Preliminary Findings

2023 Paris Club Countries Debt Data Sharing Exercise

World Bank, March 2025

This report sets out the preliminary findings of the 2023 data sharing exercise between Paris Club creditors and the World Bank. This exercise centered on reconciling the stock and flow data reported by debtors to the World Bank Debtor Reporting System (DRS) with the comparable creditor data. It follows on from the first of these exercises initiated by G-7 presidency and supported by the Paris Club secretariat, which compared 2021 data. The findings of that exercise were presented in *Preliminary Findings from the G-7 and Paris Club Countries Debt Data Sharing Exercise World Bank,* published in April 2023. These data reconciliation exercises make an important contribution to advancing the agenda for greater debt transparency, particularly with regard to the world's poorest countries. The goal is to extend them to all G-20 bilateral creditors and to other bilateral creditors that wish to participate, and to institute an annual data sharing and comparison exercise to improve the accuracy of external debt data in a permanent way.

The report is organized as follows: Section I explains how the World Bank conducted the 2023 data reconciliation exercise and presents key findings; Section II elaborates on the factors that may cause debtor and creditor data to differ; Section III discusses the reasons debt transparency is important and the role played by the World Bank regarding external debt statistics; Section IV discusses the significant role for creditors in advancing the debt transparency agenda; and Section V sets out next steps and recommendations for streamlining the process.

Section I: The 2023 Data Sharing and Reconciliation Exercise – Approach and Key Findings

To date, 17 creditor countries have participated in the 2023 data sharing exercise, including all G-7 countries (Canada, France, Germany, Italy, Japan, United Kingdom, and the United States) and 10 of the other 15 permanent Paris Club member countries (Australia, Brazil, Finland, Israel, the Republic of Korea, the Netherlands, Norway, Spain, Sweden, and Switzerland). Eighteen countries participated in the 2021 exercise.

The 2023 data comparison exercise was conducted in the same way as the 2021 exercise. Participating creditors shared detailed information on bilateral loans extended to IDA-eligible countries.

(i) **The exercise centered on external public sector debt owed to official bilateral creditors, defined in accordance with international standards and definitions**. External public debt comprises external borrowing by all levels of government and government agencies, including the central bank, state-owned enterprises, development banks, and other public entities, with or without a guarantee from the sovereign government or other public entity. Official bilateral creditors are defined as sovereign governments and all public institutions in which the government share is 50 percent or more as defined by the System of National Accounts (SNA), include general government, central government, state and local governments, central banks, and public enterprises.

(ii) **Data sharing by creditors adhered to a standardized reporting template formulated by the World Bank in consultation with creditors.** The template requests detailed (loan-by-loan) information on loan terms, including date of agreement, commitment amount and currency, borrower and creditor entity, purpose or name of the contract, and repayment terms including the interest rate. It also asks creditors to provide loan-by-loan information on end-2023 debt stocks and related (2023) transactions including principal and interest paid, principal and interest arrears, and late interest payments. Participating creditors shared detailed information on each bilateral loan extended to IDA-eligible countries in the format requested.

Preliminary Findings from the 2023 comparison exercise

The 2023 comparison exercise reconciled information provided by creditors with the data reported by debtors to the DRS. It has two components. The first focused on **loan coverage**, which entailed matching each loan in the creditor record to its counterpart in the DRS database. The second concentrated on the **volume of debt outstanding** and reconciled creditors' claims at end-2023 with the comparable stock of debt reported as outstanding by debtors.

Regarding loan coverage, the 17 participating creditors reported a total of 4,692 individual loans, over 1,000 loan/tranches more than creditors reported for the 2021 data comparison. Of the loans reported in 2023, 4,501 loans (96 percent) pertained to participating G-7 countries and the remaining 191 loans (4 percent) to other Paris Club countries. **The reconciliation exercise matched 3,437 (73 percent) of the 4,692 loans reported by creditors to their counterpart in the DRS database, while the remaining loans presented challenges in achieving a full match and require further analysis.**

The first round of the 2023 comparison exercise found that 1,255 loans reported by creditors could not be matched to a DRS counterpart. Together these loans account for 6 percent of creditors' claims at end-2023 reported to the DRS. Of the 1,255 unmatched loans, **1,212** (96 percent) are loans extended by G-7 countries and 43 (4 percent) are loans from other Paris Club creditors. **These preliminary findings need to be interpreted with caution and do not indicate that large amounts of data are missing from the DRS. The reconciliation exercise found most of the differences between the creditor and debtor record may be attributed to methodological approaches and reporting conventions.** With appropriate input from debtors and creditors, the

World Bank is confident that all loans can be matched and the discrepancy between end-2023 creditor claims and debt outstanding reported by debtors to the DRS can be eliminated.

