

Making Debt Data Transparent and Sustainable Amidst Debt Distress

“Sound decisions can’t be made based on incomplete data”

World Bank Agenda on Debt Data Quality and Transparency

Bank for International Settlements
Basel, Switzerland
August 21st, 2024

Outline

- 1 World Bank Policy on External Debt and Financial Statements and Debtor Reporting System**
- 2 Debt outlook, key drivers and current challenges**
- 3 World Bank/IMF support on Debt Challenges, Debt Management and Transparency**
- 4 Four-pillar agenda on enhancing the Debt data quality and Transparency**

World Bank Agenda on Enhancing Debt Data Quality and Transparency

“Sound decisions can’t be made based on incomplete data”

Debt Statistics at the World Bank

World Bank Debtor Reporting System (DRS) and International Debt Statistics Publication (IDS)

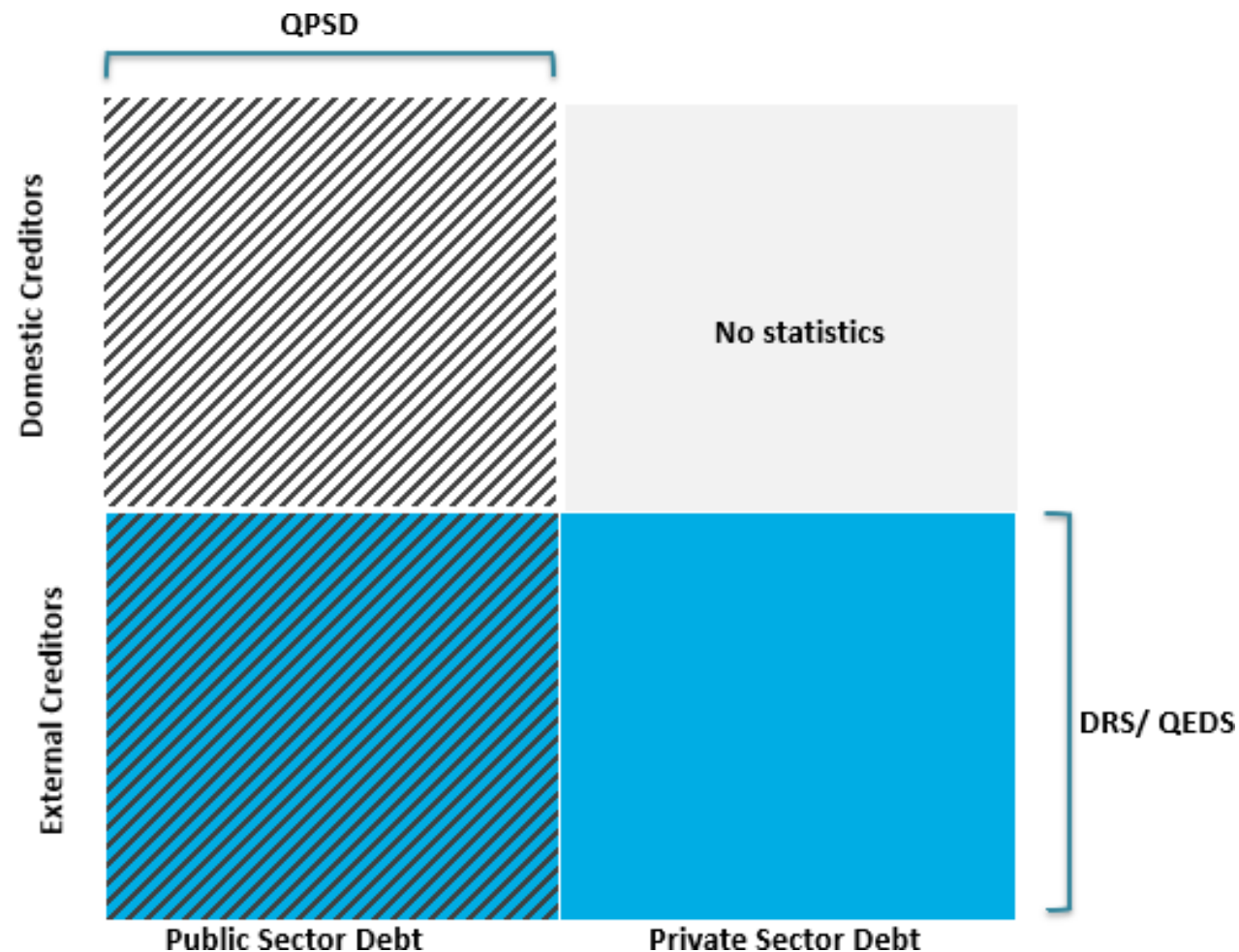
The most detailed single source of verifiable information on the [Public External Debt](#) of 121 low- and middle-income countries.

Quarterly External Debt Statistics (QEDS)

WB/IMF:
Provides high frequency [quarterly data on General Government and Central Bank debt](#) for 130 high- middle- and low-income countries, out of which 72 are DRS reporters.

Quarterly Public Debt Statistics (QPSD)

WB/IMF/OECD:
Provides [quarterly public sector debt \(external and domestic\)](#), focusing on [central government debt](#) for 96 high- middle- and low-income countries, out of which 50 are DRS reporters.



World Bank Policy on External Debt and Financial Statements (BPEDFS)

The DRS is governed by the
World Bank's Policy on External Debt and Financial Statements

"We understand and agree that, for purposes of Section 9.02 of the General Conditions, the Member Country is required by the Bank to report new "loan commitments" (as defined in the Bank's Debtor Reporting System Manual, dated January 2000) not later than 30 days after the end of the quarter during which the debt is incurred, and to report "transactions under loans" (as so defined) not later than March 31 of the year following that for which the report is made."

This obligates all IBRD and IDA borrowers to provide:

1. Detailed, loan-by-loan information on external public debt with an original maturity of more than one year, on a quarterly basis for new commitments, and on an annual basis for transactions (stocks and flows) for all outstanding external loans
2. Aggregate data on the long-term non-guaranteed external debt of the private sector on an annual basis

Debtor Reporting System (DRS)

What is the DRS?

