STATISTICS

Improving Debt Transparency in the Arab Region: A Statistical Perspective

ARABSTAT VIRTUAL MEETING

NOVEMBER 10, 2022

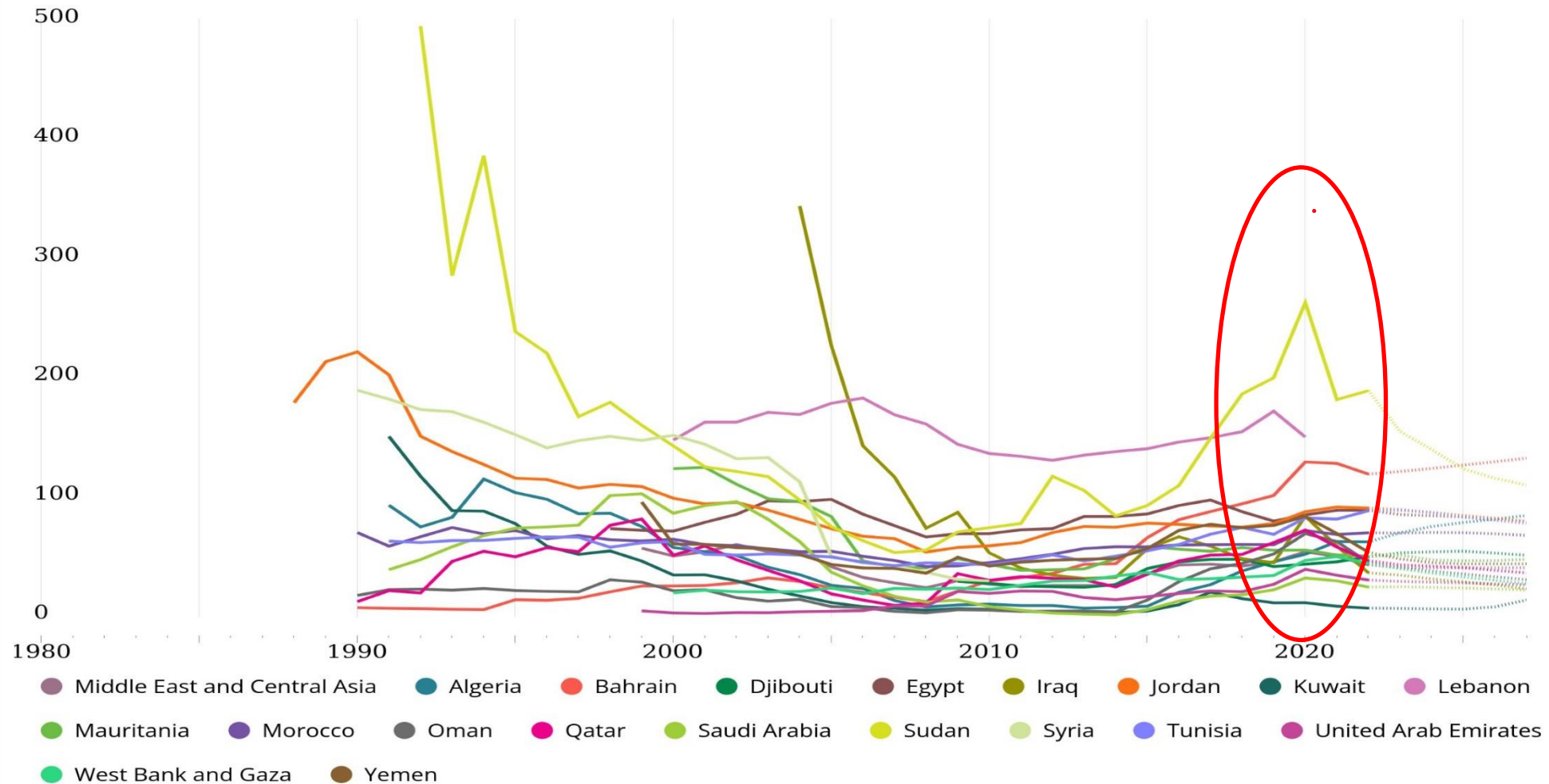Nadine Aboukhaled and Noriaki Kinoshita
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OUTLINE

- Why is debt transparency important?

- Key aspects for debt transparency

- Challenges and the way forward

Why is debt transparency important?

