Debt Data Transparency

by

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Importance of Debt Data Transparency

- **Timely, reliable & comprehensive data on the level and composition of debt** are a pre-requisite for:
  - Effective management of public liabilities
  - Fiscal management
  - Preventing debt distress
  - Identifying risks of debt crises – early warning systems
  - Limiting the impact of debt crises

- **Debt data transparency contributes critically to:**
  - Debt sustainability
  - Formulation of financial policies and strategies
  - Financial stability
  - Good governance

‘...timely and comprehensive data on the level and composition of debt are necessary for, inter alia, building early warning systems aimed at limiting the impact of debt crises.’ (UN General Assembly A/Res/71/216)

‘It is critical to ensure the availability of comprehensive, reliable debt databases that cover all aspects of the evolving debt portfolio and adequate support for debt statistical capacity and reporting.’ (United Nations Secretary-General, 2015)

‘... building capacity in public financial management ... and enhancing information sharing could help avoid new episodes of debt distress in LICs. We call for greater transparency, both on the side of debtors and creditors.’ (G20 Communique, Buenos Aires, 2018)
Importance of Debt Data Transparency

Comprehensive, timely, reliable debt data

Accurate, timely debt servicing

Effective debt reporting

Reliable debt statistics

Medium-term debt strategies

Debt sustainability analysis

Borrowing plans

Coordinated policies

Well-informed decisions

Improved reputation

Better governance

Reduced debt distress

Lower-cost borrowing

Poverty reduction

Debt sustainability

Sustainable development

Poverty reduction

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Lower-cost borrowing

Debt sustainability

Sustainable development
Key requirements for Debt Data Transparency

- Effective recording and reporting functions
- Legal and institutional framework clearly defining responsibilities
- Effective coordination between debt management and macroeconomic policies
- Effective information flows and coordination
- Integration of debt management in PFM framework
- High-level government commitment and support
- Strong debt recording and monitoring system
- Comprehensive debt database
- Knowledgeable, skilled staff
- Capacity for high-quality reporting and statistics
Current problems and causes

• **Deficiencies in data quality**
  
  - **Completeness:**
    - Incomplete coverage of public sector debt
    - Unrecorded (‘hidden’) debt instruments/contingent liabilities
    - Lack of consolidated view
  
  - **Timeliness:** Late recording of debt instruments, disbursements, servicing, arrears, guarantee data
  
  - **Accuracy:**
    - Mistakes in classification
    - Misinterpretation of characteristics, entry errors
  
  - **Reporting:**
    - Limited access to data
    - Absence of automated functions for generating standard reports
    - Inadequate knowledge of reporting standards.

• **Causes**
  
  - Weak legal framework and/or managerial structure
  
  - Weak information flows
  
  - Weak integration of debt management within PFM
  
  - Weak operational risk management - procedures
  
  - DMO unprepared for expanding debt coverage and increasing prevalence of complex debt instruments and blended financing
  
  - Inadequate Debt Management System(s)
  
  - Poor connectivity between debt systems/databases
  
  - Low staff capacity, especially for Back Office
Low staff capacity

...a major challenge for many countries, especially where there is a high demand for such staff in the private sector, or an overall shortage of such skills.

Revised Guidelines for Public Debt Management, 2014

- Shortage of skilled staff: Functional, IT
- Insufficient training opportunities
- Low prestige of Back Office
- High staff turnover
- Difficulty keeping up with developments in debt management & technology

Capacity Development
Long-term continuous, iterative process of learning & adapting to change
Legend: Debt data and reporting is:
- Green: Complete and of high integrity
- Yellow: High standard with minor problems
- Orange: Fair quality, but gaps and reconciliation problems
- Red: Significantly incomplete and inaccurate
- Grey: Insufficient data at the time of elaboration
- White: High income countries and BRICS

Scope: Includes all developing countries and transition economies with the exception of BRICS.
Source: Ratings are based on Performance Indicator 17/0 of the latest Public Expenditures and Financial Accountability (PEFA) national assessment publicly available, supported by publicly available Debt Management Performance Assessment (DeMPA) reports and records of UNCTAD’s Debt Management and Financial Analysis (DMFAS) Programme.
Consequences of poor debt data quality

- Sustainable development
- Debt sustainability
- Poverty reduction
- Lower-cost borrowing
- Reduced debt distress
- Transparency
- Better governance
- Improved reputation
- Well-informed decisions
- Coordinated policies
- Medium-term debt strategies
- Debt sustainability analysis
- Borrowing plans
- Accurate, timely debt servicing
- Effective debt reporting
- Reliable debt statistics

Comprehensive, reliable debt database
Consequences of poor debt data quality

- Lack of information
- Increase vulnerability
- Difficulty securing funding
- Higher cost of borrowing
- Poor planning & decision-making
- Weak coordination
- Damaged reputation
- Debt distress
Available solutions

- Assessment of capacity and data quality
  - Public Expenditure & Financial Accountability (PEFA) Framework
  - Country Policy & Institutional Assessment (CPIA)
  - Data Quality Assessment Framework (DQAF)
  - Debt Management Performance Assessment (DeMPA)
  - Debt Data Quality Assessment Methodology (DeQAM)

- International standards
  - Revised Guidelines for Public Debt management (WB, 2014)
Available solutions

- Debt Management Systems
  - UNCTAD Debt Management & Financial Analysis System (DMFAS)
  - COMSEC’s Debt Recording & Management System (CS-DRMS)

- Capacity Development
  - Data data recording, monitoring, reporting and statistics: UNCTAD, COMSEC
  - Debt statistics: IMF
  - Debt audits: INTOSAI
  - Assessment: Debt management Facility (DMF)

**Key challenge:** insufficient financing available to enable providers of technical assistance to meet the needs of developing countries for support in the downstream areas of debt data recording, monitoring and reporting
Conclusions

- **Debt data transparency is critical** for effective debt management, avoiding debt distress and limiting effects of debt crises.

- Despite improvements, there are **significant problems in debt data and reporting quality in many countries**, including in coverage and data quality.

- Increasing complexity of debt portfolios including complex debt instruments and blended financing, weak legal and institutional frameworks, low staff capacity and inadequate debt management systems are **major challenges**.

- **Strengthening capacity for debt data recording and recording is particularly important**, as is increasing understanding of international best practices.

- Countries **need to have reliable debt management systems** that evolve to meet the changes in debt management standards and practices, and in technology.

- To meet the challenges, countries need **more support from the international community** in the form of providing access to the available solutions.
Conclusions

- Technical assistance (TA) should be delivered through **tailored and targeted action plans**, and global providers should keep products and services updated in line with changing needs and standards.

- Consideration should be given to **establishing a global coordination mechanism for TA delivery** in debt recording and reporting, including data quality assessment, ensuring synergies with ‘upstream’ providers and establishing a coordinated, programmatic approach.

- **Priority** should be given to **scaling-up the provision of TA in ‘downstream’ debt management**: debt recording, monitoring and reporting.

- **New financing from international community will be needed for strengthening capacity in data recording/reporting**, to enable multilateral providers of ‘downstream’ support to address countries’ needs fully and in timely manner.

**Objective:** *debt data transparency improved to levels needed for effective debt management, identifying risks of debt distress and limiting the effects of debt crises*
Thank You