

Workshop on  
**Debt Sustainability for  
Central and West Asia**

18-21 November 2024  
*Urumqi, China*

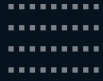


# Reporting and Transparency

M Coşkun Cangöz

# Agenda

- Objectives and principles of transparency
- Transparency for accounting
- Market transparency
- Country cases
- Concluding thoughts



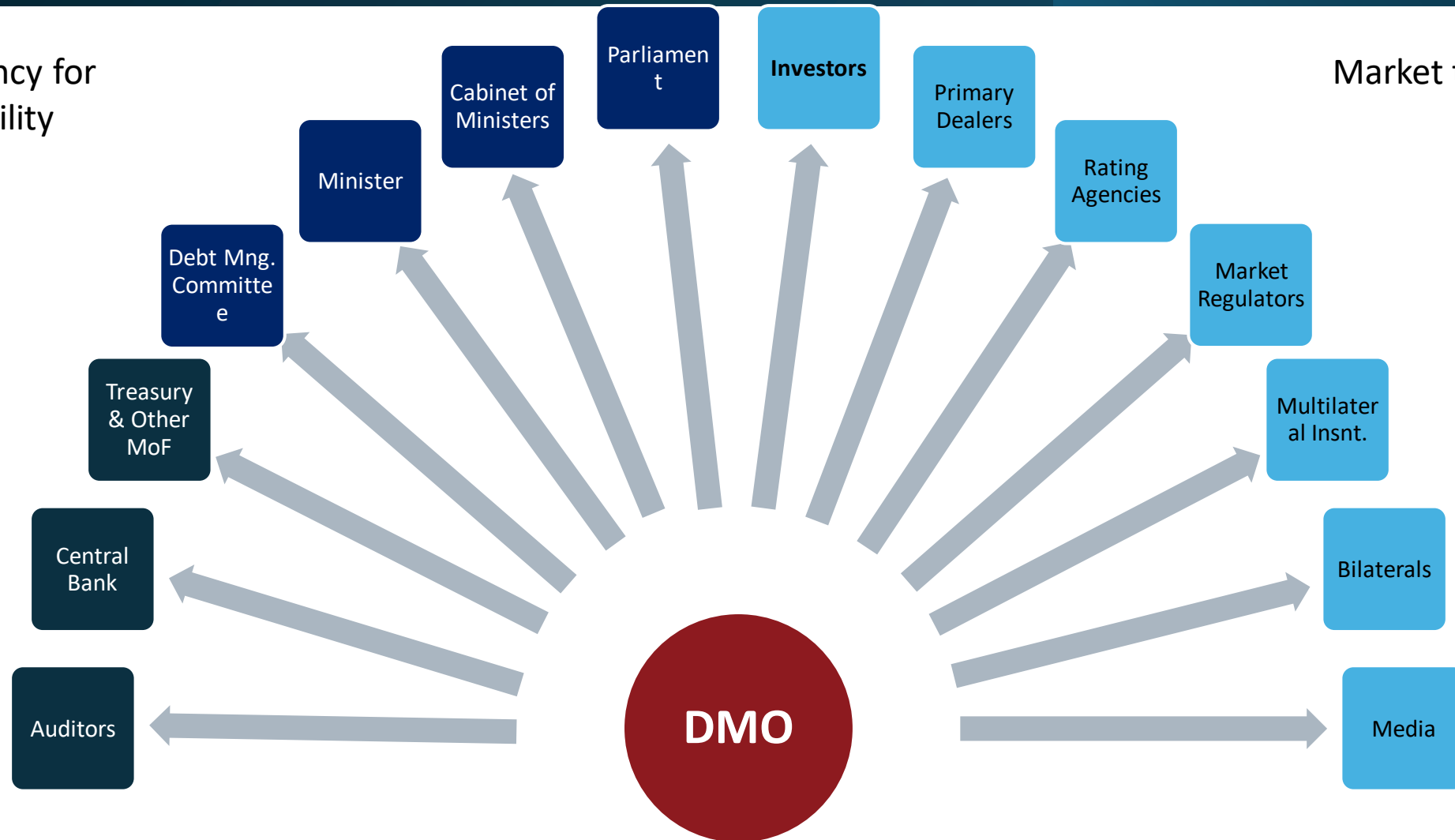
# Objectives and principles of transparency