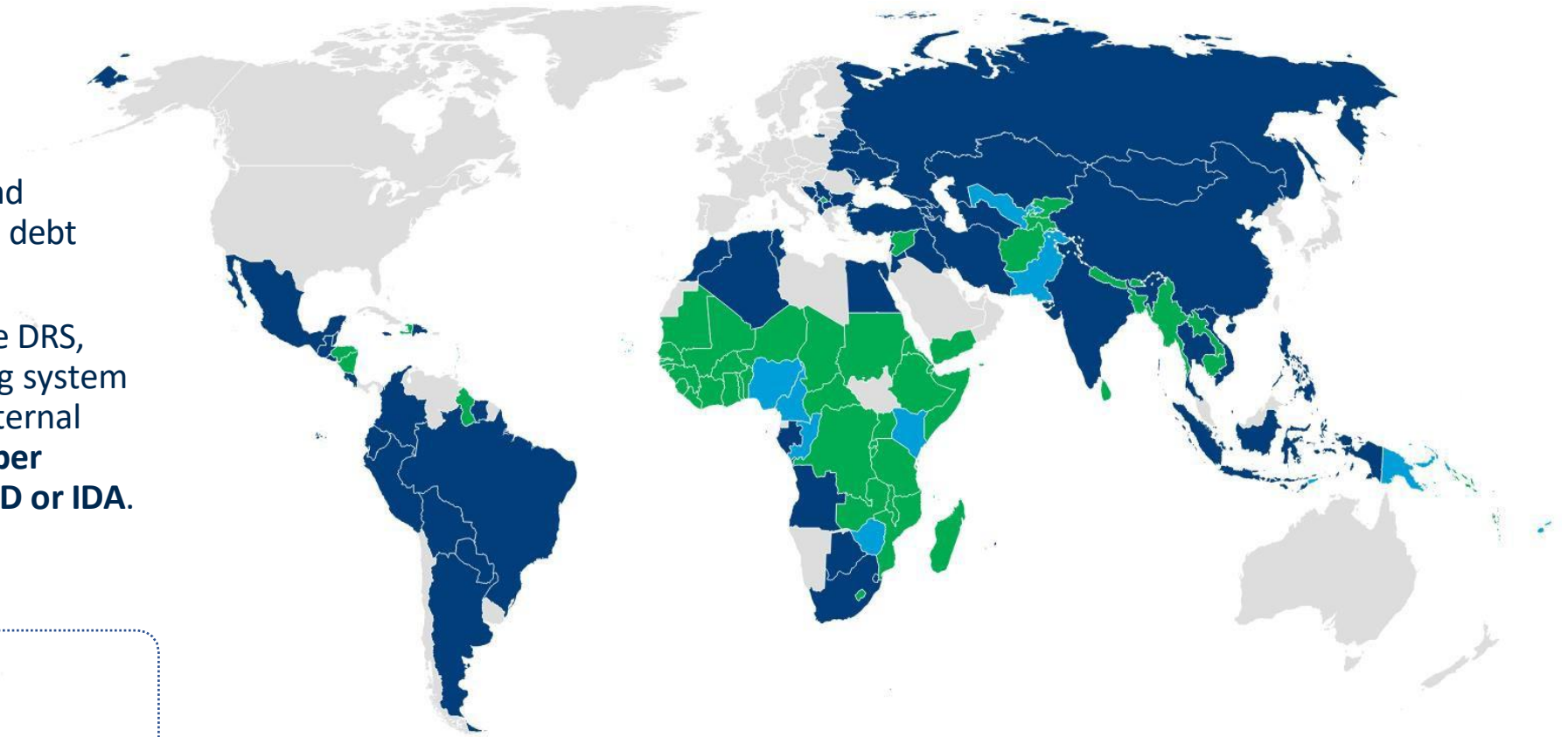
- The World Bank has collected and maintained data on the external debt since 1951.
- The data is reported through the DRS, which is a standardized reporting system that captures information on external debt provided by **all Bank member countries that borrow from IBRD or IDA**.

122 DRS reporting countries:

55 IDA countries

52 IBRD countries

15 Blend countries



IDA

IBRD

Blend

How is DRS Used?

The primary objective of the DRS is to provide the World Bank with reliable and timely external debt information to support operational and analytical work:

Operational: Debt servicing capacity of the country

The lending activities of the Bank demand a close monitoring of the overall financial situation of each borrower before the country goes to the Board for a new loan.

It is also a vital resource for:

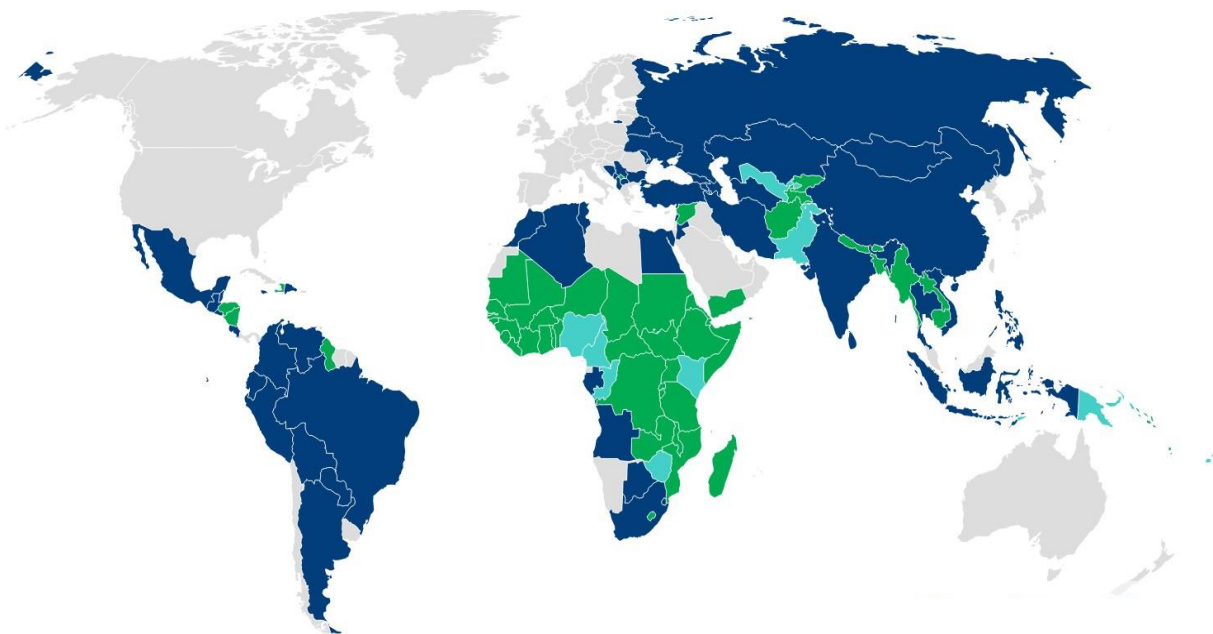
- Analyzing the volume and trends in external financing.
- Setting an international standard on which countries can base their own debt management and measurement systems.
- Facilitating cross country comparisons of debt stock and flows.

