

12th UNCTAD Debt Management Conference

Making debt work for development

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD



Operationalizing Debt Data Transparency

by

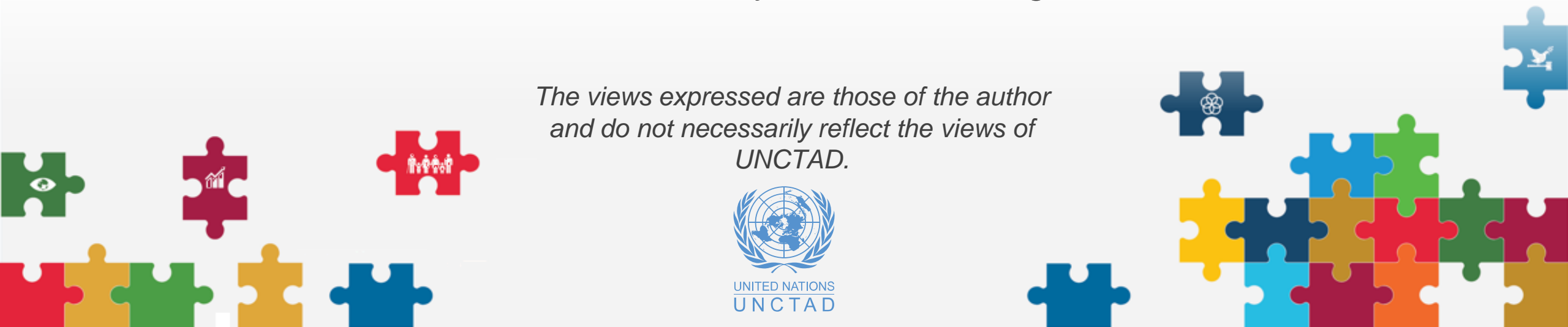
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*The views expressed are those of the author
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**MONETARY AND
CAPITAL MARKETS**

Operationalizing Debt Data Transparency

NOVEMBER 20, 2019

Twelfth UNCTAD Debt Management Conference

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Roadmap

- Need for Greater Debt Transparency
- IMF-World Bank joint initiative under G20 to promote debt transparency
- IMF initiatives to promote debt transparency
- Operationalizing Debt data transparency
- Challenges and Recommendations

Need for Greater Debt Transparency

- Debt transparency, in the form of accurately recording and adequately publishing public debt obligations, is critical for a country's debt sustainability analysis and debt portfolio risk assessment
- Recent episodes of “hidden” debt liabilities in some countries highlight need for greater transparency on debt statistics
- Rising debt vulnerabilities in low income countries in recent years warrants increased focus in transparency
- Transparency in debt statistics and debt management helps enhance a country's policy credibility, accountability and predictability
 - Resulting in reduced borrowing costs and contributing to market efficiency
- Greater transparency is a better policy option than limited transparency, both during “normal” and “distressed” periods
 - Delayed “debt surprises” is shown to result in an asymmetric rise in credit risk premium, leading to higher borrowing costs and constrains in market access

Roadmap

- IMF-World Bank joint initiative under G20 to promote debt transparency
- IMF initiatives to promote debt transparency
- Operationalizing Debt data transparency
- Challenges and Recommendations

IMF-World Bank Joint Initiative Under G20 to Promote Debt Transparency

- Multi-pronged approach under the G20 Initiative on Strengthening Public Debt Transparency
 - **Better guide borrowers how to enhance transparency**
 - **Expanded the scope of Technical Assistance**, such as part of Debt Management Facility (DMF) III on Debt Reporting and Monitoring (DRM) to support stronger public debt reporting
 - Identification of **debt-related contingent liabilities**
- Enhanced coverage of debt of government debt in LIC DSAs
 - 56 DSA's have been completed for LICs
- G20 Sustainable Financing Guidelines
 - Aim to enhance access to sound financing for development while ensuring that sovereign debt remains on a sustainable path by fostering information sharing and cooperation among between borrowers, creditors and international financial institutions

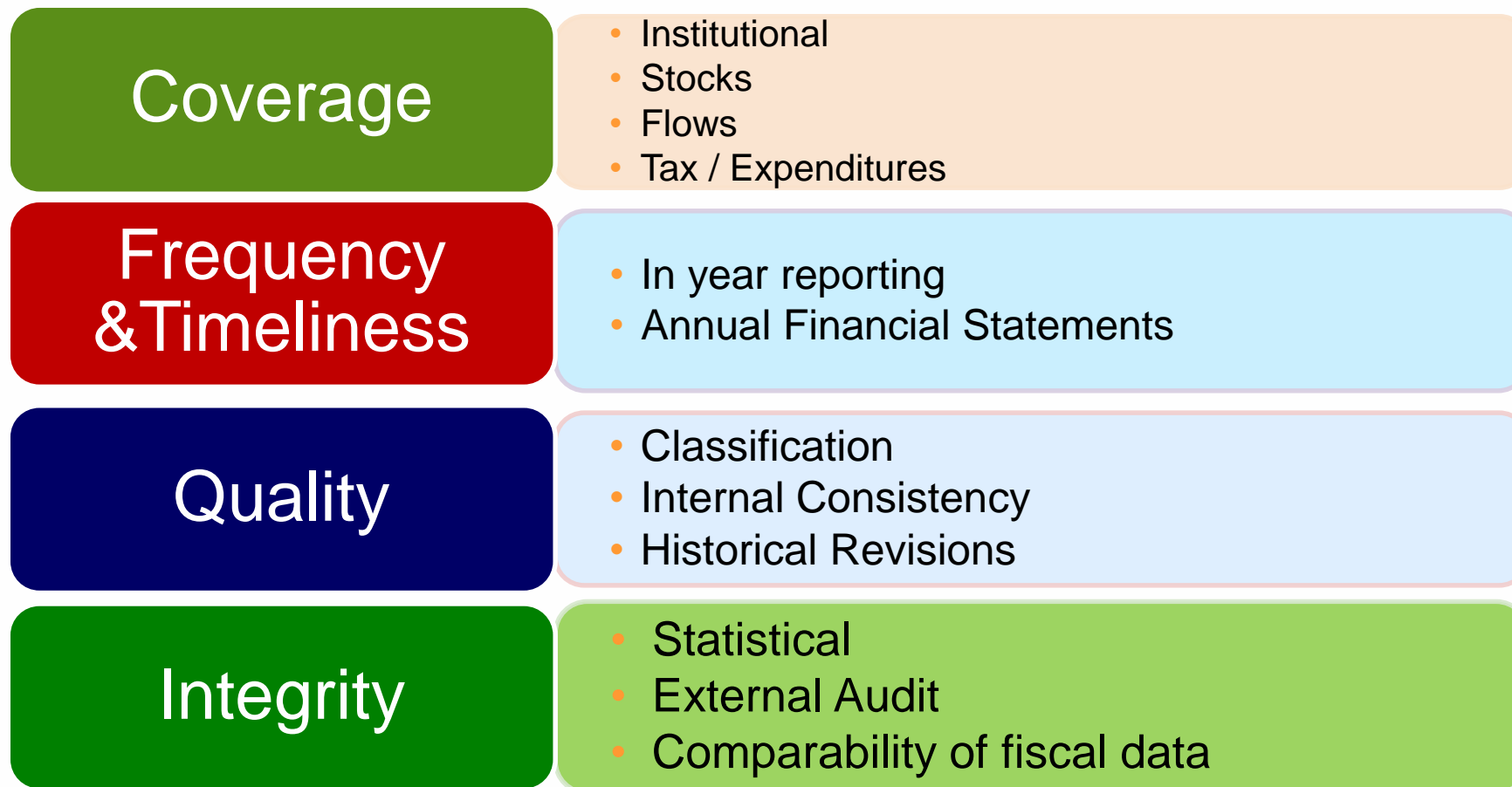
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IMF Initiatives to Promote Debt Transparency