Increases in debt during the pandemic in the Arab Region

IMF DataMapper

General government gross debt (Percent of GDP)

Legend: Middle East and Central Asia, Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, Yemen

©IMF, 2022, Source: World Economic Outlook (October 2022)

Rising debt vulnerabilities

Rising Debt Risks in Low-Income Countries

Legend: ● Low ● Moderate ● High ● In debt distress

(percent of DSSI countries with LIC DSAs)

The proportion of countries in debt distress, or at high risk of debt distress, has doubled to 60 percent from 2015 levels.

Year	In debt distress	High	Moderate	Low
2009	12	23	37	28
2010	5	26	36	33
2011	6	25	35	33
2012	2	25	38	35
2013	0	21	46	33
2014	2	23	45	30
2015	3	24	50	24
2016	3	29	47	21
2017	9	35	39	17
2018	11	38	35	17
2019	12	37	31	19
2020	10	42	33	15
2021	12	45	33	10
2022	13	43	33	10
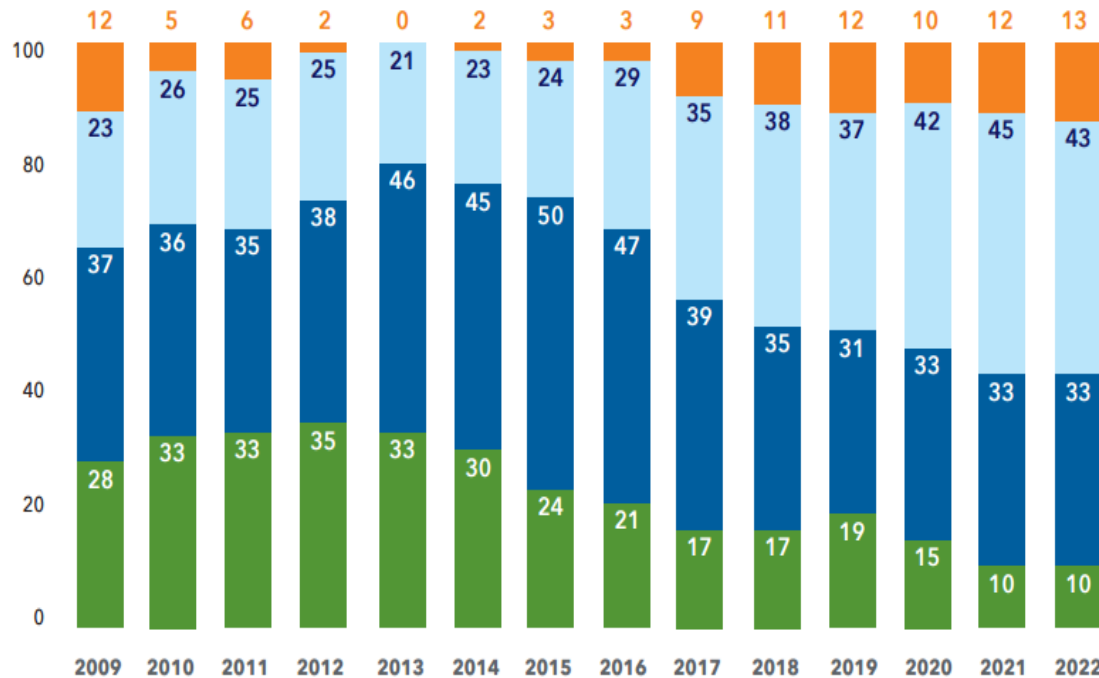
Source: LIC DSA database.
Note: As of March 31, 2022. DSSI = Debt service suspension initiative; LIC = Low-income countries; DSAs = Debt sustainability analyses.

Source: IMF Annual Report 2022

Country (Date of publication)	Risk of external debt distress	Risk of overall debt distress
Comoros (9/21)	High	High
Djibouti (05/20)	High	High
Mauritania (09/20)	High	High
Somalia (06/22)	In distress	In distress
Sudan (06/21)	In distress	In distress
Yemen	NA	NA

Source:
https://www.worldbank.org/en/programs/debt-toolkit/dsa

Some transparency considerations for effective public debt management

- Debt definitions in line with the international standard

- Granular reporting including reporting of contingent liabilities

- Wider coverage including state owned enterprises' (SOEs) debt

- Risk exposure and the classification of the counterparties

- Debt transparency and access to capital markets

[1] Integrated financial management information system

Recent development in debt transparency

The IMF Data Standards Initiative (DSI): The DSI sets global standards for countries' voluntary publication of key economic data. Its recently completed Tenth Review, which has primarily focused on expanding the list of more granular data on public debt which countries are encouraged to publish