# Spectrum of debt reporting

Transparency for  
accountability

Market transparency



# Transparency objectives of debt management

- Improve the effectiveness of policy-making with comprehensive, timely, and reliable reporting, and performance monitoring.
- Promote good governance and accountability by demonstrating:
  - legal/regulatory compliance, contractual compliance (e.g., WB debt reporting), and compliance in reporting according to international standards.
- Develop and maintain a liquid domestic debt market by providing transparent rules that promote a level playing field
- Disseminate timely and reliable information in international standards to reduce uncertainty among investors, lower transaction costs, encourage greater investor participation, and to reduce debt servicing costs
- Avoid asymmetric information and reduce possibility of misinformation (e.g. with rating agencies, which could potentially impact the score).

# IMF: Fiscal transparency code

The principles of fiscal reporting are:

- Fiscal reports cover all entities engaged in public activity, (central government, subnational government, and public corporations) and consolidate according to international standards;
- Fiscal reports include a balance sheet of public assets, liabilities, to provide a complete picture of the financial position and overall net worth of a government or public sector;
- Fiscal reports should include information on all cash and accrued transactions and other economic flows that were recorded when the underlying economic event occurs;
- Fiscal reports should be published in a frequent, regular, and timely manner ensuring that fiscal forecasts and decisions are based on an up-to-date assessment
- Information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent

# IMF: Reporting of assets and liabilities

## Basic Practice

Cash holdings, the balance of TSA and commercial bank accounts

Debt instruments including loans and marketable and non-marketable government securities

## Good Practice

Basic practice +

Financial assets including lending, receivables, equity investments and gold and SDR

Contractual liabilities including lease contracts, payables, PPPs, equity holdings of public corporations

## Advanced Practice

Good practice +

Nonfinancial assets, including all physical assets, intangible assets, and inventories

Contractual liabilities from insurance, pension, and standardized guarantee schemes

# Revised Public Debt Management Guidelines

- **Roles and responsibilities, and objectives:**
  - Allocation of responsibilities among debt - related public entities
  - Authority to issue and manage debt
  - Objectives of debt management
- **Debt Management Strategy**
  - Cost and risks, and desired debt structures or strategic targets
  - Materially important aspects of debt management operations
  - Cost and risks of contingent liabilities
  - Derivatives, including the rationale for their use
- **Primary and secondary market**
  - Terms and conditions of new issues
  - Tax treatment of public securities
  - Incentives and obligations of primary dealers, as well as eligibility criteria
  - Regulations and procedures in the secondary market (e.g., depository facilities, and clearing and settlement arrangements)
- **Statistics and Dissemination of Information**
  - Regular information / data sharing (e.g., medium-term strategies and borrowing plan, announcement of auctions and liability management operations, outstanding debt and its composition, average maturity, etc.)
- **Audit**
  - External audit reports on debt management policies, operations, IT systems, and risk control procedures.



# WB – Debt Management Performance Assessment

## **DPI 1 – Legal Framework:**

- A.1.1. Primary or secondary legislation requires the publication of a medium-term debt management strategy (DMS)

## **DPI 3 – Debt Management Strategy:**

- C.3.2. DMS is published on the official website;
- C.3.3. Annual borrowing plan is on the official website

## **DPI 4 – Public Debt Reporting:**

- C.4.1. Central government debt report must include stock (composition of debt), flows (maturity profile), cost measure (interest payment/stock), and guarantees;
- C.4.2. DMO must publish an annual report providing information of outstanding debt and debt management operations

## **DPI 8 – Domestic Borrowing:**

- C.8.1. The borrowing calendar is published at least one day before the start of the month, and the results of the issuance of securities are published on the official website.