Analytical: Providing data for assessments

The DRS is the main source of information for:

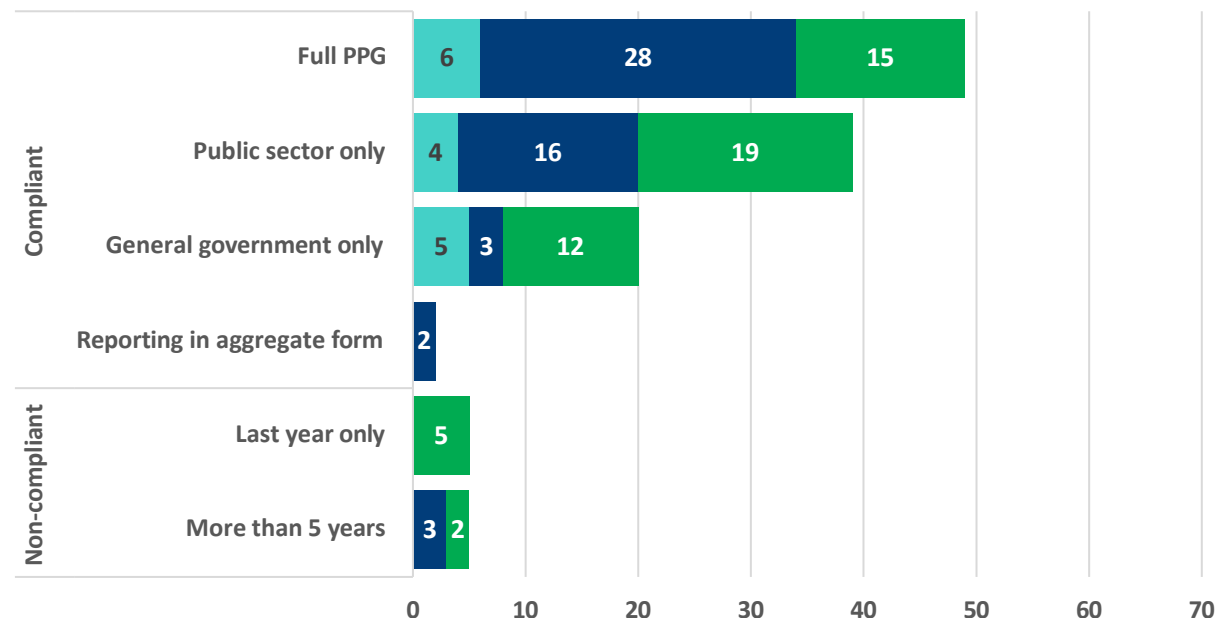
- Providing the detailed debt statistics for purpose of analyzing economic prospects, creditworthiness, economic management, and forecasting
- Debt Sustainability Analysis (DSA)
- Debt Management Performance Assessment (DEMPA)
- SDFP/PPA

Background: DRS country coverage of public and private debt

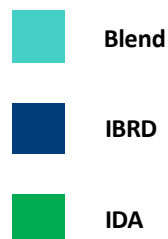


- ✓ 122 reporting countries
- ✓ 45,000 + active loans
- ✓ 2,500 – 3,000 new loans added each year
- ✓ Individual loan terms and conditions
- ✓ Annual stocks and flows for each loan
- ✓ Long historical series

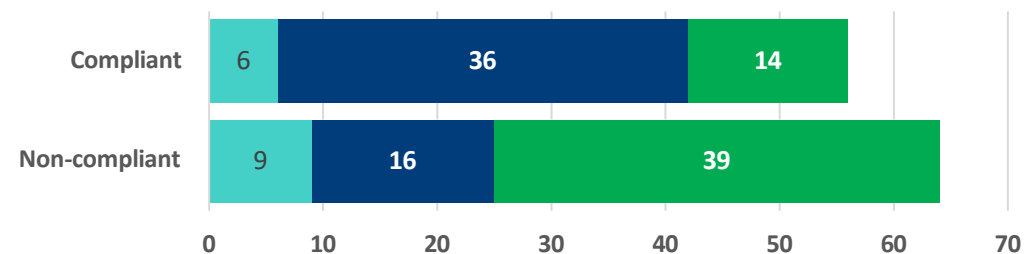
Public and publicly guaranteed (PPG) debt



Operational lending categories



Private non-guaranteed (PNG) debt



DRS Status Report

DRS Rating Criteria

The countries' external debt reporting is assessed on a scale of 1 to 3:

