



**WORLD BANK GROUP**

# TRANSPARENTLY BETTER

## THE VIRTUES OF DEBT TRANSPARENCY

DEBT MANAGEMENT FACILITY ANNUAL FORUM

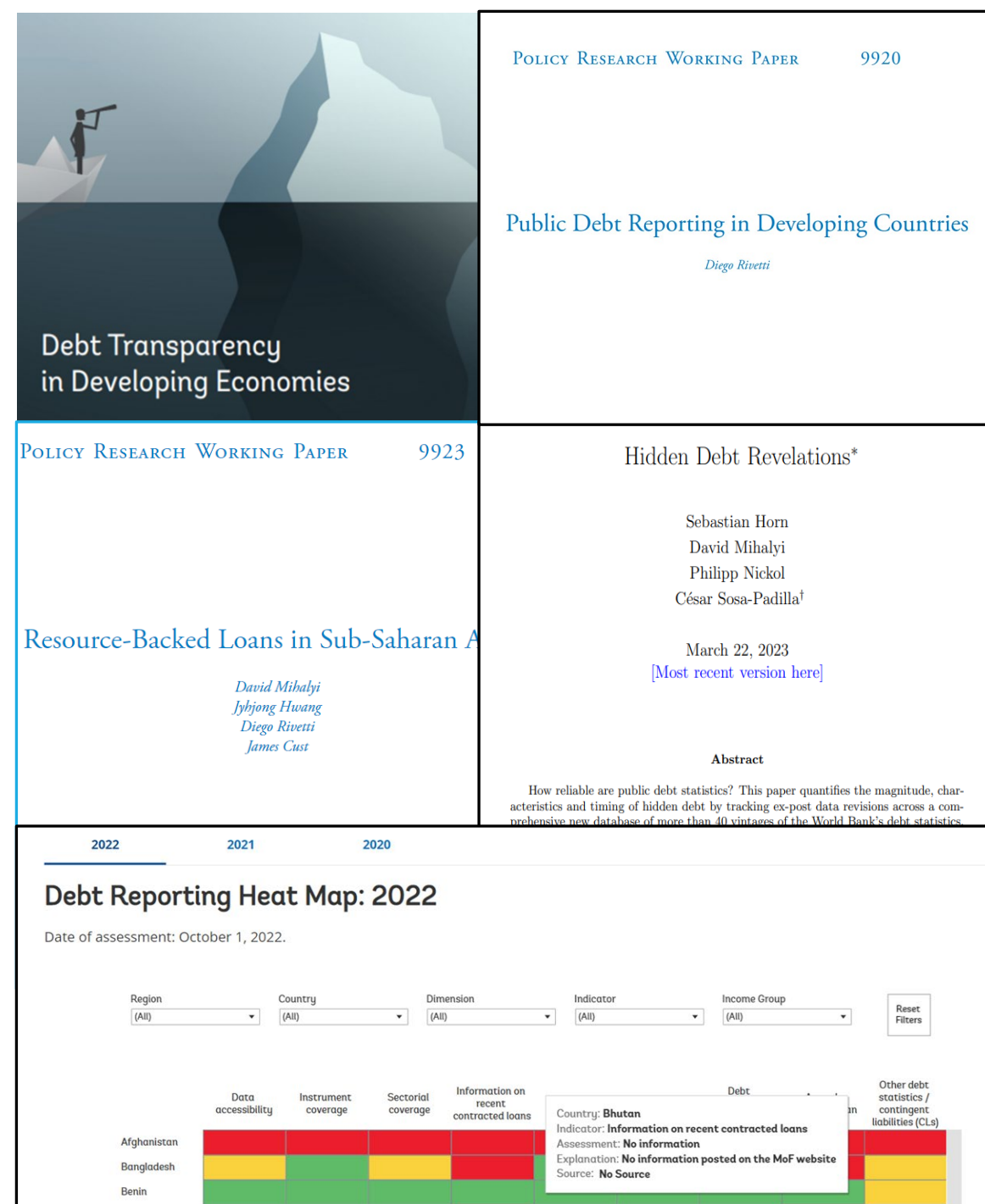
BERLIN — JUNE 15, 2023

FREDERICO GIL SANDER AND DIEGO RIVETTI