# Transparency Practices of Borrowers and Lenders

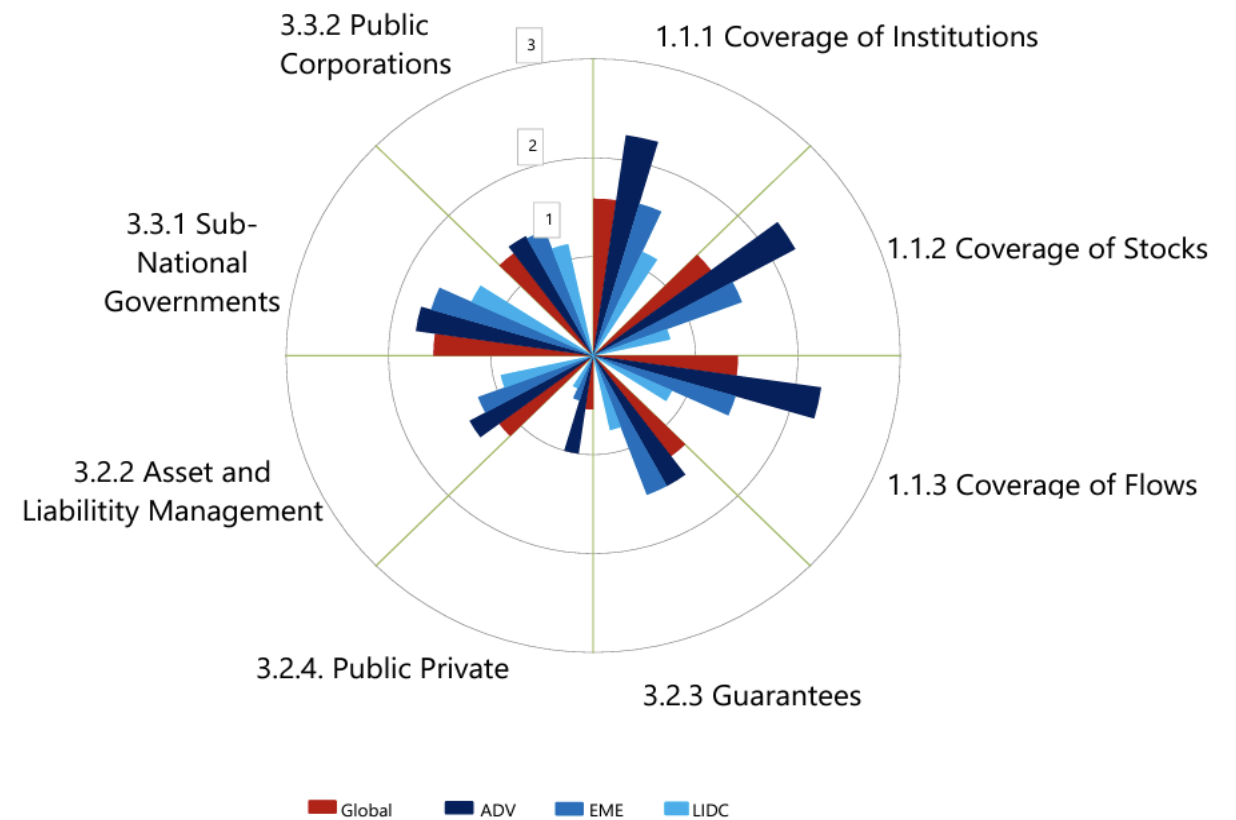
Large disclosure gaps in LIDCs and EMs, where the share of non-marketable debt and SOEs' role in the economy are greater, and accounting and reporting practices are less developed

Many official creditors report data on their lending to sovereigns through multilateral initiatives, but reported data is not comprehensive

The increased use of broad confidentiality clauses in non-marketable loan contracts may limit the granularity of published data.

Source: IMF, Making Public Debt Public, July 2023

Relative Performance on Fiscal Transparency Evaluations by Income Group  
(Average scores)



Note: Based on 36 published assessments. Score of 1 represents compliance with basic level of practice; 2 – with good practice; and 3 – at advanced level.

