**STATISTICS**
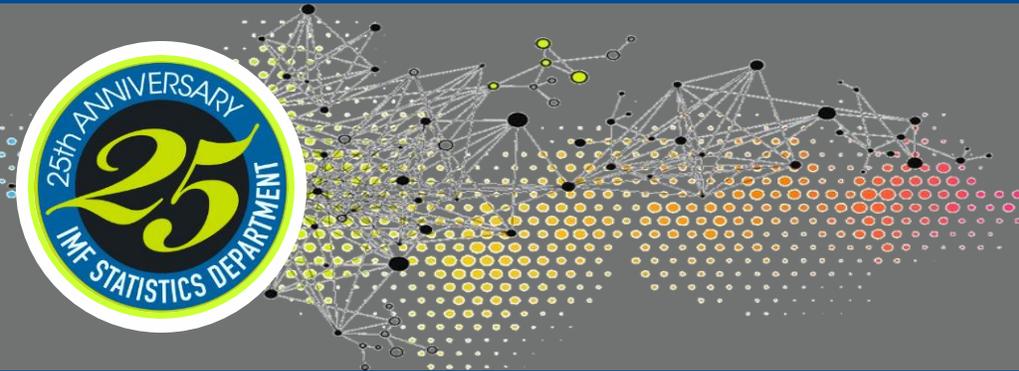
# The Importance of Improving Public Sector Debt Data

## NOVEMBER 6-7, 2019

## ABU DHABI, UNITED ARAB EMIRATES

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# Outline

- International Guidance for Good Public Sector Debt Statistics

- Known Gaps in National Debt Data

- Reporting Status of Public Sector Debt Data of AMF members

- Gains from Improving Debt Statistics

- IMF's Capacity Development to Improve Debt Statistics

# International Guidance for Good PSDS — IMF's Methodology Manuals

- *Government Finance Statistics Manual 2014* and *Public Sector Debt Statistics: Guide for Compilers and Users (2011)* provide **concepts and definitions** for indicators and measures pertaining to public debt, that:

  ▶ Are economically meaningful

  ▶ Meet international standards

Government Finance
Statistics Manual (GFSM)
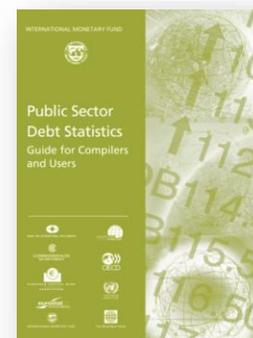
Public Sector Debt Statistics – Guide
for Compilers and Users (PSDS)

# International Guidance for Good PSDS — Institutional Coverage and Sectorization

## "Good" debt statistics cover all <u>subsectors of government, nonfinancial public corporations, and financial public corporations</u>

| General Government Sector | Nonfinancial Corporations Sector | Financial Corporations Sector | Households Sector | Nonprofit Institutions Serving Households Sector |
|---|---|---|---|---|
| Public | Public | Public | Private | Private |
| | Private | Private | | |

| Levels of Government | GL1 | GL2 | GL3 | GL4 | GL5 |
|---|---|---|---|---|---|
| Budgetary central government | | | | | |
| Extra budgetary units | | | | | |
| Social security funds | | | | | |
| State government | | | | | |
| Local government | | | | | |
| Nonfinancial public sector corps. | | | | | |
| Financial public sector corps. | | | | | |

Source: *Public Sector Debt Statistics: Guide for Compilers and Users* and IMF staff

