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## Press Release

Issued By	Public Debt Department
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**A Clarification on Certain Media Reports on the External Debt Statistics  
Published in the Central Bank Annual Report 2013 and Public Debt Department  
Press Release on “Sri Lanka continues to improve on UN-ESCAP Parameters...”**

A few commentaries that have appeared in recent press articles & reports including that of Mr. W. A. Wijewardene’s regular column in Daily FT seem to have attempted to compare Public Debt Department (PDD) press release highlighting the improvements in government’s external debt position against the outstanding external debt position of the country as presented in the Annual Report 2013. It has been no secret that PDD manages the government’s external debt and reports its developments regularly to general public. The Annual Report, while giving details of the state of the economy, provide both government’s external debt position and outstanding external debt position of the country in Chapters 6 and 5, respectively, on the basis of scope and objective of analysis presented.

In this regard, it must be mentioned that the outstanding external debt position of the country as reported in the Annual Report of the Central Bank is the total of the outstanding position of the SDRs, intercompany lending and Direct Investment

Enterprises (DIEs), in addition to the external debt of the Government. Such classification is based on the International Monetary Fund (IMF) Balance of Payments Manual 6 (BPM 6) presentation format. It is important to recognize that the external financing contracted by deposit taking financial institutions, private sector and SOEs and direct investment enterprises in any country depends purely on their balance sheet strength. The Central Bank Annual Report 2013 clearly highlights this position under Section 5.12 (pp. 154) and the PDD press release discusses the improvements in government's external debt position.

The detail compilation of Balance of Payments (BOP) statistics in terms of BPM 6 was initiated in 2013 and presented in the Annual Report 2013. The compilation of outstanding government's external debt has not changed with the transition from BPM 5 to BPM 6. Apart from government's external debt, outstanding debt of state owned enterprises (SOEs) are separately included in the 'Other sector' in both BPM 5 and BPM 6 formats. Further, debt outstanding of both private and state owned banks are recorded under 'deposit taking corporations' in BPM 6, which was previously classified under 'Banking sector external liabilities' in BPM 5 classification. Therefore, government's external debt in both formats does not include outstanding debt of SOEs and deposit taking corporations.

Clarifying on compilation of Net Present Value (NPV) of government's external debt position, the Commercial Interest Reference Rates (CIRR) published by the Organization for Economic Co-operation and Development (OECD) are used by the PDD as practised in many advanced economies.

The purpose of the previous press release issued by the PDD was to educate the public about the fact that the Central Bank has not deviated from internationally accepted compilation practices which have been adopted as far back as when Mr. Wijewardena was the deputy governor in charge of both Economic Research Department and PDD. Therefore, it is not correct for Mr. Wijewardena to claim that one unit of present Central Bank does is not known to another unit, as both these units were adopting the same practises in compiling and publishing country's external debt and central government's external debt from the time he was in charge

of both these units. It must also be mentioned that compilation methods have further been improved to incorporate new methods based on latest standards such as BPM6. Transparency of compilation methods, availability and timeliness of data have also been improved significantly by the Central Bank in the recent years. It appears that such improvements have created some confusion among some analysts. It is regrettable that when the Central Bank clarifies mistakes by some analysts they see such clarifications as personal attacks while asking the Central Bank to be receptive to such wrong criticism.