1. Government Finance Statistics (GFS) and Fiscal Transparency

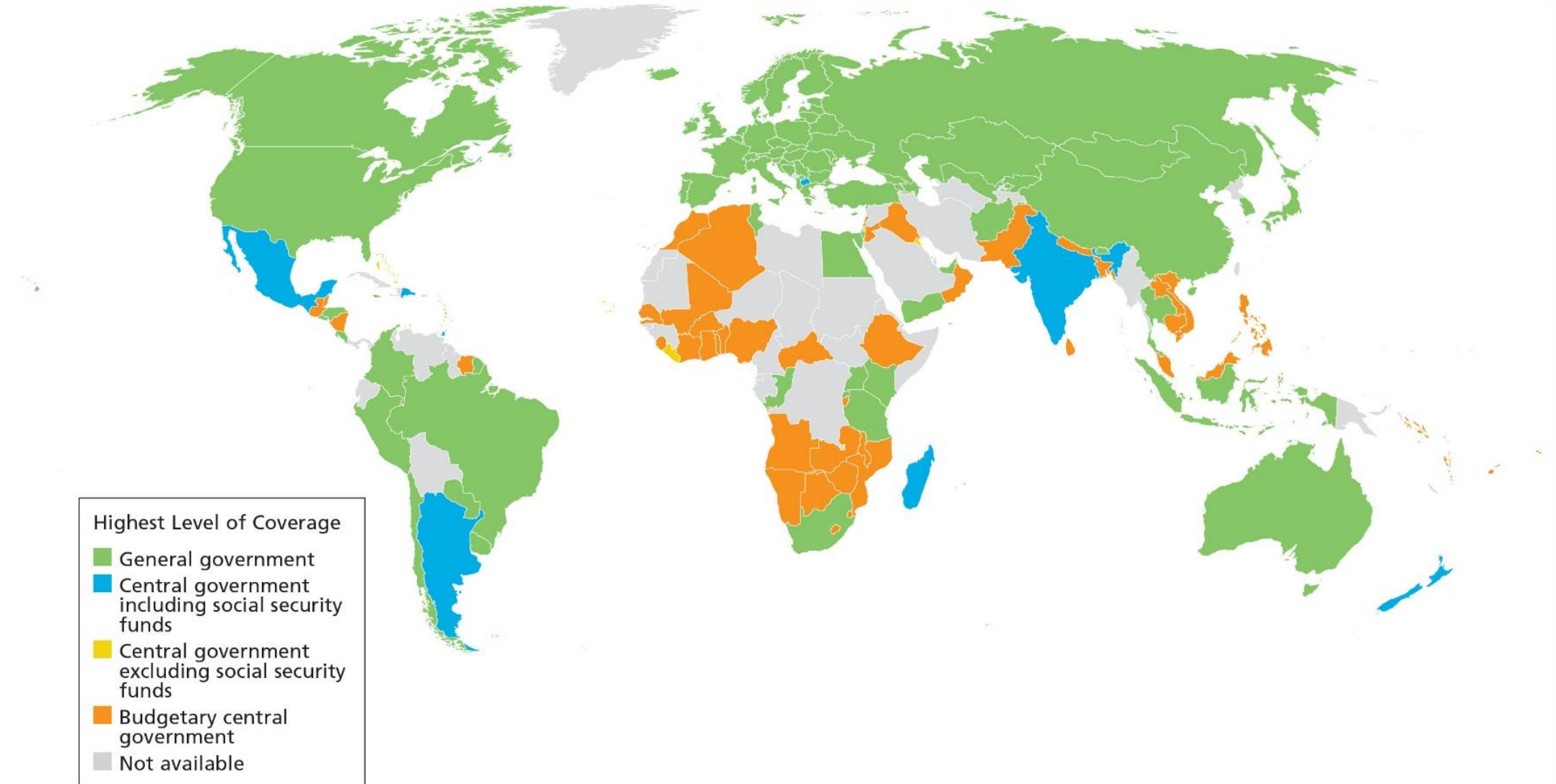
Pillar I: Fiscal Reporting



IMF Initiatives to Promote Debt Transparency

2. Institutional Coverage in GFS: Where Are We?

Transmission of GFS data to IMF



IMF Initiatives to Promote Debt Transparency

3. GFS: Where Are We Headed?

Increase country coverage to full membership

- From 126 countries for annual data and 50-60 countries for high frequency data.

Promote balance sheet data

- 70-80 countries currently report some balance sheet data.

Broaden institutional coverage

- About 80 countries currently report annual general government data.
- Extending coverage beyond general government in selected countries.

Improve timeliness of GFS data

- Moving from a fixed collection window to rolling collection.