In terms of the volume of outstanding, debt creditors reported total claims at end-2023 of USD $61.8 billion, of which USD $58.1 billion (94 percent) were claims on the 3,289 loans matched to a counterpart in the DRS database. **For matched loans, the overall difference between creditor claims at end-2023 and the amount outstanding reported by debtors to the DRS was less than 1 percent.**

Section II: Understanding Why DRS Data and Creditor Records Differ

Calls for greater debt transparency and the impetus for the data sharing exercises were driven by concerns about the ability of low- and middle-income countries (LMICs), and particularly the world's poorer countries, to manage their public debt, as well as questions about whether the accounts of their external liabilities were accurate and comprehensive. The challenge of weak debt management is a factor in the difference between the data that debtors report to the DRS and the information shared by creditors. However, there are many other reasons for the difference.

In the 2023 data comparison exercise two issues stand out. **The first relates to the fact that some creditors account for and report each tranche (i.e., each disbursement) as a separate loan, while in most cases debtors report one consolidated loan to the DRS.** This problem was identified and raised in the 2021 comparison exercise and over 1,000 more loans/tranches were reported in the 2023 data. Because creditors do not provide loan identification numbers, it is very difficult to link tranches to the relevant parent loan to make the comparison with the DRS data. This difference in reporting norms between creditors and debtors is the primary reason that 1,255 loans/tranches in the creditor record could not be matched to a counterpart in the DRS.

The second issue relates to the rise in payment arrears on loans from private creditors that are the beneficiary of a guarantee from an official export credit agency. In 2023, creditors report an increasing number of calls on these guarantees, with indemnification of the private creditor and corresponding assumption of the relevant claim by the export credit agency. The data reported to the DRS shows an increase in the level of arrears reported on loans from private creditors. These are clearly linked to the rise in bilateral claims by export credit agencies, but because the creditor record gives only the amount of the bilateral claim with no reference to the original loan(s) on which the guarantee was extended, the debtor and creditor records cannot be matched. This challenge is compounded when the country of residence of the lender and that of the guaranteeing export credit agency differ.

Other factors that account for differences in the data provided by debtors and creditors include:

Debtor-related data issues

- *Some DRS data is an estimate made by World Bank staff, since the information is not reported by the borrower.* Weak debt management may impede a country's capacity to make viable, timely, and comprehensive reports to the DRS. System failures, fragility, natural disasters, conflicts, crisis situations, and exogenous factors beyond a reporting country's control can exacerbate these challenges. For the 2023 reporting round, six IDA-eligible countries were unable to meet the DRS reporting requirement. The group included Syria and Yemen, which have not reported since 2010 and 2018, respectively. In cases of non-reporting, the World Bank debt team estimates the DRS data using other available sources of information, but these too are often outdated and incomplete.

- *The borrower may define external public debt more narrowly than the DRS reporting mandate.* For example, the definition of public debt used by the borrower may include only borrowing by the central government and public entities that benefits from an explicit sovereign guarantee, and not the broader international definition of external public debt used by the DRS, as given in Section I above. In such cases, the external debt liabilities of state-owned enterprises may not be fully accounted for in the data reported to the DRS.

- *Time lags in recording new commitments and loan disbursements to the DRS.* These lags reflect weaknesses in debt monitoring and recording procedures and may lead to new loan commitments and disbursements being reported a year or more later than when the transaction actually took place. *Late interest and penalty interest are rarely reported to the DRS.* Part of the reason for this lies in a lack of understanding of how late and penalty interest is calculated, which is often complex and differs significantly among creditors.

Creditor-related data issues

- *Absence of a standardized methodology.* Creditors participating in the data sharing exercise provided the information asked for in the agreed reporting template. However, the data are compiled in accordance with national legislative and accounting norms, which vary among creditors and may not always adhere to the international standards and definitions that underpin the DRS, thereby impeding both intra-creditor and debtor-creditor comparisons.

- *Potential double counting due to the inclusion of financing through common funds or claims that do not constitute external public debt.* Some creditors include claims under common funds administered by multilateral agencies such as the EEC-IDA Special Account and captured as part of multilateral debt, in accordance with the administrative arrangements governing such funds. Some claims listed by creditors appear to be on private sector entities which are not reported to the DRS on a loan-by-loan basis, and which fall outside of the definition of external public debt.

- *Issues related to bilateral debt swaps and conversion of external debt to local currency obligations or grants.* There appears to be no standardized mechanism for how creditors record these operations. Typically, a debtor will write off the entire stock of external debt to which the swap applies at the time the agreement enters in force. This may lead to an understatement of debt outstanding reported by the debtor to the DRS as compared to creditor claims.

Section III: The importance of Better Debt Data Transparency and the World Bank's role

Comprehensive, accurate, and transparent public debt data are fundamental to the management of public liabilities and are the foundation for informed and sustainable borrowing decisions. Knowing what is already owed is essential for policymakers to make informed borrowing choices, creditors to appropriately price for sovereign risk, and citizens to hold their governments accountable. Critically, the availability of high-quality data is a pre-requisite for the ability of national governments and the international community to make informed debt sustainability analyses, to minimize the risk of debt crises, and to take timely remedial action when they occur.

The World Bank is a pioneer in promoting and delivering on greater debt data transparency. It has collected and compiled external debt data since 1952 through the DRS, which requires regular reports (both annual and quarterly) and detailed (loan-by-loan) information on external public and publicly guaranteed external debt from all World Bank borrowers. The World Bank has long regarded these data as a global public good and has disseminated data drawn from the DRS, updated annually, for over fifty years. The World Bank *International Debt Statistics* database is the single verifiable source for long-series, cross-country comparable data on the external debt of LMICs.

