



IDB

**“What do we know about public
debt in LAC”**

Edgardo Demaestri

Seminar on Preventing and Managing Debt Crises
to Promote Long Term Sustainability

Santiago de Chile, Chile

November 9-10, 2011

Plan of Presentation

- Main Issues for Debt Management in LAC;
- Instruments for IDB Support;
- LAC Debt Group Debt Statistics

Main Issues for Debt Management in LAC

- Debt Statistics;
- Contingent Liabilities;
- Management of Natural Disaster Risks;
- Asset and Liability Management; and
- Debt Sustainability

Debt Statistics

- Statistics (on a semester basis);
- Homogeneous Statistics;
- Designed for Debt Markets and Academic Research;
- Country Cooperative Support; and
- Dissemination.

Contingent Liabilities

- Conceptual Analysis (distinction between explicit and implicit, etc);
- Methodology for Estimation; and
- Some Pilot Country Cases.

Management of Natural Disaster Risks

- Dialogue with Country Authorities;
- Technical Support;
- Development of Lending Facility; and
- Lending Support for Countries.

Asset and Liability Management

- Conceptual Analysis;
- Challenges for country implementation;
- Pilot Country Cases; and
- Joint Initiative with UNCTAD.



Debt Sustainability

- Development of Methodology;
- Technical Support; and
- Country Application for Macroeconomic Analysis.

Instruments for IDB Support

- Network Support;
- Operational and Policy Dialogue Support; and
- Knowledge Products.

Network Support

- LAC DEBT Group;
 - Forum for Debt Discussions, Exchange of Experiences, and Lessons Learned;
 - Two Meetings per Year; and
 - Development of Debt Studies;



Operational and Policy Dialogue Support

- Policy Dialogue with Country Authorities;
- Institutional Support for the Establishment and Strengthening of Debt Management Offices.



Knowledge Products

- Research;
- Technical Meetings;
- Debt Sustainability Methodology and Analysis



Standardized Sovereign Debt Data for the LAC region 2010 and I Sem 2011

LAC Debt Group



The Project

Standardized Public Data for LAC Countries

- ❖ The LAC Debt group with the support of the IDB started in 2009 the project of compiling **Standardized** Public Debt Data for the LAC countries
- ❖ With the collaboration of Public Debt Offices in the region we developed a Questionnaire that is sent out every semester
- ❖ After a number of consistency checks, the responses of the Public Debt Offices to the questionnaire are summarized in a Report
- ❖ We will present the main results of the IV Report with 2010 data
- ❖ We will present also some preliminary results with I Sem 2011 data



The IV Report

- ❖ The IV Report on Standardized Public Debt Data updates the previous reports with data for June and December 2010

- ❖ We achieved a new record!
 - 23 countries completed the questionnaires



Outline

1) The dataset and methodological issues

2) Main results up to December 2010

3) Preliminary results for June 2011

Variables included

❖ The database compiles information on:

Gross and Net Public debt levels

Public debt composition regarding:

- Legislation (external, domestic)
- Currency and Rate
- Type of creditor (official institutions, banks, marketable debt)
- Holder (Central Bank, others)
- Maturity

Future payments

Recent debt issuances

Basic definitions

- ❖ Standardized data call for a clear definition of public debt.

Gross Public Debt (GPD): gross debt of the Central government (includes Treasury debt with the Central Bank) plus Central Bank non-monetary liabilities except those used for monetary regulation

- ❖ To account for various definitions and legal idiosyncrasies in different countries, we define the following concepts:
 - **Net Public Debt 1:** GPD **minus** public debt held by the Central Bank
 - **Net Public Debt 2:** Net Debt 1 **minus** International Reserves
 - **Net Public Debt 3:** Net Debt 2 **minus** Assets held by private pension funds
- ❖ Having several alternative definitions of debt allows users to choose the concept they consider more relevant.



Some caveats

- ❖ **Subnational debt is excluded**
 - This is equivalent to assume that subnational government debt is not implicitly guaranteed by the sovereign (probably to optimistic)

- ❖ **Central Bank non-monetary liabilities are included except for short-term obligations issued for monetary regulation**
 - A significant fraction of multilateral and external lending is on the head of the CB.
 - Liabilities issued for monetary regulation are unlikely to be redeemed

- ❖ **Liabilities of state-owned enterprises and banks are excluded**
 - Otherwise we should include their real assets too

➤ Domestic vs. external debt

We classify debt based on the legislation under which it was issued

Resident vs. non-residents, the usual way to do it, is, in practice, virtually impossible to do with bonded debt

Outline

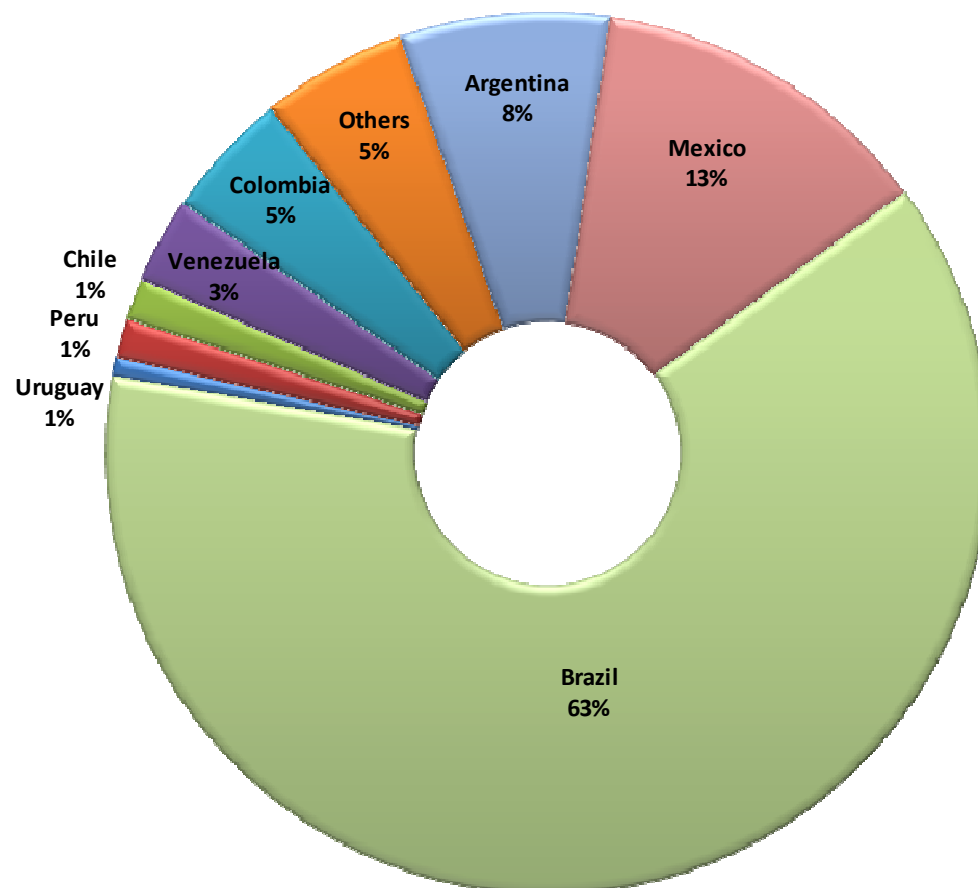
1) A quick review: the dataset and methodological issues