## Numbers could mislead!

### Colombia - Public Debt*, 2010-15
(In percent of GDP)

Legend: — Budgetary Central Government D3  — General Government D3
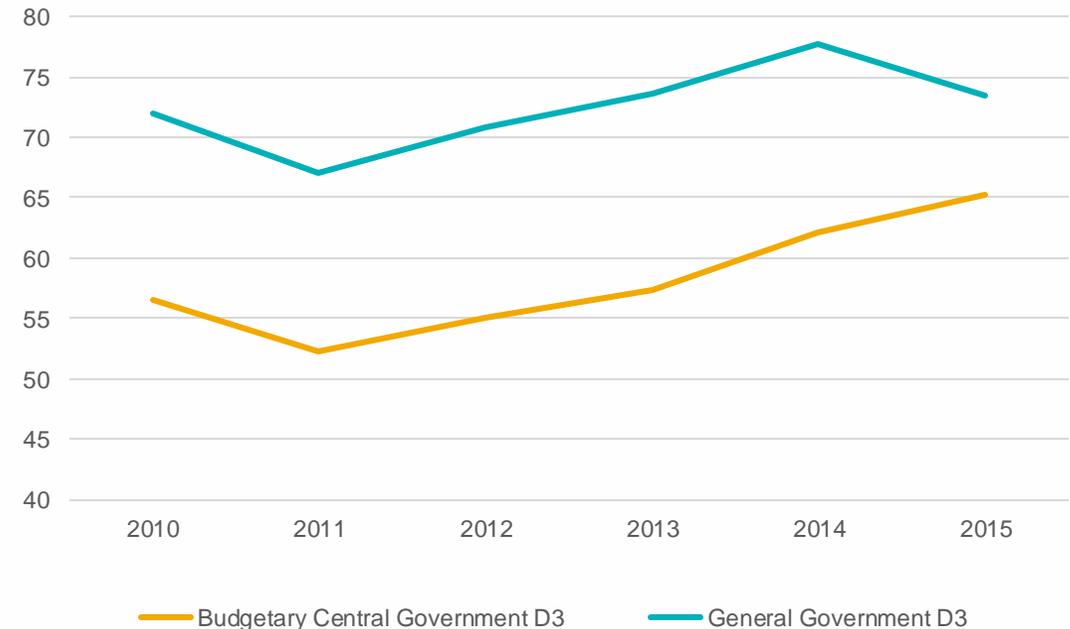
*All debt instruments excluding insurance, pensions and standardized guarantee schemes

Source: *Government Finance Statistics Yearbook* and Quarterly Public Sector Debt database
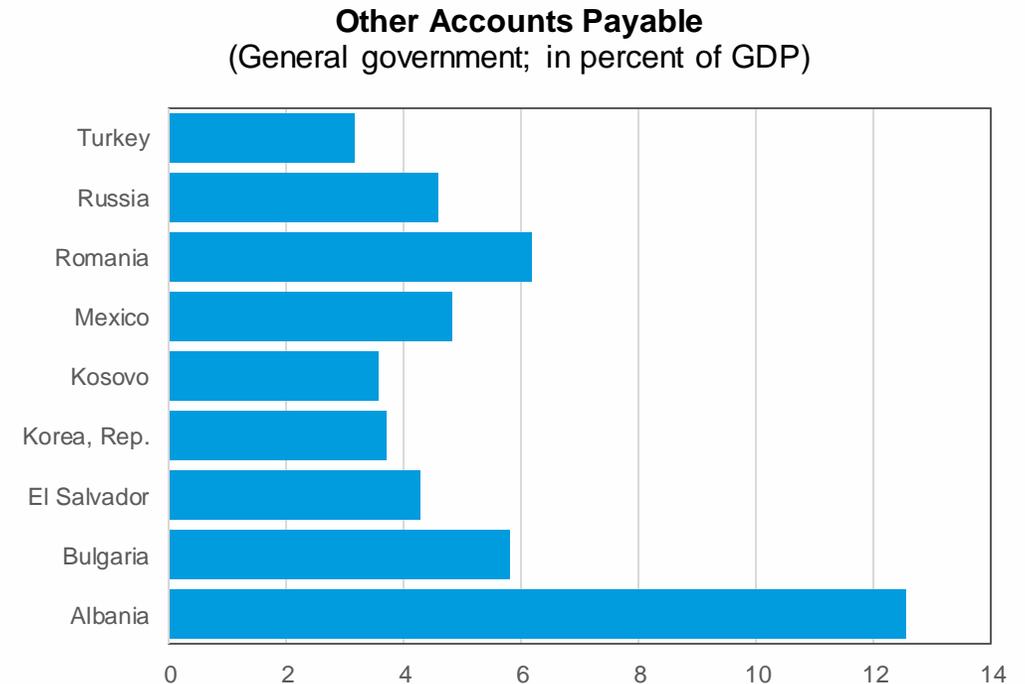
# International Guidance for Good PSDS — Instrument Coverage

