

**FOR  
INFORMATION**

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To: Members of the Executive Board

From: The Secretary

Subject: **Note for the G20 International Financial Architecture Working Group—Third Update on the Implementation of the Debt Service Suspension Initiative—Revised Proposal for Debt Data Reconciliation**

Board Action: Executive Directors' **information**

Prepared By: The staffs of the Fund and World Bank

Additional Information: The attached note has been prepared for the G20 Finance Ministers and Central Bank Governors meeting on July 18, 2020.

Publication: Not intended at this time

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## REVISED PROPOSAL FOR DEBT DATA RECONCILIATION

*The objective of this note is to present the proposed steps for reconciling debt records of beneficiaries of the COVID-19 Debt Service Suspension Initiative (DSSI) with creditor data. As per G20 term sheet, DSSI Beneficiaries commit to “to disclose all public sector financial commitments (debt), respecting commercially sensitive information.” The reconciliation exercise seeks to address data gaps and possible inconsistencies to facilitate an accurate and up-to-date understanding of countries’ external public debt stock and future payments. The task is to be completed by beneficiaries, with technical support of the Bank and the Fund, by end-December 2020. The results will inform Debt Sustainability Analysis (DSAs) and would only be publicly disclosed in aggregate form at the borrowing country/creditor country level.*

### **Rationale**

Debt transparency is critical for sound assessment of debt sustainability and for borrowers and creditors to make informed decisions. However, the quality of public debt database in DSSI beneficiaries may be affected by sub-optimal recording standards or data collection procedures. Sound debt management practices recommend annual debt reconciliation by creditors and debtors. However, in many DSSI countries regular debt reconciliation exercises do not take place. The debt reconciliation would allow beneficiary countries to finalize a comprehensive and consistent debt database, establishing a sound underpinning for and strengthening capacity around debt reporting and analysis. Support from WB/IMF can help countries implement an effective application of a uniform methodology in data reconciliation, thus avoiding operational risks and limiting the need for clarifications between creditors and debtors on the use of different debt definitions or parameters (e.g. reference interest rates, exchange rates, etc.).

### **Debt Reconciliation**

The following steps are proposed for debt reconciliation to be implemented:

**1) Bank/Fund staff collect detailed data from borrowing countries using standardized templates.** The template will collect relevant data on DSSI participating countries’ external public and publicly guaranteed debt,<sup>1</sup> at instrument-by-instrument level. Ideally the template will be filled with data from the debt recording and management systems (DRMS) and would draw to the extent possible on already existing data bases to reduce the burden on participating countries. The base template should cover:<sup>2</sup>

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<sup>1</sup>Public sector consists of general government (budgetary central government, state government, local government, extrabudgetary units, and social security funds) and public financial and nonfinancial corporations.

<sup>2</sup>When a loan is multi-tranche (e.g. multiple interest rates or currencies), disaggregation by tranche is needed. Stock and flow data in original currency will need to be provided separately for each tranche.

- Type of instrument (loan / security / guarantee)
- Creditor / debtor name (and guarantor, in case of guarantee);
- Creditor / debtor identification number;
- Effectiveness (signature) and final maturity date, grace period (in case of loan);
- Interest rate (when variable: base rate and spread), currency;
- Amount of debt outstanding and disbursed (DOD) at end-December 2019, disaggregated by outstanding without and with arrears (disaggregated by principal, interest and penalties);
- Disbursements and payments over the period January-April 2020;
- Collateral information;
- Debt service (disaggregated by principal/interest/commissions) by year until end of repayment period.

Consistent with HIPC Initiative precedent, debts under dispute and passive debts will be excluded from this exercise.<sup>3</sup> In that regard, stock figures (including arrears and penalties) should exclude obligations falling into these categories.

**2) Creditors would be encouraged to submit the above requested data or, if preferable, an aggregate version thereof to Bank/Fund staff on a voluntary basis.** This data would also be shared with DMOs of the country. The G20 IFAWG would send the template to all creditors.

**3) DMOs would be requested to reconcile data in their templates with data provided by creditors.**

**4) Should discrepancies above a set threshold be identified, WB/IMF staff will follow up with debtors/creditors.**<sup>4</sup> Relevant documents include the original agreement and subsequent transactions (e.g. disbursements and payments notifications). If a creditor chooses to provide aggregate data and not information at the instrument-by-instrument level, any discrepancies above a set threshold would need to be resolved between the DMOs and the relevant creditor as the Bank/Fund staff would not be able to identify the source of the discrepancy.

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<sup>3</sup>HIPC provisions will inform the process and decision on whether specific debts are passive.

<sup>4</sup>This is different from the practice under the HIPC Initiative where staff was expected to iron out all possible discrepancies.

**5) Data confidentiality and disclosure.** Data will be considered confidential by the Bank and Fund and used exclusively for analytical purposes and in aggregate form. DMOs will be requested to reflect the reconciled data in the debt recording system and submit WB's DRS forms for its update.<sup>5</sup> Countries are expected to base future public debt reporting – in line with national legislation - on these reconciled data.<sup>6</sup>

**6) Risks and mitigation measures.** Progress with debt data collections and reconciliation will be reviewed at the time of the IMF/WB Annual Meetings. Reconciliation will be completed for those countries with adequate data collection from both debtors and creditors.

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<sup>5</sup>The World Bank's Debtor Reporting System (DRS) is the most comprehensive database on external debt and was instituted in 1951. DRS collects information on public and publicly guaranteed debt from countries that borrow from IBRD or IDA. The reporting requirements for public and publicly guaranteed debt, elaborated in WB OP 14.10, are a quarterly reporting of new commitments and an annual loan-by-loan statement of stocks and flows.

<sup>6</sup>According to the DeMPA indicator #4, countries should publish a debt statistical bulletin (or its equivalent) covering domestic and external central government debt, loan guarantees, and debt-related operations. The bulletin should be published at least annually (preferably quarterly or semiannually) and provide information on central government debt stocks (by creditor, residency classification, instrument, currency, interest rate basis, original, and residual maturity); debt flows (principal and interest payments).