2) Main results up to December 2010

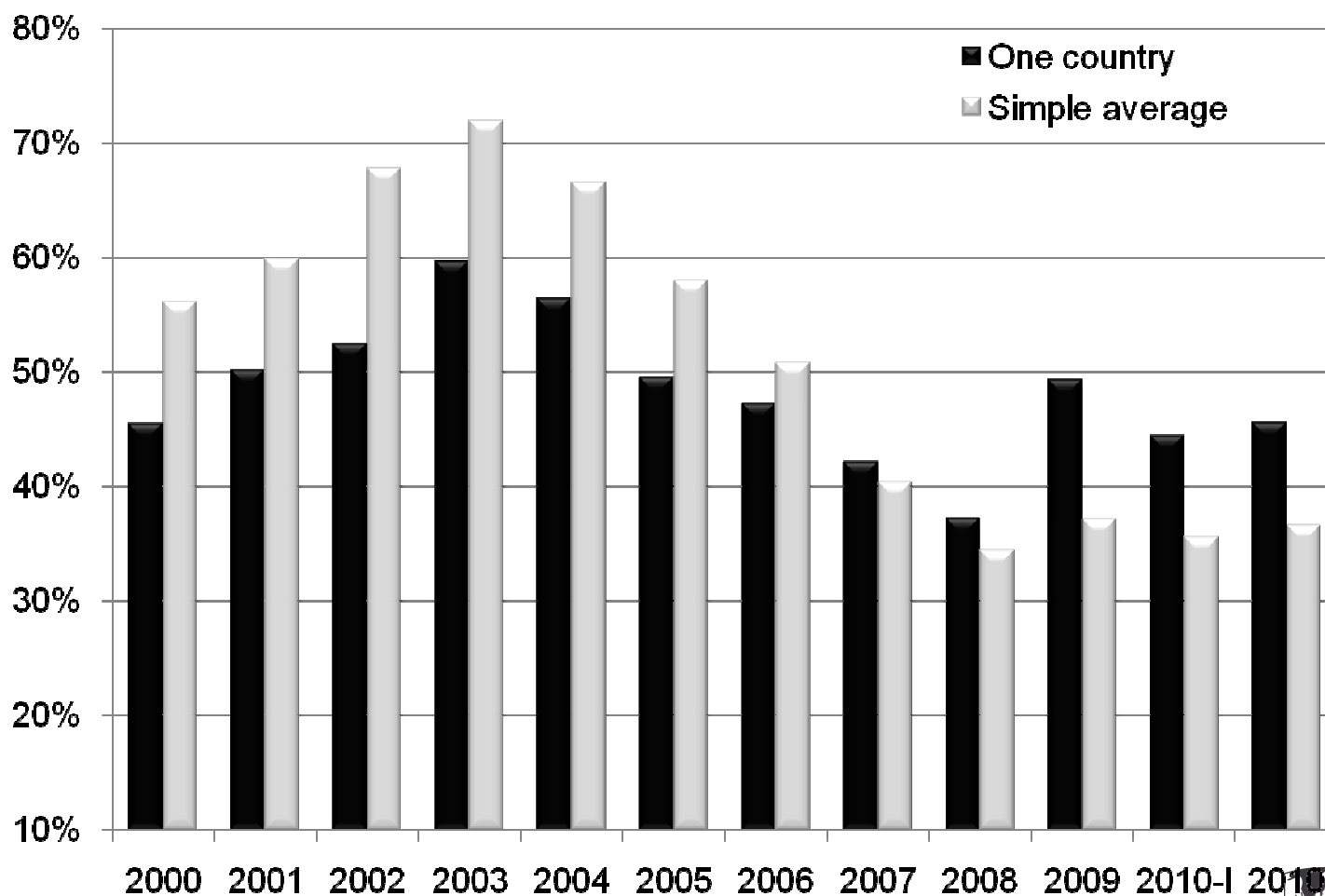
3) Preliminary results for June 2011

➤ Gross Public Debt (2010)

Brazil, Mexico, Argentina, Colombia, Venezuela, Chile, Peru and Uruguay account for 95% of Gross Public Debt in the LAC Region.