# PRESENTATION OUTLINE

## WB's Debt transparency framework:

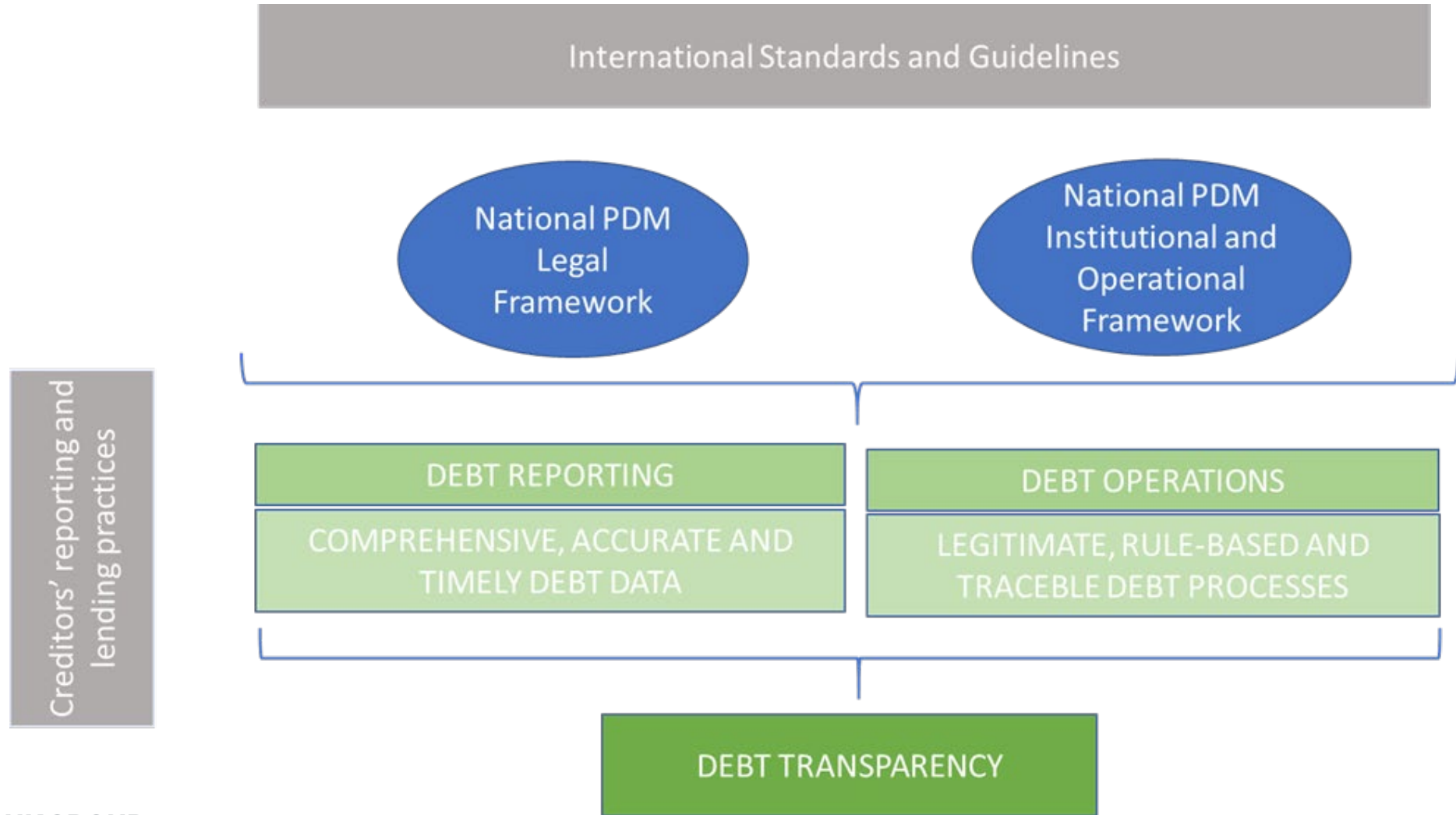
- 1) Transparency in Debt Reporting
- 2) Transparency in Debt Operations (including in Debt Restructuring)