Timeliness

Coverage

Quality

Accuracy

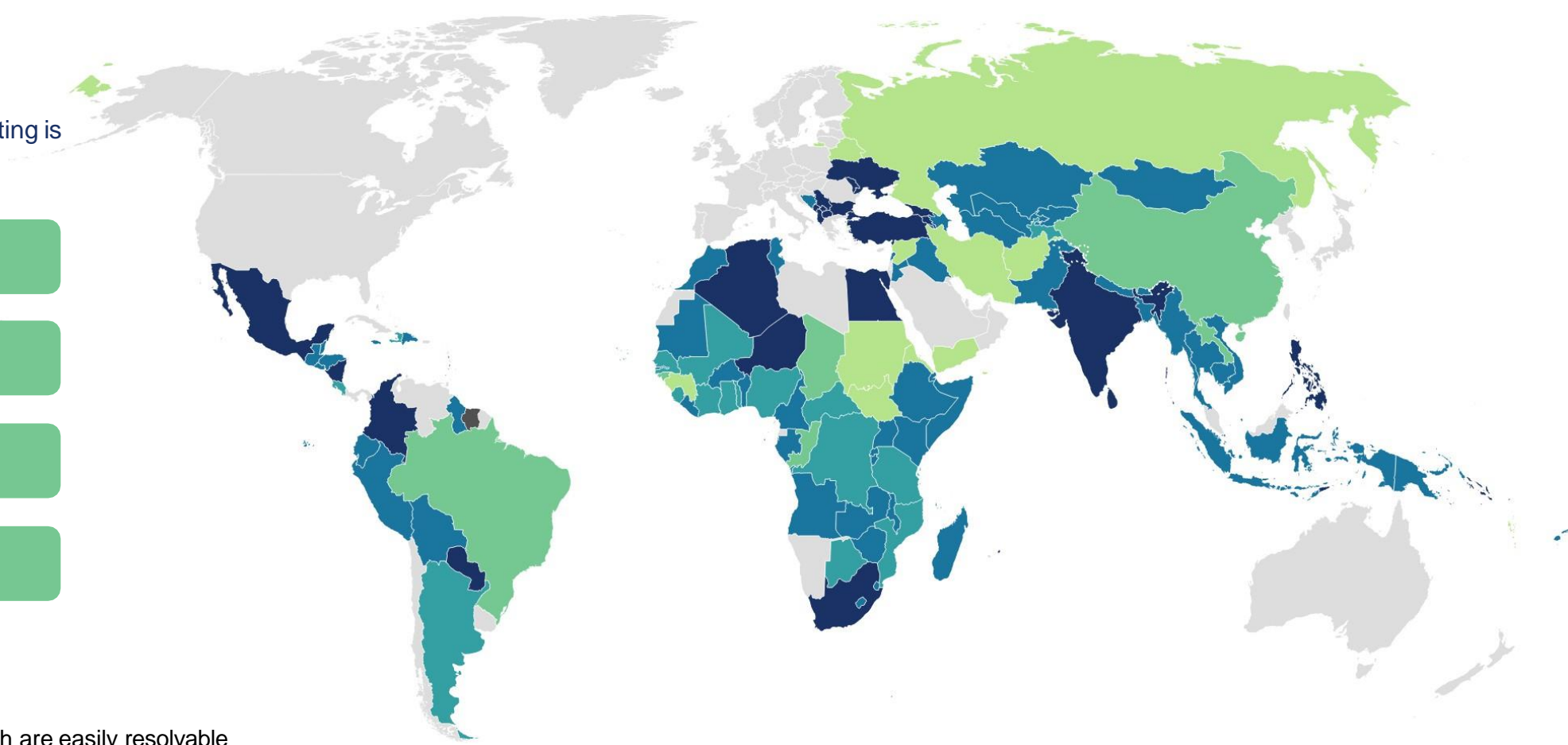
1 no issues with the reports

2+ minor issues with the reports which are easily resolvable

2 moderate issues with the reports which require further dialogue

2- major issues with the reports

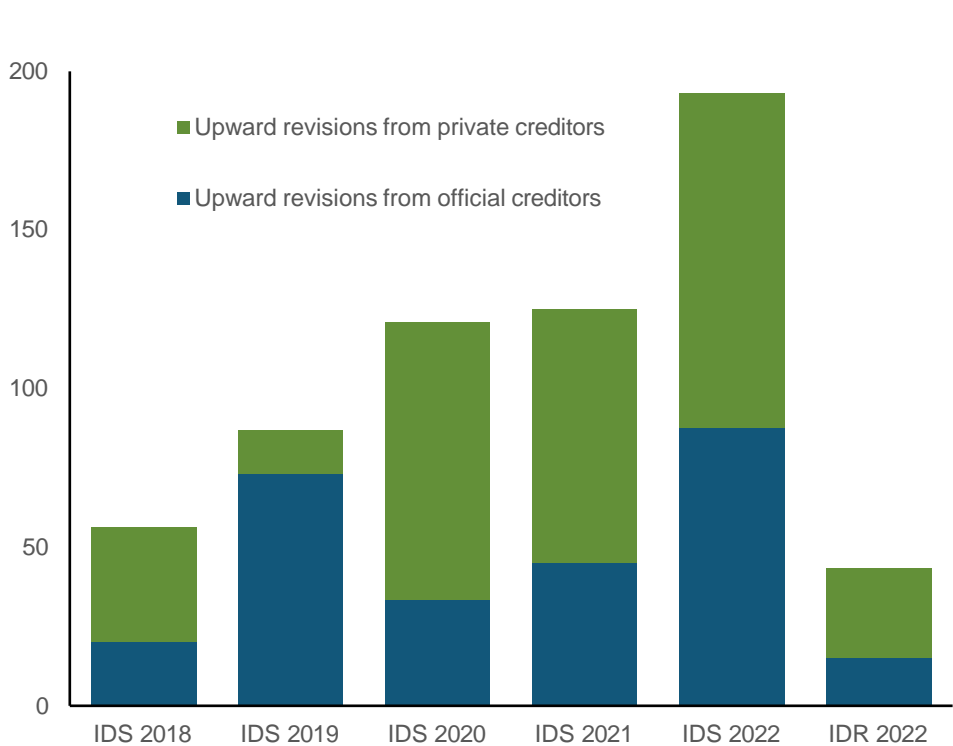
3 country has not reported in the current period



