

# Debt Transparency

Financial Reporting for Debt and Investment Transparency  
December 1, 2020

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GLOBAL MACRO AND DEBT



# Transparency in public debt reporting

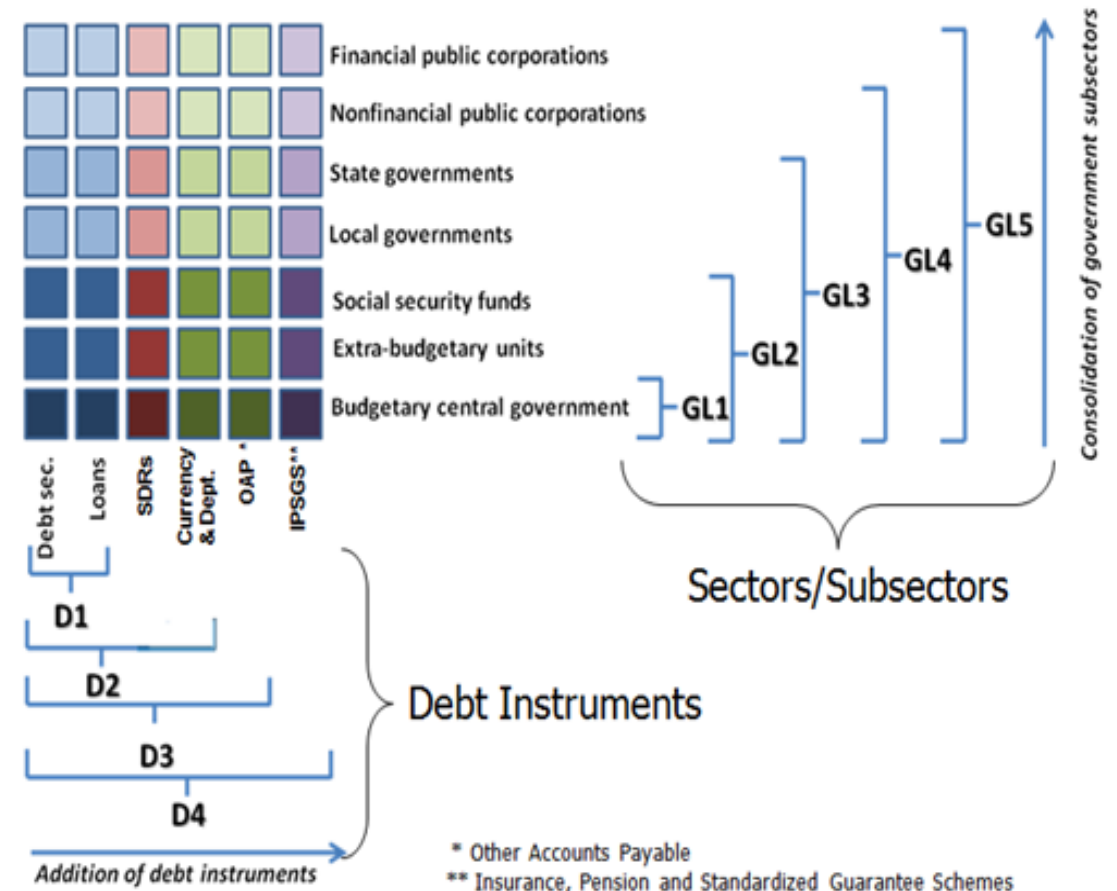
Most LICs have only a **D1 / GL1** coverage

*Sectors* under-reported:

- Local governments debt
- Extra-budgetary units / social security funds
- SOEs

*Instruments* under-reported:

- Guarantees
- Accounts payable
- Currency and deposit



# Why does debt transparency matter?

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For Borrowers - to make better informed borrowing decision with respect to level, terms and composition of debt

For Creditors - to take better decisions about their lending decisions

For Analysts or Rating Agencies - to better identify emerging risks and assess sovereign credit worthiness

For Citizens -to better hold governments accountable

# Debt reporting in ECA - IDA countries

	1. Public Debt Reporting						2. Public Debt Management		3. Other debt statistics / contingent liabilities (CLs)
	Data accessibility	Completeness			Timeliness		Debt Management Strategy	Annual borrowing plan	
		Instrument coverage	Sectorial coverage	Information on last loans contracted	Periodicity	Time range			
Kosovo	Green	Green	Green	Green	Green	Green	Red	Yellow	
Kyrgyz Republic	Yellow	Green	Green	Red	Green	Green	Red	Grey	
Moldova	Green	Green	Green	Red	Green	Green	Green	Red	
Tajikistan	Red	Red	Red	Red	Red	Red	Red	Red	
Uzbekistan	Yellow	Green	Yellow	Yellow	Green	Yellow	Red	Red	

# Debt Valuation

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Method for valuing debt (Market value, nominal or face value)

Reference time should be reflected

Accrual accounting versus cash accounting

Criteria for external debt : creditor residency (preferred) / currency / place of issuance

## **Issues:**

- Claims in dispute
- Claims subject to debt restructuring

# Debt transparency - key dimensions

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## (i) Comprehensive and Timely Reporting of PPG Debt

Availability of easily accessible, comprehensive and timely public debt statistics

## (ii) Transparent Borrowing and Lending Practices

Transparent borrowing processes, e.g. audits

Prudent and transparent use of non-standard instruments, such as collateralized loans, Central Bank swap lines, etc.

## (iii) Transparent Debt Restructuring

Disclosure of post-restructuring terms

# Debt management audits in ECA

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- **Annual financial audits** of budget execution, including debt operations, are undertaken regularly and often published at the websites of the supreme audit entities.
- Several countries in the region report **regular compliance audits** of debt management operations, as well as **occasional performance audits** (Armenia, Georgia, Moldova).
- Further capacity building efforts are needed to assist **supreme audit entities** in adopting performance audit methodologies in the area of government debt management

# Main constraints

INSTITUTIONAL	OPERATIONAL	CAPACITY
<p>Fragmented <b>responsibilities</b> and uncoordinated institutional arrangements</p>	<p>Weak <b>procedures</b> and <b>processes</b> on data administration and management</p>	<p>Insufficient and/or not qualified <b>staff</b></p>
<p>Narrow <b>mandate</b> for the DMOs to collect debt data for the whole public sector. As a result, narrow <b>coverage</b> in debt recording / reporting</p>	<p>Weak <b>IT infrastructure</b> for debt recording and outdated software</p>	<p>Weak <b>incentives</b> for the DMOs to produce reliable data (limited public scrutiny, lack of integration in PFM)</p>
<p>Limited <b>audits</b></p>	<p><b>Multiple data requests</b> from different internal / external stakeholders</p>	



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Thank you !