IMF Initiatives to Promote Debt Transparency

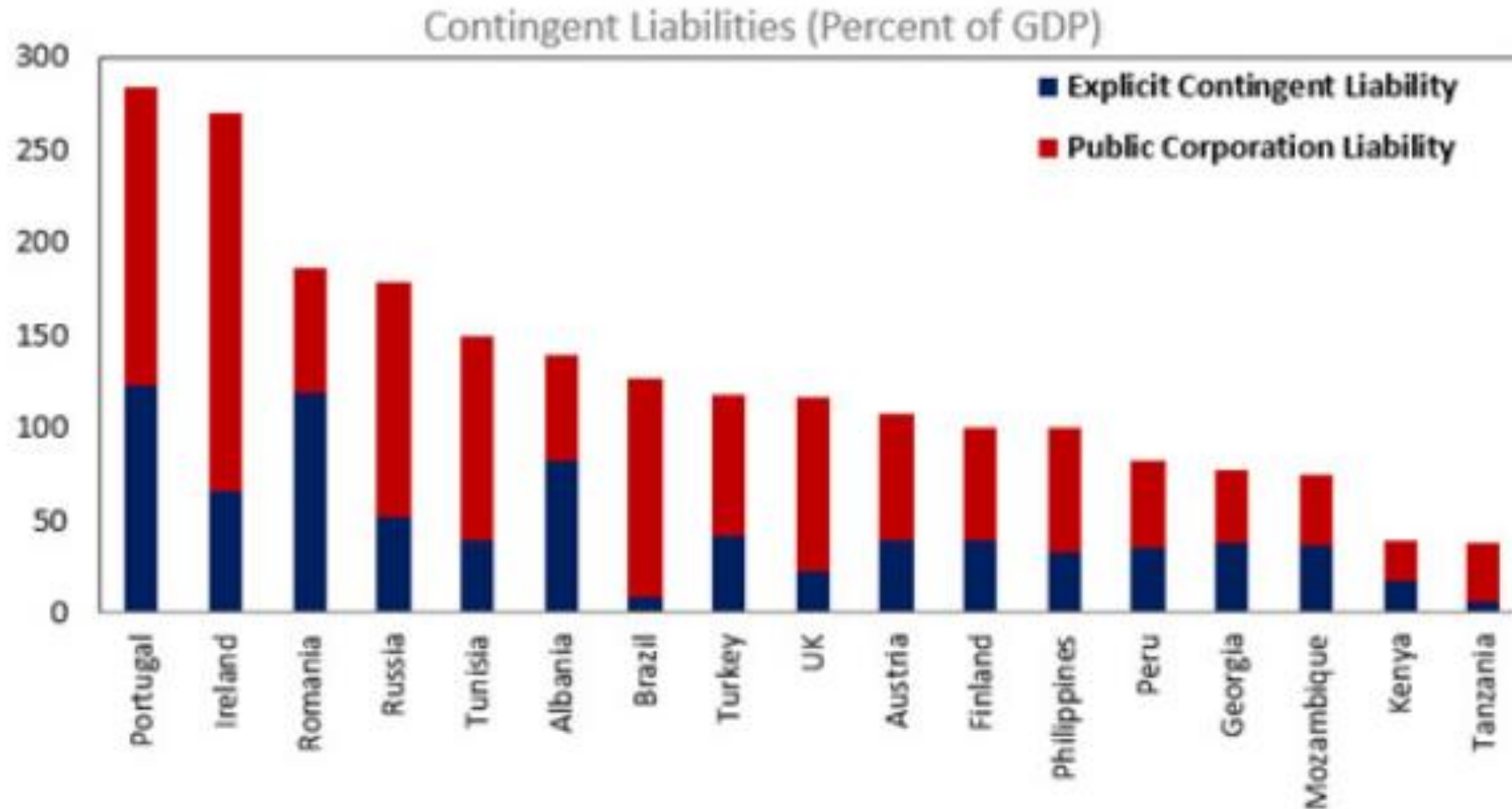
4. Fiscal Transparency Evaluations (FTEs): The IMF's Diagnostic on Balance Sheet