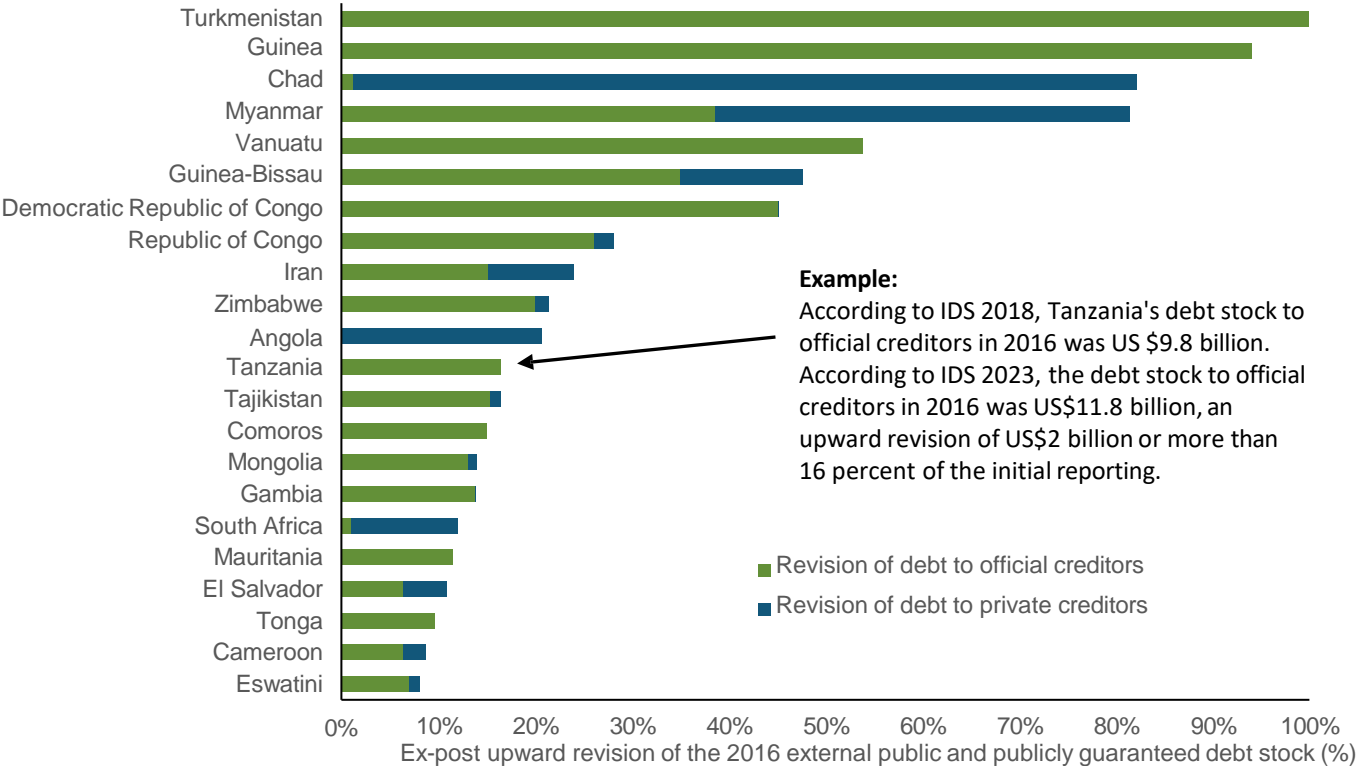
Major progress on debt transparency over the last five years

International Debt Statistics 2022 added US\$199 billion in loans to past data, the single largest increase in debt coverage since the World Bank first published external debt statistics in 1973.

Ex-post Upward Revisions of External Public and Publicly Guaranteed Loan Commitments, IDS2018-IDS2022 and IDR2022
US\$ (billion)



Countries with the Largest Cumulative Upward Revisions since IDS 2018
Percent



Debt Outlook, key drivers and challenges

For the past three years, policymakers and debt managers in many low-income and middle-income countries have been operating in a crisis-management environment, amid a **highly uncertain outlook**.



Changes in borrowing patterns resulted in important shifts in the **creditor landscape**.



The **COVID-19 crisis** added to debt burdens and weakened countries' capacity to service public debt.



Spillover from the **war in Ukraine** along with global monetary tightening increased borrowing costs for developing countries, both in global and local markets.



With low income and many frontier economies **locked out of global markets in 2022-2023**, many are feeling a funding squeeze.



Policymakers' focus has been on implementing **fiscal adjustment** while fiscal pressures are increasing because of lower growth, higher prices, higher interest rates and impact from climate change.



Six low-income countries implemented or are implementing comprehensive **domestic debt restructuring**.

World Bank/IMF support on Debt Challenges, Debt Management and Transparency

1

Increased financing support

- **WBG** delivered \$280 billion in financial support during 2020 - 23
- **IMF** supported countries with over \$266 billion, using a variety of instruments and SDR allocation of \$650 billion.