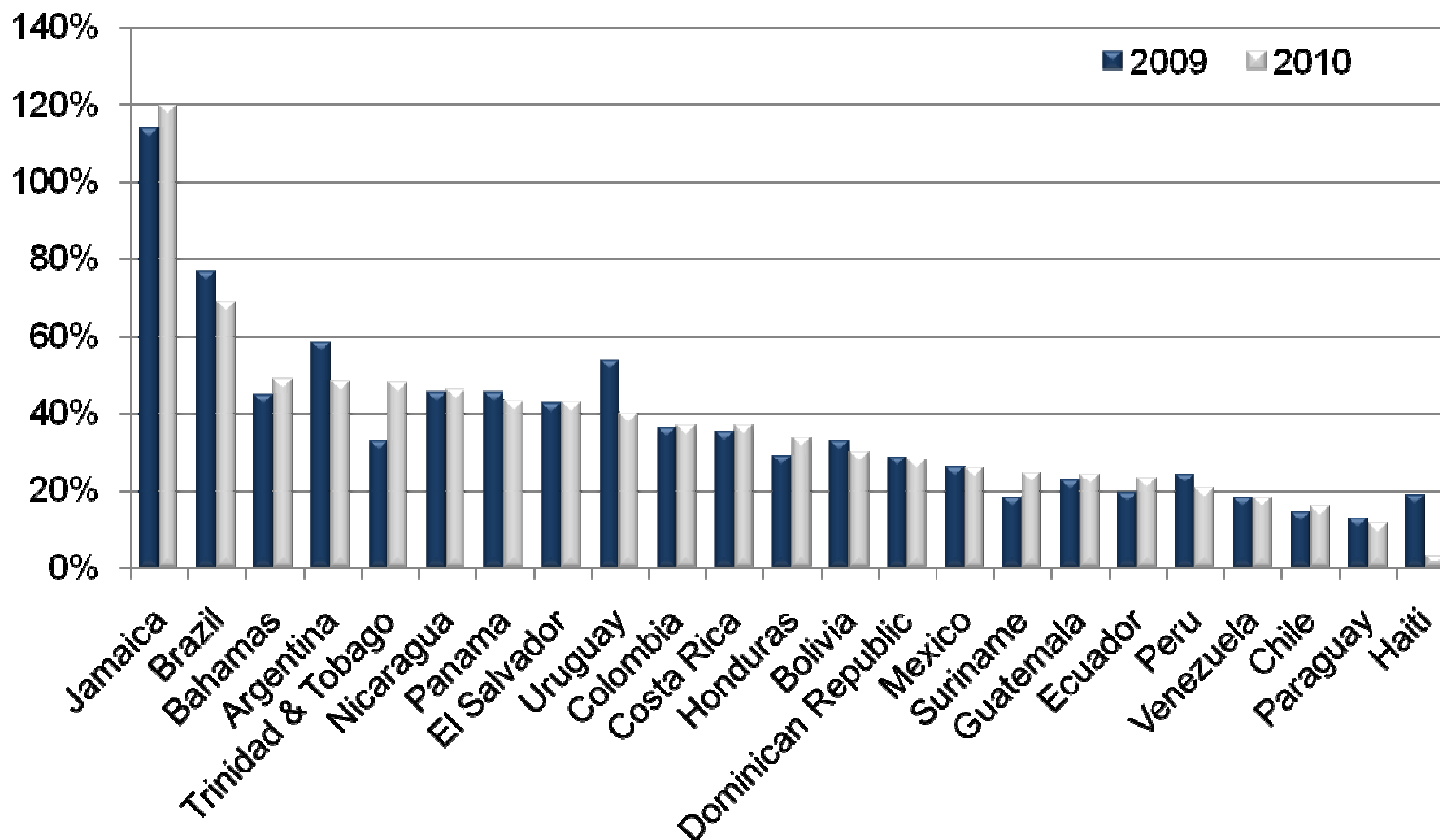


➤ In 2010 there was a decline in the Gross Public Debt/GDP ratio for the region

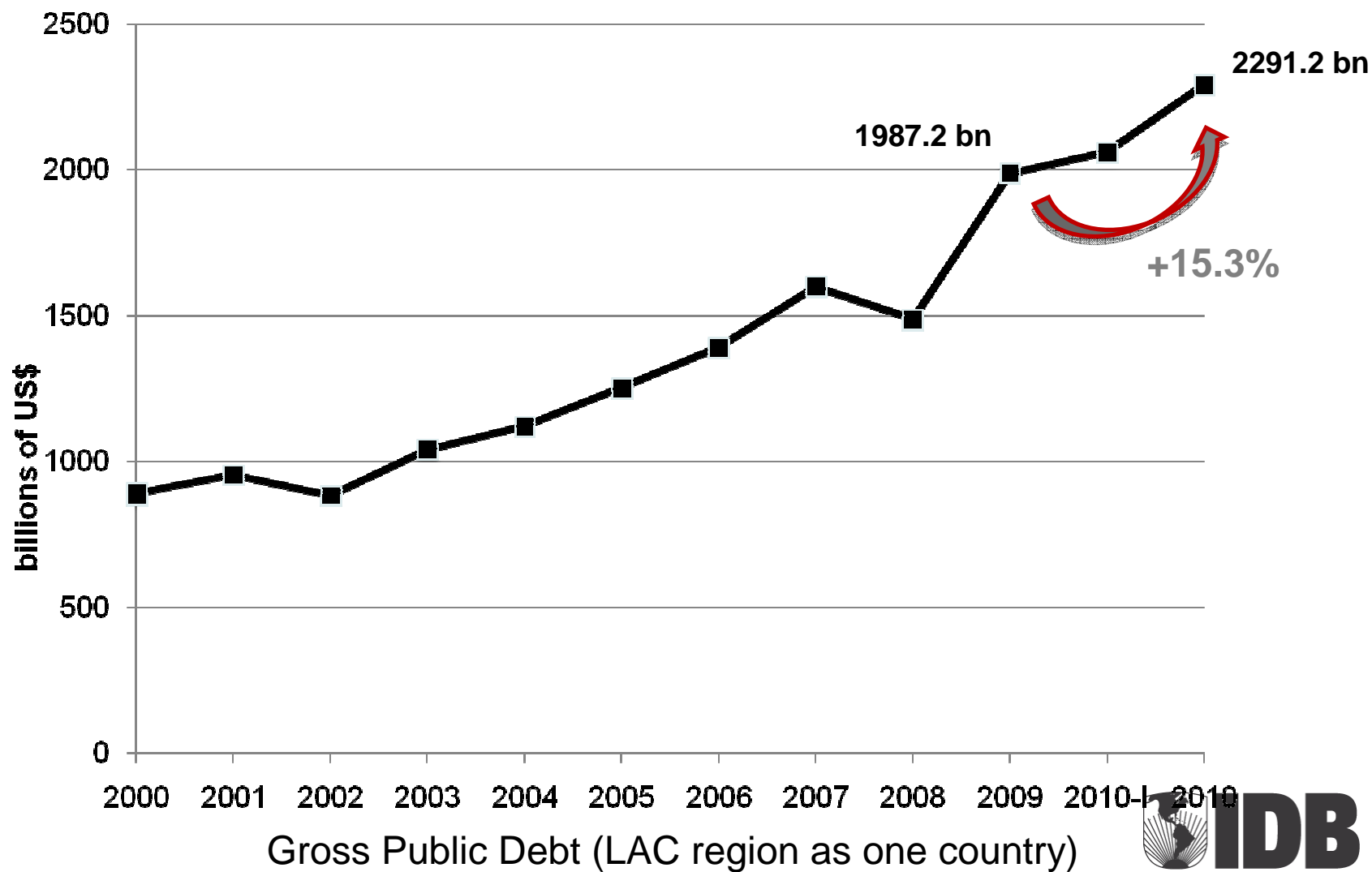


➤ But this was not uniform across countries
(it increased for 13 out of 23 countries)

Gross Public Debt / GDP

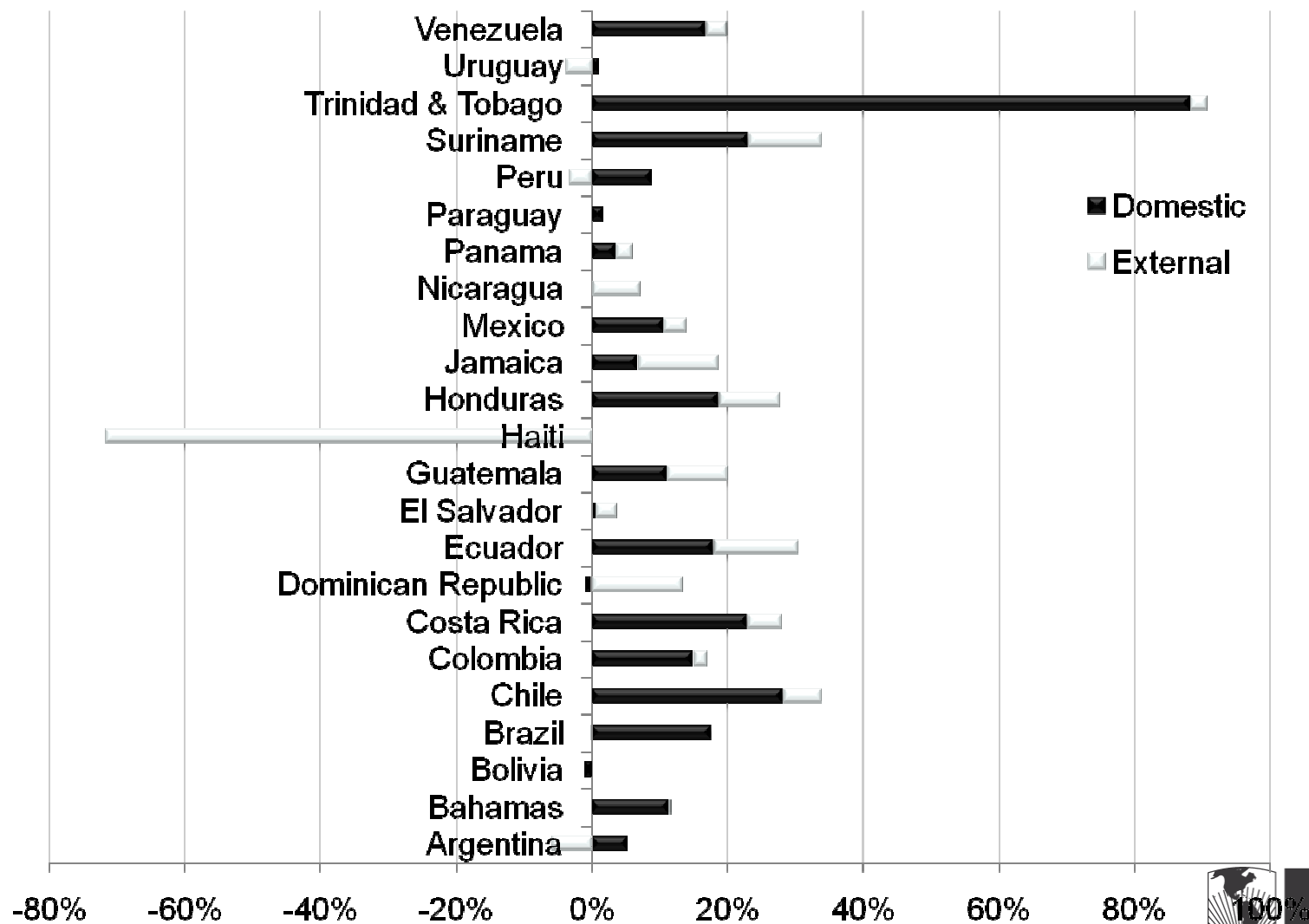


➤ In nominal terms Gross Public Debt increased...