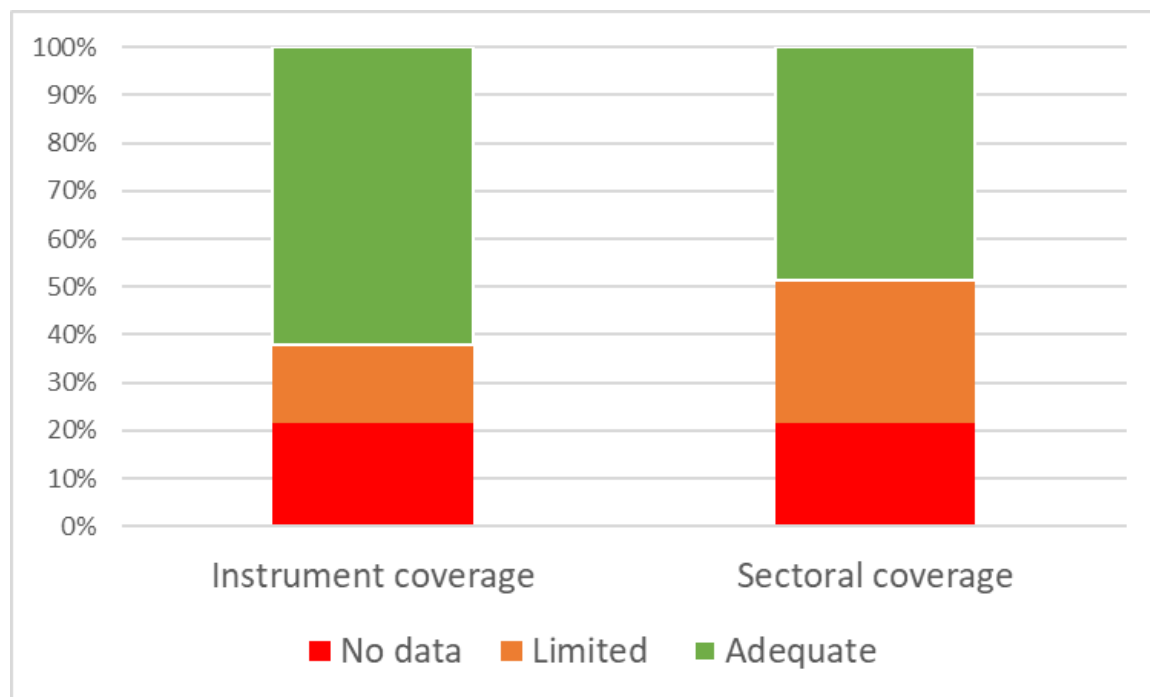
The collage features four main elements:

- Top Left:** Cover of the paper "Debt Transparency in Developing Economies" by Diego Rivetti. The cover art shows a person in a small boat looking through a telescope at a large iceberg.
- Top Right:** Cover of the paper "Public Debt Reporting in Developing Countries" by Diego Rivetti. It includes the text "POLICY RESEARCH WORKING PAPER 9920".
- Middle Left:** Cover of the paper "Resource-Backed Loans in Sub-Saharan Africa" by David Mihalyi, Jyhjong Hwang, Diego Rivetti, and James Cust. It includes the text "POLICY RESEARCH WORKING PAPER 9923".
- Middle Right:** Cover of the paper "Hidden Debt Revelations\*" by Sebastian Horn, David Mihalyi, Philipp Nickol, and César Sosa-Padilla†. It includes the text "POLICY RESEARCH WORKING PAPER 9924" and the date "March 22, 2023".
- Bottom:** A "Debt Reporting Heat Map: 2022" interface. It shows a table of countries with columns for "Data accessibility", "Instrument coverage", "Sectorial coverage", "Information on recent contracted loans", and "Debt". A tooltip for Bhutan is visible, showing "Indicator: Information on recent contracted loans", "Assessment: No information", and "Explanation: No information posted on the MoF website".

