

4.4.1 To begin with, the reconciliation was attempted with WDT. In fact, it was felt that theoretically there should not be any difference with WDT as the Tables are compiled on the basis of the reports submitted by the borrower countries. In other words, by and large, the WDT data are those which are reported by the borrower member countries.

4.4.2 The comparative figures of debt outstanding according to GOI and WB as at end-March 1991 are furnished in Table 4A. On an aggregate basis, the WDT figures are higher by \$ 3081 million for end-March, 1991 as compared with that of GOI. This can be due to the following reasons:

i) Accrued interest on FCNR deposits to the extent of \$2297 million is included in WDT under NRI deposits whereas it is not so in the case of GOI.

ii) The WDT includes revalued balances under IBRD pooled loans (around \$ 600 million) and exchange adjustment in respect of pre-1972 IDA Credits (around \$ 200 million). The GOI does not include these adjustments in its debt outstanding figures under external assistance.

4.4.3 Component-wise, GOI figures for official creditors for end-March 1991 are lower by \$ 694 million as compared with those of WDT. This is because of revaluation of IBRD loans and exchange adjustment of pre-1972 IDA Credits explained above. This difference is partially offset by the transfer of around \$ 200 million from commercial borrowings to official creditors (bilateral) in WDT. There is no difference under IMF credit. The commercial borrowing figures of GOI are marginally higher by \$ 18 million. On account of NRI deposits the difference works out to \$ 2297 million which can be solely attributable to accrued interest on FCNR deposits which WDT includes. Short-term debt (WDT) for end-March 1991 is marginally higher by \$ 108 million. A loan-by-loan scrutiny was undertaken by the Task Force in collaboration with WB. It revealed the following .

(a) There were omissions of loans in the database of both GOI and WB. Details were lacking in some cases. In the absence of complete information the WB has been supplementing its DRS with data from International Financial Review. There was some duplication on this account due to differences in loan particulars, e.g., DRS reporting Agent Bank for creditor and IFR reporting Lead Manager. Similarly, DRS data may be post-swap whereas IFR may contain pre-swap details making the two particulars appear as if they belonged to different loans. It was agreed that before using any information from IFR, the WB would cross-check with GOI/RBI.

(b) There were some old loans under which there was no drawdown and these loans were subsequently cancelled. The WB was informed about them and on-the-spot correction was carried out in its database.

(c) There were some large 1988 and 1989 loans under which no drawdown had taken place. However, since such loans did not figure in Form II produced on CS-DRMS, WB took it as error in country reporting and assumed some drawdown. This was clarified. At the same time, the Commonwealth Secretariat has been requested to incorporate undisbursed loans also in Form II of DRS to ensure correct incorporation of details in future.

(d) There were some errors in the data on disbursement especially in the case of old loans due to lack of complete information. This was clarified.

(e) The WB classifies borrowings from official export credit agencies as bilateral. The Task Force recommends the same approach in debt data classification. Many loans from official export credit agencies were shown by WB as commercial loans/buyers' credit. Necessary corrections were carried out. However, these would not affect aggregate debt data and would merely transfer debt figures from one category to another.

(f) WB shows export credit component of bilateral assistance from France as export credit. In some instances, the soft portion was also shown as export credit/bank loan. To overcome the problem, it was felt necessary that GOI should furnish separate details in Form I and II on export credit component of French bilateral assistance.

(g) On the above account, an amount of about US \$300 million has been reported in excess in the WDT. But this is more or less offset by the loans which the WB has not taken into account. They are non-Government bilateral loans which GOI did not report in Forms 1 and 2. The WB collects the data on such loans only for multilateral portion from the donor source. It does not collect the data from the bilateral sources. The loans, therefore, remain excluded from the WB data base. The amount involved under these loans is about \$ 300 million. It is recommended that the GOI should furnish Forms 1 and 2 on non-Government loans to the WB.

4.5 BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

4.5.1 It was not possible to carry out an overall reconciliation with the BIS data, as it publishes only a part of external debt, namely, external bank claims on India and other bank guaranteed credits. But, as the BIS data forms the basis for many international agencies to estimate short-term debt, an attempt was made to derive it from BIS publication. Table-4B indicates the comparative figures of GOI and BIS.

4.5.2 The BIS figures relating to Guaranteed Bank Credits include buyers' credits at OECD consensus rates through commercial banks with back-up support from export credit agencies of the concerned country. It also includes bilateral components of institutional credits reported by GOI. Together they add up to US \$ 3.135 billion. There is a difference of US \$ 65 million with BIS in this category.

4.5.3 The difference of US \$ 65 million is marginal. This may be attributed to the different periods to which the figures of BIS and GOI relate. Part of the difference also could be due to adoption of different exchange rates and non-inclusion of short-term guaranteed credit (up to one year) in GOI figures. As for other Bank claims, the comparative figures are given in Table-4B.

4.5.4 Excluding bonds, the figures representing actual banks' lending to India are US \$ 11.4 billion and US \$ 6.875 billion for BIS and GOI respectively. The difference of US \$ 4.525 billion is attributable to short-term debt. This compares favourably with the estimates of US \$ 4.9 billion furnished by WB and \$ 4.8 billion published by GOI.

4.6 INTERNATIONAL MONETARY FUND

4.6.1 The stock of debt for India for end-March 1991 according to GOI and IMF is given in Table 4C. On an aggregate basis, the total debt outstanding according to IMF amounts to \$ 68784 million which is higher by \$ 1750 million as compared with that of \$ 67034 million reported by GOI. On account of long and medium-term debt the IMF figure is higher by \$ 561 million. This is due to the revaluation of IBRD pooled loans and exchange adjustment of pre-1972 IDA credits. In fact if the adjustments are carried out in

Indian debt statistics, GOI debt figures would be higher by around \$ 200 million. On account of short-term debt, there exists a difference of \$ 1189 million. The IMF figure is higher because its estimation of short-term suppliers' credits is higher.

4.7 ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

4.7.1 India's debt outstanding as at end-March 1991, according to GOI and OECD, is furnished in Table 4D. On an aggregate level, the OECD figure is higher by US \$ 3003 million as at the end of March 1991. If GOI figure is adjusted for accrued interest amounting to \$ 2.3 billion on NRI deposits the difference narrows down to around \$ 700 million which could be ascribed to the revaluation of WB loans under Currency Pooling System.

4.7.2 The component-wise details are discussed below:

(a) Under multilateral loans, there is a difference of US \$ 503 million. OECD figure is higher due to the revaluation of IBRD pooled loans.

(b) Under bilateral loans, OECD figure is lower by US \$ 1126 million. Their figures exclude loans from USSR and other East European countries which are reflected by the OECD under private creditors along with non-civilian debt owed to USSR and other East European countries. OECD has indicated total debt (including non-civilian) owed to the East European countries as US \$ 2801 million as at end-March 1991 which fell from US \$ 7085 million as at end-March, 1990. It is understood that this is due to the fall in Rouble-US \$ exchange rate. (The OECD officials explained that the liability is denominated in roubles and as the rouble depreciated against U.S. dollar, the liability had come down in terms of U.S. dollars). Further, the OECD figures under bilateral loans do not include the bank portion of bilateral assistance included in GOI figures.

(c) The difference under IMF to the extent of \$ 1480 million exists because OECD has taken end-December 1990 figures as against end-March 1991 by GOI.

(d) The OECD figure for private creditors, though it includes non-civilian debt and bank portion of bilateral assistance, is higher only by \$ 766 million. This is due to the fact that it compares total debt outstanding with that of WDT and adjusts for difference under private creditors. If the OECD does not make any adjustment, then total debt would have been higher by around \$ 2000 million as compared with WDT as the former includes non-civilian debt also.

(e) On account of short-term loans, the OECD figure at US \$ 9140 million is higher by \$ 4340 million as compared with GOI figure of \$ 4800 million. The main reason for difference is that it includes data on cross-border claims by non-banks taken from IFS.

4.8 INSTITUTE OF INTERNATIONAL FINANCE

4.8.1 India's debt outstanding as at the end of March 1991 according to GOI and IIF on a comparable basis is given in Table 4E. The aggregate debt number of US \$ 68.87 billion is higher by \$ 1.84 billion. This is on account of net assets of foreign bank branches in India which IIF treats as short-term debt. After these adjustments there is no significant variation.

4.8.2 The IIF estimates the short-term debt on the basis of the BIS publication "International Banking Statistics" (Semi Annual).

CHAPTER - V

RUPEE/ROUBLE CREDITS

5.1 A mention was made earlier that the credits extended by USSR designated in roubles and the rupee credits made available by the East European countries to GOI need not be viewed as constituting foreign currency liability for GOI, although such credits fall within the purview of debt. Such credits are explained in the succeeding paras.

5.2 FEATURES

5.2.1 The features of these credits are as follows :

a) The sources of these credits are mainly the erstwhile USSR and to certain extent a few East European countries.

b) They have been extended for financing of development projects in power, coal, agriculture, steel, oil and other sectors.

c) They basically finance the cost of imports, training cost, consultancy fees, etc.

d) They have been extended on concessional terms, i.e. rate of interest of 2.5 per cent with a repayment period of 17 years excluding grace period of three years in the case of USSR and rate of interest of 2.5 per cent with repayment period of 12 years excluding grace period of three years in the case of Czechoslovakia.

e) These credits are designated either in Indian rupees or in the currency of the country from where such credits have been received.

5.2.2 The outstanding debt relating to these credits was roubles 942.919 million from USSR and Indian rupees 523.450 million from Czechoslovakia as on March 31, 1991.

5.3 PROCEDURES

5.3.1 While the USSR credits are designated in roubles, the credits from Czechoslovakia are expressed in Indian rupees. These countries maintain a rupee account with RBI. The repayments and interest payments as and when they fall due are indicated by GOI to RBI in USSR roubles/Indian rupees.

5.3.2 The RBI credits the rupee account of USSR/ Czechoslovakia with Indian rupees. Since the Czech Credits are designated in Indian rupees, the amounts authorised by GOI are credited to their rupee account by RBI. In the case of USSR, the exchange rates adopted by RBI are based on the provisions of the protocol dated November 25, 1978 between GOI and USSR. The rouble rates have undergone regular revisions ever since the signing of the protocol. The rupee accounts maintained by USSR and Czechoslovakia with RBI are used for payment towards India's exports to them. In such cases, the accounts are debited by the RBI. Similarly payments made towards imports by India are credited to the respective rupee account.

5.4 VALUATION

5.4.1 The outstanding debt under rouble credits relating to the USSR is expressed in rupees on the basis of the exchange rates derived from the 1978 Protocol. The method

adopted for expressing the rouble amount outstanding in US \$ is Rouble-Rupee-US dollar route. This is done for statistical purpose. The WB adopts the exchange rate of IMF for converting USSR roubles into US dollars. For the purpose of comparing the outstanding amount, the exchange rate adopted by WB has also been adopted by us and the figures arrived at works out to US \$ 1660 million as on March 31, 1991. (In the absence of availability of Rouble - US \$ exchange rate for March 31, 1991, the exchange rate of one rouble = 1.795 US \$ pertaining to December 31, 1990 has been adopted). The OECD adopts the market rate for conversion. On account of the application of market rate, the OECD has estimated rupee credits of India to be US \$ 2801 million as on December 31, 1990 against the amount of US \$ 7085 million estimated as on December 31, 1989. The substantial fall in outstanding debt has been attributed by OECD to the fall in Rouble - US \$ exchange rate. The debt figures estimated by OECD are said to include non-civilian debt also, whereas the GOI figures do not include them.