2

Supporting global debt initiatives

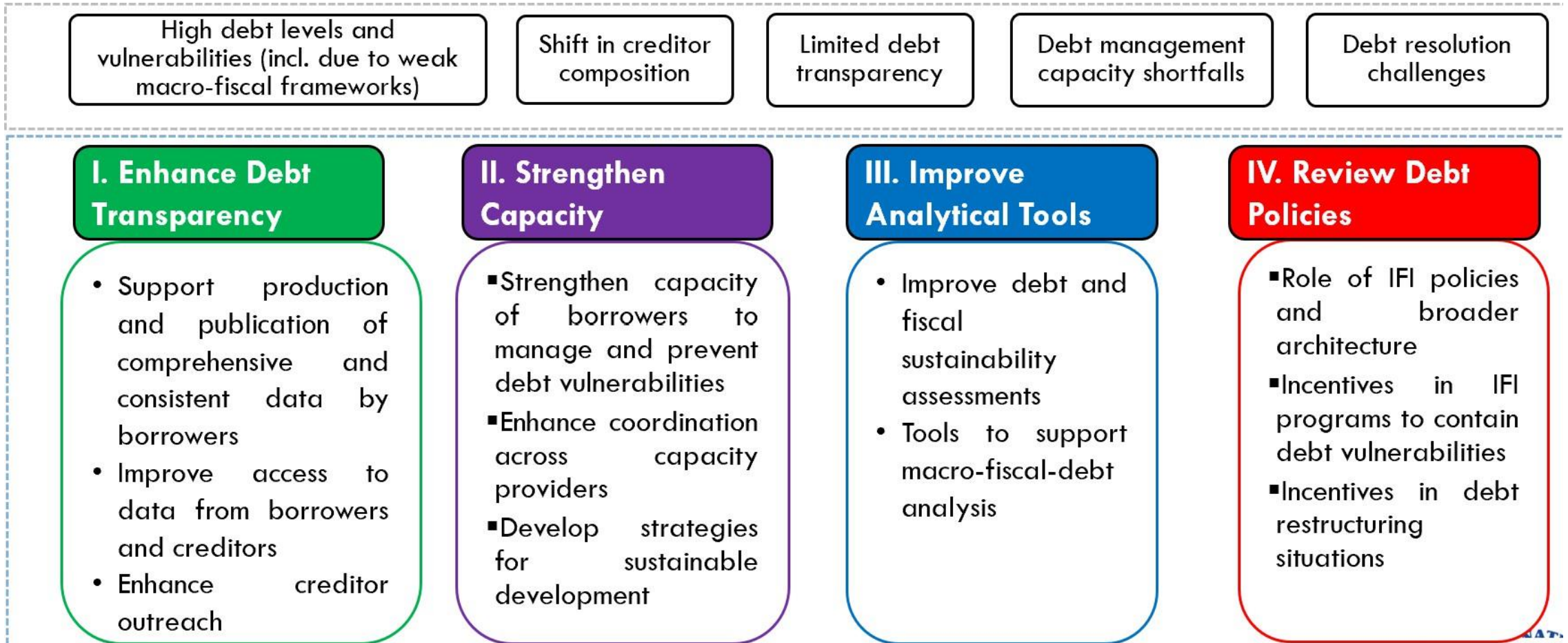
- G20 Debt Service Suspension Initiative (DSSI)
- Common Framework (CF)
- Launched Global Sovereign Debt Roundtable (GSDR)
- Full debt relief under the HIPC and MDRI Initiative by end-2023 HIPC.

3

Technical Assistance

- Debt sustainability
- Debt transparency
- Debt management

World Bank/IMF Multipronged Approach to Address Debt Vulnerabilities



World Bank on Multipronged Approach

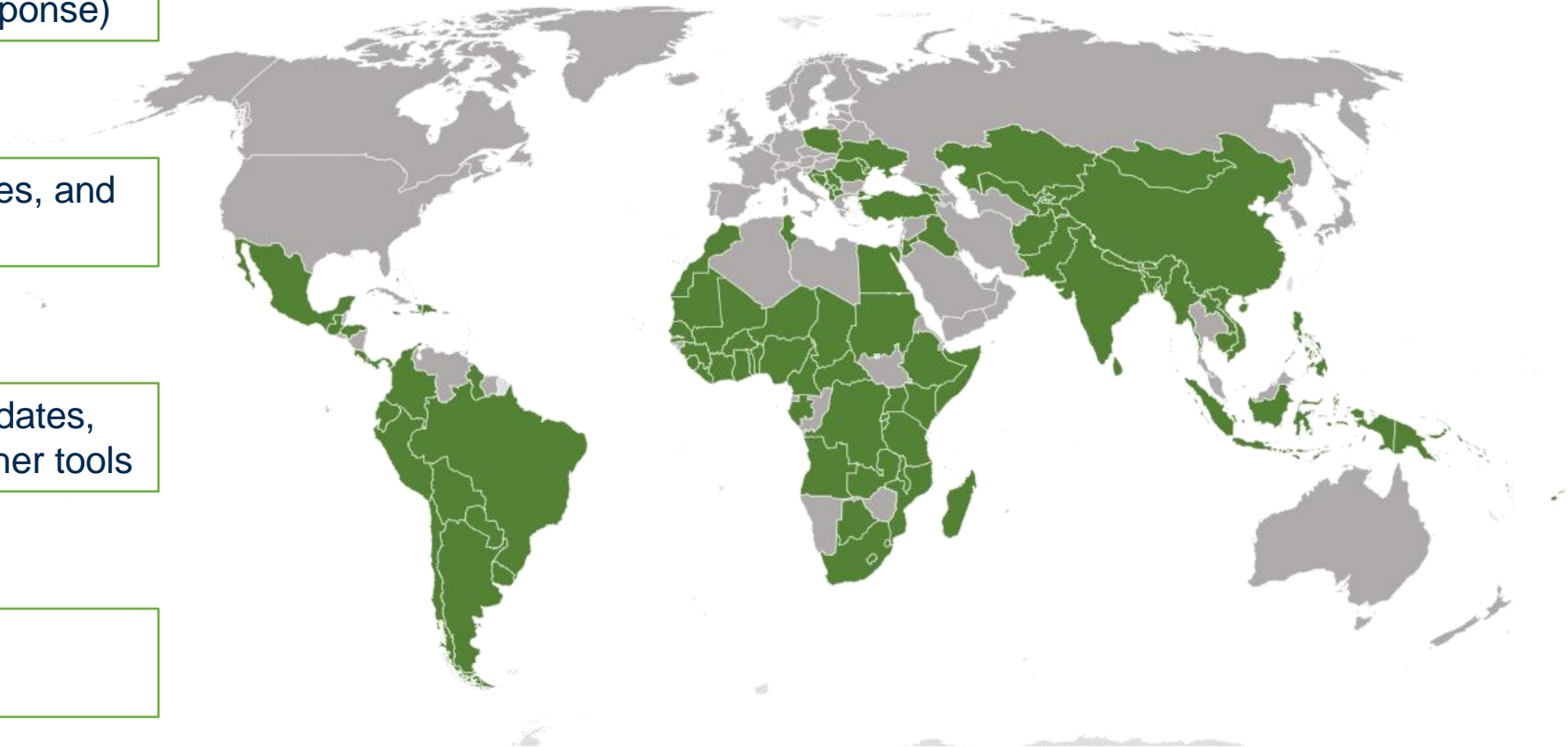
Leading DPFs to support macro-fiscal and structural reforms (crisis response)

TA on debt, revenue, expenditures, and economic policy

Monitoring through economic updates, Debt Reporting Heatmap and other tools

Coordination with IMF and other Development Partners

Development Policy Financing Operations (FY12-22)



Debt Sustainability : DSF & DSA

Debt Sustainability Framework:

Introduced in 2005, IMF-World Bank Debt Sustainability Framework for Low-Income Countries (LIC DSF) is a tool for assessing debt vulnerabilities that guides borrowing and lending decisions.