Debt sustainability Framework (DSF) for Low Income countries (LICs) recommends including SOEs in analysis (cf. 2018 Guidance Note)

The Data Provision to the Fund (DPF) for Surveillance Purposes and the Comprehensive Surveillance Review (CSR) : Broader and more granular coverage of the public sector. IMF staff analysis indicated that the existing framework for fiscal data provision has significant gaps and broader coverage of public Encouraged Data provision can facilitate the analysis of data on links between non-financial corporations and the wider economy that would inform risk assessments and contingent policy advice.

Joint WB-IMF MPA for Addressing Emerging Debt Vulnerabilities: Includes pillar I Enhancing debt transparency (Support production and publication of comprehensive and consistent data by borrowers, Improve access to data from borrowers and creditors, Enhance creditor outreach).

The IMF Fiscal Transparency evaluation (FTE): FTEs are the IMF's principal fiscal transparency diagnostic tool, and are voluntary exercises conducted upon request by an IMF member country. **Pillar I: Fiscal Reporting,** which should offer relevant, comprehensive, timely, and reliable information on the government's financial position and performance.

G20 data gap initiative (DGI-2): Progress made to broaden instrument and sectoral coverage. (Recommendations II.16 on public sector debt statistics).

Key aspects for debt transparency

Key aspects for debt transparency: statistical perspective

1 **Comprehensive**

2 **Frequent**

3 **Timely**

4 **Accurate**

5 **Cross-country comparable**

6 **Publicly available**

Transparent debt reporting

Debt reports should comprise comprehensive, timely, and consistent debt data at public sector level. To facilitate cross-country comparability and comprehensive debt analyses, public sector debt statistics (PSDS) should be compiled and reported based on internationally accepted statistical definitions and concepts.

https://live.worldbank.org/debt-transparency-developing-economies

PSDS in Arab countries: Dissemination status and coverage

Countries	Reported to the WB Quarterly Public Sector Debt (as of October 2022) (as of October 2022)	Instrument coverage	Institutional coverage of debt data
Algeria	No	N/A	N/A
Bahrain	No	N/A	N/A
Djibouti	No	N/A	N/A
Egypt	No	Loans, debt securities, other types of borrowings	GG**
Iraq	No	Loans, debt securities	BCG
Jordan	No	Loans, debt securities, other accounts payables	CG*
Lebanon	Yes	Loans, debt securities, other accounts payables	BCG
Libya	No	N/A	N/A
Morocco	Yes (latest: 2022Q2)	Loans, debt securities, insurance payment and standard guarantee schemes	GG
Oman	No	N/A	N/A
Saudi Arabia	Yes (latest: 2022Q2)	Loans, debt securities	BCG
Sudan	No	N/A	N/A
Syria	No	N/A	N/A
Tunisia	No	N/A	N/A
United Arab Emirates	No	N/A	N/A
West Bank and Gaza	No	Loans, debt securities, insurance payment and standard guarantee schemes, other accounts payable.	CG
Yemen	No	Loans	N/A