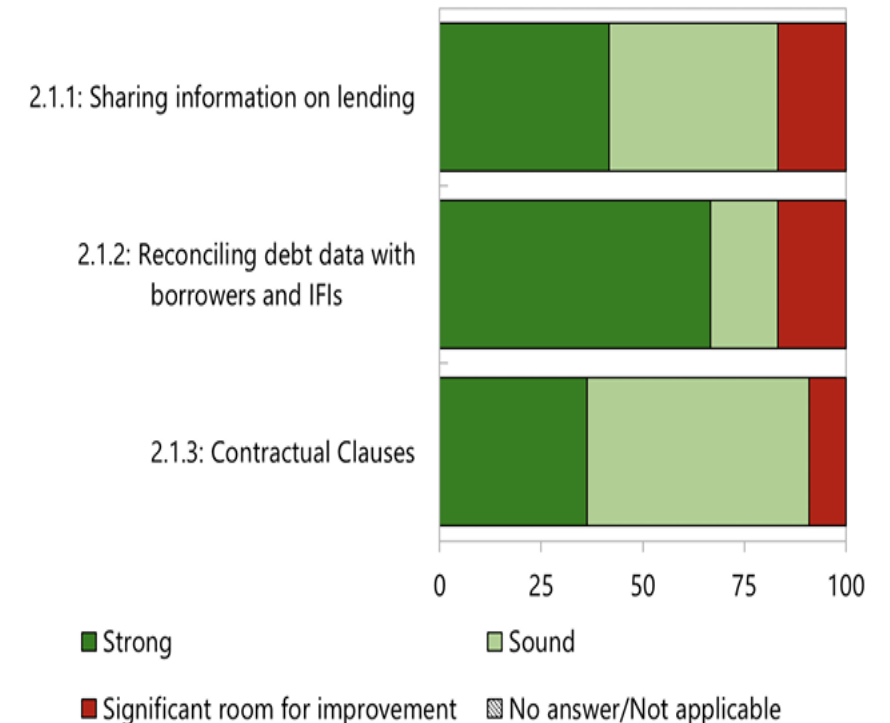
# G20: Operational Guidelines for Sustainable Financing

Aims to enhance access to sound financing for development while ensuring that sovereign debt remains on a sustainable path by fostering information-sharing and cooperation among borrowers, creditors, and international financial institutions, as well as learning through capacity building (G20, 2107).

The guidelines encourage creditors to share information on their lending and contractual terms.

Any financial transactions, excluding those denominated solely in local currency, trade finance with less than one-year, short-term overdrafts, regulatory requirements, and monetary policy arrangements of the central bank are subject to disclosure.

## Information Sharing and Transparency (Share of G20 countries)



Source: IMF and World Bank, 2021, G20 Self-assessment Survey Results

# IIF: Voluntary principles of debt transparency

Voluntary Principles for Debt Transparency aims to enhance transparency in private sector lending, particularly to the most vulnerable low-income countries (International Institute of Finance, 2019)

- focused initially on private sector foreign-currency lending to sovereigns, sub-sovereigns, and public sector entities (or borrowers with public guarantees) in PRGT-eligible\* countries;
- Meant to capture any arrangements that have an economic effect on borrowing, including loans, guarantees, asset-backed lending, and repos;
- not intended to add to the disclosure burden in areas where transparency is already good (e.g. publicly traded bonds);
- recommending a set of disclosures including interest rates (in ranges), maturity, and use of proceeds; and
- recommending that disclosure be provided after a reasonable cooling-off period.

(\* ) Poverty Reduction and Growth Trust

# OECD Debt Transparency Initiative (DTI)

Launched in March 2021, to operationalize the IIF's Voluntary Principles for Debt Transparency

- Collect, analyze, and report public sector debt data
- Allow any interested stakeholder to benefit from the public sector debt levels and conditions of vulnerable low-income countries

Source: <https://www.oecd.org/finance/debt-transparency/>

REPORTING TEMPLATE	
1	Name of the Borrower/Counterparty
2	Type of initial recipient of financing
3	Initial recipient of financing (if not the same as entity in 1 above and known at signing)
4	For bilateral financings, the lender or other credit provider (at signing)
5	Where applicable, name of the Mandated Lead Arrangers, Facility Agent/Fiscal Agent/Trustee/Transaction Intermediary or similar at signing (for syndicated deals or those with multiple providers of financing/underwriters)
6	Date of the principal financing document(s) (dd/mm/yyyy), or if not available, start of the quarter of the principal financing document(s) e.g. 01/10/2012, 01/07/2018)
7	Description of type of financing
8	Currency as specified in the loan agreement
9	If multi-currency transaction, or transaction that has different payments in different currencies, please specify
10	Interest rate
11	Interest rate type
12	If floating, please specify the Reference Rate benchmark
13	Gross amount which can be raised or borrowed
14	US Dollar equivalent of gross amount at the date of the principal financing document
15	Grace period - number of years
16	Transaction repayment
17	Repayment profile
18	Final repayment or maturity date (dd/mm/yyyy), or if not available, quarter of the final repayment or maturity date specified as YYYY-Qq (e.g. 2000-Q4 or 2022-Q3)
19	Description of any applicable collateral/security/assets subject to repo, if any
20	Ranking of claims (where applicable)
21	Purpose of financing/intended use of proceeds on drawdown
22	Name of Guarantor/Provider of indemnity, if any
23	Where applicable, name of the beneficiaries of the guarantee or indemnity and maximum amount payable
24	Governing law of the principal financing document(s)
25	Description of waiver of sovereign immunity
26	Dispute resolution mechanism
27	Embargo date (dd/mm/yyyy)
28	Is the data provided publicly available from any data provider?
29	* Description of default event conditions, including cross default clause, if any
30	* Is the transaction insured? If yes, who is paying the insurance fee and what does it cover?
31	* Do any of the transactions have features or restrictions related to sustainability, such as ESG considerations (formally, such as ESG criteria, or informally, such as provisions that seek to support employment, health, or environmental considerations)?

