Debt Data Transparency

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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

> *'… 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)**

> *'…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)**

Importance of Debt Data Transparency
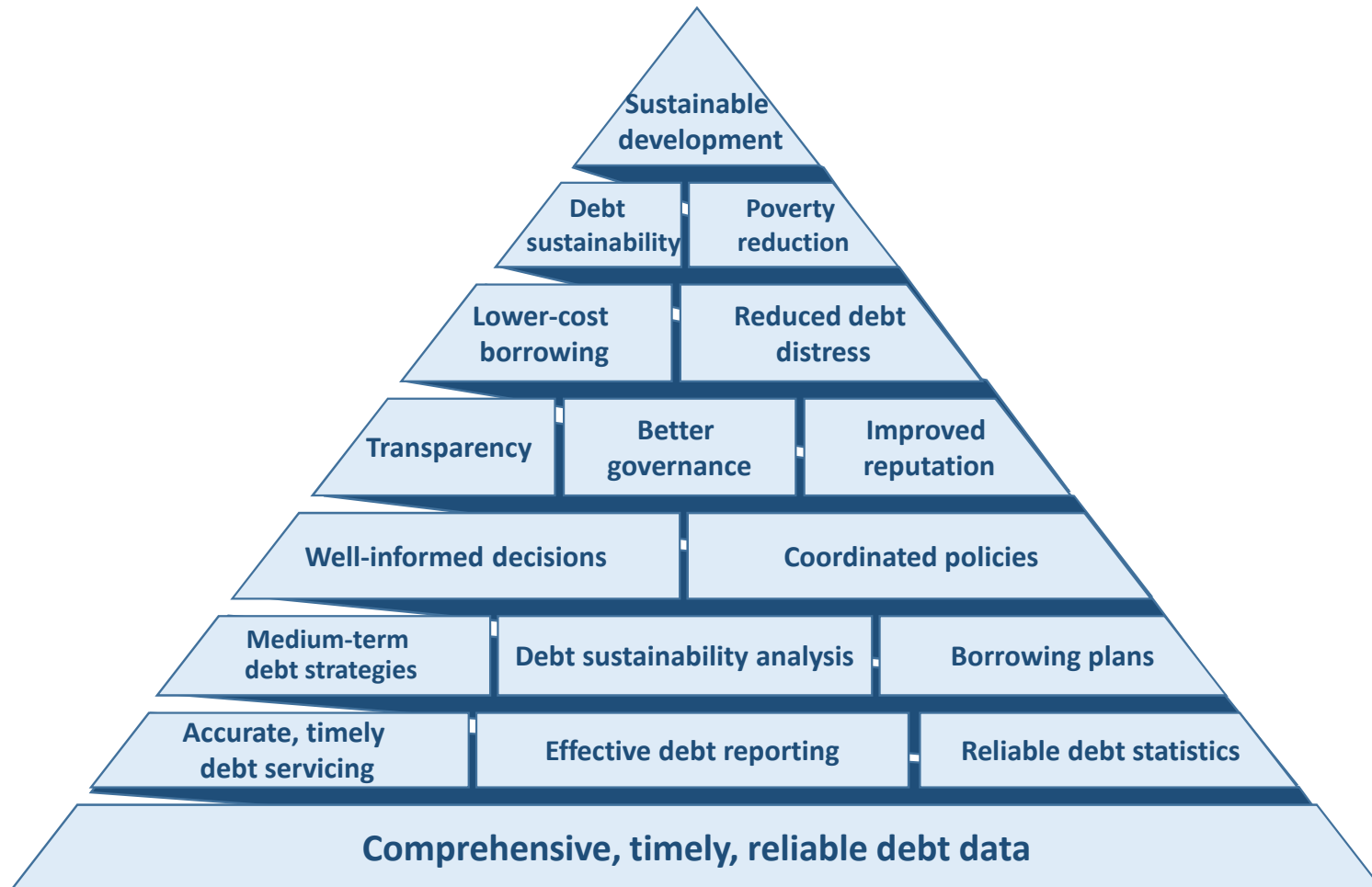
Key requirements for Debt Data Transparency