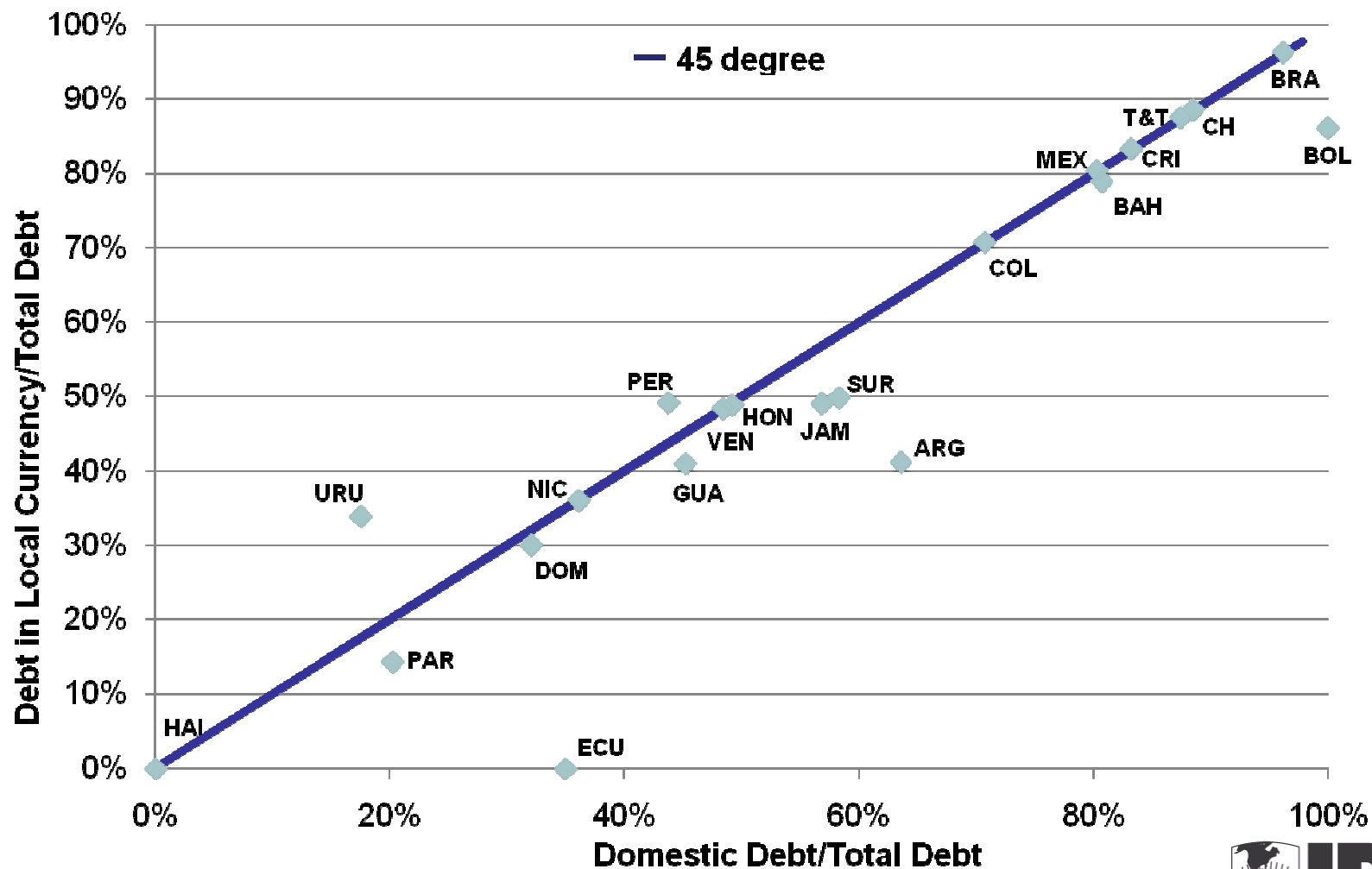




All large countries increased their domestic debt in 2010



» There is a high correlation between jurisdiction and currency



c1



Slide 27

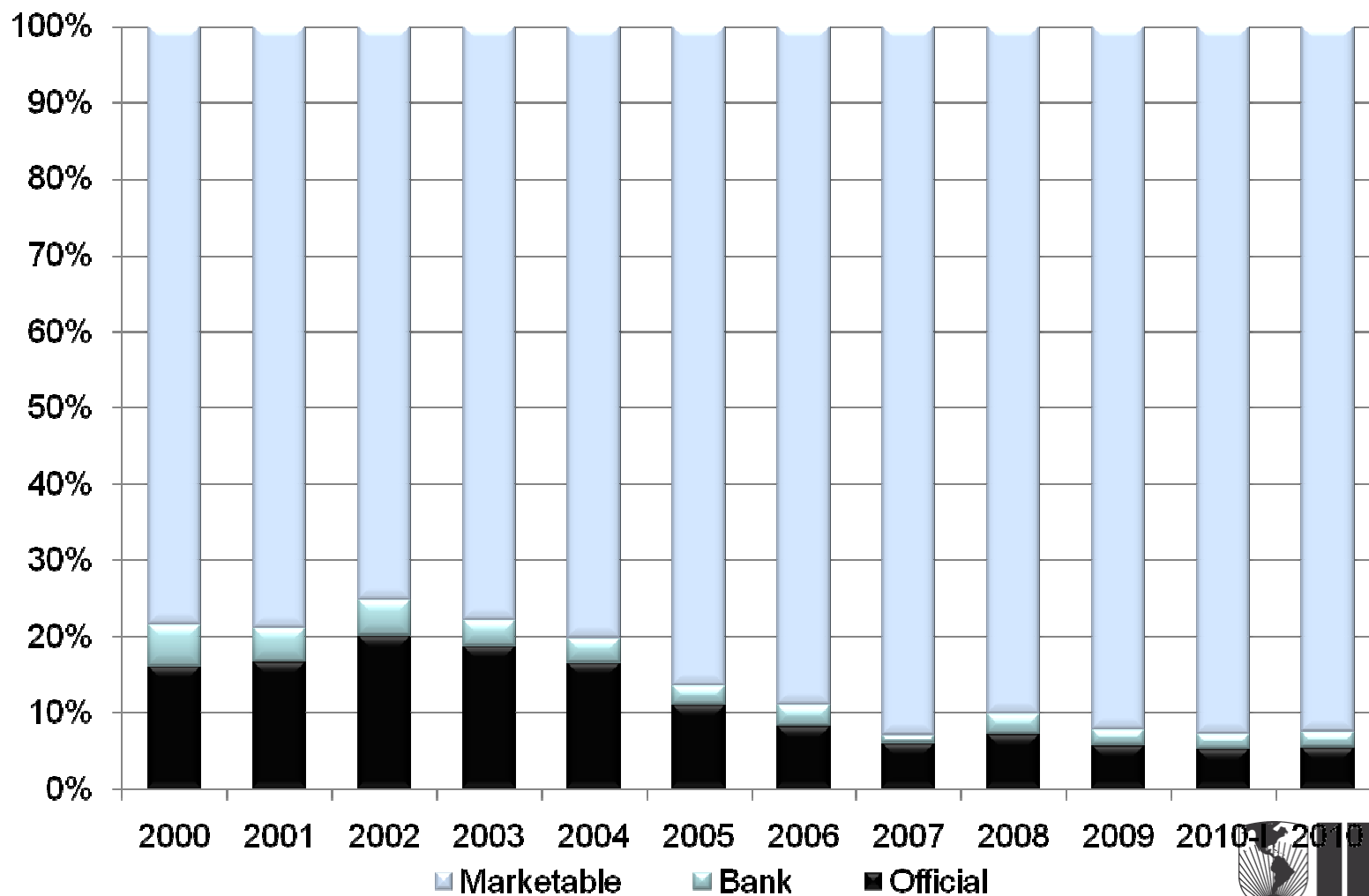
c1

Se excluyen Panamá y El Salvador pues reportan deuda en local currency a pensar de estar dolarizados
cif; 30/08/2011