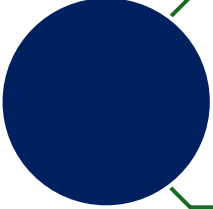
# IPSAS: Reporting of financial instruments

IPSAS does not emphasize individual line items, such as financial liabilities, or components of individual line items, such as debt in isolation from other liabilities. Entities are required to present a comprehensive statement of financial position, including all assets and liabilities of an entity (financial and non-financial). The measurement of financial liabilities, including debt, and their presentation in IPSAS-compliant financial statements provide information for the purposes of accountability and decision-making.

IPSAS 30 requires disclosure of

- The significance of financial instruments for an entity's financial position, financial performance, and cash flows.
- Qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity, and market risks.
  - The qualitative disclosures describe management's objectives, policies, and processes for managing those risks.
  - The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

# Differences between IPSAS and statistical principles and rules



## Sectoral coverage and consolidation

- IPSAS requires consolidation based on the control concept which is defined as an entity's ability to influence while GFS consolidation does not include entities engaged in market activities.



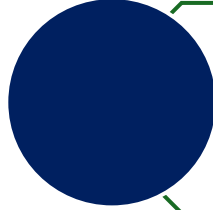
## Instrument coverage

- IPSAS provide a definition of liabilities including all financial liabilities with the extension of debt creating arrangements such as PPPs



## Valuation method

- IPSAS recognizes debt based on fair value, while statistical reporting frameworks recognize debt at nominal value (market value is only on securities)



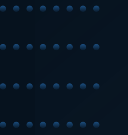
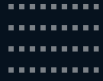
## Asset and liability approach

- Assets and liabilities of consolidated entities are recognized by IPSAS in balance sheet, and transactions between member of the same economic entity are eliminated

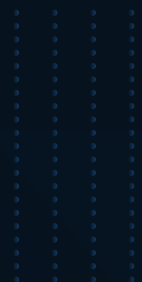
# Methodological differences can result in different debt figures

- As a result of significant methodological differences, total liabilities reported under IPSAS are not directly comparable with statistical debt figures. The discrepancy is driven by accounts payable, provisions, and other liabilities that are not recognized as debt in statistical reports as shown by the following examples:
- **United Kingdom:** according to IPSAS, as of 2019 there were GBP 2.5 trillion in net liabilities per Whole of Government Accounts (WGA), while according to GFS public sector net debt amounts to GBP 1.8 trillion.
- **Ecuador:** As of 2019, IPSAS reflects liabilities for an amount of US\$73.3 billion while debt statistics figures show US\$51.7 billion.
- **Philippines:** As of 2018 IPSAS reflects PHP 8 billion in total liabilities while GFS shows PHP 6.8 billion of general government gross debt.
- **Tanzania:** As of 2016, according to IPSAS there are TSh. 61 trillion total liabilities, including 41 trillion of short and long-term borrowings, however, GFS presents TSh. 37.6 trillion of the total national debt