# DEBT TRANSPARENCY FRAMEWORK



# 1) PROGRESS IN DEBT REPORTING



Source: 2022 WB' Heatmap

- 20% IDA countries do not publish debt data (down from 40% in 2020)
- Extending sectoral coverage (including to contingent liabilities) remains a challenge
- Data inconsistencies across sources due to poor capacity and suboptimal IT systems

| WHAT HAS WORKED   | WHAT HAS NOT WORKED SO FAR   |
|---|--|
| <p><b>Conditionality</b> Data disclosure and legal reporting requirements as a condition of WB' SDFP and IMF programs (e.g, Angola and Ecuador)</p> | <p><b>Moral suasion</b> (e.g., OECD voluntary repository on commercial debt; DSSI disclosure requirements)</p> |
| <p><b>"Peer pressure"</b> (e.g., WB's heatmap; some bilateral creditors disclosing their lending loan-by-loan)</p>                                  | <p><b>New templates / data requirements</b> that generate DMOs' fatigue -&gt; Need to streamline databases</p> |

## 2) TRANSPARENCY OF DEBT OPERATIONS: 4 MAIN CHALLENGES

### 1. Domestic debt

The majority of LICs does not use auction-based securities as main source of domestic debt. In countries that do use auctions, 50% do not publish auction calendar and publish result with significant delays.

### 2. Non-bonded external debt owed to private creditors

Undisclosed restructuring or trades

### 3. Collateralized debt

In 10+ African LICs. Very large loans but often not reported in international databases or by authorities (not recognized as debt or contracted off-budget).

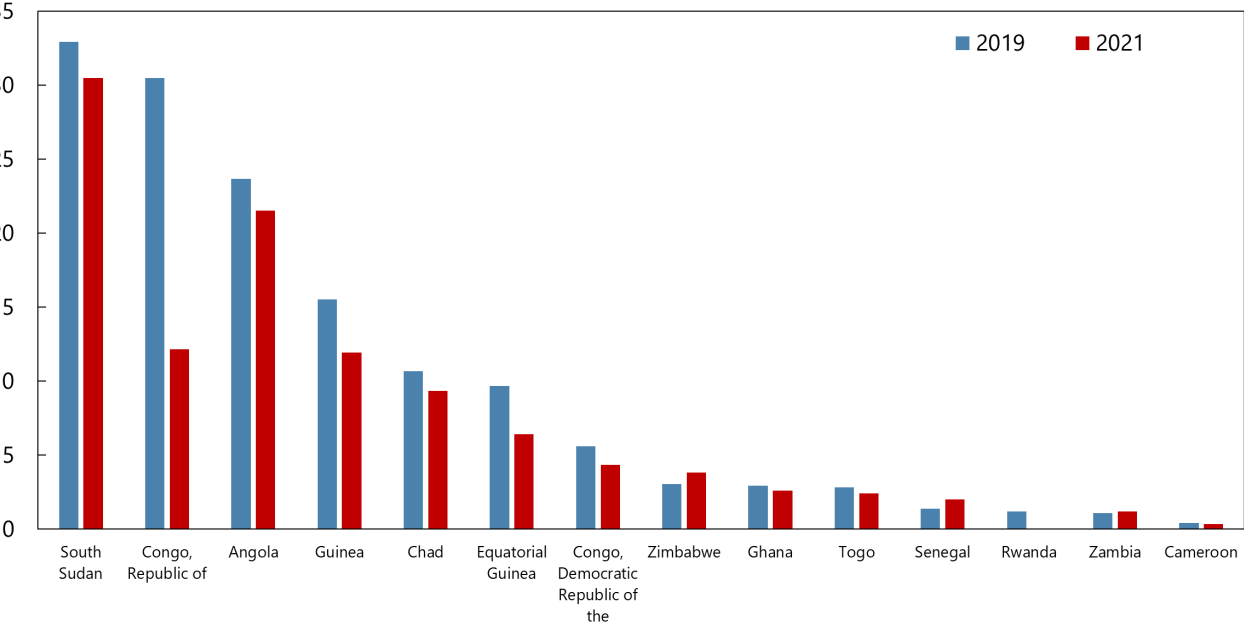
### 4. Central Bank repos and foreign currency swaps

Increasingly used to facilitate external borrowing, but rarely captured in statistics

# AN EXAMPLE: COLLATERALIZED DEBT IN SUB-SAHARAN AFRICA

**13 SSA countries** have collateralized debt (almost one third)  
 It represents over 20% of total external debt in 7 countries