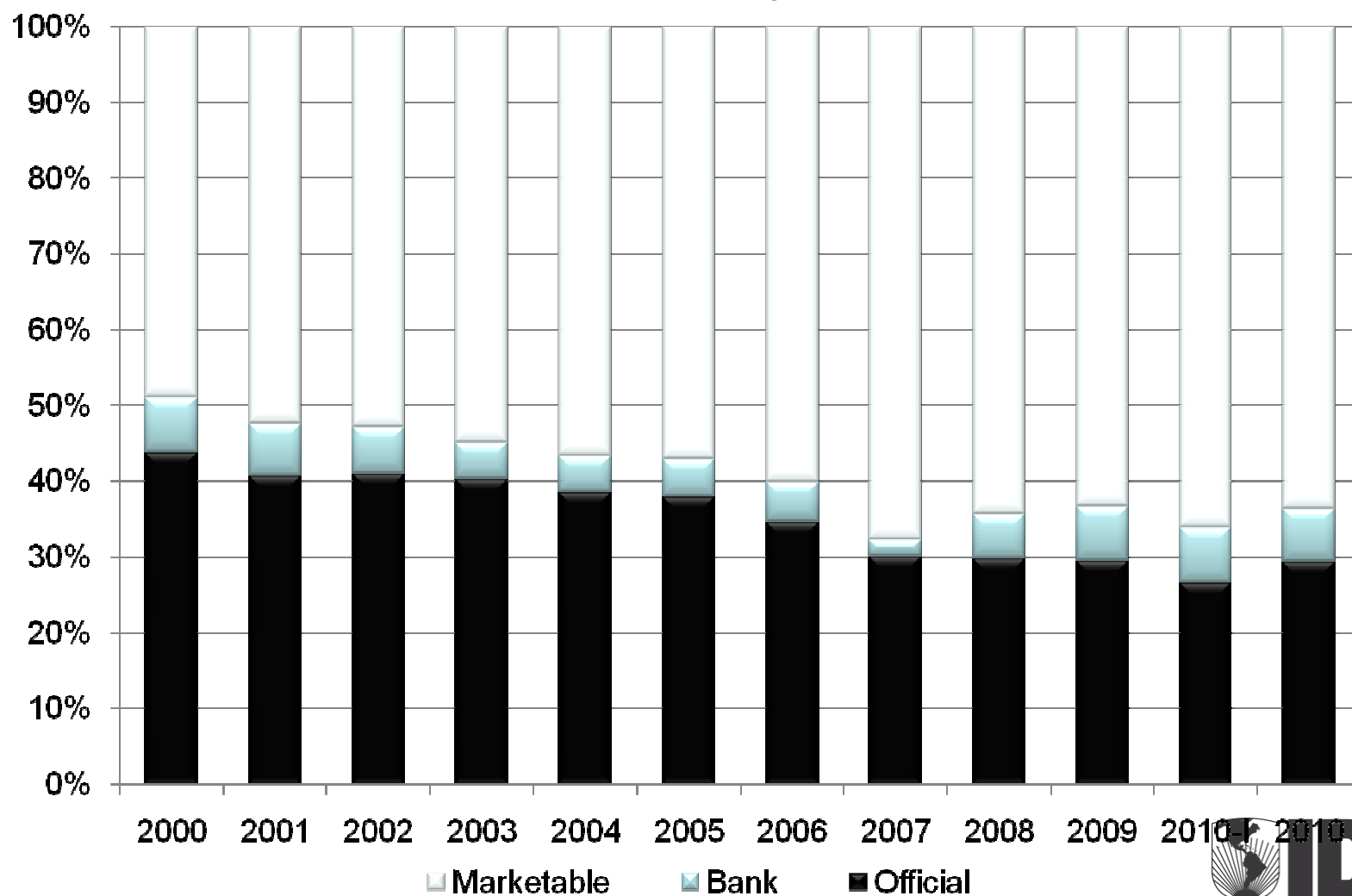
Most of the debt is marketable debt ...

Debt Composition by Creditor
(One Country)

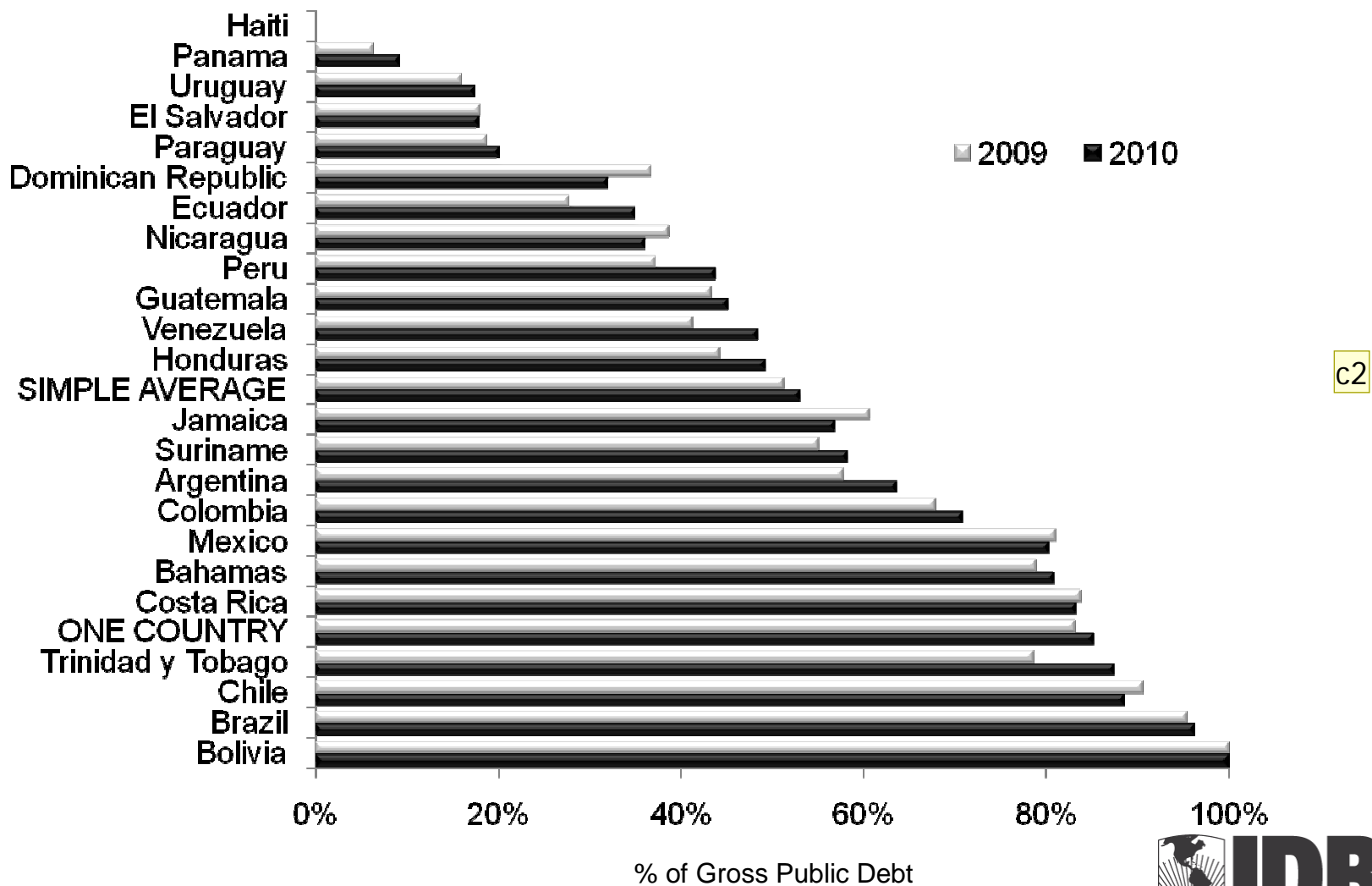


➤ ...but in smaller countries official debt is more relevant

Debt Composition by Creditor.
(Simple Average)