5.5 RUPEE SUPPLIERS' CREDIT

In addition to the rupee credits from USSR and Czechoslovakia under Government account covered in the preceding paras, India has also been receiving rupee suppliers' credits. The rupee suppliers' credits are credits extended to borrowers in India by the exporters in East European countries designated in rupees. Such credits are reported in the FCL returns to the RBI which maintains the data relating to such credits in CS-DRMS available with it. The outstanding debt as on March 31, 1991 under this category stood at about Rs.66.8 crore.

5.6 POSSIBLE APPROACH

The rupee/rouble credits, including rupee suppliers' credits, may not be said to constitute foreign currency liability, since the repayment of these credits is by way of export of goods and services from India. The external debt classification of the country now proposed does not include rupee/rouble credits. While presenting external debt figures a note/memo to the effect that they are exclusive of rupee/rouble credits and rupee suppliers' credits may be given, along with the relative data.

CHAPTER - VI

RECOMMENDATIONS

6.1 In the light of its terms of reference, the Task Force held exhaustive discussions with several international agencies involved in the compilation and reporting of external debt statistics. The discussions revealed that among the agencies themselves there was no uniformity in the coverage and classification of external debt. It also came to light that GOI data on external debt (after reconciling with RBI data) did not cover certain categories covered by them and that its classification did not fit in with theirs. This has contributed substantially to discrepancies between GOI figures and those of the international agencies. Keeping in view the need for improving the database and rationalise the presentation of debt data to correspond as much as possible to the practices of the international agencies, so that a comparable set of statistics on a common footing could be obtained even if definitions differ, the Task Force makes the following recommendations.

6.2 DEFINITION OF EXTERNAL DEBT STATISTICS

In the present context of increasing attention being focused on the country's external debt, the need for formulating a working definition cannot be overemphasised. After examining the practices followed by various international agencies, it is proposed that the definition provided by the Working Group may be adopted by GOI and RBI. To quote the Group : "The gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents, to repay principal, with or without interest, or to pay interest, with or without principal".

6.3 COVERAGE OF EXTERNAL DEBT STATISTICS

India's external debt statistics should cover the following items.

(i) All the items which are covered at present under external debt, namely, loans received under both Government account and non-Government account, use of Fund credit and loans and bonds raised abroad from international capital markets and export credits including lending by official export credit agencies of other countries.

(ii) Non-resident Indian deposits along with the accrued interest (credited to the account) on FCNR deposits. If the actual accrued interest amount is not available, it should be estimated based on sample surveys. For this purpose periodical quick surveys may be conducted, say, on a quarterly basis. NRI deposits would be divided into two categories, namely, those with a maturity above one year which would be part of long-term debt, and those with a maturity up to one year, which would be treated as short-term debt.

(iii) Short-term debt : It should include bank exposures, suppliers' credits and NRI deposits up to one year maturity. The Task Force recommends that, with the exception of NRI deposits, all credits up to six month maturity should be excluded from the purview of short-term definition, as these transactions are basically trade-related. RBI, however, could make separate arrangements to monitor such credits. The roll-overs of BAF into Special Overdraft Facility (SODF) I and II would figure as part of short-term debt. Though SODF II extends beyond one year, it is proposed that it may be treated as part of short-term debt, given its nature.

(iv) Revalued balances under IBRD pooled loans and exchange adjustments in respect of pre-1971 IDA credits should be included in Indian debt statistics.

(v) Convertible Debentures : Convertible Debentures are debt instruments till they are converted into stock when they assume the character of equity. As such, the Task

Force recommends that such debentures be treated as part of debt liability till they are converted into equity.

6.4 PROPOSED EXCLUSIONS

6.4.1 Lease Transactions: Leasing is a border line issue. BIS is explicit about not including it as part of debt. WB data base includes one lease transaction of India in its data base. The Working Group has stated that "leasing contracts, do not, by definition, formally constitute debt transactions, since a lease does not create a liability to repay. The contractual payments (lease fees) are in the form of service payments, not interest and amortization". There are certain lease transactions which are analogous to debt transactions which may be included. However, traditionally, lease transactions have been excluded from Indian statistics since they are treated as off-balance sheet by the borrowers. The Task Force recommends that lease transactions may continue to be excluded from the purview of debt for the following reasons :

- a) It is difficult to distinguish between financial lease and operational lease.
- b) It is difficult to collect data and then classify lease rentals into principal and interest payments.
- c) The magnitude of acquisition through leasing is small as of now.

While the Task Force recommends exclusion of lease transaction from debt data for the time being, the issue can be taken up for more careful study by the proposed Debt Unit.

6.4.2 Rupee/Rouble Credits: As already stated in Chapter V, the Task Force recommends the exclusion of rupee credits. The exclusion would be of credits designated in roubles pertaining to the erstwhile USSR from the definition of external debt, which is proposed to be restricted to convertible currencies. It is proposed that these credits may figure as memo items in the debt table.

6.5 DATA COLLECTION AGENCIES

6.5.1 The main components of India's external debt are : (a) Loans received by India under external assistance programme both on Government account and non-Government account.

(b) Loans and securitized instruments at commercial rates raised in international capital markets, export credits; lending by official export credit agencies of the concerned country, etc.

(c) Use of Fund credit.

(d) NRI deposits and NRI bonds

(e) Short-term debt.

6.5.2 At present the office of the CAAA is responsible for maintenance of data relating to loans received by India under external assistance programme both on Government and non-Government accounts. They would continue to be the primary source of all data in this category.

6.5.3 The ECB Division of the DEA, MOF, is at present maintaining data on loans/bonds raised in the international markets at commercial rates. It also maintains data on export credits, credits from official export credit agencies of the concerned countries, borrowings from IFC (W), NIB, and private sector borrowings from ADB. They could continue to be maintained by the ECB Division

6.5.4 The maintenance of data on use of Fund credit could continue to be the responsibility of the DEAP of RBI.

6.5.5 The data on NRI deposits will be maintained by the RBI (DEAP). The details on NRI deposits should include the deposits as well as accrued interest on FCNR/NR(E)R deposits.

6.5.6 As regards FCNR deposits, RBI could arrange to collect the figures through the coordination of DEIO, ECD and DESACS. DEAP may explore the possibility of taking over the data collection in respect of FCNR and any other deposits which may come into being in future.

6.5.7 The data on short-term debt (including NRI deposits up to one-year maturity) could be maintained by the RBI (DEAP). The data on short-term debt (excluding NRI deposits) would be collected from the ECD, RBI. RBI would, however, have to evolve a suitable mechanism for monitoring of short-term debt so as to make up-to-date data available. The agencies responsible for the maintenance of data on different categories of external debt as indicated above, would make available data on external debt to the proposed DUES.

6.6 RBI AND MINISTRY OF FINANCE : INTERFACE

6.6.1 There should be regular interaction between RBI and GOI in the case of commercial borrowings. For external assistance, the prime source is CAAA. Both Government as well as RBI rely on this source. As regards NRI deposits, the RBI is the sole source. In respect of commercial borrowings, however, there are two data bases, one with ECB (MOF) and another with the DEAP/DESACS (RBI). The former is based on Commonwealth Secretariat Debt Reporting and Management System (CSD-RMS) and the details are extracted from the loan agreements and the statements submitted by the companies as and when transactions take place. On the other hand, the data base in RBI is based on FCL (Foreign Currency Loan) System. As and when the approvals are accorded by RBI, FCL-1 statement is submitted. When the disbursements take place, drawal details and schedule of repayments are reported in FCL-2 statements and when repayments are effected, the FCL-3 statements are submitted to the RBI. The details reported in these statements could be used for cross-checking the data generated through CS-DRMS in ECB on a quarterly basis. The diskettes would be passed on by ECB Division, MOF, to DESACS, RBI, once in a quarter. The data would be checked through the CS-DRMS version available in RBI with the help of FCL data. The revisions would then be conveyed to ECB Division, which would then finalise the data. The finalised data would be used for publication.

6.7 PROPOSED CLASSIFICATION OF EXTERNAL DEBT

6.7.1 The proposed major classification of external debt is by type of credit. There are as many as eight distinct broad categories. They are as under :

1. Multilateral 2. Bilateral 3. IMF 4. Export Credits 5. Commercial Borrowings
6. NRI Deposits (above one-year maturity) 7. NRI Bonds, etc. 8. Short-term Debt including NRI deposits up to one year.

Items 1 to 7 cover long-term debt (above one year original maturity) and item 8 covers short-term debt including NRI Deposits (up to one year original maturity). The details of proposed classification and coverage are described below :

6.7.2 MULTILATERAL : In the case of India, the following multilateral creditor sources have been identified: IDA, IBRD, ADB, EEC (SAC), OPEC, ISO, NIB, and IFC (W). With the exception of IIF all other international bodies like WB treat IFC (W) lending as part of private non-guaranteed debt. It is proposed to treat it as part of commercial debt

and as such it is excluded from multilateral category. The proposed multilateral classification is as under :

A) Government Borrowing.

B) Non-Government Borrowing.

The sub-classification of multilateral Government and Non-Government borrowing would be as under :

A) Government borrowing

i) Concessional

- a) IDA**
- b) Others**

ii) Non-concessional

- a) IBRD**
- b) Others**

B) Non-Government borrowing

i) Concessional

At present there is no borrowing in this category.

ii) Non-concessional :

a) Public sector (Source : IBRD, ADB, NIB)

- 1) IBRD**
- 2) Others**

b) Financial Institutions (Source: IBRD, ADB, NIB)

- 1) IBRD**
- 2) Others**

c) Private Sector (Source : IBRD, ADB)

- 1) IBRD**
- 2) Others.**

6.7.3 BILATERAL: Bilateral credits are at present shown under Government account and non-Government account categories. During the course of the discussions of the Task Force with international institutions the following points were noticed :

A) Certain bilateral credits to GOI contain an export credit component (French Credit, German Credit and Swiss Mixed Credit) which are routed through commercial banks. GOI has been treating them as part of export credit. The WB takes only the French credit portion as export credit. The Task Force proposes to reclassify all such credits as part of export credit.

B) Credit from sources like Export-Import Bank of Japan, EXIM, USA, EDC, CANADA, CDC, UK, commercial borrowing from KFW, DEG GERMANY, etc., have been treated as export credit and, therefore, they form part of the existing definition of

external commercial borrowings. International agencies with the exception of OECD classify such borrowings as bilateral. OECD treats them as export credit from official sources. It is proposed to treat such borrowings as bilateral. A view has to be taken regarding the treatment of rupee credits (including credits designated in rouble pertaining to the erstwhile USSR). The Task Force recommends that such credits should be excluded from the definition of external debt which would be restricted to convertible currencies. Chapter V has been devoted to rupee credits. It is recommended that such credits should henceforth figure as memo items in the debt table on India.

The proposed bilateral classification is as under :

I. Government Borrowing

- i) Concessional
- ii) Non-concessional

II. Non-Government Borrowing

- i) Concessional
 - a) Public Sector
 - b) Financial Institution
 - c) Private Sector
- ii) Non-concessional
 - a) Public Sector
 - b) Financial Institution
 - c) Private Sector

6.7.4 INTERNATIONAL MONETARY FUND: This would include use of Fund credits.

6.7.5 EXPORT CREDITS: It is proposed to have three constituents under this category.

i) **Buyers' Credit :** These are export credits through commercial banks with insurance cover from export credit agency of the concerned country. The IIF classifies such credits as bilateral, since in the eventuality of default the risk is assumed by the export credit agency. However, the WB and other organisations treat them as export credits.

ii) **Suppliers' Credit:** These are credits extended by the supplier with or without insurance cover by export credit agency.

iii) **Export Credit Component of Bilateral Credit :** These are export credits routed through commercial banks and are part of the package of bilateral assistance. As already explained above, such credits have been treated as bilateral. However, OECD does not treat them as bilateral but as export credit. The Task Force proposes to reclassify them as export credit.