Comprehensiveness

- The broader the sector and the instrument coverages, the more comprehensive

- It is generally recommended to expand the coverage systematically

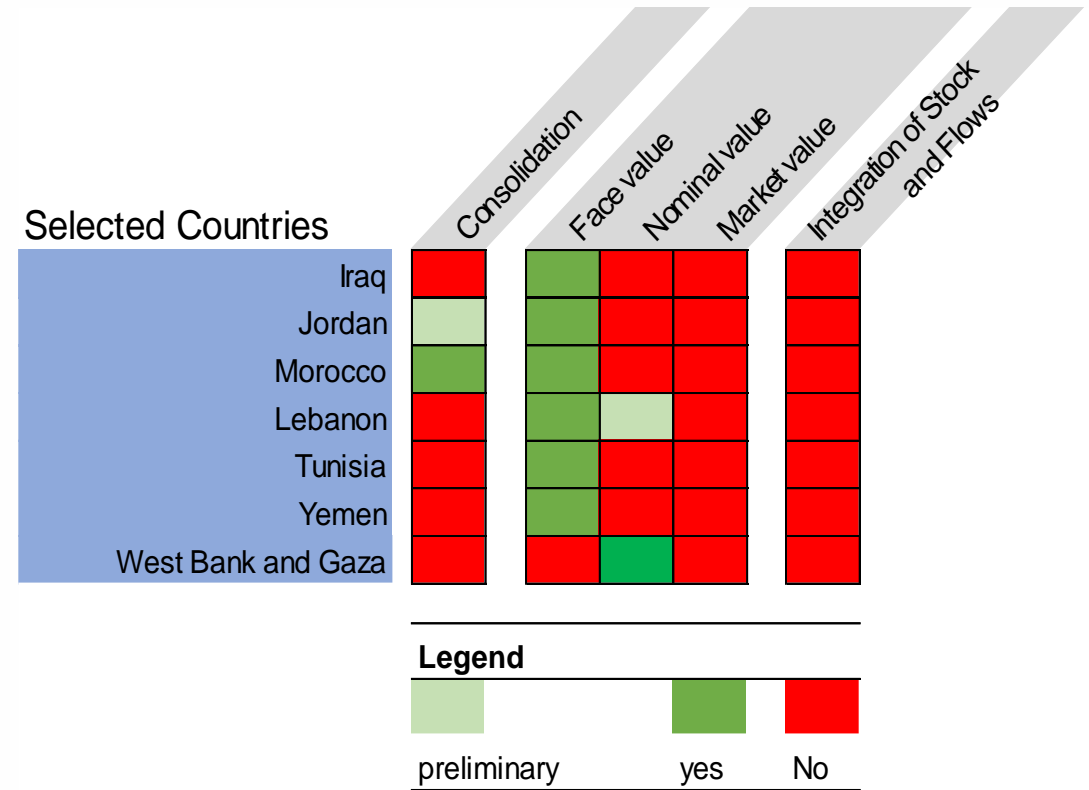- It is necessary to be clear about the coverage of data
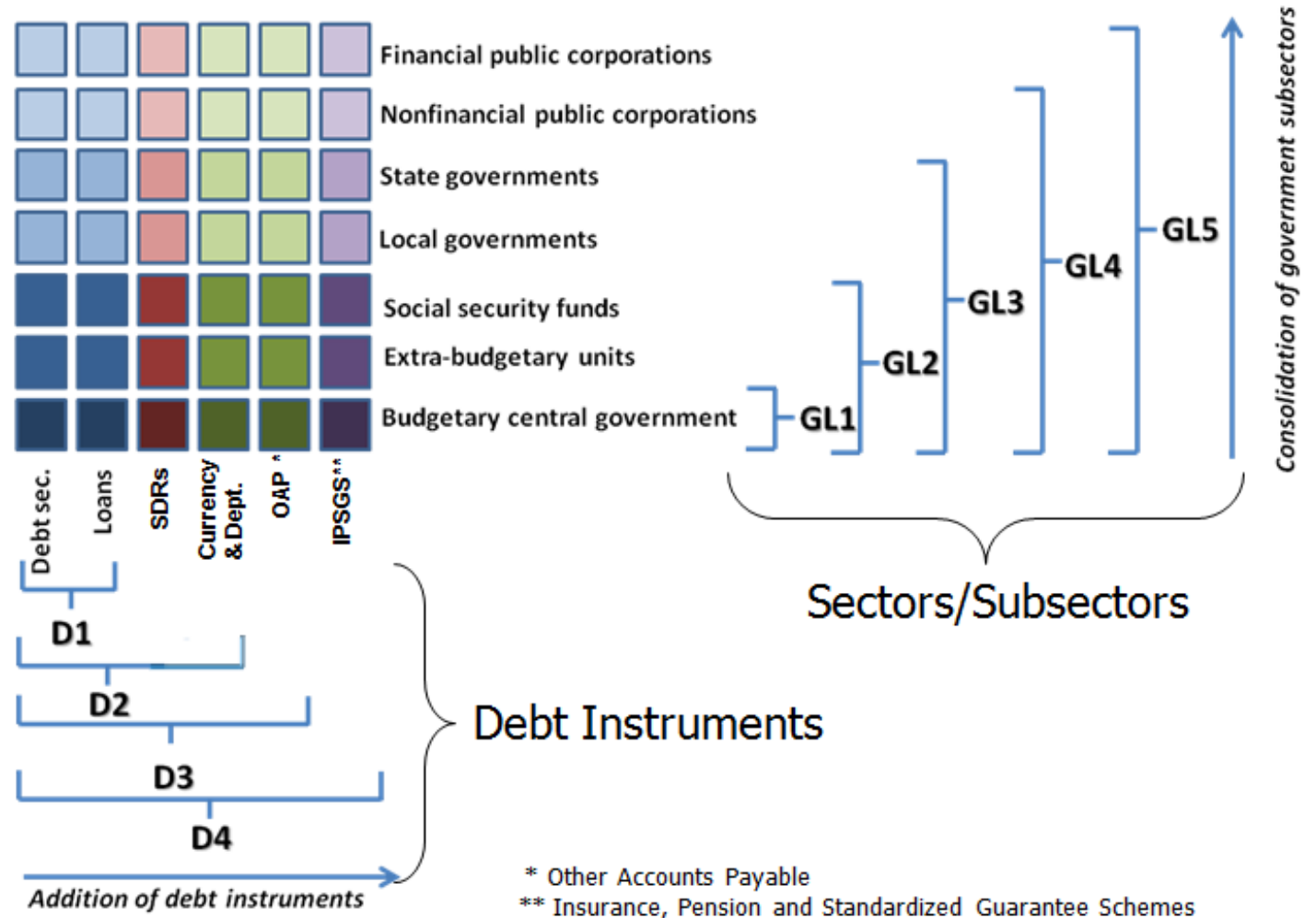
Frequency & Timeliness