- The framework within which all DSAs are produced, so as to ensure comparability across DSAs produced for different countries.
- It provides a methodology for assessing whether a country's debt is sustainable and is designed to guide the borrowing decisions of LICs in a way that matches their financing needs with current and prospective repayment ability in order to ensure their debt is sustainable now and in the future.

Debt Sustainability Analysis:

DSA consists of:

- An analysis of a country's projected debt burden over the next 10 years, and its vulnerability to economic and policy shocks, based on baseline and stress test scenarios;
- An assessment of the risk of external and overall public debt distress and debt sustainability, based on indicative debt burden thresholds and benchmark, respectively, that depend on the country's macroeconomic framework and other country-specific information.

IDA Sustainable Development Finance Policy (SDFP)

Main objective:

Strengthen debt transparency, debt management, and fiscal sustainability in IDA countries.

- 1 Debt Sustainability Enhancement Program (DSEP)
- 2 Program of Creditor Outreach (PCO)



PCO event in Sierra Leone Dec 2022

Debt Sustainability Enhancement Program (DSEP)

The objective of the DSEP is to identify and support reforms to mitigate countries' vulnerabilities by improving debt transparency, debt management, and fiscal sustainability

Performance and Policy Actions (PPAs)

Debt Transparency: Primarily focus on the broadening of the coverage of debt owed by state-owned enterprises (SOEs) and the institutionalization of debt publications.

- Publication of comprehensive, detailed, timely, and consistent PPG debt data.

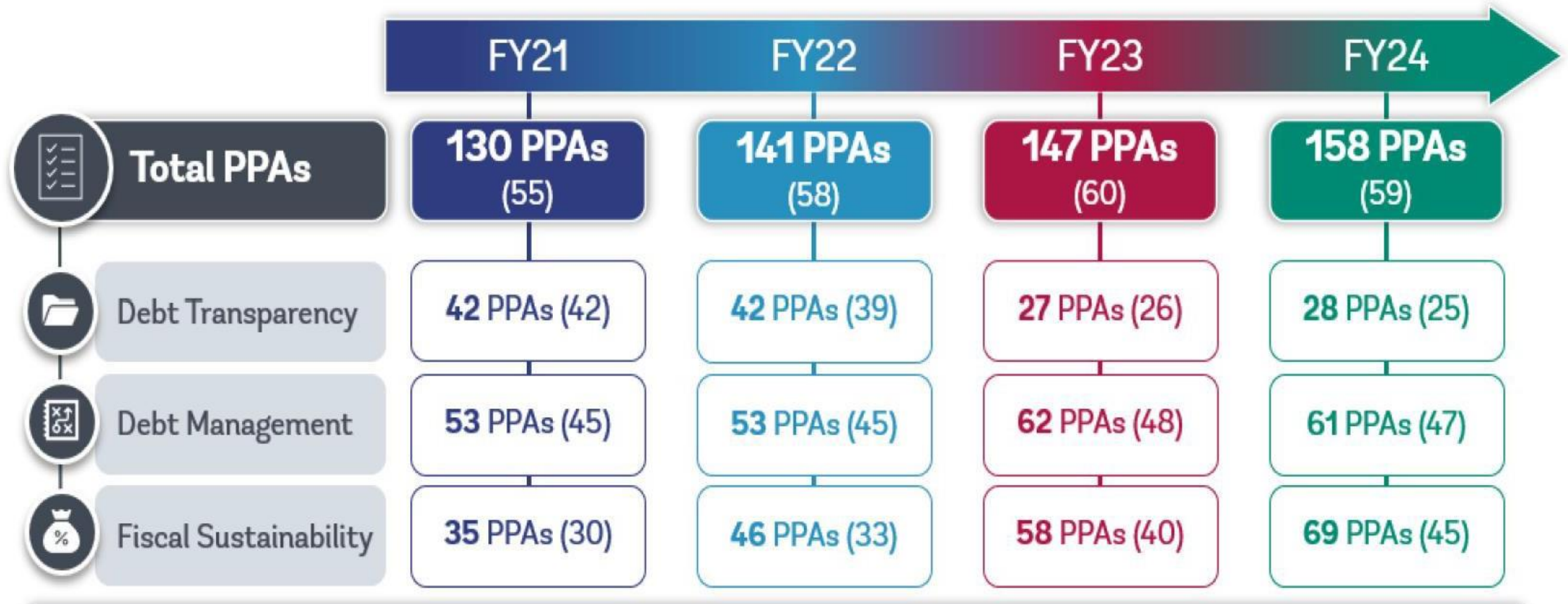
Debt Management: Addressing debt management capacity issues through adoption of a risk assessment methodology for guarantees and on-lent loans to SOEs, publication of a debt management strategy and an annual borrowing plan and establishing a debt management office.

Last 2 years: More complex actions to further strengthen debt management capacity.

- legal framework for contracting public loans and guarantees,
- adoption of fiscal rules and medium-term debt management strategies to limit borrowing,
- establishment of legal frameworks and institutions to enhance debt management accountability.

Fiscal Sustainability: Focus to incentivize tax reforms and mobilize domestic resources.