**"Good" debt statistics cover all <u>debt instruments</u>**

| Debt Instrument | D1 | D2 | D3 | D4 |
|---|---|---|---|---|
| Debt Securities | | | | |
| Loans | | | | |
| Special Drawing Rights | | | | |
| Currency and Deposits | | | | |
| Other Accounts Payable | | | | |
| Insurance, pensions and standardized guarantee schemes | | | | |

Source: *Public Sector Debt Statistics: Guide for Compilers and Users* and IMF staff

**<u>Other accounts payable</u>, often ignored in the definition of debt, are sizable in many countries**

**Other Accounts Payable**
(General government; in percent of GDP)



Source: *Government Finance Statistics Yearbook* and Quarterly Public Sector Debt database

# International Guidance for Good PSDS — Other Important Features

**Additional details are necessary for risk and vulnerability assessment and analysis (DSA, BSA, etc.)**

- In particular, the following details are often crucial:

  - ► Maturity (long-term vs short-term)

  - ► Residence of creditor: foreign vs domestic

  - ► Type of creditor: private (commercial/non-commercial) vs official (bilateral/multilateral)

  - ► Currency denomination: foreign vs domestic

  - ► Valuation (face vs nominal vs market)

  - ► Contingent liabilities (e.g. guarantees)

| | With debt securities at nominal value | With debt securities at market value |
|---|---|---|
| **Total gross debt** | | |
| **Gross debt by type of debt instrument** | | |
|    Special drawing rights (SDRs) | | |
|    Currency and deposits | | |
|    Debt securities | | |
|    Loans | | |
|    Insurance, pension, and standardized guarantee schemes | | |
|    Other accounts payable | | |
| **Gross debt by original maturity** | | |
|    Short-term, original maturity | | |
|    Long-term, original maturity | | |
| **Gross debt by remaining maturity** | | |
|    Short-term, remaining maturity | | |
|    Long-term, remaining maturity | | |
| **Gross debt by currency of denomination** | | |
|    Domestic currency denominated | | |
|    Foreign currency denominated | | |
| **Gross debt by type of interest rate** | | |
|    Fixed-rate instruments | | |
|    Variable-rate instruments | | |
| **Gross debt by residence of the creditor** | | |
|    Domestic creditors | | |
|    External creditors | | |
| **Memorandum items** | | |
|    Publicly guaranteed debt | | |
|    Arrears | | |

Source: *Public Sector Debt Statistics: Guide for Compilers and Users*

# Known Gaps in National Debt Data —Stylized facts

**Commonly disseminated government debt aggregates often have limited sectoral and instrument coverage, and rarely include additional breakdowns**

- Many countries limit institutional coverage to **GL1**, **GL2** and sometimes **GL3**

- In most cases the instrument coverage is only **debt securities and loans (D1)**

- Debt numbers **rarely** include details on maturity, creditor characteristics, currency denomination, etc.