6.7.6 COMMERCIAL BORROWINGS: The existing definition of external commercial borrowing is not clear. Normally, commercial borrowings should mean borrowings in the international capital market on commercial terms. However, the present definition includes components which are classified by international agencies as multilateral (e.g. NIB), bilateral (e.g. EXIM-JAPAN, EDC CANADA etc.) and export credits. The proposed definition restricts the coverage of commercial borrowings to essentially money raised in the international capital markets. Commercial borrowings would, therefore, be classified as under :

i) **Commercial Bank Loans** : These would be borrowings at competitive rates from international banks, life insurance companies, etc. The lending by overseas branches of Indian commercial banks to entities in India is part of India's external debt. However, when these branches borrow abroad for their operational requirements, they are not part of country's debt.

ii) **Securitized Borrowings** : These would include money raised through the issue of securitized instruments like bonds, Floating Rate Notes, Euro-Commercial Paper, Note Issuance Facility etc. Non-convertible/convertible debentures are also debt instruments and would figure here.

iii) **Loans/secured Borrowings with Multilateral/ Bilateral Guarantee and IFC(W)**: This category would cover borrowings in the international capital markets with a guarantee from multilateral/bilateral agencies. The guarantee provides an "enhancement" feature thereby making the subscription/lending more attractive to the potential investor/bank. This leads to improved terms to the borrower. Borrowing from IFC (W) which are treated as part of private non-guaranteed debt by the WB is proposed to be included in this category.

Items (i) and (ii) above are "pure" commercial borrowings in the strict sense of the term. Items (i), (ii) and (iii) would constitute a more general definition of external commercial borrowings.

6.7.7 NRI DEPOSITS : a) These cover NRER and FCNR deposits. Under the Non-Resident External Accounts Rules 1970, banks can open and maintain rupee accounts in the names of non-resident Indians and persons of Indian origin. Subsequently in 1982, NRER deposits were permitted to be opened in the names of Overseas Corporate Bodies. Authorised Dealers (ADs) may open NRER accounts in any form e.g. savings, current, recurring or fixed deposit account. The account holders are permitted to repatriate balances freely. ADs may also allow operations in NRER accounts by residents under the powers granted to them by non-residents. Presently, NRER fixed deposits of one year and above enjoy higher rates of interest over domestic deposits of similar maturities. This incentive rates of interest are offered to make the deposits attractive particularly since the depositors assume exchange risk. Balances in NRE accounts may be freely invested in certain types of securities.

b) Since November 1975, non-resident accounts could be opened in designated foreign currencies. This was to enable the investors to avoid the risk resulting from exchange rate movements. At present accounts can be opened in four currencies viz US dollar, Pound Sterling, Deutsche Mark and Japanese Yen. Accounts can be opened in the form of term deposits only. Exchange risk involved in maintaining and repatriating FCNR deposits is borne by the RBI. The rates of interest applicable to different currencies are determined by RBI, after taking into account international interest rates.

c) Earlier these deposits were not treated as part of the country's debt. However, some international agencies have been considering them as part of country's external debt. The Task Force recommends that henceforth NRI deposits be treated as part of country's external debt. However, only NRI deposits with original maturity of more than one year are to be treated long-term. Deposits up to one year maturity are proposed to be classified as short-term.

d) The reason for not considering NRI deposits as India's debt earlier was due to the fact that most of the deposits were renewed from time to time and would eventually be utilised in India. There was no large-scale repatriation of funds. However, the position has undergone a change after the Gulf crisis of 1990 and its aftermath. Outflows took place on a large scale and it may be desirable to include the deposits in external debt from the point of view of debt management.

e) The NRER deposits are deposited in Indian rupees. When there is depreciation of the rupee, the value of debt in terms of foreign currency is reduced. Further, a large part

of NRER deposits are utilised locally and, therefore, do not constitute any outflow from the country. However, since the required estimates are not available, it is proposed that the entire amount of outstanding against NRER deposits be treated as debt. As regards FCNR deposits, WB figures exceed RBI estimate by over US \$ 2 billion. This is because WB makes an estimate of accrued interest. It is proposed that an estimated figure for accrued interest on FCNR deposits be calculated by Indian compilers of debt statistics also. The foreign currency deposits of nationals under LERMS are essentially liability of "residents" to "residents" (Banks) according to balance of payments concept and hence would not be part of the external debt liability of the country.

6.7.8 NRI BONDS: The NRI Bonds constitute debt liability and need to be treated as such. However, to the extent they are non-repatriable, they would not be a part of external liability of the country. Other similar instruments, which might be floated in future, would also figure in the above category.

6.7.9 SHORT-TERM DEBT : All borrowings above six months and up to one-year maturity would constitute short-term debt of the country. Those above one year could be categorised as long-term debt. Short-term debt would be classified as under:

a) **Bank Exposure :** This includes short-term bank exposures including Banker's Acceptance Facility (BAF) and their roll-overs.

b) **Export Credit :** This includes supplier's credit arrangements for the period of six months to one year. Below six months it is part of trade transaction and not treated as debt.

6.8 Debt estimates according to the proposed classification are in Table 5 and 5A.

6.9 DEBT UNIT FOR EXTERNAL SECTOR (DUES)

6.9.1 At present different constituents of MOF and RBI are responsible for compilation of data on different categories of external debt. This has led to problems of classification especially in the context of international practices. There is overlapping in the data furnished by different constituents of MOF and RBI vis-a-vis definitions adopted by international agencies. In order to have any meaningful debt statistics and for interaction with WB/IMF/OECD/IIF, etc., the entire work needs to be co-ordinated by a single unit. The Task Force, therefore recommends that a unit may be constituted to be named Debt Unit for External Sector (DUES) which should work closely with the compilers of balance of payments statistics. The duties and responsibilities of DUES are given in Annex-V.

6.9.2 The proposed DUES will be required to play a key role in maintaining the Management Information System (MIS) on external debt statistics and providing necessary inputs to management for decision making. The specific nature of its role in this regard is detailed in Annex-

6.10 The computer hardware and infrastructural facilities available with data supplying agencies should be given a fresh look. All shortcomings have to be attended to in order to ensure smooth operation and flow of information.

6.11 FURTHER WORK TO BE DONE

6.11.1 There is need for further work on equity and semi-equity flows. Though they are not debt instruments, they are becoming increasingly important in the present-day Indian context with emphasis shifting away from debt-creating instruments. The Task Force understands that the IMF Working Party on the Measurement of International Capital Flows has examined the various issues relating to foreign investment and its measurement. RBI may examine its recommendations and take necessary action.

CHAPTER - VII

DEBT DATA : NEW CLASSIFICATION

7.1 The external debt statistics according to the proposed classification are in Table-5.

7.2 LONG-TERM DEBT

7.2.1 The total long-term convertible currency debt (i.e. above one-year maturity) as on March 31, 1991 was US \$ 57.295 billion. Excluding NRI deposits, the estimated figure was US \$ 50.283 billion.

7.2.2 The corresponding long-term position as on December 31, 1991 was US \$ 61.050 billion and US \$ 55.285 billion, respectively.

7.2.3 The share of multilateral credit in total debt outstanding was US dollars 20.90 billion as on March 31, 1991 accounting for 36.5 per cent of the total long-term debt. As on December 31, 1991, it went up to US \$ 22.595 billion which is 37 per cent of the total long-term debt. The multilateral debt covered here includes borrowings from NIB and private sector borrowings from ADB, which were earlier treated as part of ECB.

7.2.4 The magnitude of bilateral debt was US \$ 14.195 billion as on March 31, 1991 and US \$ 16.159 billion on December 31, 1991 accounting for 24.8 per cent and 26.5 per cent of the total long-term debt, respectively, which shows a small increase.

7.2.5 As explained in earlier chapters, the coverage of bilateral debt has undergone a change. There are two major exclusions as compared with earlier definition viz. (i) rouble/rupee bilateral credit and (ii) Export credit component of bilateral credit which has been reclassified as export credit. The major inclusion is borrowings from agencies like Exim-Japan, Exim-USA, KFW, EDC Canada, CDC, U.K. etc. which are credits from official export credit agencies and were earlier classified as bilateral institutional credit and hence part of ECB.

7.2.6 The outstanding position under IMF was US \$ 2.623 billion as on March 31, 1991. This increased to US \$ 3.470 billion on December 31, 1991. In terms of percentage, the share was 4.6 per cent and 5.7 per cent, respectively.

7.2.7 Export credits are a new category that has been created in view of the increasing importance of flows from such sources. The debt outstanding under this category increased from US \$ 2.356 billion as on March 31, 1991 to US \$ 2.523 billion as on December 31, 1991. While buyers' and suppliers' credits were earlier part of ECB, export credit component of bilateral credit was shown as bilateral assistance.

7.2.8 The share of commercial borrowings increased from US \$ 10.209 billion as on March 31, 1991 to US \$ 10.538 billion as on December 31, 1991 indicating a percentage share of 17.8 per cent and 17.3 per cent, respectively. The component-wise breakdown of commercial borrowings is furnished in Table-5.

7.2.9 NRI deposits outstanding with maturity above one year declined from US \$ 7.012 billion as on March 31, 1991 to US \$ 5.765 billion on December 31, 1991 which are 12.2 per cent and 9.4 per cent respectively, of the total.

7.2.10 In all long-term debt showed an increase of about four billion during the nine-month period from March 31, 1991 to December 31, 1991.

7.3 SHORT-TERM DEBT

7.3.1 The short-term debt outstanding as on March 31, 1991 is estimated to be US \$ 5.839 billion. This is 9.2 per cent of total external debt (long-term + short-term).

7.3.2 The figure is different from the one published in Economic Survey 1991-92 since the proposed definition of short-term debt excludes all credits with a maturity up to six months (i.e. up to 180 days) with the exception of NRI deposits. An inclusion in the proposed definition of short-term debt is NRI deposits up to one-year maturity.

7.3.3 For December 31, 1991 only figures for NRI deposits are available. Bank and export credit figures are assumed to be constant at March 31, 1991 level. This makes the total short-term debt on December 31, 1991 as US \$ 5.01 billion.

7.4 The corresponding rupee figures are in Table 5A.

TASK FORCE/POLICY GROUP ON EXTERNAL DEBT STATISTICS

A Task Force is constituted by the Reserve Bank of India comprising the following members:

Government of India

1. Shri K.Radhakrishnan, Controller, Aid Accounts and Audit, Ministry of Finance.
2. Shri Anil Bisen, Deputy Director, External Commercial Borrowing Division, Department of Economic Affairs, Ministry of Finance.

Reserve Bank of India

3. Shri V.S.Santhanam, Director, Balance of Payments Statistics Division, Department of Statistical Analysis and Computer Services.
4. Shri S.V.S. Dixit, Assistant Adviser, Division of International Finance, Department of Economic Analysis and Policy.

A Policy Group consisting of Dr. Y.Venugopal Reddy, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India, and Shri A.Seshan, Adviser, Department of Economic Analysis and Policy, Reserve Bank of India, is constituted to oversee the work of the Task Force.