- Disseminating quarterly data is recommended for PSDS.

- Countries could start with annual compilation and improve periodicity over time.

- IMF's Data Dissemination Standards set a standard for periodicity and timeliness.

	Periodicity	Timeliness
SDDS Plus (General government debt)	Quarterly	Within 4 months
SDDS (Central government debt)	Quarterly	Within 1 quarter
e-GDDS (Central government debt)	Quarterly	Within 2 quarters

Accuracy

- The *PSDSG* recommends :
  - ► Value all debt instruments at **nominal value** (<u>not</u> = face value)
  - ► Value debt securities at **market** <u>and</u> **nominal values**

- Integration of stock and flows with a separation of the other economic flows (e.g., exchange rate valuation) helps accurately explains the changes in stocks

- Consolidation to avoid double accounting or overstating debt stocks with the expansion of coverage

Selected Countries	Consolidation	Face value	Nominal value	Market value	Integration of Stock and Flows
Iraq	No	yes	No	No	No
Jordan	preliminary	yes	No	No	No
Morocco	yes	yes	No	No	No
Lebanon	No	yes	preliminary	No	No
Tunisia	No	yes	No	No	No
Yemen	No	yes	No	No	No
West Bank and Gaza	No	No	yes	No	No

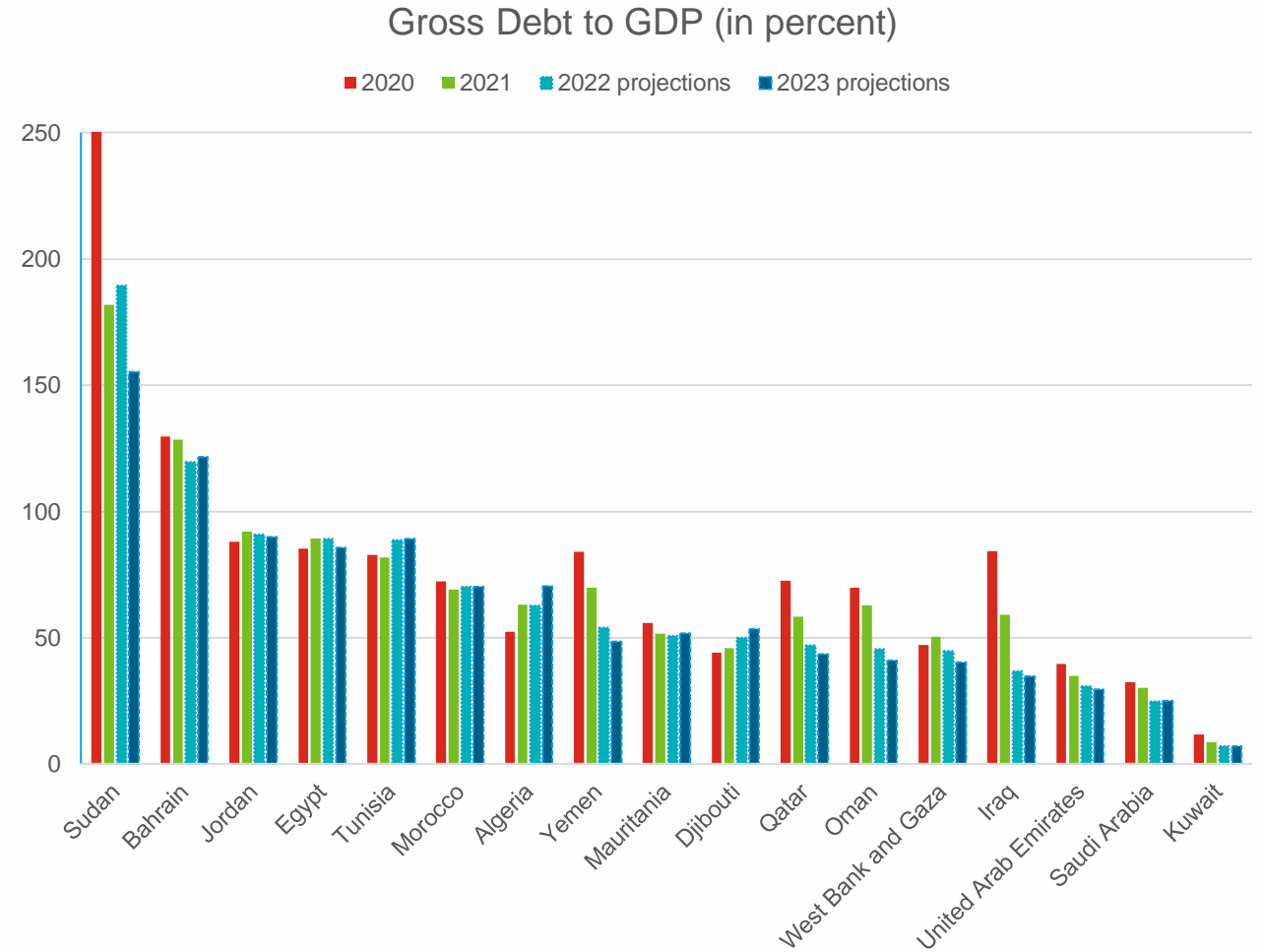**Legend**

preliminary	yes	No

Cross-country comparable

- For cross country comparison debt must be measured consistently along the following four dimensions