**Commonly Disseminated Government Debt Aggregates**
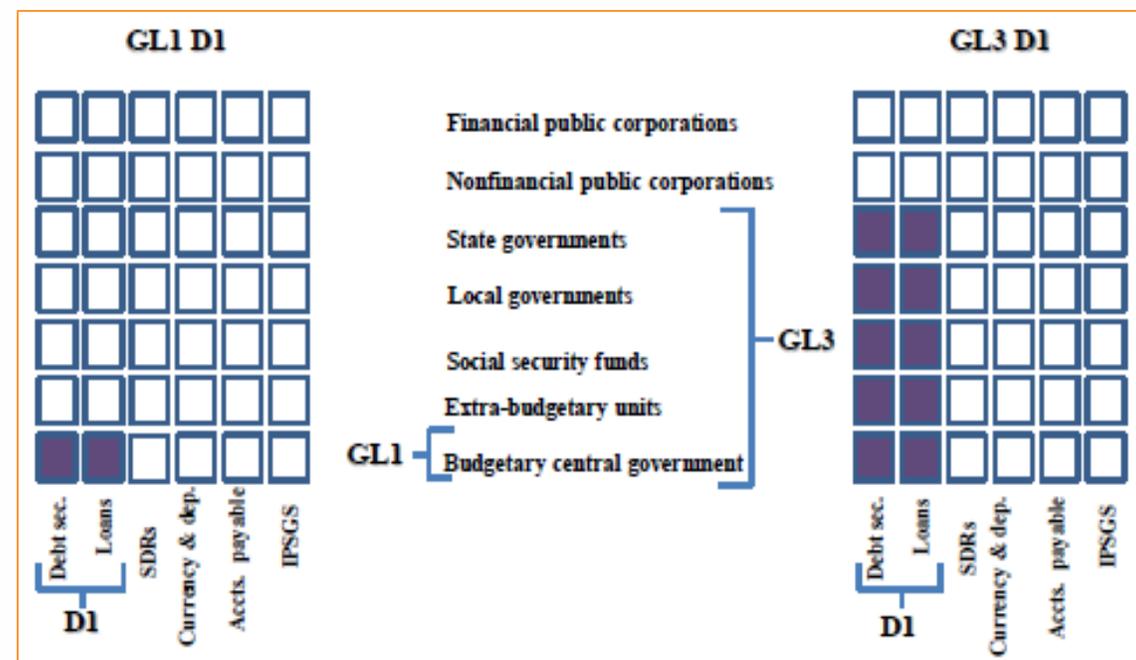
# Known Gaps in National Debt Data — Improvement Efforts
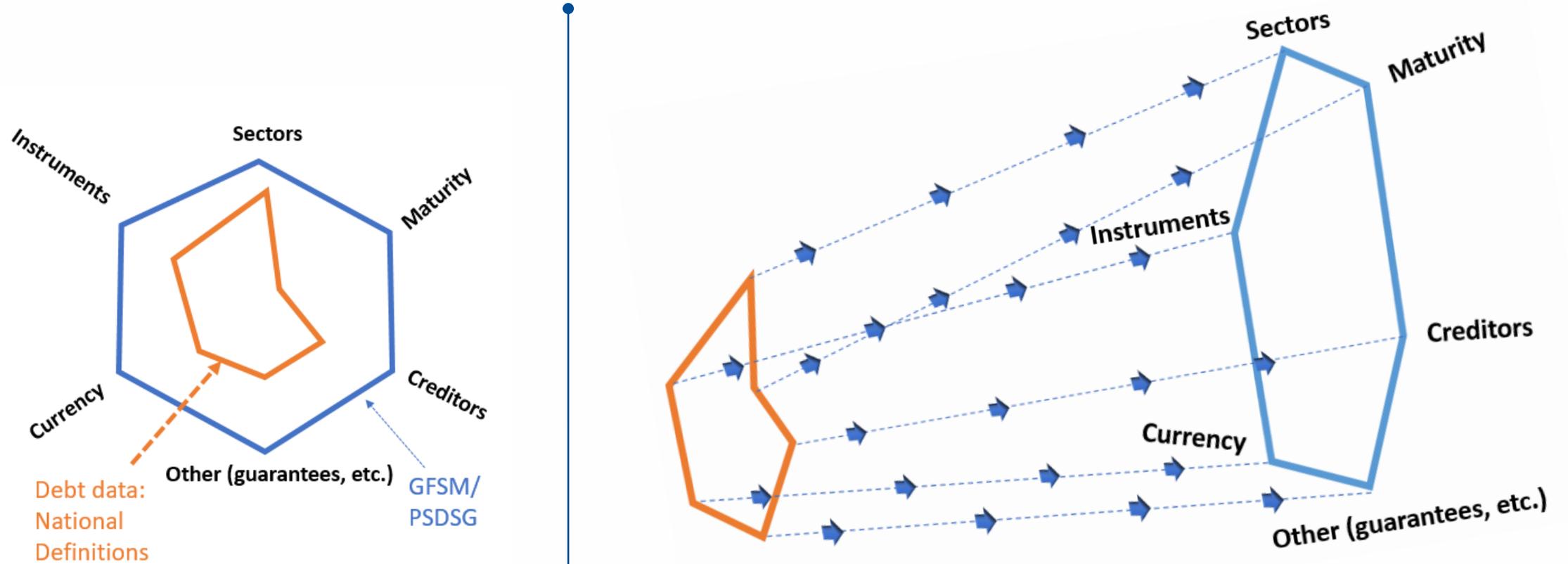


Source: *Public Sector Debt Statistics: Guide for Compilers and Users* and IMF staff