The terms of reference for the Task Force and Policy Group are as under:

- a) To bring out a technical paper on the definitions and accounting procedures on external commercial borrowings, multilateral/bilateral debt, NRI deposits and short-term credit in order to bring out a clear picture of country's external debt position and also to clarify misgivings that surround debt definitions/statistics, especially in comparison with debt data published by World Bank (WB), International Monetary Fund (IMF), Bank for International Settlements (BIS) etc.
- b) To explore mechanisms by which internal consistency, reconciliation and constant exchange of data are ensured between Ministry of Finance and Reserve Bank of India.
- c) To interact with WB, IMF, BIS, etc., with a view to ensuring consistency, transparency and regular arrangements for interaction in order to ensure that a correct external debt picture of the country is reflected in their documents/reports.
- d) To draw upon the experience and expertise available in this matter with the Commonwealth Secretariat (CS), the Debt Reporting System of which is in use for maintaining external debt data.

At the operational level the Task Force will prepare and submit a series of technical papers for discussions by the Policy Group by the middle of January, 1992. This will be followed by discussions with WB, IMF, BIS, CS, etc., which will be joined by the Policy group at wrap-up sessions. The final Report of the Task Force is expected to be submitted to the Policy Group by February 14, 1992. The Policy Group will present the Report with final recommendations to the Reserve Bank of India by February 28, 1992 *.

Sd /-----

(S.Venkitaramanan)
Governor

RESERVE BANK OF INDIA,
CENTRAL OFFICE,
BOMBAY 400 021.

December 21, 1991

NOTE : The deadline for the transmission of the Report of the Policy Group to Governor, RBI, was extended to March 31, 1992, as the visits of the Task Force and the Policy Group to the international agencies had to be deferred pending final arrangements for discussions.

LIST OF OFFICIALS MET BY THE TASK FORCE

INSTITUTION	NAMES OF PERSONS	VENUE	DATE
1. OECD	Mr. Bevan B. Stein Head DAC Reporting Systems	Paris	February 10-11, 1992
	Mrs. Jane Saint Semin External Debt Unit, Development Co-operation Directorate		
2. BIS	Mr. T.R.G. Bingham Mr. Robert A. von Werra, Assistant Manager	Basle	February 12-13, 1992
	Mr. Elmar B Koch Head of the Section		
3. World Bank	Mr. Shashi Talwar International Economics Division, World Bank	Washington D.C.	February 14-20, 1992
	Mr. D.C. Rao, Director	Washington DC	February 19, 1992
	Mr. Samuel K. Otoo Economist Country Operations Division India Department	Washington D.C.	February 19, 1992
	Ms. Helena Tang Economist Country Operations Division India Department		
4. IMF	Mr. Tony R. Boote Exchange and Trade Relations Department	Washington D.C.	February 18, 1992
	Mr. A. Siddique Statistics Department		
	Mr. Ranjit S. Teja Central Asian Department		
	Mr. Urjit Patel Central Asian Department		
5. IIF	Mr. Gregory B. Fager Director Asia/Pacific Department	Washington D.C.	February 19, 1992
	Mr. Marshall K. Essig Economist Asia/Pacific Department		

LIST OF OFFICIALS MET BY THE TASK FORCE

INSTITUTION	NAMES OF PERSONS	VENUE	DATE
6. Commonwealth Secretariat	Mr. Rajkumar Special Adviser (Economic) Miss Anne McGlone System Specialist Mr. Dev Userce Project Officer (Economic Computing, TAG)	London	February 21, 1992

Note: Members of the Policy Group had discussions with officials of WB, IMF and IIF during March 16-19, 1992.

THE "CORE" DEFINITION OF EXTERNAL DEBT

Extract from 'External Debt - Definition, Statistical Coverage and Methodology' -- A Report by an International Working Group on External Debt Statistics, appointed by WB, IMF, BIS and OECD(pages 19 to 29) .

1. THE PURPOSE OF THE "CORE" DEFINITION

The core definition represents an agreed view of the essential elements in the definition of external debt. Especially in the case of systems focusing on a particular sector, it provides criteria for the inclusion or exclusion of various types of financial instrument. It also provides a yardstick facilitating comparison of the practices of individual organisations.

At the same time, the core definition does not claim to be the unique definition of debt for all purposes. It may well have to be revised in due course in the light of further progress in statistical reporting, the evolution of financial markets or changes in the requirements of the users of statistics. Nor is it applied in full detail by any of the four organisations, for reasons which will be clear from the chapters dealing with the individual reporting systems. However, its establishment has already led to changes in the practices of some of the organizations, sometimes in the composition of the actual debt totals recorded and sometimes in the presentation of data in such a way as to permit reconciliation of the totals with the core definition.

It also provides the starting point for the considerable amount of work that remains to be done.

2. THE CORE DEFINITION AND ITS INTERPRETATION

2.1 Wording

The agreed core definition reads as follows:

" Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal".

This wording is one to which all the four organisations have agreed, but, like all compact definitions, it requires a certain degree of elaboration and commentary.

The first point to note is that it deals only with gross debt. There are good reasons for this choice: first, gross debt is the aggregate which is directly related to the problem of debt service, an essential element in the present situation: second, it is the obvious first step on the way to any more refined work on the aggregates involved. This concentration on gross debt is not intended to imply that net debt is not also a useful analytical concept, but it is one which involves an additional dimension of complexity in its definition, compilation and interpretation. The core definition has therefore been developed to deal with gross debt, leaving net debt to be tackled later.

The use of the term contractual liabilities is a crucial element in the definition, because it gives a precise criterion for deciding whether certain types of liability are included or not. It means, in the context of the definition, an obligation to make specified payments, including instances such as a financial obligation stemming from a court ruling,

where there may be no contractual agreement. It excludes equity participations, which clearly do not meet this criterion.

The reference in the core definition to principal and interest implies rather narrower coverage than the broadest of the definitions suggested in Chapter I, namely, "all instruments that represent financial liabilities, irrespective of the type of payment or repayment involved". It still leaves certain "borderline cases", corresponding to items falling within categories 9 and 10 of Figure 1. These will be discussed in some detail in section 3.2. Some of them give rise to considerable difficulty.

The terms principal and interest make no distinction between payments in cash and in kind. The words principal with or without interest bring interest-free loans into the core definition, since these involve contractual repayment obligations; interest with or without principal does the same for loans of indefinite maturity, such as those involved in the recent expansion of "perpetual" bonds, since these have contractual interest payment obligations.

The words disbursed and outstanding draw an important distinction between that element of a loan which has been drawn down and is outstanding, which is included, and undisbursed amounts, which are excluded from the core definition even where a contractual agreement exists. While, for certain purposes, undisbursed loan balances are part of the contractual obligation and may be of considerable interest for evaluating a country's financial situation, they are a contingent - not an actual - repayment obligation on the borrower and therefore not part of the core definition. It is often useful to show aggregates that incorporate undisbursed loan amounts, but these should be carefully identified: for example, total debt, including undisbursed amounts. Disbursed and outstanding also excludes arrangements such as frame agreements, under which specific loan contracts are to be concluded at some future date, until such time as any necessary further contracts have been concluded and the sums disbursed.

The fact that the definition makes no specific reference to the maturity of the debt is intended to convey that both short-term and long-term debt are included. For purposes of the core definition, "long-term" means over one year, "short-term" one year or less. This is the same treatment as in the BOP Manual, whereas in the SNA (1968) transactions of one year are counted as long-term. It should be noted that maturity may be measured in terms of original maturity, extended maturity or residual maturity. However defined, a breakdown between the two is frequently provided in the published statistics (see Chapters IV to VII).

2.2 Interpretation of the Core Definition

Use of the core definition also involves a number of important questions of interpretations. These could only be explicitly built into the definition at the risk of overloading it, but they are nevertheless important for its application.

One essential point to note is that the definition should be taken in conjunction with the long-standing and authoritative body of definitions contained in the IMF Balance of Payments (BOP) Manual. Use of the BOP definitional system is of fundamental importance in deciding whether a contractual liability is external or domestic, in that existing BOP criteria clearly define the terms "resident" and "non-resident". It may be useful to quote in full the text defining the residence criterion in the Balance of Payments Manual (Fourth Edition):

" The residents of an economy comprise the general government, individuals, private non profit bodies serving individuals, and enterprises, all defined in terms of their relationship to the territory of that economy. Included with the territory of an economy are its territorial seas and those international waters beyond its territorial waters over which the economy has or claims to have exclusive jurisdiction: overseas territories and possessions may or may not be regarded as separate economies". (BOP Manual, paragraph 52).

The concept of residence for individuals is defined as follows:

" The concept of residence adopted for individuals is designed to encompass all persons who may be expected to consume goods and services, participate in production, or engage in other economic activities in the territory of an economy on other than a temporary basis. These are the persons whose general center of interest is considered to rest in a given economy". (BOP Manual, paragraph 59).

In the interpretation of the word "temporary", it has also been generally accepted that individuals living in a given economy for a year or more are residents of that economy.

The residence criterion has been chosen in preference to a number of other possibilities. One of these would have been to determine the external or domestic status of a transaction on the basis of the nationality of the transactors. A distinction based on nationality, however, would raise serious difficulties, particularly because of the large number of countries involved, either as host country or country of origin, in major migration movements. Furthermore, it would result in the classification of a transaction, say in London between an American-owned bank and a British bank, as a transaction to be registered as external by both the British and the American authorities. It would mean that, in many cases, the commonsense notion of an external transaction as being one between residents of different countries, i.e., one where a border is crossed, would not apply. The nationality criterion is nevertheless useful for specific purposes. For example in connection with the supervision of international banks or for monitoring the lending of different groups of banks to developing countries.

Another possible criterion would have been the currency of denomination of the debt instrument, domestic or foreign. This too, however, would have resulted in the recording of an external debt transaction, even though there had been no cross-border movement, in the case of foreign currency liabilities of one resident of a given economy to another. This approach also ignores the fact that the currency of denomination is of little significance in an external debt context where freely exchangeable currencies are involved, so that any service payment can easily be converted into any currency of the creditor's choice. In the case of countries with non-convertible currencies, however, or where there are foreign exchange regulations restricting the conversion from domestic to foreign currencies, the currency of denomination is relevant because of its importance for foreign exchange management.

Above all, the residence criterion- which is basic for macro-economic analysis- has the great advantage of being long-established in other statistical systems which overlap with debt measurement and with which it is desirable to preserve consistency. At the same time, it is a system which is familiar, in related contexts, to compilers and analysts.

The residence criterion means under the core definition that a contractual liability in foreign currency to a resident is not part of external debt, while a contractual liability in domestic currency to a non-resident is. Similarly, a contractual liability to a resident who is a non-national is not part of the external debt. There may be advantage, for analytical purposes, however, in treating these liabilities differently, for example in order to evaluate the status of the foreign exchange obligations of the economy concerned.

The residence criterion in a few cases gives results which might call for special treatment, or at least special presentation, in measuring external debt. The problems arise mainly in connection with (a) off-shore banking units or centres, especially where the balances of these units or centres are large in relation to the host economy: (b) countries which sponsor "flag of convenience" or "brass plate" companies, but do not include these companies in their external sector, (c) countries' treatment of bank deposits by nationals living abroad (emigrants' deposits) in their measure of external debt. (d) countries' treatment of foreign currency deposits of residents and (e) some accounts owned jointly by national and foreign donor governments, or to which both governments have access.

The problem of the off-shore banking units or centres is both common to and important to the statistical systems of all the organisations discussed in this book, and is dealt with by them in the different ways described in the organisation chapters. In essence, the problem lies in the fact that the off-shore banking units are not regarded in the same light by either all countries or all the systems used by the organisation. For example, some countries report them as non-resident, while others (and some systems) regard them as resident. One method of dealing with the problem is to ensure that the presentation of external debt for countries with off-shore banking units identifies separately the liabilities of these units and usually shows simultaneously the corresponding asset position of the units. A similar problem arises for "flag of convenience", and "brass plate" companies, in that there is a conflict between the notion of the centre of economic interest, which for most of these nationals and "subsidiaries" would be the home country or the home country of the parent company, and the BOP twelve-month rule for residents. On this point the recommended treatment is that the positions of these categories of agent should be included in the core definition of debt. (See Appendix I).