31 FTE Completed
28 published

IMF Initiatives to Promote Debt Transparency

5. Fiscal Transparency Evaluations Results: Countries Need to Expand Coverage of Contingent Liabilities

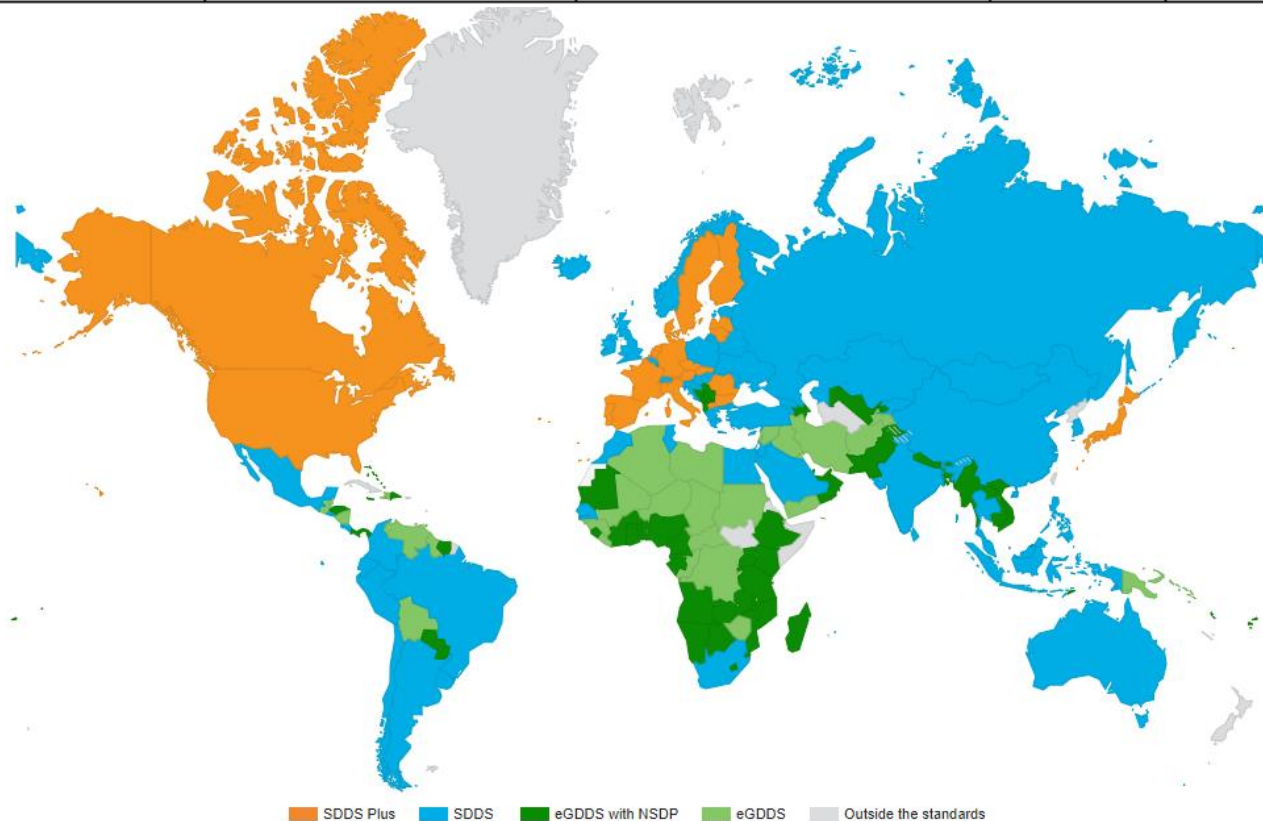


IMF Initiatives to Promote Debt Transparency

6. IMF Public Debt Data Reporting Requirements

59 out of 110 countries are active providers of data under NSDP

Data Standard	Number of countries	Data Coverage	Frequency	Valuation
e-GDDS	110	Central Government Debt	Quarterly	Face value
SDDS	61	Central Government Debt General Government Debt	Quarterly Annual	Nominal value Nominal value
SDDS Plus	14 (Advanced Economy)	Central Government Debt General Government Debt	Quarterly Quarterly	Nominal value Nominal value



IMF Initiatives to Promote Debt Transparency

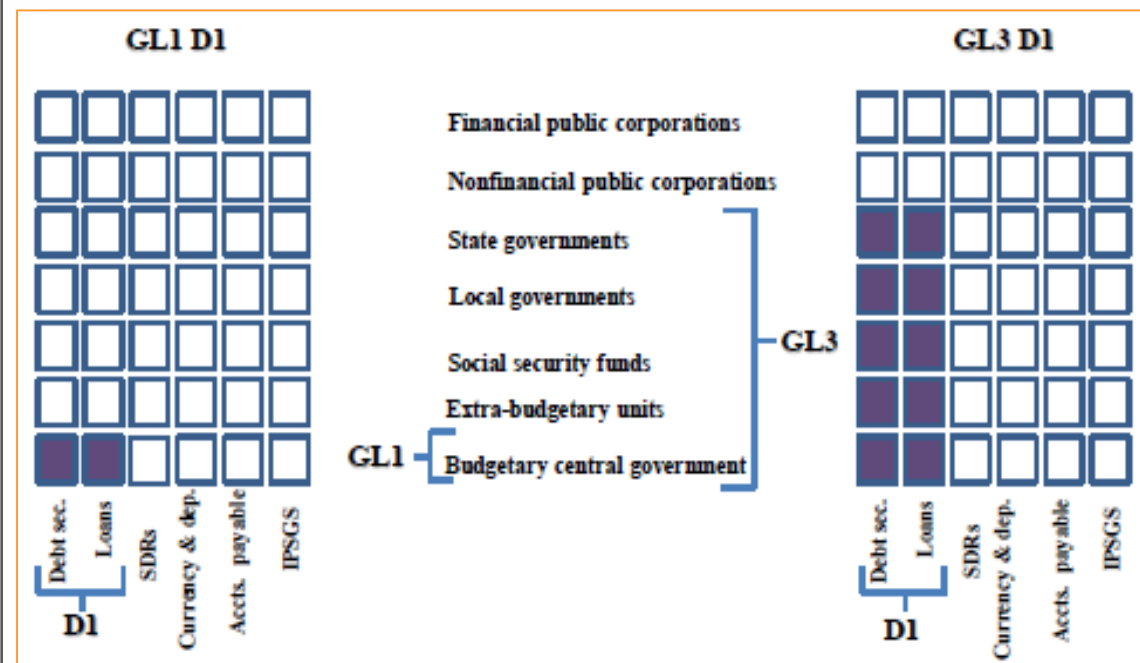
7. Known Gaps in National Debt Data—Stylized Facts

Many countries limit institutional coverage to **GL1**, **GL2** and sometimes **GL3**;

In most cases the instrument coverage is only **debt securities and loans (D1)**;

Debt numbers **rarely** include details on maturity, creditor characteristics, currency denomination, etc.

Commonly Disseminated Government Debt Aggregates



IMF Initiatives to Promote Debt Transparency

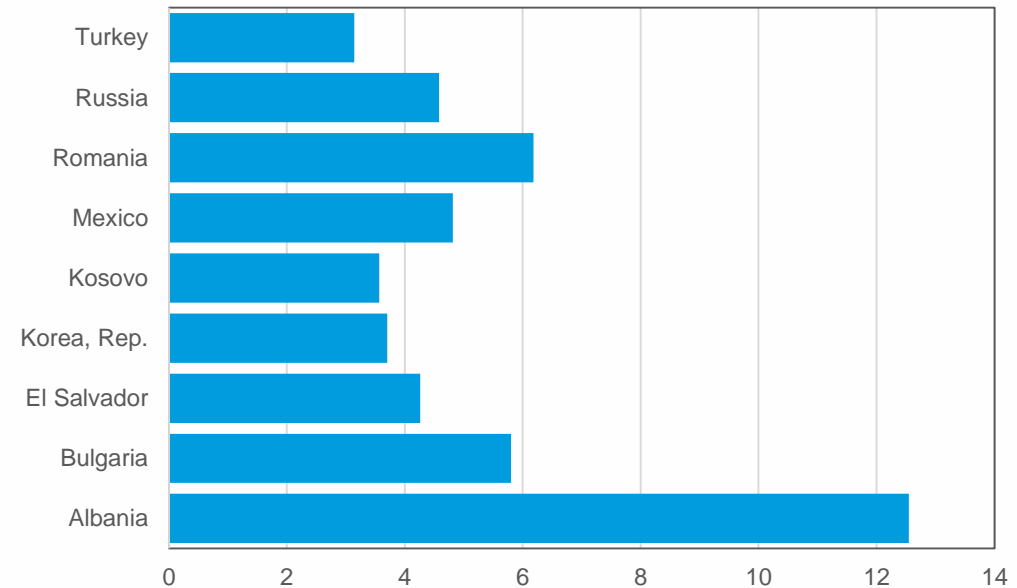
8. International Guidance for “Good” Public Sector Debt Statistics (PSDS) —Instrument Coverage

“Good” debt statistics cover all debt instruments

Debt Instrument	D1	D2	D3	D4
Debt Securities	■	■	■	■
Loans	■	■	■	■
Special Drawing Rights		■	■	■
Currency and Deposits		■	■	■
Other Accounts Payable			■	■
Insurance, pensions and standardized guarantee schemes				■

Other accounts payable, often ignored in the definition of debt, are sizable in many countries.