# Reporting of Government Debt Data by Members of the Arab Monetary Fund (AMF)

Ten AMF members out of 22 report government debt data for dissemination in the Government Finance Statistics Yearbook (GFSY) and Quarterly Public Sector Debt (QPSD) database:

| AMF member | Government Finance Statistics Yearbook (GFSY) | | Quarterly Public Sector Debt (QPSD) | |
| --- | --- | --- | --- | --- |
| | Reported Data First-Last | Highest Level Sector/Instrument | Reported Data First/Last | Highest Level Sector/Instrument |
| Bahrain | 2006-2007 | BA/D4 | | |
| Egypt | 2007-2007 | CG01/D1 | | |
| Iraq[1] | 2015-2018 | BA/D4 | | |
| Jordan[2] | 2006-2014 | CG/D4 | | |
| Lebanon | | | 2013Q3-2019Q2 | GG/D1 |
| Morocco | | | 2009Q3-2019Q2 | CG/D1 |
| Oman[3] | 2010-2013 | BA/D2 | | |
| Saudi Arabia | | | 2017Q1-2019Q2 | BA/D1 |
| Tunisia[4] | 2012 | BA/D4 | | |
| United Arab Emirates[5] | 2013 | GG/D4 | | |

Note: BA=budgetary central government; CG=central government; CG01=CG plus social security funds at CG level; GG=general government

[1] Same values reported for D1-D4
[2] CG available only for 2006-07. Same values reported for D1-D4, except for 2013. Only D1 for 2014
[3] Same values reported for D1-D2.
[4] Same values reported for D2-D4.
[5] Same values reported for D3-D4.

Source: *Government Finance Statistics Yearbook* and Quarterly Public Sector Debt database

# Need for Improving Transparency of Debt Statistics

**Increasing need for transparency in the region as countries have increased the issuance of debt in recent years**

- In addition to other data, debt statistics become extremely important

- Strong demand from investors and rating agencies

- IMF data standards initiatives provide a framework

- Data transparency, reflected in subscriptions to the IMF's Data Standards Initiatives (SDDS and e-GDDS), reduces the spreads of emerging market sovereign bonds—15 percent reduction in the spreads after one year. (See IMF Working Paper *The Effects of Data Transparency Policy Reforms on Emerging Market Sovereign Bond Spreads)*

# Gains from Improving Debt Statistics — General Considerations

**Comprehensive Public Sector Debt Statistics allow to:**

- Fully understand and capture the role of the government and public sector in an economy (e.g. crowding out of the private sector, debt overhang)

- Assess fiscal vulnerabilities and risks (Fiscal Monitor on the Balance Sheet Approach)

- Improve debt sustainability analysis

- Improve public financial management, accountability and transparency (good for investors and rating agencies)

- Foster cross-country comparability and evenhandedness;

- Feeds into Balance Sheet Approach and Sectoral Accounts
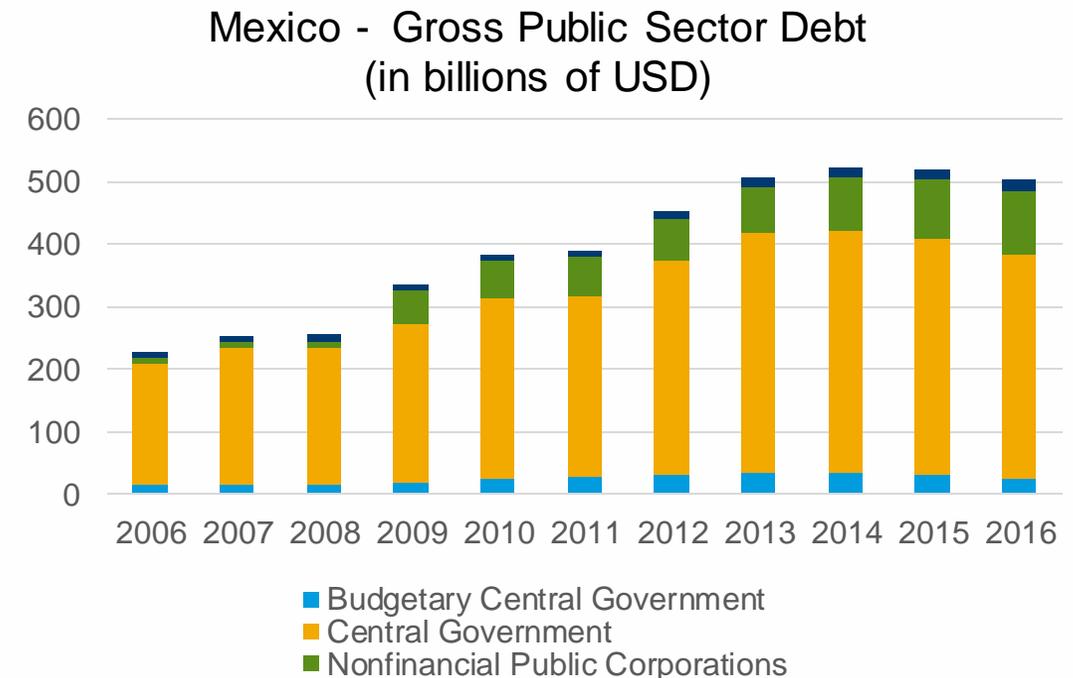
# Gains from Improving Debt Statistics — Institutional and Instrument Coverage