  - **What is debt?** (instruments covered?)
  - **Whose debt is it?** (units/sectors covered?)
  - **How is it valued?** (face, nominal, market, other?)
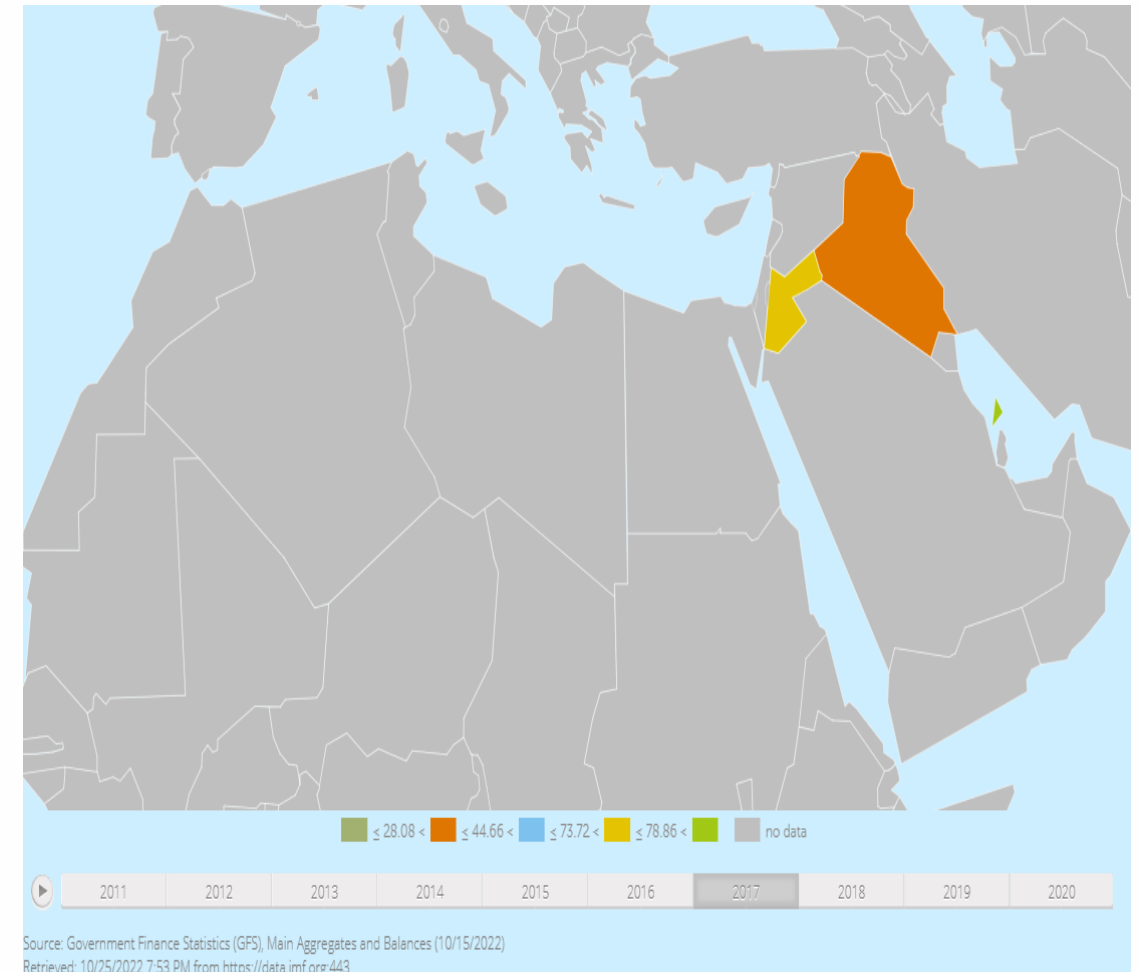 - **Is it consolidated?** (inter- and intra-sectoral debt eliminated?)

- Cross-country comparability would also require consistent GDP measurement.

Gross Debt to GDP (in percent)

Legend: 2020, 2021, 2022 projections, 2023 projections

Countries: Sudan, Bahrain, Jordan, Egypt, Tunisia, Morocco, Algeria, Yemen, Mauritania, Djibouti, Qatar, Oman, West Bank and Gaza, Iraq, United Arab Emirates, Saudi Arabia, Kuwait

Source: WEO, October 2022

Publicly available

- In some countries—often quarterly—debt reports are compiled and published in national websites with information about residency, currency of denomination, and maturity, but information on debt by instrument is sparse.

- However, dissemination based on *PSDSG* standards is lacking. For example, only three countries in the Arab region have reported debt data to the joint IMF/World Bank Quarterly Public Sector Debt database, and four have reported the stock of liabilities in the GFS database, though not for every year.

Source: Government Finance Statistics (GFS), Main Aggregates and Balances (10/15/2022)
Retrieved: 10/25/2022 7:53 PM from https://data.imf.org:443

- *PSDG recommends presenting public sector debt statistics in a detailed set of tables which provides granularity for more transparency and information for designing effective debt strategies*

Challenges and the way forward

Challenges and the way forward

Drivers	Challenges	Way forward
Comprehensiveness	Limited availability of source data beyond central government Fragmented debt reporting and lack of institutional arrangement for sharing source data	Gradual expansion of debt instrument coverage and for sector coverage by concentrating efforts on material State Owned Enterprises Strengthen inter-agency protocols
Frequency Timeliness	Same as above	Strengthen inter-agency protocols and mutual agreement on reporting standards
Accuracy	Limited technical capacity for applying appropriate valuation and consolidation methods	Consider leveraging Debt management Information Systems Cross-checking consistency across different sources.
Cross-country comparability	Lack of monitoring mechanism Lack of reliable GDP measurement	Report to the joint IMF/WB QPSD database and IMF Annual GFS database Improve GDP compilation
Public availability	Lack of enabling environment (legal, institutional, and or commitment to provide detailed debt data	Improve the legal/Institutional framework to publish debt data in line with PSDSG presentation recommendations

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Thank you!

Questions?