As regards the countries where certain non-resident nationals (temporary emigrants, seamen, airline personnel) hold large deposits, it is recognised that these deposits will often not give rise to a subsequent outflow of foreign currency. Nevertheless, as long as the owner of the account is non-resident, such deposits clearly fall within the core definition of external debt.

3. THE RELATIONSHIP OF PARTICULAR TYPES OF CLAIM TO THE CORE DEFINITION

To avoid ambiguity, the Group has identified special types of liability which it considers as falling within the core definition and others which fall outside it.

As already stated in Chapter I, Section 3, the financial instruments listed as items 2 to 8 in Figure 1 of that chapter are clearly to be regarded as external debt, even under a restrictive definition, whenever the liability they represent is to non-residents. It may be useful, before turning to certain special cases, to enumerate these items and to give a brief indication of their precise content.

Item 2: Currency and transferable deposits

Deposits payable on demand and holdings of notes and coin.

Item 3: Other Deposits

Claims represented by evidence of deposit.

Item 4: Bills and Bonds, short-term

Bills and bonds of one year or less.

Item 5: Bonds, long-term

Bonds, debentures etc. the maturity of which is more than year (including preferred shares, excepting participating preferred securities).

Item 6: Short-term loans, not elsewhere classified (nec)

All loans not classified elsewhere, the maturity of which is one year or less (including all loans repayable on demand). These include loans extended to business, government, households, etc. by banks, finance companies and others, including instalment loans, hire-purchase credit and loans to finance trade credit.

Item 7: Long-term loans (nec)

All loans not classified elsewhere, the maturity of which is more than one year. The same examples as in item 6, with, in many cases, the important addition of mortgages.

Item 8: Trade credit and advances

Trade credit extended to enterprises, government and households: and advances for work which is in progress or to be undertaken.

3.1 Specific Inclusions

Certain specific types of instrument are not clearly identified in the listing of items 2 to 8, and their inclusion under the core definition requires comment.

The "Use of (International Monetary) Fund Credit"(UFC) is included in external debt, according to the core definition. UFC has not always been treated as debt, since it involves an exchange of domestic currencies against other currencies or SDR's. However, the impact on a country of its UFC liabilities is similar to that of other external loans and the liabilities have the characteristics of the forms of external debt generally covered by the core definition. Some organisations have adopted the practice of showing a main total including use of fund credit and a narrower total excluding it.

Bridging loans, both bilateral and multilateral, are included in the core definition. In any maturity breakdown, they are classified as short-term debt, unless it is known that they have an actual maturity of over one year.

Loans repayable in the borrower's currency fall within the core definition, although presentational practices differ among the organisations. For example, the OECD has classified them in its statistics of resource flows to developing countries (the "DAC statistics") as "grant-like" flows whenever, as is the usual case, the donor country has expressed the intention in its original commitment not to repatriate the receipts but to hold them in the recipient economy. In its debt statistics, however, the OECD has decided to align itself on the core definition and include these amounts as external debt. In the World Bank's Debtor Reporting System, such flows are classified separately and are at present excluded from published debt statistics.

Arrears of principal and interest are included in the core definition. It is clear that arrears of principal remain part of external debt, just as payment on the due date would have reduced the debt. It is also clear that arrears of interest, when formally capitalised under an agreement to reorganise debt, should enter the data reported by debtor and creditor sources. The Group consider that there is no essential difference, for the purpose of compiling gross debt statistics, between formally capitalised arrears and interest arrears outstanding. Where known, both should be included in gross debt aggregates. This should be done by including all arrears of interest outstanding as an addition to the stock of short-term debt, as is the current BOP practice, until a change of status occurs as a result of there being paid off or rescheduled. (For the case where a creditor writes off or writes down a loan, see Section 3.4). In published figures, arrears are included indistinguishably in short-term debt (currently in long-term debt in the World Bank's Debtor Reporting System in the case of arrears of principal on long-term debt).

As far as the recording of the reduction of arrears is concerned, a problem is caused by the multiplicity of accounting practices used to handle such cases. In debtor statements, arrears can be reduced through an actual payment or through refinancing, rescheduling, conversion or forgiveness. In creditor statements, they may also disappear from the record through write-off or specific provisioning. Actual payment clearly

reduces the volume of outstanding debt: the question of reduction of arrears through various forms of debt re-organisation is more complex and is discussed in Section 3.4.

Perpetual bonds and other securities (consols, etc.) which have no fixed repayment date are included in the definition by virtue of the specific reference to the contractual obligation to pay interest even without repaying principal.

3.1.1 Inclusions Raising Special Definitional Problems

A number of items clearly fall within the scope of the core definition but are themselves subject to differences as to possible definition and recording. They are therefore mentioned here in order to give a complete picture of the coverage of the core definition, but further work is needed, as mentioned in Chapter III, in order to improve compatibility between definitions and recording methods, both as between organisations and in the interests of consistency with other parts of the core definition coverage.

3.1.1.1 Financial Leases

In recent years, especially in the computer and aircraft sectors, it has become common practice for the users to lease equipment rather than purchase it outright. In many cases, under so-called "financial leasing", the transaction is for practical purposes analogous to a transfer of ownership with an associated contractual obligation to make regular payments, and so is a direct substitute for the contracting of a debt and requires to be included under the core definition. The difficulty resides in knowing exactly where to draw the line between financial lease, clearly directly comparable to debt transactions, and "operational" leases of a more conventional kind. This subject is dealt with in more detail in Section 2.1.2.1 of Chapter III.

3.1.1.2 Swap Arrangements

The term "swap" is now used to describe a variety of financial arrangements that are very different in their relationship to debt, and hence in their relevance for debt statistics.

Official swaps between central banks are transactions which fall within the core definition of external debt. Technically, they are similar to the use of Fund credit. They involve an exchange of domestic currency for foreign currency, with an agreed future reversal of the transaction.

Currency and interest rate swaps involving transactions between debtors do not change the amount of debt, but alter the risk characteristic of their liabilities, enabling them to change the currency in which service payments have to be made or the basis of which interest is paid (usually from fixed-rate to floating-rate, or vice versa). Creditor-based debt statistics do not address these aspects, which may also be inadequately reported by debtor.

Asset swaps involving an exchange of claims between lenders alter the identity of the creditor, but do not otherwise affect debt statistics, unless one of the creditors is resident of the debtor-country.

In the case of the recent tendency on the part of certain developing countries to exchange debt against equity ("debt/equity swaps"), the result is clearly a reduction of debt under the terms of the core definition, although the amounts of cross-border liabilities, broadly defined, may not have changed.

Certain routine types of foreign exchange transactions are also called swaps, but the forward positions arising out of these transactions fall outside the scope of debt statistics and are not covered by the core definition.

3.1.2 Inclusions Raising Special Reporting Problems

In some cases, agreement on the inclusion of a type of liability in the core definition is accompanied by a recognition that serious practical reporting difficulties exist. Some of these, such as the reporting of arrears, have already been mentioned.

Another example is negotiable debt instrument. A bond denominated in domestic or foreign currency should clearly be recorded as external debt when the holder is non-resident. The problem is the practical one of determining at all reliably the residence of the holder. The difficulty has been increased by the recent tendency for countries in a position to do so to buy back their own bonds originally issued on foreign capital markets. In the case of the bank-based reporting systems, however, and when the banks themselves are both the holder and the reporter, there can be a degree of certainty on this point.

It has been agreed in the Group that cross-border intra-company debt falls with the core definition, but this raises problems, especially as balance-of-payments statistics include this form of debt indistinguishably in direct investment. The adjustment of capital account raises no particular difficulty, providing the reporting is in sufficient detail, but there is no provision in the present system for the identification of the relative interest payment in the balance-of-payments current account.

Another example is military debt. While there is no reason in principle to distinguish debt arising from military transactions from other debt, and it is therefore included in the core definition, there are often practical and political problems making it difficult to obtain the information.

Item 2, "currency and transferable deposits", clearly falls within the core definition, but whereas deposits are relatively easily captured by the normal reporting systems, this is not true of notes and coin held by non-residents.

3.2 Borderline Case

The borderline cases, whose inclusion is subject to further consideration, are mainly those covered by items 9 and 10 of Figure 1, namely, "net equity of households on life insurance, pension funds" and "other accounts payable".

The first of these items, representing the reserves and other forms of saving held by insurance companies and pension fund in order to meet future risks, may be important when it comes to measuring "net debt". It is not at present to be regarded as substantial in the context of the indebtedness of developing countries.

The problem of the "accounts payable" is more difficult. They can indeed be in the nature of short-term contractual debt, since they include "accounts payable not included (elsewhere), for example, in respect of taxes interest, dividends, rent, wages and salaries". But this is obviously a heterogeneous category, with the relevance to the core definition of external debt depending largely on the nature of the individual transaction, with little possibility of satisfactory generalisation, although a "broad" definition of debt would probably include them (meaning that external debt would be defined as items 2 to 8 plus items 9 and 10).

Other borderline cases involve types of claim which are not specifically covered in the SNA listing. These include, for example, barter credit and liabilities in the form of annuities.

3.3 Specific Exclusions

3.3.1 Equities

The most important general exclusions from the broad list of liabilities are the two forms of equity identified in Chapter I.

The SNA definition of corporate equities (item 11 in Figure 1) is "instruments and records acknowledging claims to the residual value, and residual income, of incorporated enterprises, after the claims of all creditors have been met". The definition goes on to state that "equity securities do not provide the right to a pre-determined income, or to a fixed sum on dissolution of the incorporated enterprise".

It is clear, therefore, that no contractual obligation of the kind specified in the core definition is involved.

The same is true of item 12, "proprietors' net equity in enterprises".

3.3.2 Other Specific Exclusions

In a few cases where the core definition does not itself clearly indicate whether a category should be included or excluded, the Group has come down in favour of exclusion.

One such case is interest accruing but not yet due. Under standard accounting procedures, interest on most types of lending is subject to a continuous accrual process. This is most evident in the case of bonds and other portfolio debt, where interest accrued since the previous interest date is normally calculated and included in the transaction price at the time of sale. By analogy, it might be considered that the accrued interest forms part of the value of the liability. However, interest is not contractually due until the actual date of payment and for this reason is not included in accrued form in the core definition of debt. There is the additional point that its inclusion would distort the relationship between the stock of debt and future service payments.

For the same reasons, future interest not yet accrued is also excluded from the core definition.

Liabilities to the IMF arising from SDRs are the counterpart of foreign assets acquired when SDRs are issued, but the process by which SDRs are created resemble an unrequited transfer in that the holder acquires a financial asset without exchanging for anything of economic value. In other words, the "liability" is contingent, and will have to be repaid only if the country withdraws from participation in the SDR account or if the SDR account is terminated. SDR liabilities are, therefore, excluded from the core definition. Although any use of SDR assets which brings a country's holdings below its cumulative allocation gives rise to an obligation to pay charges, this net use is not included in the external debt measure.

3.4. The Treatment of Debt Reorganisation

The increasing incidence of debt reorganisation in various forms in recent year has created new problems in the presentation of debt statistics. Many of these problems concern the timing and identification of financial flows - one of the principal subjects is the Group's future work - rather than the recording of the stock of debt, and are discussed more fully in Chapter III, section 2.5.

It is important in any discussion of the recording of debt to describe the way in which debt reorganisations affect debt statistics. Some arrangements have no impact on the

outstanding amount of debt, but can affect the classification by creditor and debtor sector of the outstanding debt and certainly affect the timing of future debt service payments.