- Failing to cover all debt instruments increases the risk of running into liquidity issues when repayment is due (inability to service maturing debt).
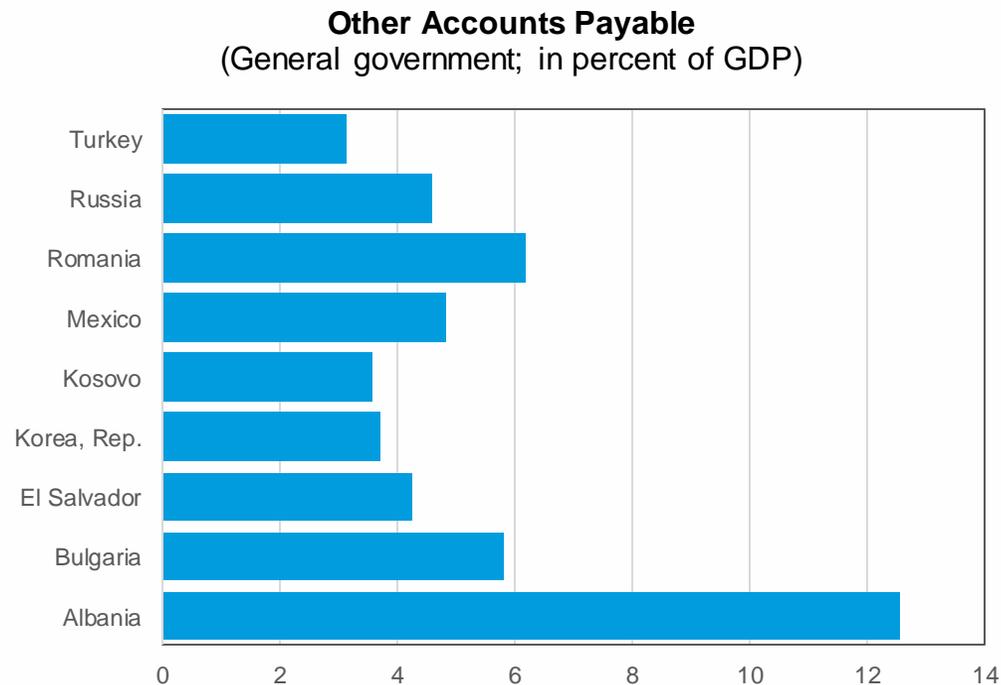
- Risks stemming from entities outside the General Government (e.g. NFPCs and FPCs), can threaten the budget through the realization of contingent liabilities.

**Other Accounts Payable**
(General government; in percent of GDP)



**Mexico - Gross Public Sector Debt**
(in billions of USD)



- Budgetary Central Government
- Central Government
- Nonfinancial Public Corporations

Source: *Government Finance Statistics Yearbook* and Quarterly Public Sector Debt database

Source: *Government Finance Statistics Yearbook* and Quarterly Public Sector Debt database

# Gains from Improving Debt Statistics — Maturity, Creditors, and Currency

**In addition to Public Financial Management and transparency gains, providing details on debt can help anticipate and/or avoid various fiscal risks.**

| Debt features | Risk that could be anticipated |
|---|---|
| Maturity | Refinancing/Roll-over |
| Residency of creditor | Capital flight |
| Currency of denomination | FX exposure |
| Type of interest rate (fixed/flexible) | Interest rate risk |

# IMF Capacity Development to Improve Debt Statistics — Renewed Engagement

New approaches and funding sources for IMF capacity development, as rising debt levels and data gaps on debt concern policy makers.