Evolution of the PPAs



Four-point agenda for enhancing debt data **quality** and **transparency**

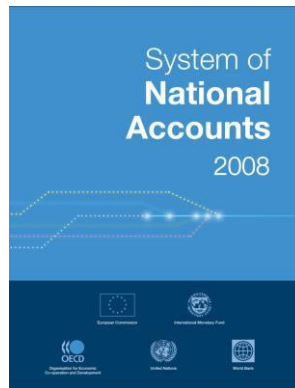
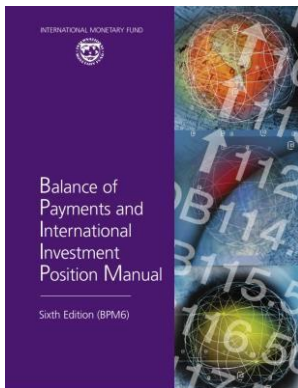
- 1 Redesign the DRS to support new borrowing patterns and current data needs**
- 2 Enhance DRS data quality and comprehensiveness**
- 3 Build a new domestic public sector debt database**
- 4 Enhance DRS data dissemination and data access**

1. Redesign DRS to support new borrowing patterns & current data needs

OBJECTIVE



- Harmonize the DRS with international statistical systems (BoP/IIP and SNA)
- Capture critical information for an accurate measure of external public debt



ACTION PLAN

- The **new DRS** will expand the information collected on:
 - Debt instruments beyond loans and debt securities
 - Granularity of borrower and creditor type
 - Offshore debt-treatment of Special Purpose Entities/Vehicles and residency concept
 - Collateralization of loan contracts, where feasible
- This would involve:
 - **Technical Working Group on Debt Statistics** (WB/IMF/COMSEC/UNCTAD)
 - **Consultations with national authorities** on the new requirements

2. Enhance DRS data quality and comprehensiveness

OBJECTIVE



- Inclusion of external **deposits and currency swap line** arrangements
- Comprehensive reporting of **external borrowing by SOEs**
- Expansion of the number of DRS reporters providing data on **private non-guaranteed debt**



ACTION PLAN

- Working in close coordination with DRS reporters and operational unit of the bank to improve reporting of SOE borrowing, specifically borrowing without a state guarantee.
- Surveying central banks in DRS reporting countries to identify deposits and currency swaps and how they are reflected in national statistics to inform revisions to DRS reporting directives.
- Raising DRS reporters' awareness of the need to measure private non-guaranteed external debt, providing technical support and identifying countries where such debt is significant

2. Enhance DRS data quality and comprehensiveness (cont'd)

OBJECTIVE



- Efficient use of debtor and creditor records and research and academic sources, where possible, to improve the quality and close the gaps



ACTION PLAN

- **DRS/LIC DSA data reconciliation process streamlined** (in collaboration with IMF and WB MTI)
- **Debtor-creditor data reconciliation** exercise with G7 and PC official bilateral creditors:
 - Report on the preliminary findings from the G7 and Paris Club Countries 2022 Debt Data Sharing Exercise (*published on May 19, 2023*)
 - 2023 Debt Data Sharing Exercise is currently ongoing
- **Assessment of AidData academic dataset** to identify potential data gaps:
 - Detailed comparison of China's loan commitments to low- and middle-income countries measured by AidData against DRS data

2. Enhance DRS data quality and comprehensiveness (cont'd)

OBJECTIVE



- Ensure a comprehensive DRS reporting of external public and private sector debt
- Conduct public consultations with DRS member countries:
<https://www.worldbank.org/en/programs/debt-statistics>



ACTION PLAN

- **Coordinated technical assistance** by WB/ IMF/ COMSEC/ UNCTAD on:
- **Targeted technical assistance** to DRS reporters with low statistical capacity to:
 - Improve reporting of State-Owned Enterprises' borrowing, specifically borrowing without a state guarantee
 - Improve the measure private non-guaranteed external debt
 - Increase coverage of central bank debt liabilities, such as currency and deposits, SWAP lines etc.
- **Training program on external debt statistics** under the new World Bank Data Academy
 - June 2024: Countries in Middle East and North Africa & East and Central Africa region
 - January 2025: Countries in East Asia and Pacific region

3. Build a new domestic public sector debt database

OBJECTIVE



- Unify the approach to collect and compile domestic public sector debt data across countries
- Strengthen the transparency of public sector debt statistics
- Consolidate inter- and intra-sectoral debt



ACTION PLAN

- **Survey to 120 DRS countries** was conducted in 2020 to assess:
 - Countries' legal and statistical frameworks that mandate the compilation and dissemination of domestic debt statistics
 - Statistical capacity of governments to define, collect, record and classify domestic debt per international standards
 - Mechanisms in place to record and report domestic debt
- **Pilot exercise to 45 DRS countries** conducted in 2021-2022 :
 - Tested the viability and adequacy of data collection templates
 - Identified potential challenges faced by DMUs in capturing and reporting the data
- **Next steps:**
 - **Focused pilot exercise** with to smaller pool of countries implementing a revised data collection template
 - **Technical Working Group on Debt Statistics** to finalize the reporting template and the domestic debt manual in line with international standards

4. Enhance DRS data dissemination and data access

OBJECTIVE



- Support the debt transparency agenda:
 - Better global public goods
 - Better user access to **Data, Statistics** and **Methodology**



ACTION PLAN

- Newly branded **International Debt Report (IDR)**
 - 50th anniversary of the World Bank's long-standing publication
 - Collaboration between DEC/MTI/DFI to reflect Bank's position on key debt related issues, broad-based debt analyses, and cutting-edge research findings
- Expanded **International Debt Statistics (IDS)** Database
 - Continuous disaggregation of the debt timeseries with more instruments and maturities and market players' breakdown
 - IDS publications including quarterly updates and data revisions
- New **Debt Statistics website**
 - Providing a user-friendly and intuitive resource for users on all things related to World Bank's debt statistics
 - Accessing data tables, database, World Bank API
 - Latest blogs and publications on debt statistics
- New state-of-the-art **Debt Statistics system and Debt data collection platform** to facilitate reporting from both the debtors and the creditors.

Enhanced collaboration with Central Banks

As the institution in charge of compiling BoP and IIP data, the Central Bank is in a better position to compile and report data for:

✓	Private non-guaranteed external debt, including foreign direct investment debt liabilities
✓	Short term external debt of the economy
✓	Deposits and swap agreements
✓	Special Purpose Vehicle/Entity arrangements
✓	Other Central Bank agreements
✓	SOE debt that does not benefit from a guarantee of the public sector (if available)



Thank you!

Debt Statistics Website: <https://www.worldbank.org/en/programs/debt-statistics>