The techniques for implementing debt reorganisation are essentially three in number, each with several variants, and can be undertaken either to relieve a weak debtor or to enable a debtor to profit from changed financing possibilities. The three main techniques, more than one of which may be used in a particular case, are:

- Rescheduling, under which the debt contract is altered to rephrase the schedule of interest and principal payments due to creditors;
- Refinancing, involving a new loan either a) to replace the original loan / loans or b) to govern some or all of the payments due on the original loan / loans;
- Forgiveness, in which a loan is extinguished, wholly or in part, by agreement between debtor and creditor.

In relation to the core definition, it will be seen that only debt forgiveness reduces the total amount of outstanding debt.

All these forms, other than debt forgiveness, may have a major effect on the sectoring of the debt, for example if the refinancing loan is made by an official agency to replace loans from the private sector. The maturity breakdown is clearly affected in a majority of cases.

There will also often be resectoring on the debtor side, especially where the reorganisation involves the assumption by the central bank or the Government of debt previously owed by the private sector.

Apart from these forms of agreed debt reorganisation, there are certain unilateral actions which may affect the debt totals reported by either the creditor or debtor.

For example, a bank may undertake provisioning or write-offs of claims it regards as doubtful debts in the light of its own policies or supervisory requirements. This unilateral action does not affect the existence of the claims involved, but it can lead to asymmetry between creditor and debtor reporting systems, with the debtor continuing to report the whole liability, while the creditor reports only the residual value after provision or write-off. Provisioning may be undertaken either through the creation of a reserve on the liability side of the creditor's balance sheet or by reduction from the value of outstanding loans on the asset side. Adjustment on the asset side may lead to an understatement of actual claims on debtor countries. In reporting, it is desirable, in all cases where stated assets are reduced without a reduction in actual claims, that information be provided on the reductions in order to allow creditor data to be adjusted to show the full extent of the claims. This would avoid possible inconsistency between debtor - and creditor-based data - and continue to correspond to the core definition.

The equivalent unilateral action on the debtor side is repudiation, by which the debtor disclaims an obligation recorded by the creditor. Here too, unless special measures are taken, there will be asymmetry between the debtor reporting, which will no longer show the liability, and the creditor reporting, which will continue to record the obligation as a claim.

Figure 1 : Financial instruments

Financial Assets	Financial Liabilities
1. Gold and IMF SDRs	
2. Currency and transferable deposits	2. Currency and transferable deposits
3. Other deposits	3. Other deposits
4. Bills and Bonds, short-term	4. Bills and Bonds short-term
5. Bonds, long-term	5. Bonds, long-term
6. Short-term loans not elsewhere classified(nec)	6. Short-term loans not elsewhere classified (nec)
7. Long-term loans (nec)	7. Long-term loans (nec)
8. Trade credit and advances	8. Trade credit and advances
9. Net equity of households on pension funds	9. Net equity of households on life insurance, pension funds
10. Other accounts receivable	10. Other accounts payable
11. Corporate equities	11. Corporate equities
12. Proprietors' net equity in enterprises	12. Proprietors' net equity in enterprises

RECONCILIATION OF DEBT STATISTICS-PAST EFFORTS

The problem of reconciliation of debt statistics of Indian authorities with those of international agencies was sought to be tackled from time to time in the past. An IMF Mission consisting of Mr. Baydar Gurgen of the then Bureau of Statistics and Mr. Juha Kahkonen of the then Asian Department had discussions in August 1990 with officials of GOI and RBI, inter alia, on the concepts and methodology used in the compilation of debt statistics.

In September 1990, a loan-by-loan reconciliation was attempted by ECB Division for comparing the data in WDT with those in the data base maintained in the MOF. It revealed the additions and deletions to be made in the files of both WB and ECB.

In the paper entitled "External Debt Statistics and Direct Investment Flows in Indian Balance of Payments Data" presented at the meeting of the IMF Working Party on the Measurement of International Capital Flows by Dr. C. Rangarajan, the then Deputy Governor of RBI, an attempt was made to compare RBI debt statistics with those of WDT keeping in view the definitional differences. The following points were brought out in the paper. Notwithstanding the differences in the sources of data the net additions to debt stocks (as measured by the utilisation of both official and commercial loans and credits net of repayments) did not vary significantly as between the BoP data of RBI and WDT statistics. In fact taking the four years 1985-86 to 1988-89 together the difference in the net addition to debt stock was found to be only one per cent (\$134 million) as between the two sets of data. There were nevertheless large year-to-year variations attributable perhaps to timing differences in the recording of data. The debt stock figure of WDT was higher than that of RBI by \$ 0.8 billion, \$ 1.3 billion and \$ 1.0 billion, as at the end of March 1986, 1987 and 1988, respectively. The figure for end-March 1989 was more or less the same for both the sources.

The exercises in reconciliation of debt statistics were pursued further by Mr. A. Seshan, Adviser, DEAP, RBI, during his discussions with officials of WB, IMF and IIF in October 1990, October 1991 and December 1991. The reconciliation was attempted on the basis of additional information available on the discrepancies in data files of WB and Indian authorities. The discrepancies in individual loan transactions were looked into. A difference of \$ 5.0 billion in debt stock at the end of March 1991 was observed after putting the statistics of both the agencies on a comparable basis with NRI deposits and short-term debt being in the two sets of data. WDT estimated the outstanding external debt of India at \$ 70.1 billion, whereas according to RBI it was \$ 65.1 billion. Of the difference of \$ 5.0 billion short-term loans accounted for 27.1 per cent and long-term loans 72.9 per cent. A part of the difference in long-term debt was explained by valuations. IBRD loans are revalued from year to year under the Currency Pooling System, whereas they are shown at the book value in Indian debt statistics. This is brought out in the following table.

IBRD Loans Outstanding

(US \$ Million)

End-March	RBI (Book Value)	WDT (Revalua- tion from 1985)	Book Value according to WB	Col.3 - Col.2
1.	2.	3.	4.	5.
1985	1,819	1,688	1,965	-131
1986	2,208	2,396	2,178	188
1987	2,649	3,475	2,667	826
1988	3,639	4,661	3,643	1,022
1989	5,121	5,590	5,121	469
1990	6,228	6,615	6,259	387

The variations in exchange rates of US dollar vis-a-vis other currencies influence the WDT estimates. Even though IDA loans were valued according to book value by both WB and RBI there were differences although they were not large. The differences in data on NRI deposits had been rising from end-March 1985. The WDT estimates were higher than those of RBI ranging from \$ 191 million at end-March 1985 to \$ 2261 million at end-March 1991. The higher estimate was attributable to accrued interest being taken as a component of NRI deposits outstanding. After taking into account the differences of \$ 601 million, \$ 2261 million and \$ 1356 million in respect of WB loans, FCNR deposits and short-term loans, respectively, there still remained an additional amount of \$ 788 million in WDT which needed to be investigated further. An analysis of debt service ratios was attempted which revealed that even after the two sets of data were put on a comparable basis the ratios of WDT were higher than those of RBI, the difference ranging from 8.3 per cent in 1986-87 to 1.6 per cent in 1990-91.

The debt statistics of IIF were rearranged on lines comparable to those of RBI and it was found that but for short-term debt the data were close to each other. At the end of March 1990 the estimate of IIF was higher than that of RBI by only \$ 25 million if short-term debt was not taken into account. The components, however, showed variations due to definitional differences. As regards short-term debt the IIF data included inter-bank liabilities and were based on the estimates of BIS.

FUNCTIONS OF DUES

The DUES would be required :

i) to work in co-ordination with balance of payments compilers of RBI which would help in integrating flow data with stock data.

ii) to serve as the primary source of all debt data in the country. The data covered by DUES would include all categories and aspects of debt.

iii) to ensure continuous reconciliation of debt data between GOI and RBI and generation of reconciled set of debt statistics.

iv) to deal with conceptual and definitional issues relating to external debt.

v) to study documents/reports on India's external debt by World Bank, IMF, BIS, OECD Secretariat, IIF Washington etc on a regular basis and interact with these agencies in order to ensure correct reporting of debt data and related information.

vi) to study and interact with other similar agencies/units in other countries to draw upon their experience and also to keep itself informed about the latest changes.

vii) to come out with publication^a on debt preferably in the month of July every year so that it is available to RBI for an assessment of the latest situation in its Annual Report. The data covered would be up to 31st March of the same year. Along with statistical details, the report would include an analysis and interpretation of various debt parameters.

viii) to maintain a record/library of debt experiences of different countries as a research resource. This would include international efforts like Baker and Brady Plans and similar efforts by the Paris Club .

ix) to help organize seminars/talks/symposia^a on external debt in order to interact with academics/researchers in the field .

x) to act as a technical and advisory arm on external debt position and develop a full-fledged Management Information System for the use of the authorities.

xi) to play a significant role in devising ways and means of collecting debt statistics in consultation with other agencies in the present context of liberalization of exchange control which may pose problems in data collection in future in the absence of exchange control records.

DUES INPUTS FOR MANAGEMENT DECISIONS

The DUES would :

a) assist in the task of planning future borrowing levels consistent with manageable levels of debt service payments . The Management Tools facility available in CS-DRMS would be immensely useful in this regard. CS-DRMS has scenario building facility and alternative future scenarios can be evaluated with the help of test loans. In this context, DUES would keep track of foreign exchange reserve position and analyse present and future levels in order to link them to the debt servicing capacity of the country.

b) provide information on the sensitivity of debt-service payments to variations in exchange and interest rates. The exchange rate sensitivity of future debt service payments would be a very useful tool for planners. Alternative scenarios can be built up to study the impact of varying exchange rates and fluctuations in floating rates of interest on debt service payments.

c) help evaluate alternative loans/credit offers by calculating grant element and effective cost of borrowing. This facility is also available in CS-DRMS.

d) make recommendations on liability management strategy through analysis of data and use of available softwares. They allow optimization of currency, interest and maturity mix so as to enable the country to have the most cost effective debt portfolio through the use of derivative instruments like currency and interest swaps, options, caps, etc .

As an additional aid to the debt managers, DUES would provide following data classification:

Breakdown of debt by borrower category viz. Public Sector, Financial Institution, Private Sector; Debt by major individual borrowers; Currency wise breakdown of debt; Debt breakdown by Guarantee Status; Debt by Economic Sector; calculation of average maturity, interest rate and grace period for various classifications of debt and concessional and non-concessional elements.

Suitable formats will be devised by DUES for providing the data listed above.

TABLE - 1

EXTERNAL DEBT STATISTICS: 1985-86 TO 1990-91
(End-March)

(Rs. crore)

ITEM	1985-86		1986-87		1987-88		1988-89		1989-90		1990-91	
	GOI	RBI	GOI	RBI	GOI	RBI	GOI	RBI	GOI	RBI	GOI	RBI
1	2	3	4	5	6	7	8	9	10	11	12	13
1. External Assistance	27379	26638	33201	32312	37426	36578	48002	46838	55708	54095	68363	65695
2. I.M.F	5285	5271	5547	5548	4732	4732	3696	3696	2362	2573	5132	5132
3. External Commercial Borrowings (ECB)	7647	8075	10321	11243	12876	13543	18034	19147	22065	24500	26706	29370
TOTAL (1-3)	40311	39984	49069	49103	55034	54853	69732	69681	80135	81168	100201	100197
4. N.R.I. Deposits	5650	5650	7847	7847	10054	10054	14154	14154	17831	17831	20542	20446
TOTAL (1-4)	45961	45634	56916	56950	65088	64907	83886	83835	97966	98999	120743	120643
5. Short Term	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	9400*	6975*
GRAND TOTAL (1-5)	45961	45634	56916	56950	65088	64907	83886	83835	97966	98999	130143	127618

SOURCE : RBI : Annual Report - 1990-1991
GOI : Economic Survey - 1990-1991

NA: Not Available

NOTE : RBI figures on External Assistance do not include borrowings under non-Government Account whereas they form part of GOI figures on External Assistance. RBI figures on ECB include non-Government Account Loans and rupee suppliers' credit.