- G-20 Finance Ministers and Central Bank Governors in March 2018: "Rising debt levels in Low Income Countries have led to concerns about debt vulnerabilities in these economies"

- The IMFC Communique at the 2019 Spring Meetings asked "the IMF to continue to work closely with members to … improve debt management capacity, and to work with debtors and creditors on … **tackling data gaps**"

- The Fund's ongoing review of the Market Access Countries' DSA framework has also highlighted debt coverage as one of the important issues that needs to be addressed.
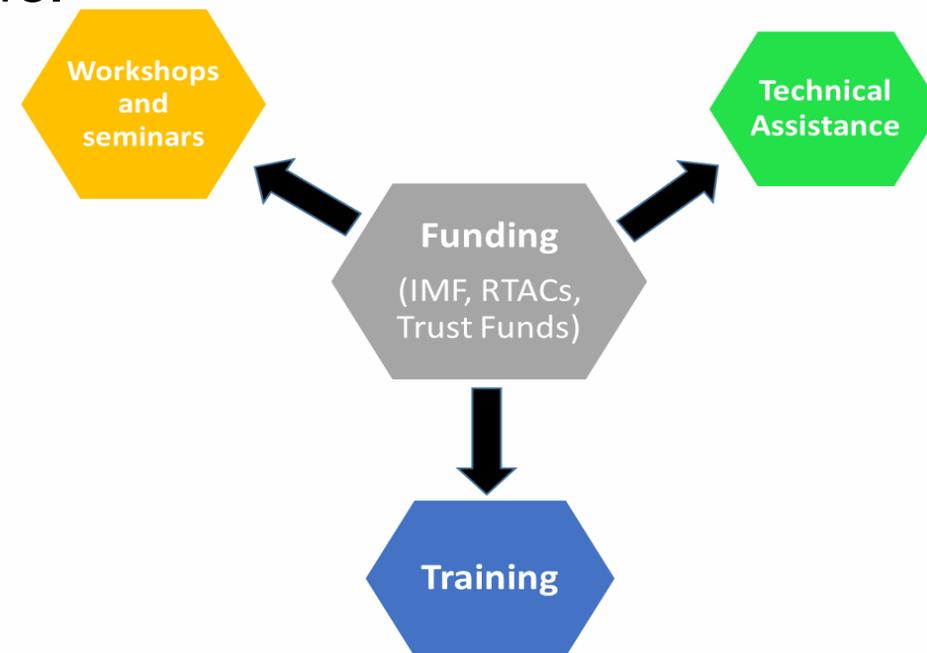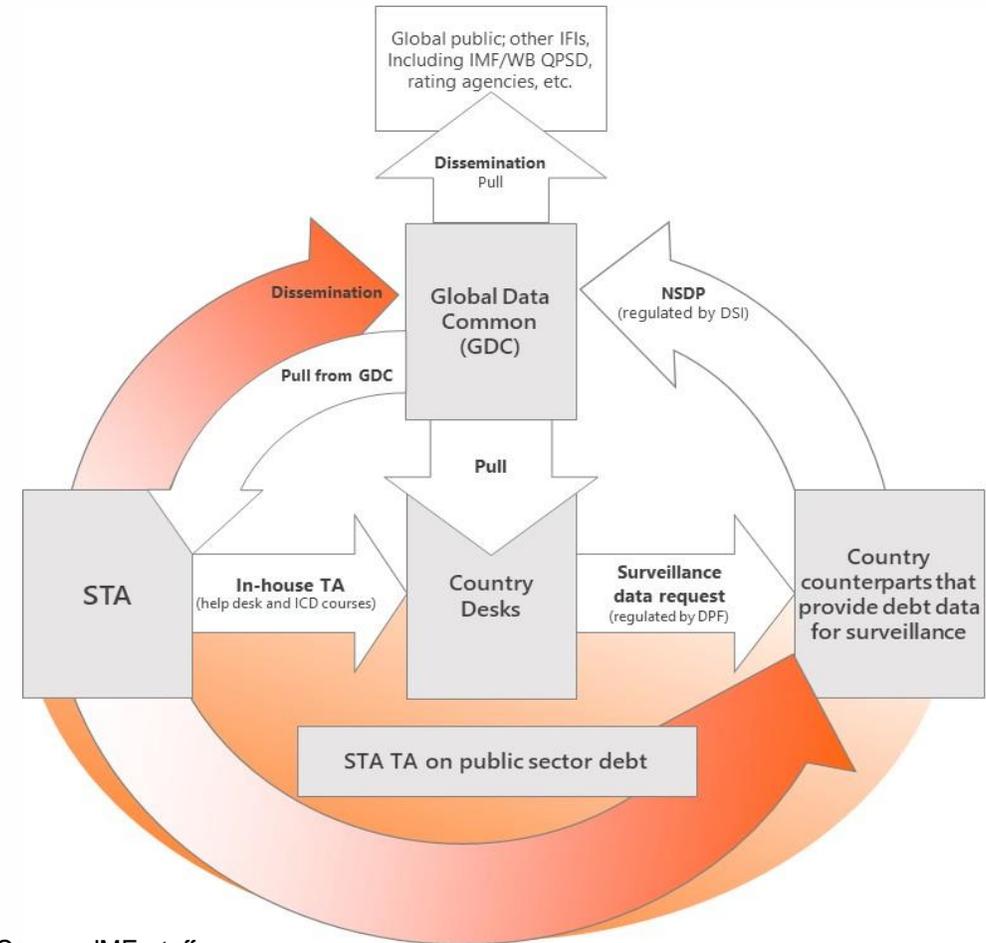
# IMF Capacity Development to Improve Debt Statistics — New Approach