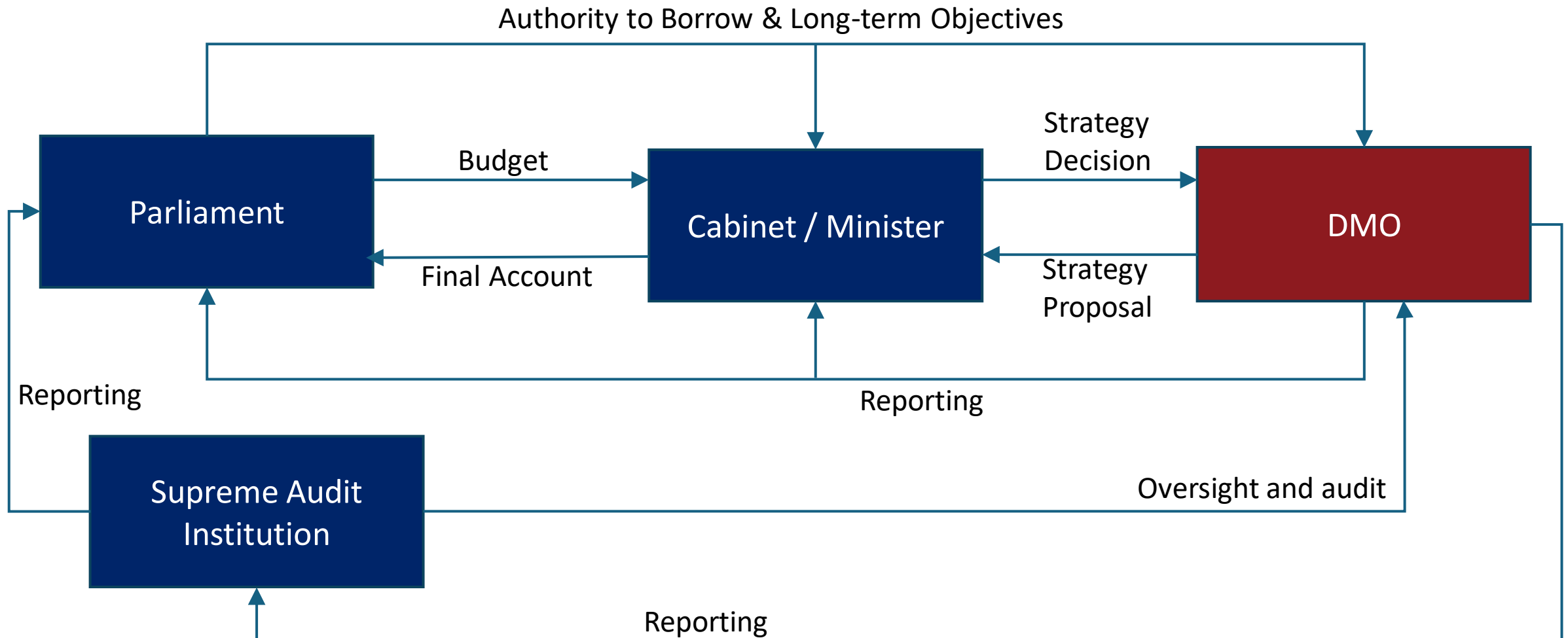




# Transparency for accounting



# Accountability in the governance framework of public debt management



# Authority to borrow

Clarity in determining and delegating the borrowing authority, and definition of roles and responsibilities are key enablers of debt transparency.

*Provides clarity for  
borrowers,  
lenders, auditors  
and general public*



**Rules and  
procedures for  
government  
officials**



**Compliance of  
borrowing  
operations with  
applicable laws**



**Oversight of  
public accounts  
and debt**

# Definition and objectives of debt management

**There are cases that national or regional definitions of public debt deviate from international standards, in developing countries.**

Definition of public debt in line with international standards

Clarity in debt management objectives

Debt instruments for which the DMO is authorized

# Limits and benchmarks

*A World Bank study indicates that 54 out of 70 surveyed countries publish their debt management strategy. There is a positive correlation between income level and transparency by making the strategy public (Cabral, 2015).*

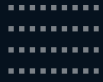
Clearly defined and publicly available borrowing and guarantee limits both enhance transparency and ensure accountability.