* RBI datum refers to only a portion of short-term debt for which details were available at the time of publication of the Annual Report for 1990-91 while additional particulars were available to GOI subsequently.

TABLE I A
CURRENCY-WISE BREAKDOWN OF DEBT

(All Figures in Millions)

Currency	FOREIGN CURRENCIES								RUPEE EQUIVALENT						
	March 31, 1991				December 31, 91				Using March 31, 91 exchange rates		Using December 31, 91 exchange rates		Share share in total debt	Change in debt excluding exchange rate fluctuations (13)-(10)	Change in debt due to exchange rate fluctuations (13)-(11)
	Govt. Accounts	Non-Govt. Accounts	ECB	Total	Govt. Accounts	Non-Govt. Accounts	ECB	Total	Debt as on 31-Mar-91	Debt as on Dec 31,91	Debt as on 31-Mar-91	Debt as on Dec 31,91			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
U.S. Dollars	17902	932	6888	25722	18238	1295	6927	26459	497042	511283	662936	681930	49.3	14241	170647
Special Drawing Rights	3583	0	0	3583	4007	0	0	4007	95136	106394	132787	148501	10.8	11258	42107
Deutsche Marks	5158	438	2276	7873	5489	460	2331	8280	92190	96955	134811	141780	10.3	4765	44825
Swiss Francs	184	0	765	950	224	0	783	1007	12996	13776	18217	19310	1.4	780	5534
Ruppes	524	0	0	524	519	0	0	519	524	519	524	519	**	-5	0
U.A.E. Dirhams	23	0	0	23	20	0	0	20	120	104	158	137	**	-16	33
Austrian Schillings	632	0	32	664	630	0	6	636	1104	1057	1612	1544	0.1	-47	487
Belgian Francs	3573	0	201	3774	3436	0	710	4146	2139	2349	3120	3426	0.2	210	1077
Canadian Dollars	660	0	187	847	653	0	190	843	14128	14062	18801	18712	1.4	-64	4630
Danish Kroners	978	0	41	1019	972	0	82	1054	3110	3217	4471	4625	0.3	107	1408
French Francs	6477	93	239	6809	6387	157	927	7471	23439	25717	34062	37374	2.8	2278	11657
Japanese Yen	460057	0	527953	988010	540222	0	532160	1E+06	138321	150133	200764	217908	15.9	11812	67775
Kuwaiti Dinars	55	0	50	105	50	0	50	100	6547	6235	9313	8869	0.6	-312	2634
Dutch Guilders	1903	0	109	2012	1906	0	114	2020	20893	20976	30508	30629	2.3	83	9653
Saudi Riyals	301	0	0	301	307	0	0	307	1533	1563	2024	2065	0.1	30	502
Swedish Kroners	360	0	0	360	433	0	0	433	1158	1393	1684	2025	0.1	235	632
Pounds Sterling	138	0	354	492	134	0	330	464	16942	15978	23930	22568	1.6	-964	6590
Roubles	942	0	0	942	979	0	0	979	22045	22910	29944	31120	2.3	865	8210
Other Currencies	0	0	139	139	0	0	151	151	2686	2918	3582	3892	0.3	232	974
Total									952053	997539	1313248	1376934	100.0	45486	379395

Note: This table includes only Government Account, Non-Government Account & External Commercial Borrowings above one year maturity.
Columns 1 to 9 are figures in Donor Currencies.
Columns 10 to 13 and 15 & 16 are in Rupees.

** : Negligible

Total increase in debt
(cols. 13-10) = Rs. 424881 million
of which due to exchange
rate variation (Col. 13 - 16) = Rs. 379395 (89.3%)

TABLE - 2

RECONCILED EXTERNAL DEBT STATISTICS: 1985-86 TO 1990-91
(END-MARCH)
(GOI AND RBI)

(Rs. crore)

ITEM	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6	7
1. External Assistance **	27379	33201	37426	48002	55708	68587
2. I.M.F	5271	5548	4732	3696	2573	5132
3. External Commercial @ Borrowings(ECB).	7852	10453	12721	17835	22065 #	26706 #
TOTAL (1-3)	40502	49202	54879	69533	80346	100425
4. N.R.I Deposits *	5650	7847	10054	14154	17831	20446
TOTAL (1-4)	46152	57049	64933	83687	98177	120871
5. Short-Term Debt	NA	NA	NA	NA	NA	9400
GRAND TOTAL (1-5)	46152	57049	64933	83687	98177	130271

* - It includes the accrued interest on NRER deposits

** - Includes non-Government account loans also

- Provisional

@ - The reconciled figures on ECB are according to old classification including loans, securitized instruments, export credit and part of debt from multilateral agencies.

TABLE - 2 A

RECONCILED EXTERNAL DEBT STATISTICS: 1985-86 TO 1990-91 (END MARCH)

DEBT IN EVERY YEAR VALUED AT THE EXCHANGE RATES OF MARCH 31, 1986.

ITEM	(GOI and RBI)			(Rs.Crore)		
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
	1	2	3	4	5	6
1. External Assistance	27379	31555	35499	37730	39733	42953
2. International Monetary Fund	5271	5273	4488	2905	1835	3214
3. External Commercial Borrowings(ECB).	7852	9935	12066	14019	15738	16725
TOTAL (1-3)	40502	46763	52053	54654	57306	62892
4. N.R.I Deposits	5650	7458	9536	11125	12718	12804
TOTAL (1-4)	46152	54221	61589	65779	70024	75696
5. Short Term Debt	NA	NA	NA	NA	NA	5887
GRAND TOTAL (1-5)	46152	54221	61589	65779	70024	81583

TABLE - 2B

CHANGES IN EXTERNAL DEBT ON ACCOUNT OF EXCHANGE RATE FLUCTUATIONS

(Rs.Crore)					
ITEM	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6
1. External Assistance	1646	1927	10272	15975	25634
2. International Monetary Fund	275	244	791	738	1918
3. External Commercial Borrowings(ECB).	518	655	3816	6327	9981
TOTAL (1-3)	2439	2826	14879	23040	37533
4. N.R.I Deposits	389	518	3029	5113	7642
TOTAL (1-4)	2828	3344	17908	28153	45175
5. Short-Term Debt	NA	NA	NA	NA	NA
GRAND TOTAL (1-5)	2828	3344	17908	28153	45175

NOTE : The above data / **have** been compiled by deducting the debt figures as in Table 2 A from the debt figures as in Table 2.

TABLE - 3

EXTERNAL DEBT STATISTICS - COMPARATIVE FIGURES - GOI AND INTERNATIONAL AGENCIES
(END-MARCH)

(US \$ million)

	Government of India							Institute of International Finance					World Bank					International Monetary Fund						
	1986	1987	1988	1989	1990	1991 p	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991	1986	1987	1988	1989	1990	1991
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	21	22	23	24
Official Creditors	21673	24880	29129	30426	32986	35437	23354	27164	31798	33368	36349	34179	22483	26057	30028	30872	33371	36131	22484	26064	30052	31056	32953	35847
I.D.A	9029	9875	11362	11759	12220	NA	9750	10529	11615	12019	12521	N.A	9750	10529	11615	12019	12521	13312	9750	10529	11615	12019	12793	13169
I.B.R.D	2208	2649	3639	5121	6228	NA	2396	3475	4661	5590	6615	7685	2396	3475	4661	5590	6615	7685	2396	3475	4661	5590	6252	7362
Other multilateral Bilateral	249	259	302	401	466	NA	254	264	312	452	528	N.A	254	264	312	452	528	800	254	264	312	452	568	752
I.M.F	10187	12097	13826	13145	14072	NA	10954	12896	15210	15307	16685	N.A	10083	11789	13440	12811	13707	14334	10084	11796	13464	12995	13340	14564
Private Creditors and N.R.I deposits	4832	4768	4022	2572	1589	2623	4290	4291	3653	2364	1493	2623	4832	4768	4023	2573	1566	2623	4290	4291	3653	2364	1493	2622
a) Private Creditors (including non-guaranteed Debt-I.T)	10971	14153	17578	20446	23149	24174	9538	12632	15106	17504	19648	25395	10441	13904	17464	20037	22883	26453	14731	14222	17731	20572	25721	24326
b) N.R.I deposit	6384	8080	9808	11397	12799	13626	NA	NA	NA	NA	NA	NA	NA	NA	NA	11037	12583	13608	10147	8149	9961	11523	14722	13894
TOTAL	4587	6073	7770	9049	10350	10548	NA	NA	NA	NA	NA	NA	NA	NA	NA	9000	10300	12845	4584	6073	7770	9049	10999	10432
Short-term	37476	43801	50729	53444	57724	62234	37182	44087	50557	53236	57490	62197	37756	44729	51515	53482	57820	65207	41505	44577	51436	53992	60167	62795
GRAND TOTAL	NA	NA	NA	NA	NA	4800	3013	3952	5448	5679	5600	6673	3129	3297	3519	3772	4689	4908	3129	3297	3519	3772	4038	5989
GRAND TOTAL	37476	43801	50729	53444	57724	67034	40195	48039	56005	58915	63090	68870	40885	48026	55034	57254	62509	70115	44634	47874	54955	57764	64205	68784

N.A. - Not Available P - Provisional

Note - 1. The private creditor category in the case of India is not borrowing from private sources alone. The coverage includes commercial loans, securitized instruments, export credits, lending by official export credit agencies and part of debt from multilateral agencies.

2. Dollar debt figures on India under multilateral, bilateral and private creditor categories have been arrived at using WB exchange rates in order to have better comparison with figures published by international agencies. Therefore, there may be some differences with figures published elsewhere due to different exchange rates used for conversion.

T A B L E - 3A
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
EXTERNAL DEBT STATISTICS AS AT THE END OF DECEMBER

(US \$ million)

YEAR	ODA	NON-BANK TRADE CREDITS	G'TEED BANK CREDITS	OTHER BANK CLAIMS	MULTILATERAL TOTAL	O/W IMF	OTHER CREDITORS TOTAL	O/W CEEC	TOTAL LONG- TERM	SHORT- TERM BANKS	CLAIMS EXP.CRED (SHORT- TERM)	TOTAL (10+11+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
1986	9808	1229	1120	10116	19030	4768	5479	4129	46782	999	3731	51511
1987	11853	708	1855	12662	20605	4023	7424	6246	55107	922	6168	62197
1988	11501	1006	2014	15035	20628	2573	8221	7300	58405	1032	6480	65916
1989	11711	723	2066	17880	21551	1892	8046	7086	61977	1358	6610	69945
1990	12803	1531	3211	17135	22448	1143	3769	2801	60897	1145	7995	70037

ODA: Official Development Assistance

O/W: of which

CEEC: Central and East European Countries

TABLE - 3B**BANK FOR INTERNATIONAL SETTLEMENTS****EXTERNAL DEBT STATISTICS AS AT THE END OF DECEMBER**

(US \$ million)

YEAR	Guaranted Bank Claims	Total Bank Claims	Non Bank Trade Credits	Total
1	2	3	4	5
1986	1083	7599	2073	9672
1987	1846	11404	1445	12850
1988	2065	12848	1494	14343
1989	2055	12984	1822	14806
1990	3213	15636	1723	17359
1991 (June End)	2717	14077	1647	15724

TABLE 4
DEBT SERVICE PAYMENTS
(GOI AND WB)

(US \$ million)

	Government of India			World Bank		
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91
	1	2	3	5	6	7
1. Debt Service Payments	5215	5072	5500	6069	6226	6816
a) Principal	3259	2852	3184	3159	2944	3206
b) Interest	1956	2220	2316	2910	3282	3610
2. Debt Service Ratio	23.6	21.0	21.3	29.8	26.5	26.8

TABLE - 4A
INDIA'S EXTERNAL DEBT
AS ON MARCH 31, 1991

(US \$ million)

	Govt. of India	World Debt Tables	Difference (2-3)
1	2	3	4
Official Creditors (Multilateral & Bilateral)	35437	36131	- 694
IMF	2623	2623	-
Commercial borrowings(ECB)	13626	13608	+18
NRI deposits	10548	12845	-2297
Short Term	4800	4908	- 108
Total	67034	70115	-3081

Note :- The US \$ equivalent has been arrived at by using World Bank exchange rates to eliminate the possibility of differences on account of different exchange rates.