## Near-term Strategy
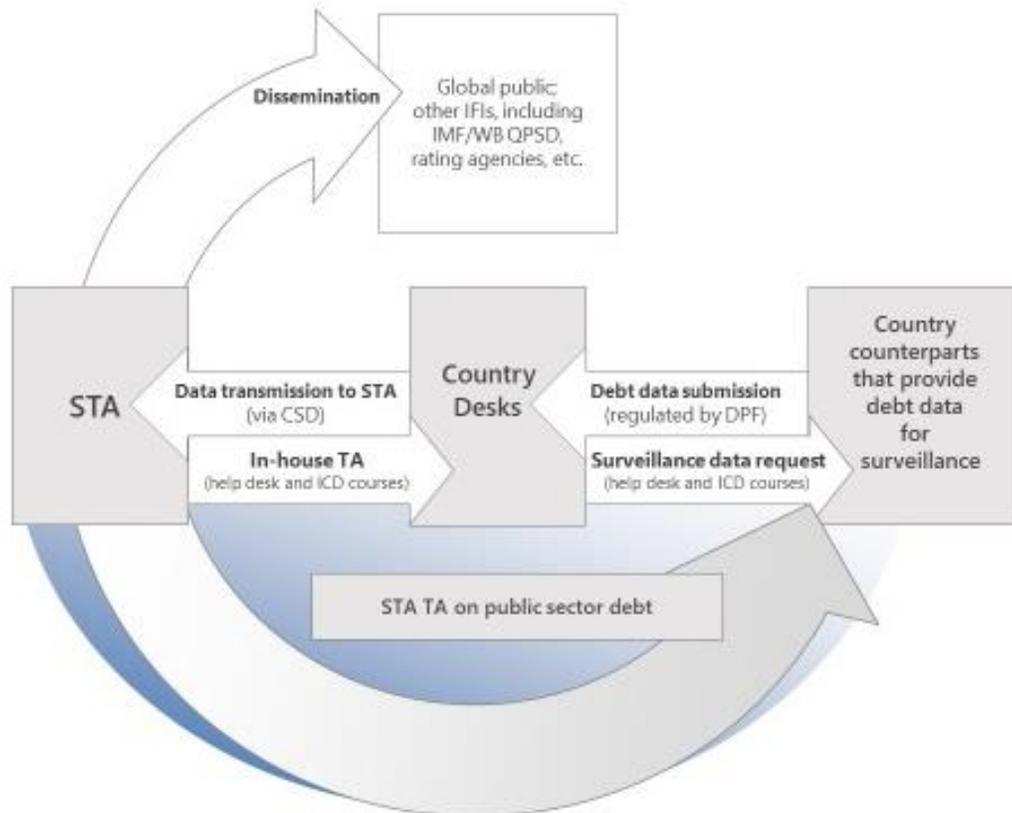


Source: IMF staff

## Medium-term Strategy



Source: IMF staff

# Thank You!

# Questions?