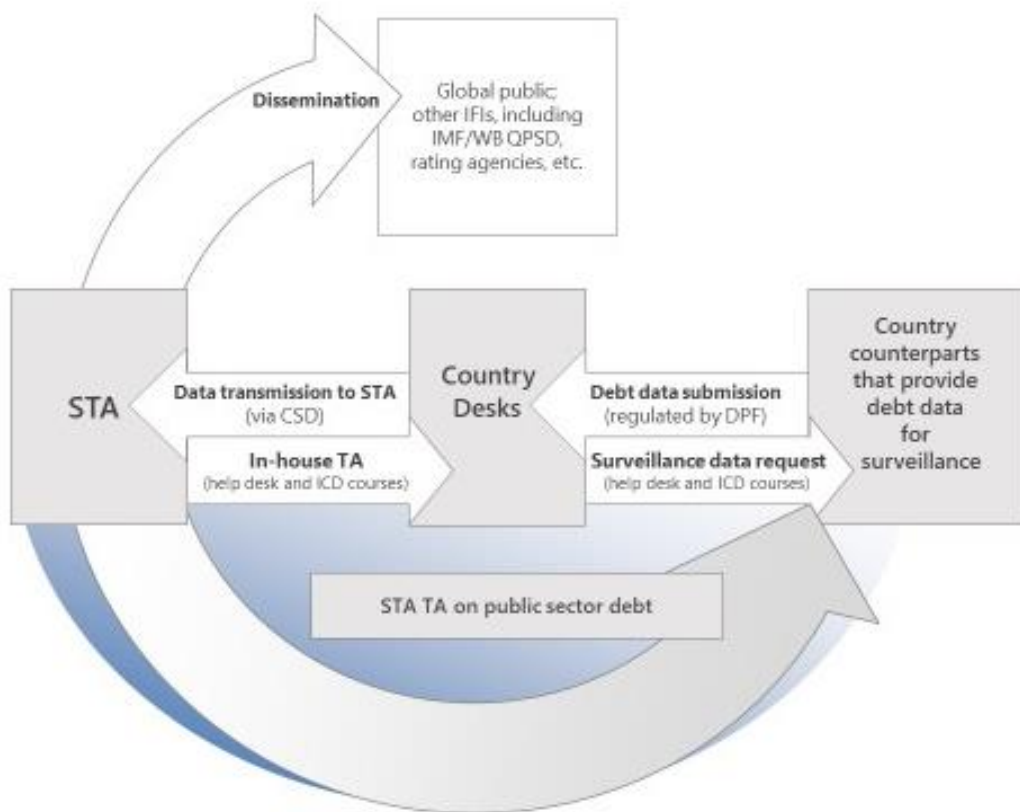
Other Accounts Payable
(General government; in percent of GDP)



IMF Initiatives to Promote Debt Transparency

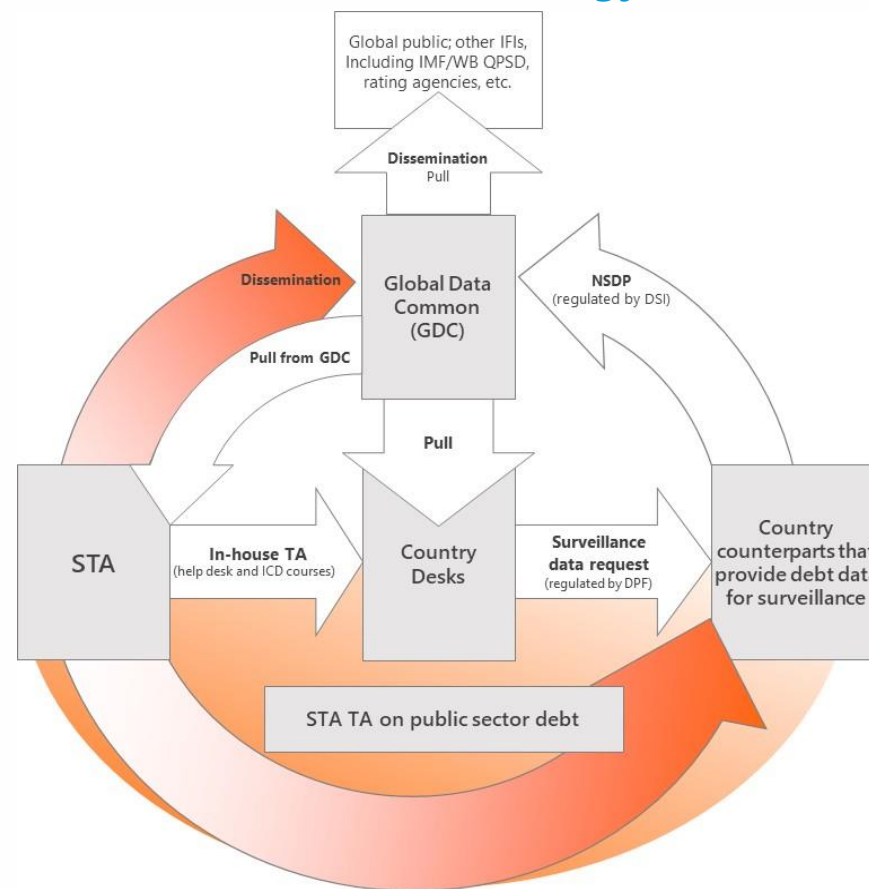
9. IMF Capacity Development Approach to Improve Debt Statistics — Data for Decision Fund (D4D)