Debt issued under domestic legislation



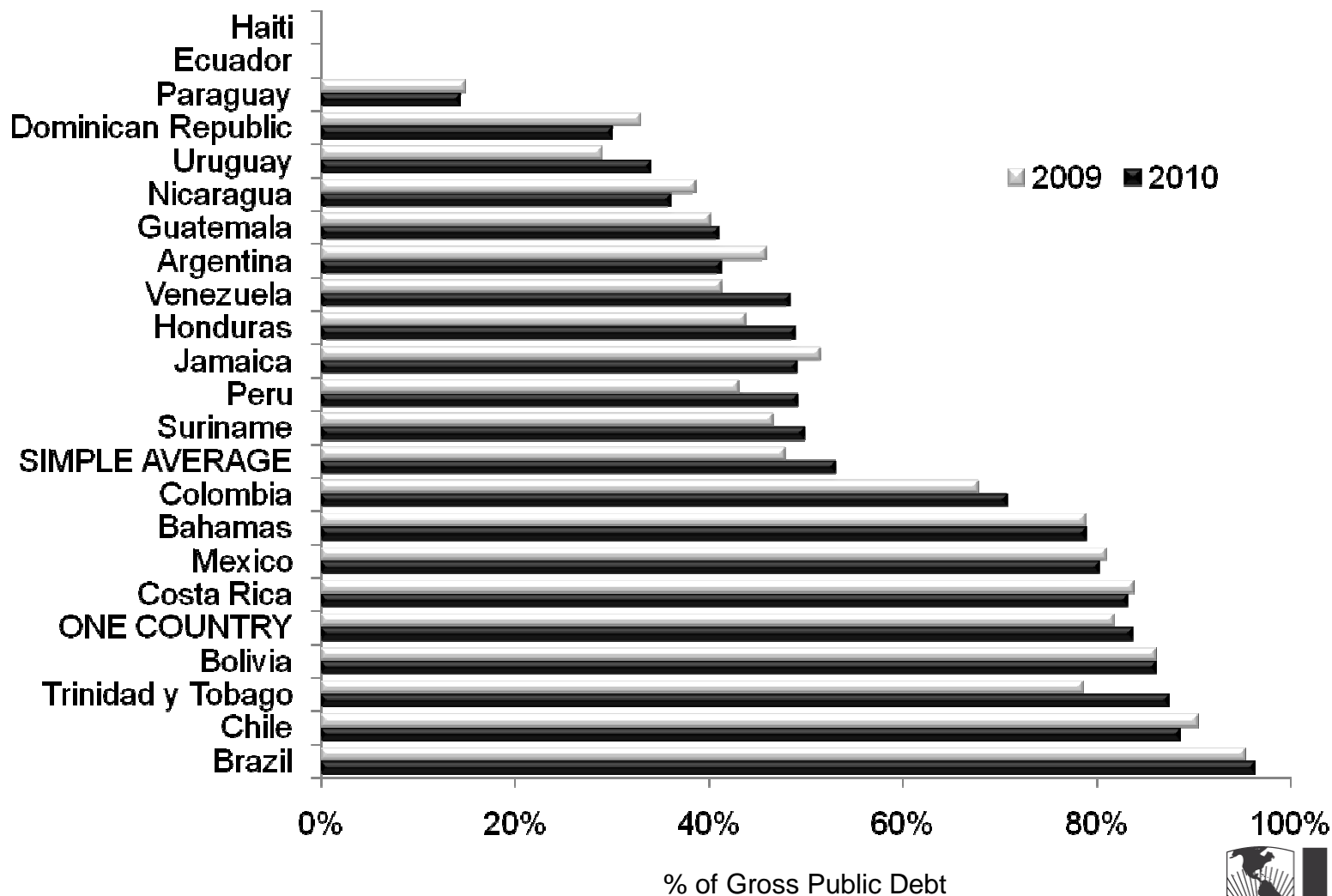
Slide 30

c2

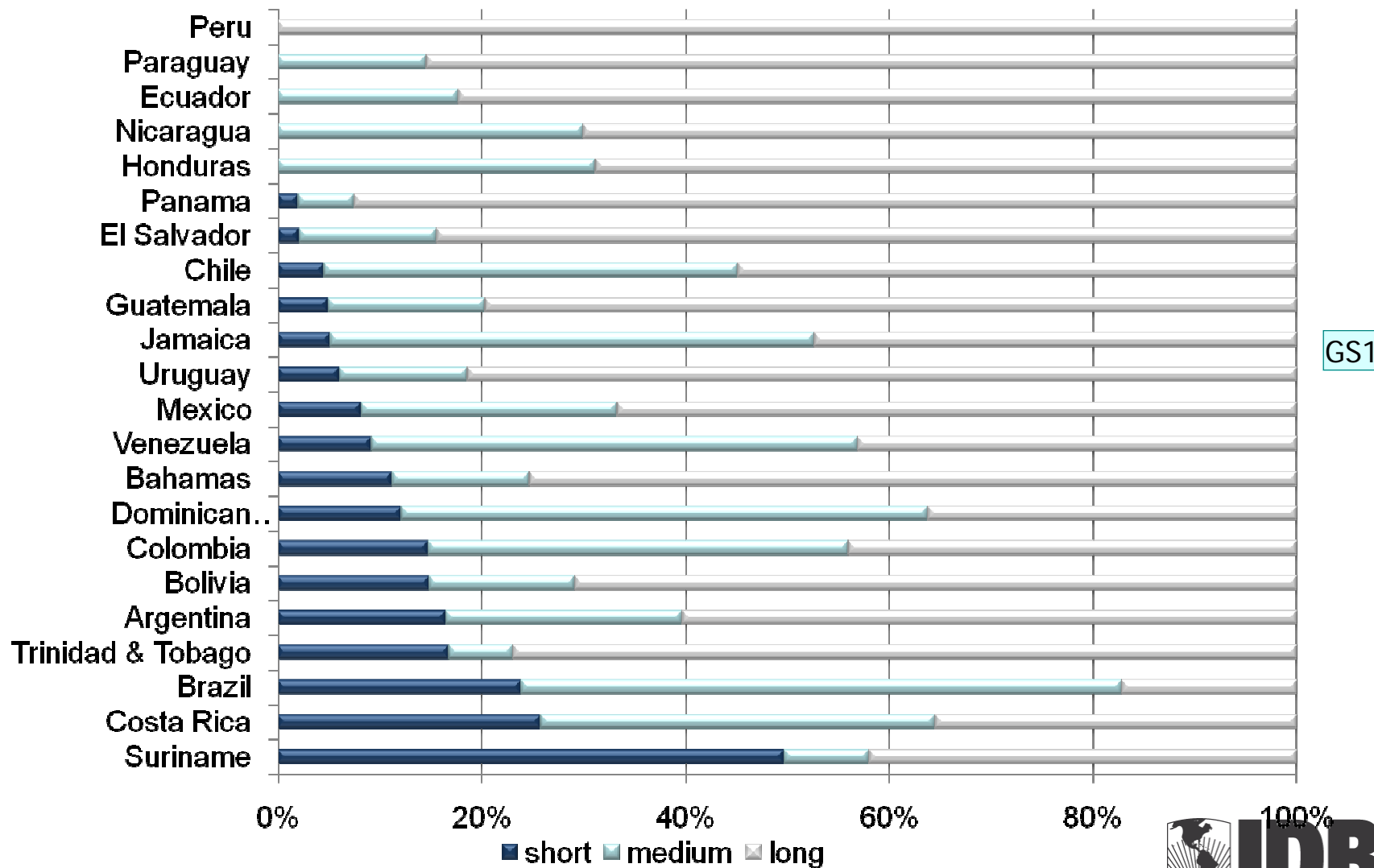
Este gráfico muestra el porcentaje del stock de deuda (medida en USD) que fue emitido localmente. Como se ve, considera todos los países
CON DATOS DISPONIBLES A 2010