The DRS helps ensure debt data compiled and disseminated by LMICs conform to international definitions and standards. The reporting standards of the DRS accord with the methodology and definitions of the international systems to which it links, i.e., the Balance of Payments (BOP) and International Investment Position (IIP), and the System of National Accounts. As a result, data drawn from the DRS are cross-country comparable. In addition, the DRS provides the yardstick to measure borrowers' adherence to or deviations from international standards and definitions. This is critical to ensuring that greater debt transparency does not lead to confusion from a proliferation of data compiled in accordance with national standards that cannot be readily compared

The World Bank has established ongoing relationships with compilers in national debt offices in LMICs. These are fostered through management of the DRS and related public debt data collection systems, e.g., the Quarterly External Debt Statistics (QEDS) and Quarterly Public Sector Debt (QPSD). This process enables significant 'knowledge transfer' on how to measure, monitor, and compile public debt data. The World Bank also coordinates closely with other institutions that compile information on financial flows, notably the Bank for International Settlements, the IMF, and the OECD, as well as with the Paris Club Secretariat, Commonwealth Secretariat, and UN Trade and Development, the key providers of debt management software used by LMICs.

Section IV: Why Creditors are Critical to Achieving Greater Debt Transparency

Creditors are game changers for improving debt data quality and transparency. The primary responsibility for accurate, timely, and transparent recording and reporting of public debt lies with borrowers, but creditors have a critical contribution to make in improving debt data quality and advancing the goal of greater debt transparency. **Comprehensive and systematic reconciliation of debtor and creditor records is an essential element of good debt management and is the most effective and foolproof way of validating the accuracy of debt data, resolving discrepancies, and closing data gaps.** Regular data sharing and reconciliation is the only way to ensure that debt sustainability analyses derive from a solid account of existing debt obligations, minimizing the risk of debt reaching unsustainable levels and enabling debtors and creditors to quickly take appropriate remedial action when debt crises occur. However, the ability to conduct these all-important data reconciliation exercises is dependent on creditors' timely and transparent disclosure of detailed, loan-specific information on their lending activities.

The principles of information sharing and transparency were endorsed by G-20 creditors in their Operational Guidelines for Sustainable Financing,[1] agreed in March 2017. In 2020, G-20 countries provided information to the World Bank on their bilateral claims on IDA-eligible countries to facilitate reconciliation with the comparable data reported to the DRS and to ensure an accurate assessment of the impact of the Debt Service Suspension Initiative (DSSI). The outcome was limited due to (i) low participation by creditors and (ii) the propensity of creditors that did share information to provide only aggregate data on their claims and the amount of debt service deferred.

Japan was the driving force behind the launch of a new series of data sharing exercises between G-7 countries and Paris Club creditors and the World Bank that began in 2021 and is now followed by the ongoing 2023 comparison exercise. It has been at the forefront of efforts to institute an annual data sharing exercise and actively encourages all bilateral creditors to participate and share data on their bilateral loans. Equally important, Japanese authorities have engaged fully in the reconciliation process, which is not simply a matter of creditors sharing data on their bilateral claims. It also requires engagement in an ongoing dialogue with the World Bank about the discrepancies and anomalies identified between its records and the data reported to the DRS. This is crucial to ensuring that World Bank staff conducting the comparison exercise can follow up with national compilers in a coherent and meaningful way to address data discrepancies and advise on measures to resolve them. Moreover, as close interaction with Japanese authorities has shown, this type of interaction leads to permanent improvements in reporting practices and greatly simplifies future data comparison and reconciliation exercises.

Section V: Next Steps

[1] G-20 Operational Guidelines for Sustainable Financing – Diagnostic Tool, November 15, 2019.

The preliminary findings of the 2023 comparison exercise are promising but they indicate that more can be done to comprehensively and accurately reconcile the end-2023 data recorded in the DRS with creditor records. To this end, and as a next step to facilitate the process, the World Bank will prepare a country specific report for each participating creditor that will give detailed information on the differences identified between their data and that reported to the DRS and, where relevant, will ask for clarification and any additional information required to address discrepancies and request the appropriate correction to the DRS data. In parallel, the World Bank will follow up with debtors on questions related to anomalies or lags in their reports to the DRS to ensure these are resolved and the appropriate revisions incorporated into national debt databases, and the information published in debt bulletins and annual reports.

Going forward, the World Bank recommends that the reporting template be revised to incorporate the number used by the creditor to identify each loan or tranche on which it has claims, and to add the commitment amount associated with each loan or tranche. This will enable the Bank to link the loan number used by borrowers when reporting to the DRS with the creditor number and to automate a large part of the data comparison exercise.

The World Bank, together with the participating G-7 and Paris Club creditors, will continue to emphasize the importance of data sharing and promote the exercise in various fora to the creditors that have not yet shared data. The World Bank aims to continue data sharing and reconciliation work with support from a wider group of creditors, including those in the G-20, with a view to making regular data sharing and reconciliation established practices.