- 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
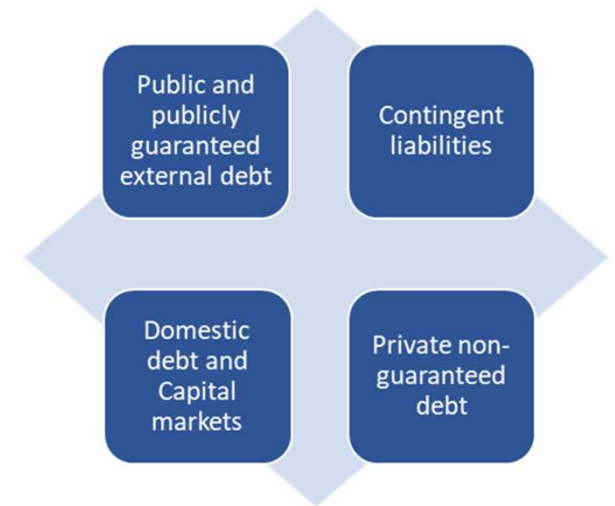
Current problems and causes

- *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
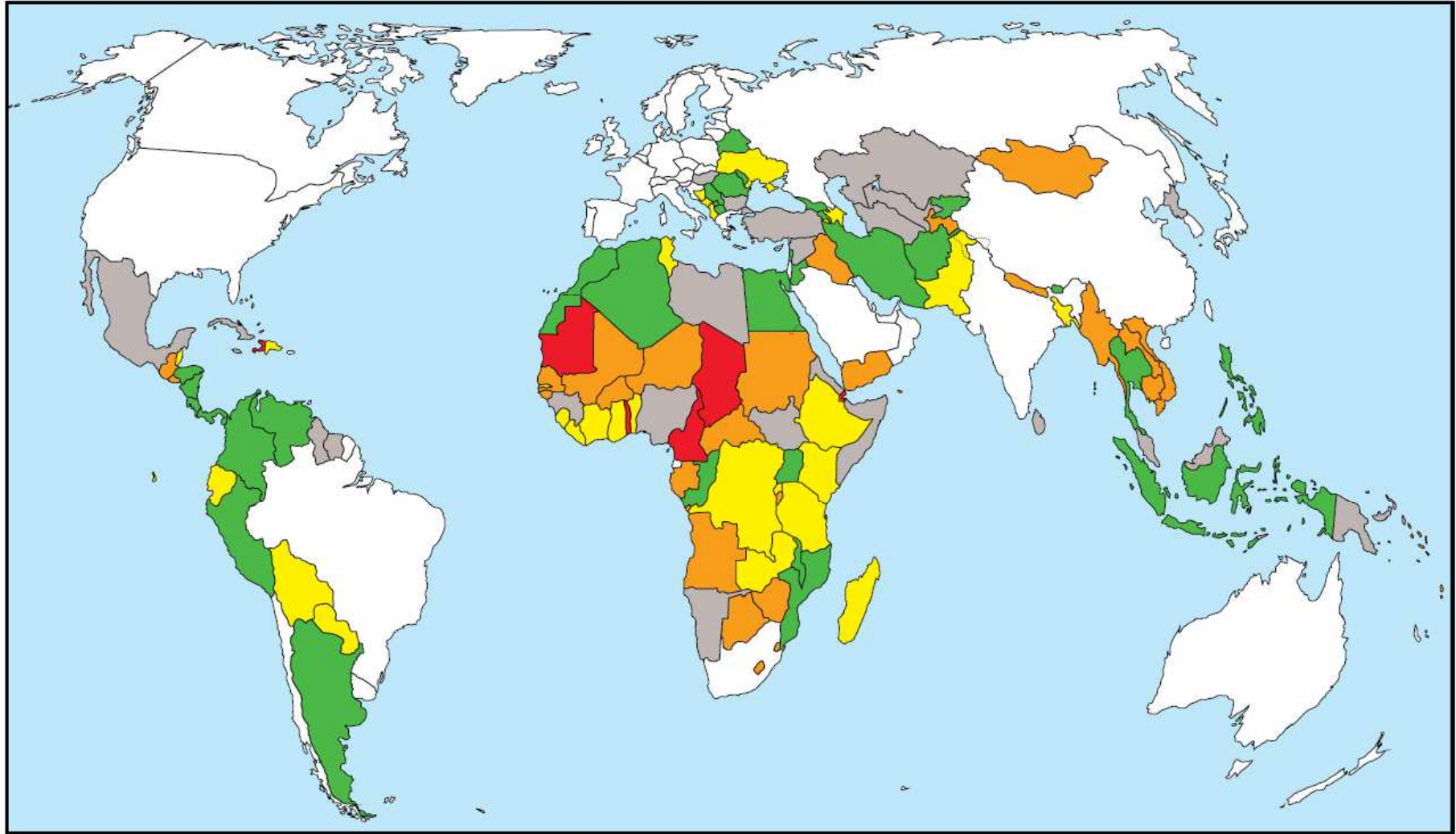- Low prestige of Back Office

- High staff turnover

- Difficulty keeping up with developments in debt management & technology

Capacity Development
Long-term continuous, iterative process of learning & adapting to change