cif; 30/08/2011

Local Currency Debt



Debt by maturity



Slide 32

GS1

Madurez

Short: menor a 1 año

Medium: entre 1 y 5

Long: más de 5

Guido Sandleris; 06/10/2011

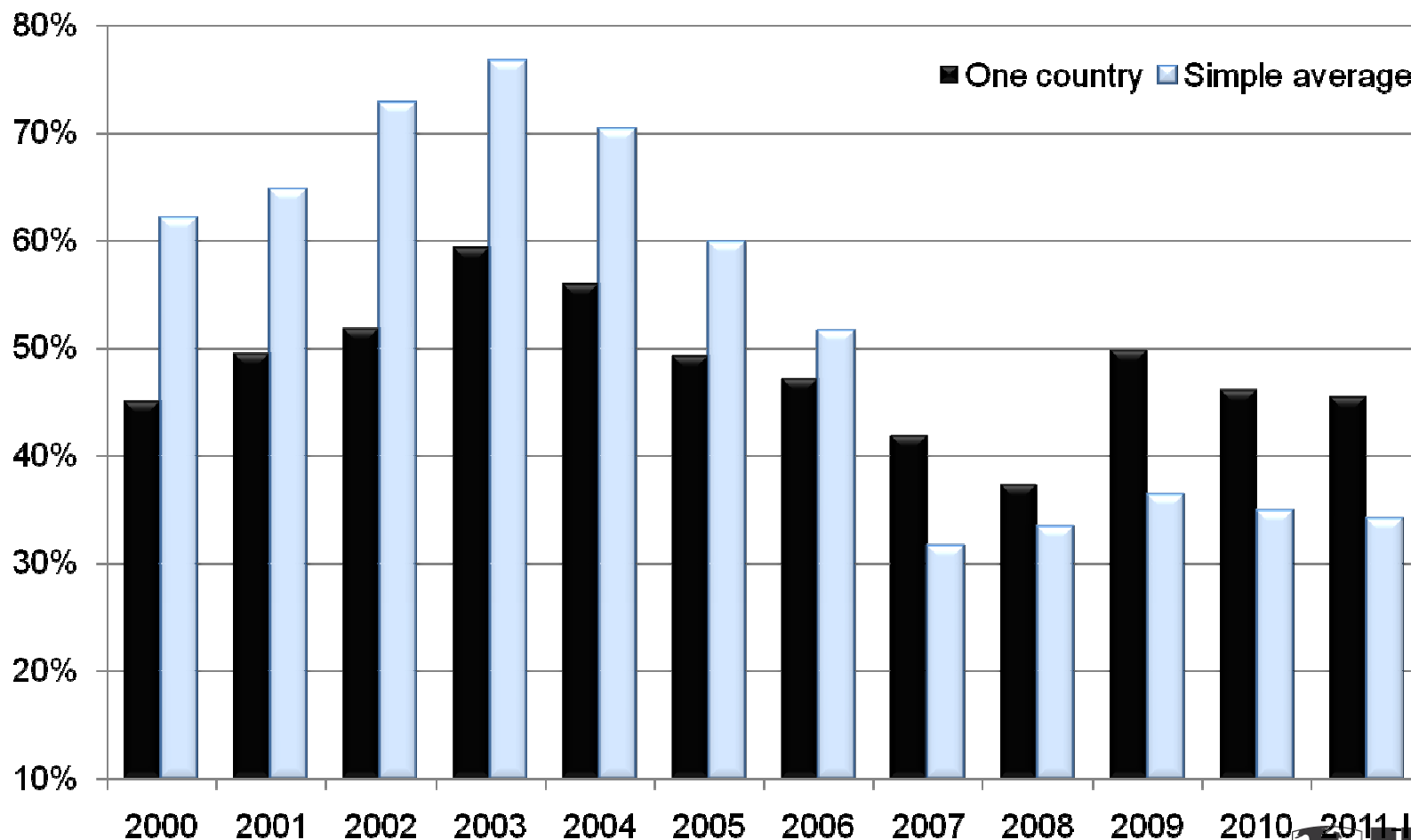
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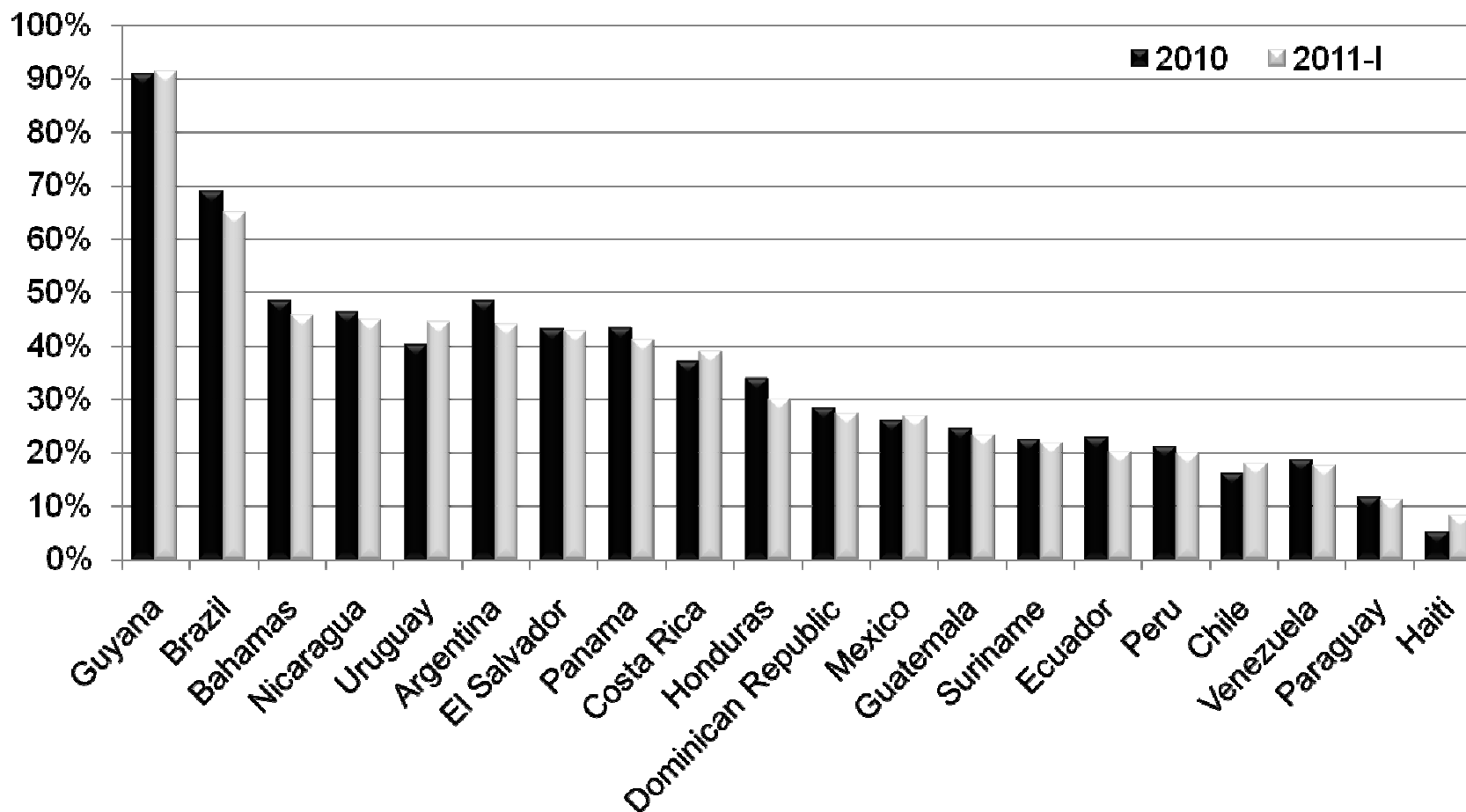


The decline in Public Debt/GDP ratio for the region continued in the first half of 2011...