TABLE - 4B

**ASSETS REPORTED VIS-A-VIS INDIA
(COMPARISON OF GOI AND BIS/OECD)**

(US \$ million)

	Government of India Mar 31, 91	BIS/OECD Dec 31, 90	Difference (2-3)
1	2	3	4
Guaranteed Bank Credit	3.5*	3.2	+ 0.3
Other Bank Claims	9.9@@	12.4**	-2.5
Total	13.4	15.6	-2.2

* Out of \$ 3.5b, \$ 0.3b is multilateral component of institutional credit, i.e., from IFC(W), private sector borrowings from ADB, etc.

@@ Inclusive of US \$ 3.022 billion of all **securitised instruments**.

** During the discussions at OECD Secretariat, the Task Force was given to understand that an estimated amount of US \$ 1 billion roughly represented bonds.

TABLE - 4C
INDIA'S EXTERNAL DEBT
(COMPARISON OF GOI AND IMF)
AS ON MARCH 31, 1991.

(US \$ million)

	GOI	IMF	Difference (2 - 3)
(1)	(2)	(3)	(4)
Official Creditors (Multi-Lateral and Bi lateral)	35437	35847	- 410
IMF	2623	2622	+ 1
Commercial borrowings	13626	13778	- 152
NRI deposits	10548	10548	-
Total	62234	62795	- 561
Short-term	4800	5989	-1189
Grand Total	67034	68784	- 1750

TABLE - 4D

**INDIA'S EXTERNAL DEBT
(COMPARISON OF GOI AND OECD)**

AS AT THE END OF MARCH 1991

(US \$ in million)

	GOI	OECD*	Difference (2-3)
1	2	3	4
Official Creditors	35437	34814	+623
Multilateral	20802	21305	- 503
Bilateral	14635	13509	+1126
IMF	2623	1143	+1480
Private Creditors and NRI Deposits	24174	24940	- 766
Private Creditors (ECB) **	13626	N.A	
NRI Deposits	10548	N.A	
TOTAL	62234	60897	+1337
Short Term	4800	9140	- 4340
GRAND TOTAL	67034	70037	- 3003

* Although the OECD figures are said to be pertaining to end December 1990, they actually relate to end March 1991 as OECD compares its figures with the World Debt Tables and makes the adjustment for the difference.

@ The \$ equivalent of GOI figures have been arrived at by using World Bank exchange rates (except IMF, NRI Deposits & Short Term Debt).

** Includes commercial loans, export credits, securitized instruments, lending by official export credit agencies and part of debt from Multilateral agencies.

TABLE - 4E
INDIA'S EXTERNAL DEBT
(COMPARISION OF GOI AND IIF)

AS ON MARCH 31, 1991

(US \$ million)

	GOI	IIF	Difference (2-3)
(1)	(2)	(3)	(4)
Official creditors (Multilateral & Bilateral)	35437	34179	+1258
IMF	2623	2623	-
Commercial borrowings	13626	14847	-1221
NRI deposits	10548	10548	-
Total	62234	62197	+ 37
Short Term	4800	6672	-1872
Grand Total	67034	68869	-1835

TABLE - 5
EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

	Mar 31, 91	Dec 31, 91
(US \$ million)		
I. MULTILATERAL.	20900	22595
A) Government Borrowing :		
i) Concessional		
a) IDA	13052	13931
b) Others	325	309
ii) Non-Concessional.		
a) IBRD	6293	6500
b) Others	217	466
B) Non-Government Borrowing :		
i) Concessional	--	--
ii) Non-Concessional	1013	1389
a) Public Sector		NA
1) IBRD	157	
2) Others	--	
b) Financial Institutions		NA
1) IBRD	451	
2) Others	206	
c) Private Sector		NA
1) IBRD	171	
2) Others	28	
II. BILATERAL	14195	16159
A) Government Borrowing:		
i) Concessional	11963	13693
ii) Non-Concessional	--	--
B) Non-Government Borrowing :		
i) Concessional:		
a) Public Sector	--	--
b) Financial Institutions	266	336
c) Private Sector	--	--
ii) Non-Concessional :		
a) Public Sector	1530	1549
b) Financial Institutions	273	393
c) Private Sector	163	188

TABLE - 5 (CONTD...)

EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

(US \$ million)

	Mar 31, 91	Dec 31, 91
III. IMF	2623	3470
IV. EXPORT CREDIT:	2356	2523
A) Buyer's Credit	1154	1194
B) Supplier's Credit	483	487
C) Export Credit Component of Bilateral Credit	719	842
V. COMMERCIAL BORROWINGS :	10209	10538
A) Commercial Bank Loans	6831	6920
B) Securitized Borrowings	3022	3139
C) Loans/Securitized Borrowings etc. with Multinational/ Bilateral Guarantee+IFC(W).	356	479
VI. NRI Deposits (above one-year maturity)	7012	5765
TOTAL LONG-TERM DEBT	57295	61050
VII. SHORT TERM :		
A) Banks	2267	2267*
B) Export Credit		
C) NRI Deposit (Up to one-year maturity)	3572	2743
TOTAL SHORT-TERM DEBT	5839	5010
GROSS TOTAL	63134	66060

NA = Not Available

* As short-term figure for 31.12.91 was not available, the previous figure of US \$ 2267 million is repeated. The status of short-term debt is as per proposed definition which excludes all credits upto 180 day maturity with the exception of NRI deposits.

Memo: The total debt above excludes : a) Rouble/Rupee bilateral credit of US \$ 1669 mn. and US \$ 1227 mn. for March 31, 1991 and December 31, 1991, respectively; b) Rupee Suppliers' credits of US \$ 34 mn. for March 31, 1991 and US \$ 22 mn. for December 31, 1991; c) Amount outstanding under NRI (non-repatriable) bonds of 1989-90 and 1990-91 of \$ 352 mn. for March 31 and December 31, 1991; and d) Short-term credits (less than six months) of \$ 2197 mn. for March 31 and December 31, 1991.

TABLE - 5A

**EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)**

(Rs. crore)

	Mar 31, 91	Dec 31, 91
I. MULTILATERAL.	40386	58234
A) Government Borrowing :		
i) Concessional		
a) IDA	25221	35904
b) Others	628	796
ii) Non-Concessional.		
a) IBRD	12161	16753
b) Others	419	1201
B) Non-Government Borrowing :		
i) Concessional	--	--
ii) Non-Concessional	1957	3580
a) Public Sector		NA
1) IBRD	303	
2) Others	--	
b) Financial Institutions		NA
1) IBRD	872	
2) Others	398	
c) Private Sector		NA
1) IBRD	330	
2) Others	54	
II. BILATERAL	27430	41647
A) Government Borrowing:		
i) Concessional	23117	35291
ii) Non-Concessional	--	--
B) Non-Government Borrowing :		
i) Concessional:		
a) Public Sector	--	--
b) Financial Institutions	514	866
c) Private Sector	--	--
ii) Non-Concessional :		
a) Public Sector	2957	3992
b) Financial Institutions	527	1013
c) Private Sector	315	485

TABLE - 5A (CONTD...)

EXTERNAL DEBT OF INDIA
(REVISED CLASSIFICATION)

(Rs. crore)

	Mar 31, 91	Dec 31, 91
III. IMF.	5069	8943
IV. EXPORT CREDIT:	4553	6503
A) Buyer's Credit	2230	3078
B) Supplier's Credit	933	1255
C) Export Credit Component of Bilateral Credit	1390	2170
V. COMMERCIAL BORROWINGS :	19727	27160
A) Commercial Bank Loans	13200	17835
B) Securitized Borrowings	5840	8090
C) Loans/Securitized Borrowings etc. with Multinational/ Bilateral Guarantee+IFC(W).	687	1235
VI. NRI Deposits (above one-year maturity)	13550	14858
TOTAL LONG-TERM DEBT	110715	157345
VII. SHORT TERM :		
A) Banks	4381	5843*
B) Export Credit		
C) NRI Deposit (Upto one-year maturity)	6902	7069
TOTAL SHORT-TERM DEBT	11283	12912
GROSS TOTAL	121998	170257

NA = Not Available

* As short-term figure for 31.12.91 was not available, the previous figure of US \$ 2267 million is repeated in rupee equivalent. The status of short-term debt is as per proposed definition which excludes all credits upto 180 day maturity with the exception of NRI deposits.

The exchange rate used for arriving at Rupee equivalent are 1 US \$ = 19.3236 and 1 US \$ = 25.7731 for 31.03.91 and 31.12.91 respectively.

Memo : The total debt above excludes ; a) Rouble/Rupee bilateral credit of Rs.2559 crore and Rs.3164 crore for March 31 and December 31,1991 respectively, b) Rupee Suppliers' credits of Rs.67 crore for March 31,1991 and Rs.56 crore for December 31,1991, c) Amount outstanding under NRI (non-repatriable) bonds of 1989-90 and 1990-91 of Rs.690 crore for March 31,1991 and Rs.915 crore for December 31,1991; and d) Short-term credits (less than six months) of Rs.5647 crore for March 31 and Rs.7109 crore for December 31,1991.

**TABLE 6
REVISED CLASSIFICATION OF EXTERNAL DEBT**

MULTILATERAL	BILATERAL*	IMF	EXPORT CREDITS**	COMMERCIAL BORROWING	NRI DEPOSITS (above one-year maturity)	NRI BONDS	SHORT-TERM
A) Government Borrowing	A) Government Borrowing	Use of Fund Credits	A) Buyers' Credit	A) Commercial Bank Loans			A) Banks
i) Concessional a) IDA b) Others	i) Concessional ii) Non-Concessional		B) Suppliers' Credit	B) Securitised Instruments			B) Export Credit
ii) Non-Concessional a) IBRD b) Others	B) Non-Govt. Borrowing i) Concessional: a) Public Sector b) Financial Institution c) Private Sector		C) Export Credit Component of Bilateral Credit	C) Loans/Securitised Borrowings with Multi-lateral/Bi-lateral Guarantee and IFC (W)			C) NRI Deposits (up to one-year maturity)
B) Non-Govt. Borrowing:							
i) Concessional	ii) Non-Concessional						
ii) Non-Concessional							
a) Public Sector	a) Public Sector b) Financial Institution c) Private Sector						
1) IBRD 2) Others							
b) Financial Institutions:							
1) IBRD 2) Others							
c) Private Sector							
1) IBRD 2) Others							

RBI LIBRARY
SPL COLL
RBI
CR593

* Excludes Rupee Credit and Rouble Credit from erstwhile USSR
** Excludes Rupee Supplier's Credit