Near-term Strategy



Target Countries: Low and Lower Middle Income Countries

Medium-term Strategy



Duration: FY 2019–24

IMF Initiatives to Promote Debt Transparency

10. IMF Capacity Development Approach to Improve Debt Management—Debt Management Facility (DMF)

Third Phase of DMF, in partnership with the World Bank, was recently launched (FY20-24)

- Covers 84 countries
- Adds activities that promote debt transparency, including:
 - Annual Borrowing Plans
 - Strengthening debt management institutional aspects
 - Adopting an appropriate legal framework
 - Monitoring contingent liabilities
 - Debt reporting and investor relations



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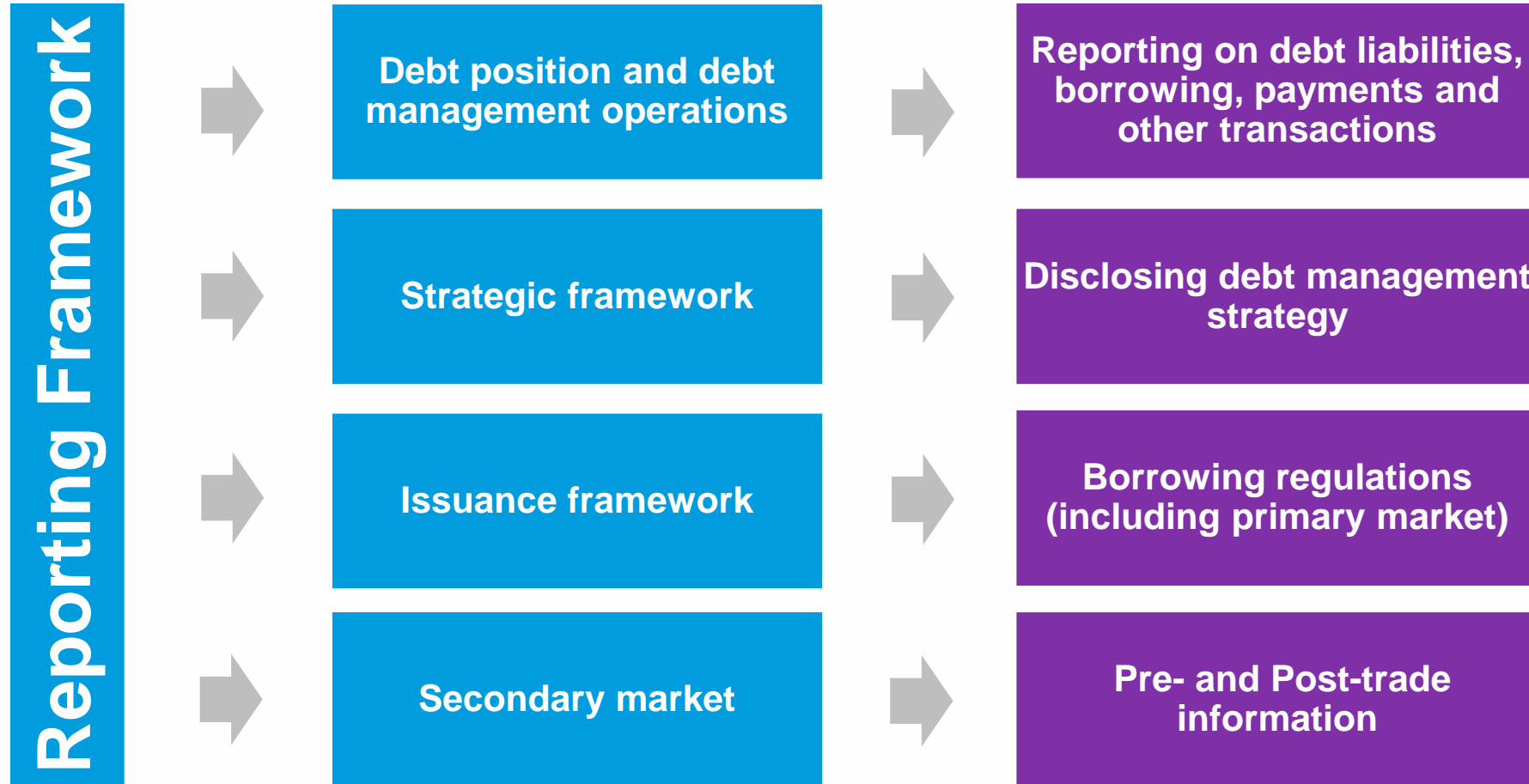
Debt Data Transparency

1. Investor Relations: A Conduit for Debt Transparency

- Sovereign IR can be seen as part of the overall approach to transparency and good governance in public debt management
- Given its focus on communication, effective IR serves not only investors, but also the broader financial sector. It allows for more detailed scrutiny of debt statistics and debt management policy, including borrowing, by legislators, the public and the international community
- Effective IR can be a first line of defense for the debt manager in times of financial crisis by helping countries maintain or regain market access during/after a crisis
- The Institute for International Finance has provided significant support in this area with the development of IR evaluation criteria and best practices
- Significant progress has been made in the development and implementation of sovereign IR relations over the last decade, in the context of existing institutional arrangements or via specialized investor relations offices (IROs)