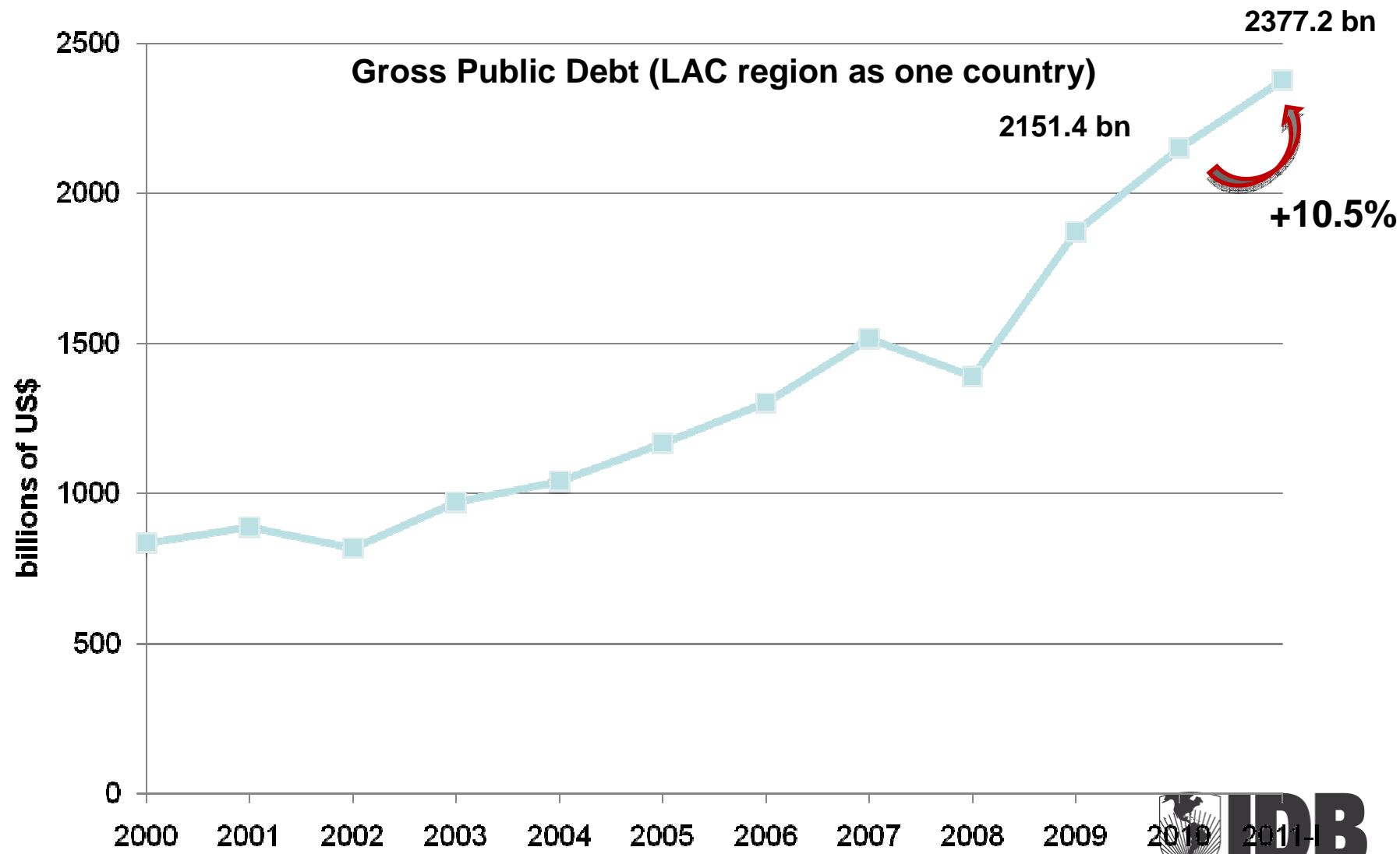


➤...and was a common feature for most countries

Gross Public Debt / GDP

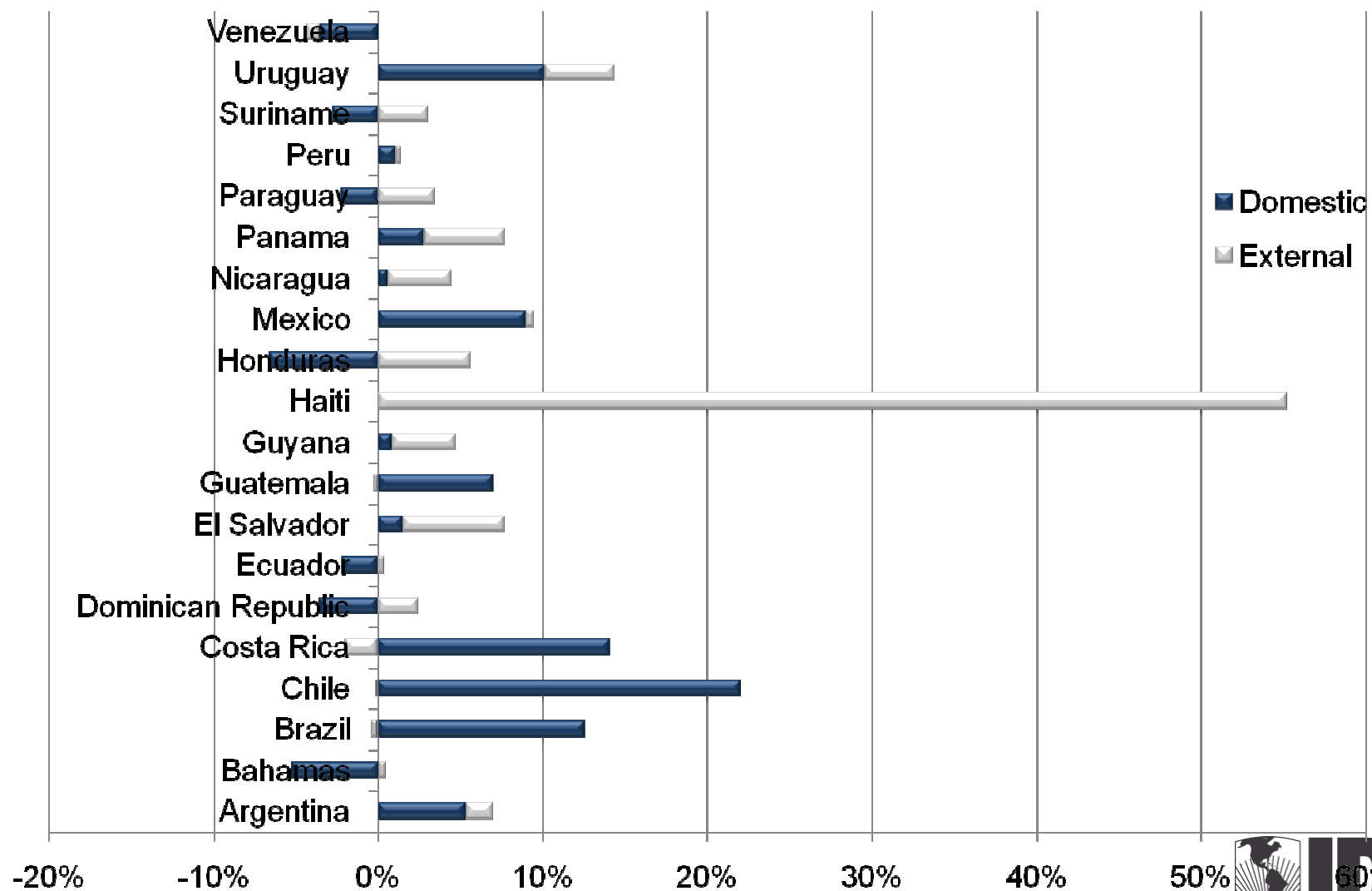


➤➤ Gross Public Debt for the region increased 10.5% in 2011-I against 2010





All large countries increased their debt again in 2011-I, the only exception was Venezuela



➤ A quick summary

- Gross public debt increased in the first semester of 2011 for the region as a whole and for most countries in it (15 out of 20 considered). Exchange rate effects were relevant.
- Gross public debt to GDP ratio declined for the region as a whole
- The composition of the debt remain roughly unchanged, but there was a lengthening in the average maturity





Inter-American Development Bank / www.iadb.org