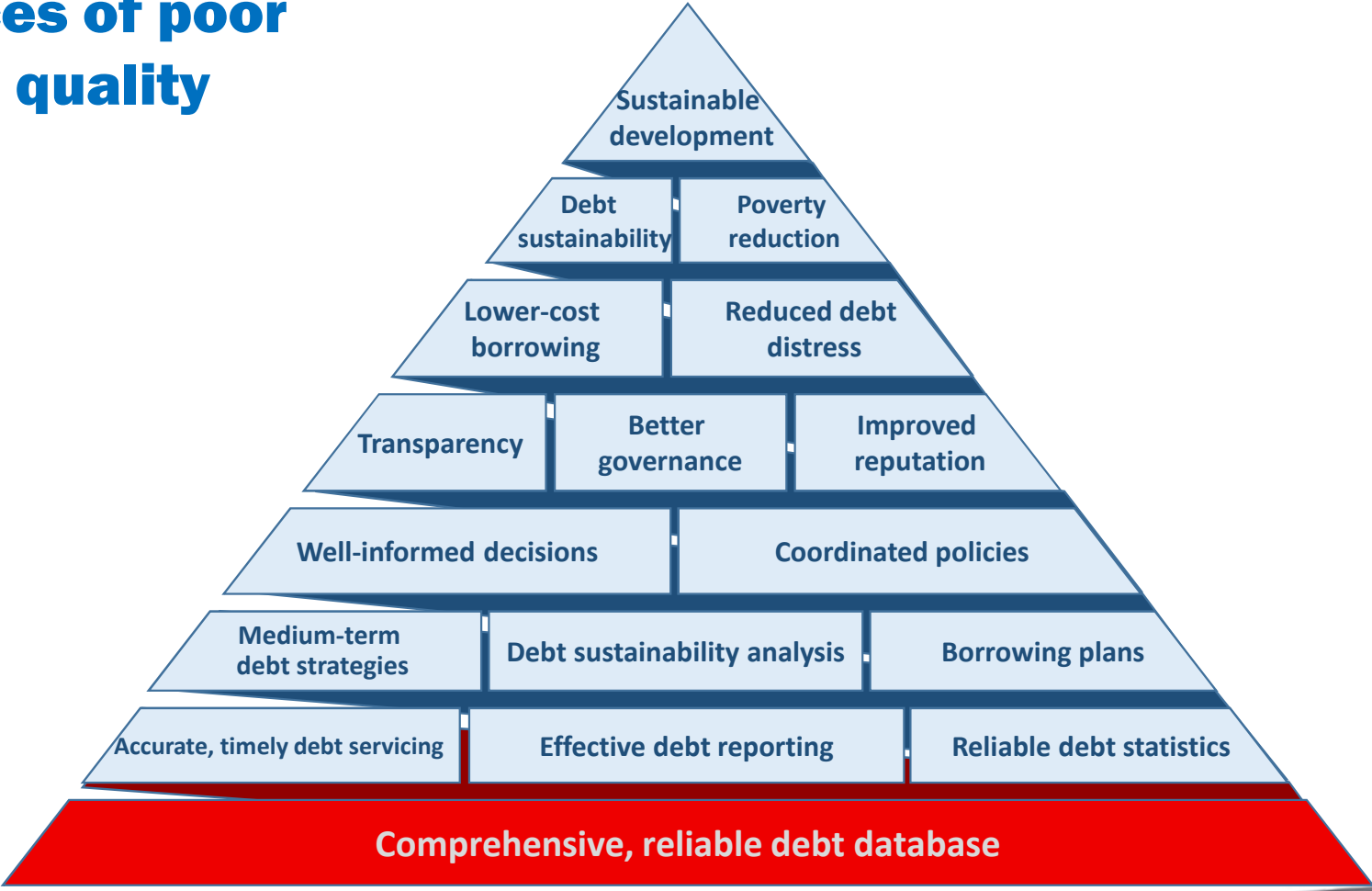# Debt Data and Reporting Readiness

Legend: Debt data and reporting is:

- 🟩 Complete and of high integrity
- 🟨 High standard with minor problems
- 🟧 Fair quality, but gaps and reconciliation problems
- 🟥 Significantly incomplete and inaccurate
- ⬜ Insufficient data at the time of elaboration
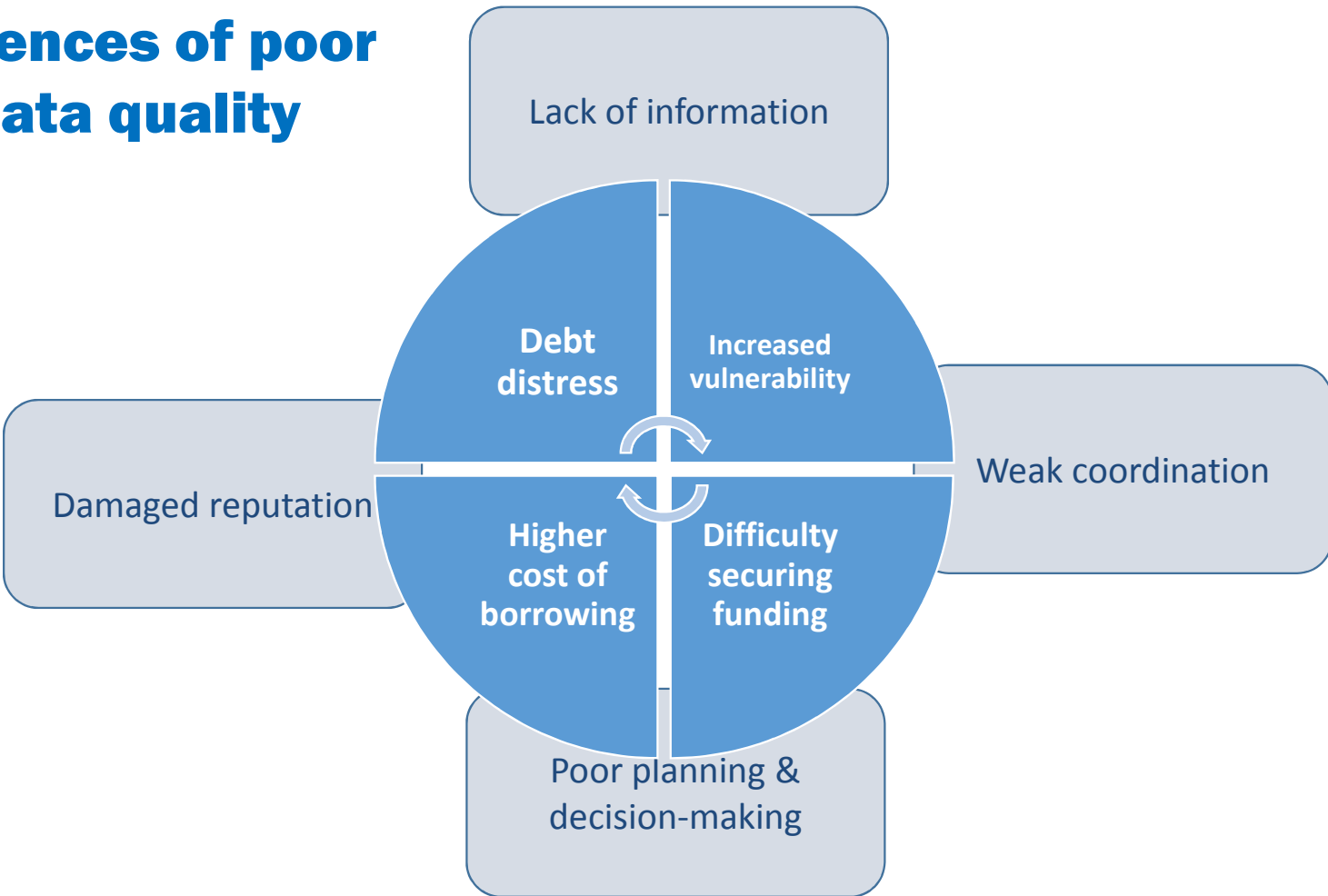- ⬜ High Income Countries and BRICS

Scope: Includes all developing countries and transition economies with the exception of BRICS

Source: Ratings are based on Performance Indicator 17(i) of the latest Public Expenditures and Financial Accountability (PEFA) national assessment publically available, supported by publically available Debt Management Performance Assesssment (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
- Increased vulnerability
- Weak coordination
- Difficulty securing funding
- Poor planning & decision-making
- Higher cost of borrowing
- Debt distress
- Damaged reputation

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)**

➢ **Public Sector Debt Statistics – guide for Compilers and Users (IMF, 2013)**
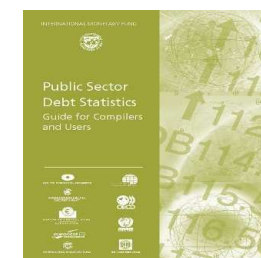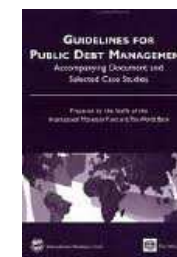
Available solutions

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**

- **Strenghtening 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, programmmatic 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