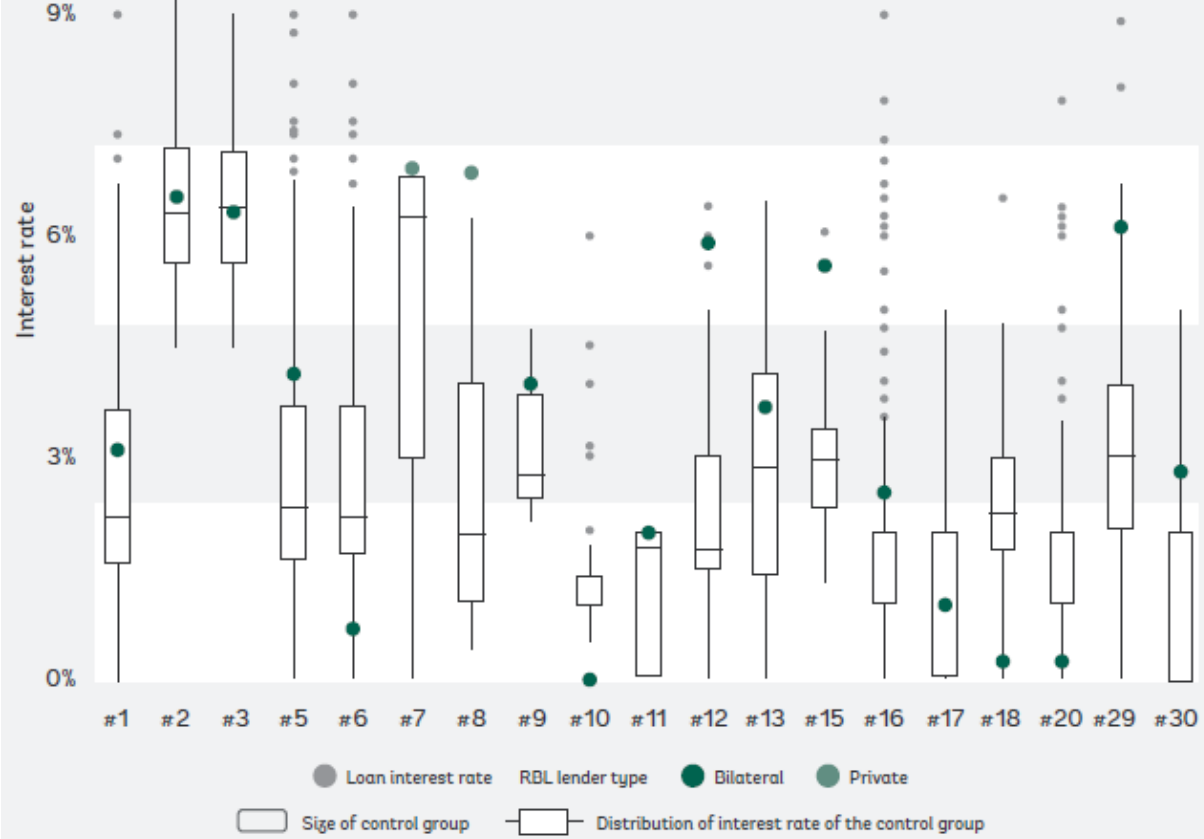
Collateralized Debt Stock (% of external debt)



Source: G. Albertin, N. Koumtingue' and Q. Yin  
 IMF Working Paper , forthcoming 2022



But collateral does not necessarily lead to lower cost



Source: D. Mihalyi, David; J. Hwang, D. Rivetti, J. Cust. 2022.  
 Resource-Backed Loans in Sub-Saharan Africa, WB Policy Research WP nr. 9923

# DEBT TRANSPARENCY AND RESTRUCTURING

Debt restructurings represents **opportunities** as they relax the main borrower's constraints to debt transparency: *capacity* (thanks to advisors and IFIs) and *willingness to disclose*.

Three ideas going forward:

- 1) Improving debt reconciliation processes (e.g., replacing manual data treatment with a platform for creditors/borrower data exchange).
- 2) Considering comprehensive and timely reporting as condition for restructurings.
- 3) Promoting transparency around the restructuring process itself.



**THANK YOU**