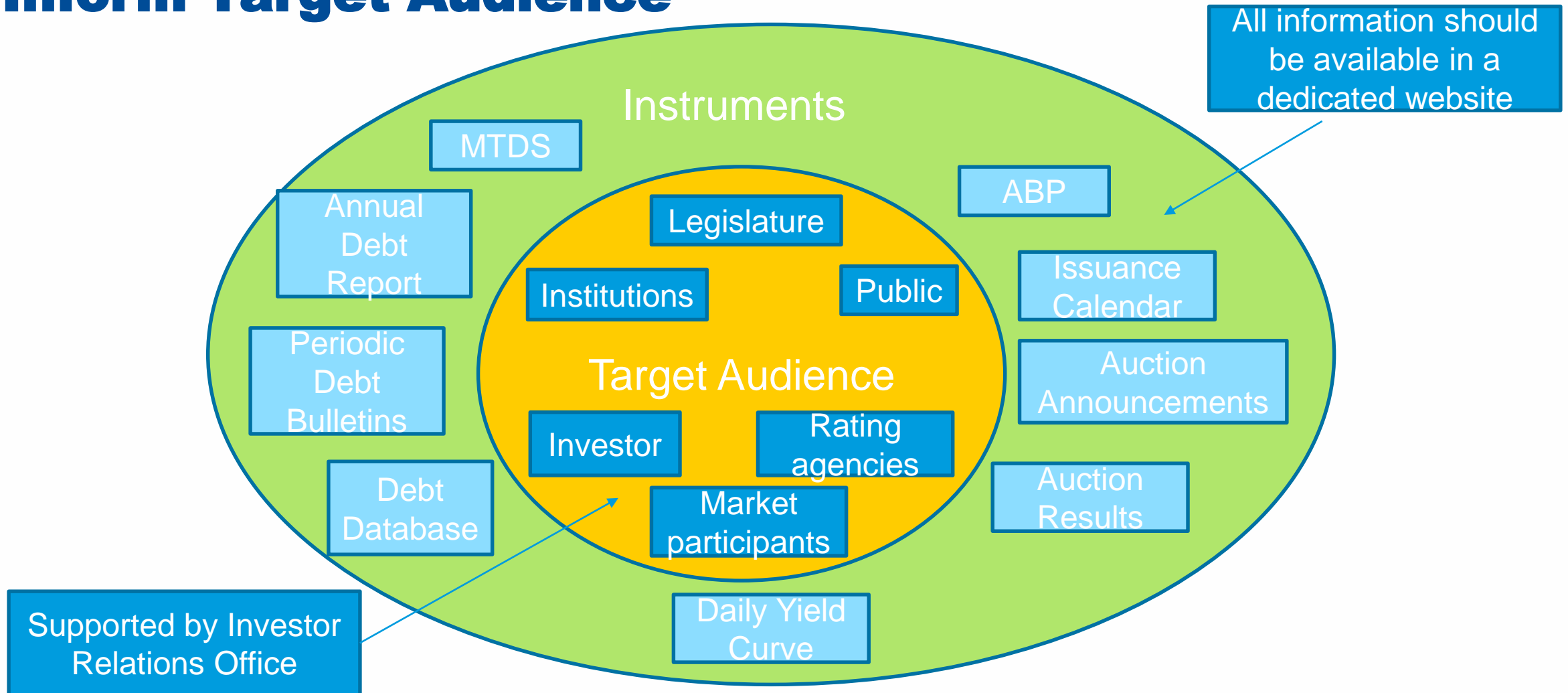
Debt Data Transparency

2. Transparency in Debt Management Cuts Across Several Areas and Closely Linked to Accountability and Disclosure



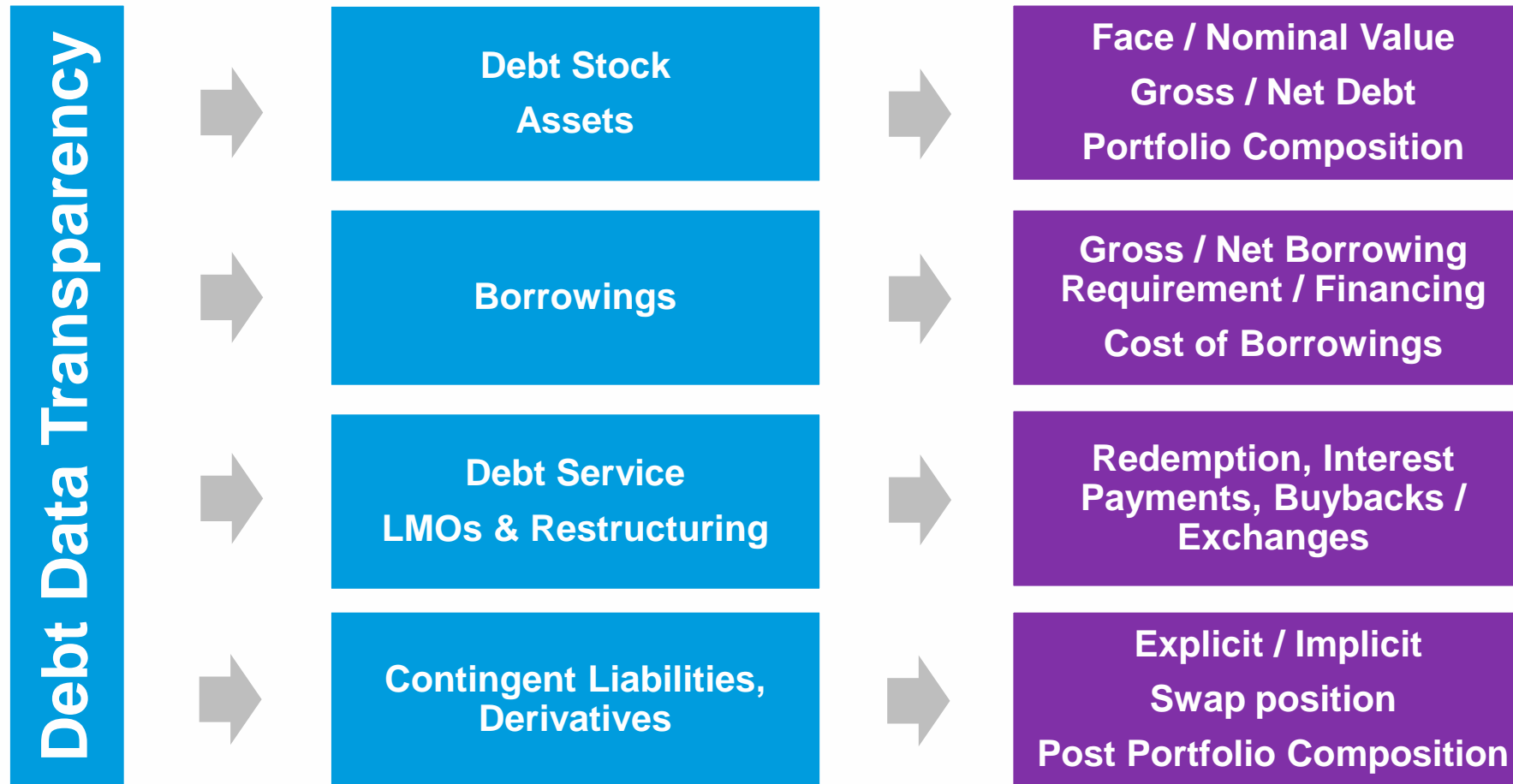
Debt Data Transparency

3. Instruments of Debt Transparency are Needed to Inform Target Audience



Debt Data Transparency

4. Core Elements of Debt Data Dissemination

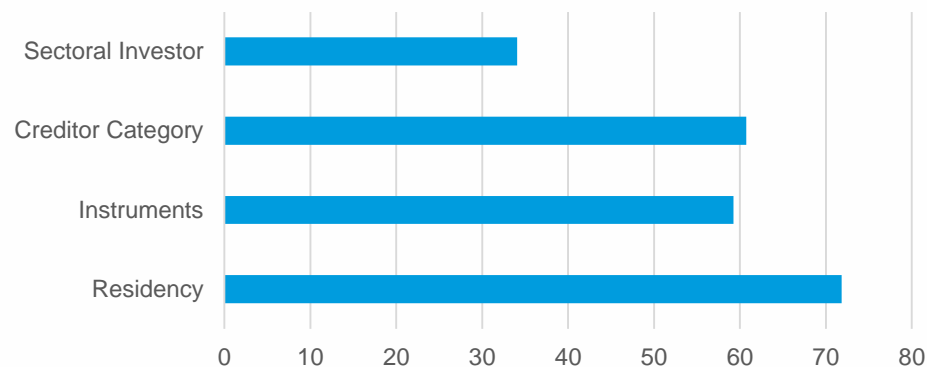


Debt Data Transparency

Where are we? Evidence from 135 Developing Countries

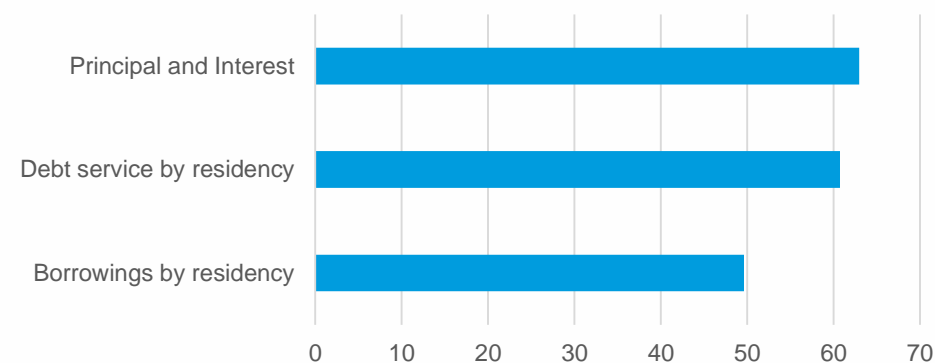
Share(%) of countries reporting at least on an annual basis

Central Govt. Debt Stock

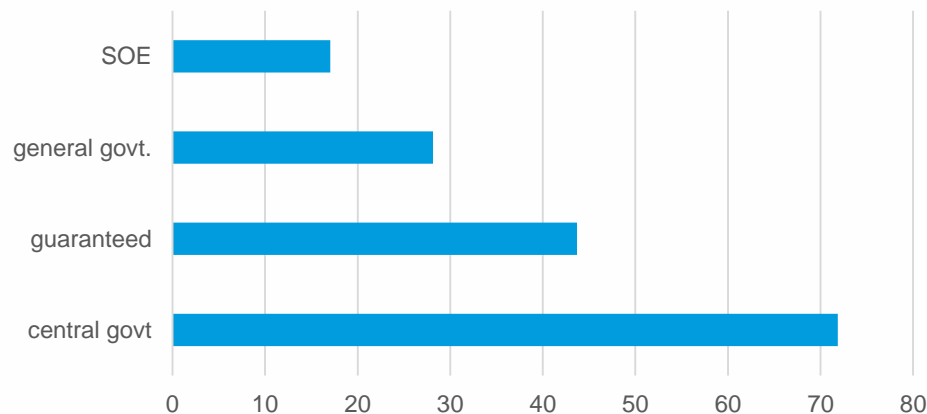


Share(%) of countries reporting at least on an annual basis

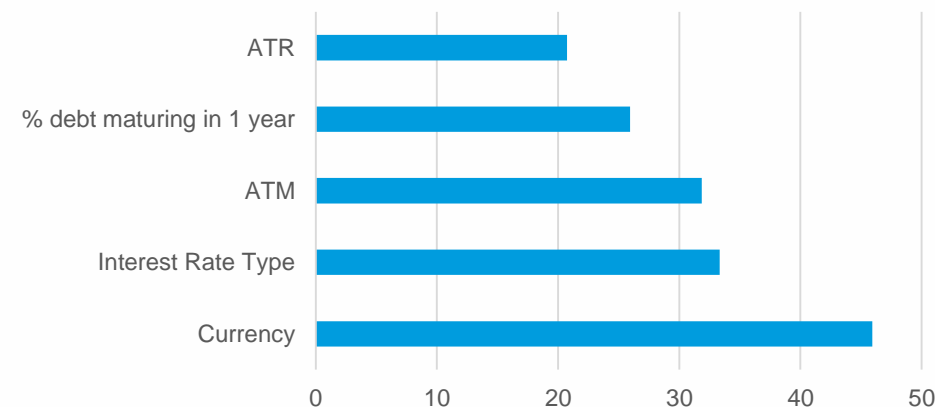
Central Govt. Debt Flows



Public Sector Debt Stock



Portfolio Composition of Central Govt. Debt



Source: IMF, adapted from forthcoming MCM Working Paper, database compiled from government websites

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Overcoming Challenges in Operationalizing Debt Data Transparency

- Legal framework should specify
 - reporting obligations for debt management
 - reporting on government guaranteed debt
 - monitoring of State-Owned Enterprise debt, wherever applicable
- Budgeting practice should not promote off balance sheet liabilities
- Institutional arrangements for debt management should facilitate
 - delegation of responsibilities so that transactions (e.g. securitization of assets or issuance of guarantees) do not bypass the debt management office (DMO)
 - coordination with implementing agencies for timely capture of disbursements from creditors
- Organizational set up of DMO should have adequate capacity
 - with an integrated back office unit for timely and comprehensive reporting on all debt liabilities
 - to process and negotiate contracting and settlement of debt and guarantees
- Debt recording and management system should account and report comprehensively