Disclosure of medium-term debt management strategy, with cost and risk indicators or portfolio targets, is particularly important to

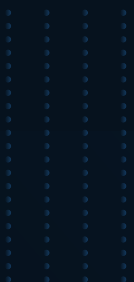
- improve predictability and investment environment
- Increase efficiency and performance assessment
- advance accountability
- lower borrowing costs by reducing uncertainty for investors

# Transparency to ensure accountability

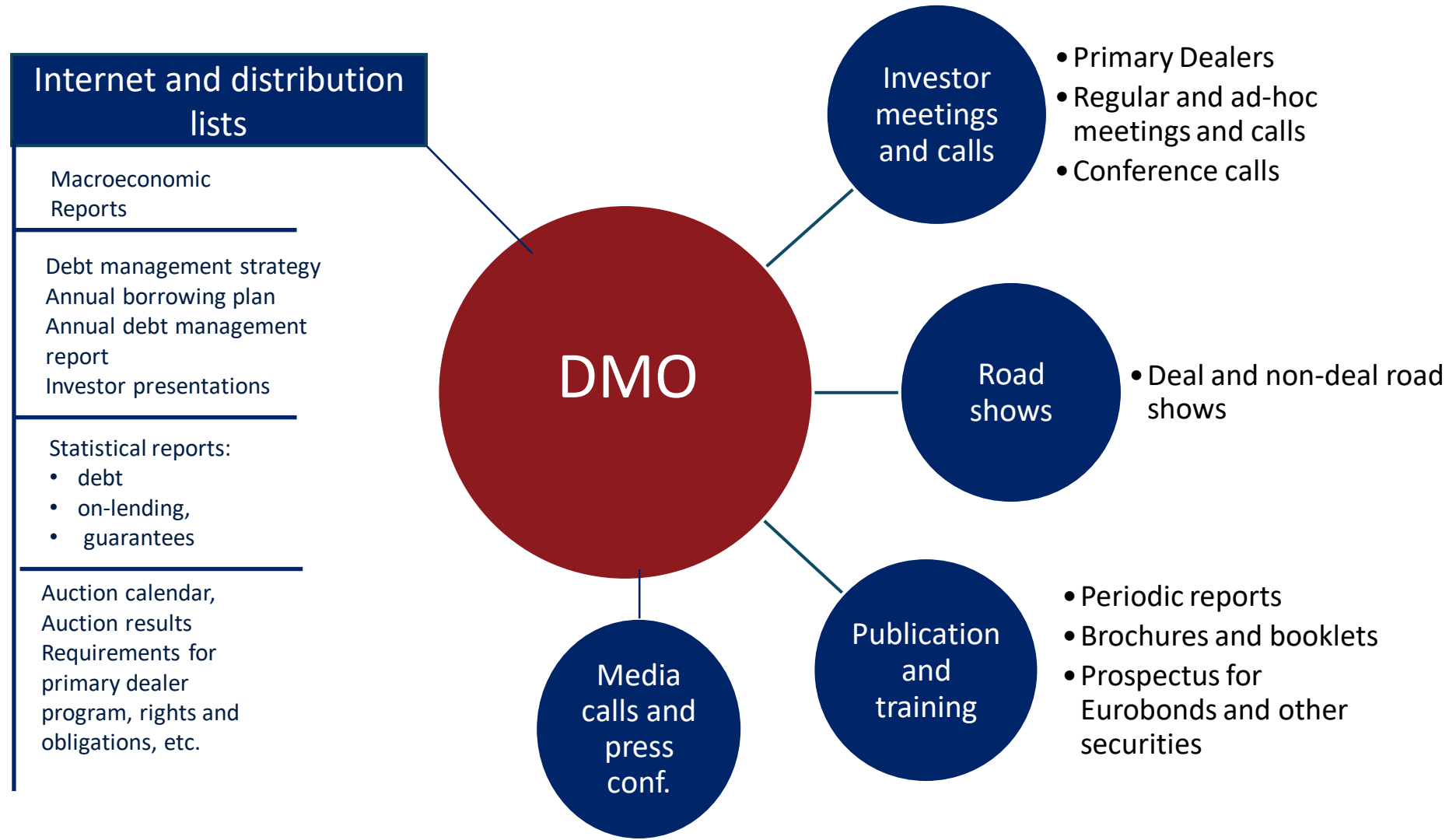
- Regular external and internal auditing of government debt management activities is essential to ensure accountability and transparency given that the audit reports are key in decision making and obtaining corrective action on problems revealed during the audit process.
- Regular internal auditing of efficiency and effectiveness of internal control system and operational processes
- Regular and comprehensive external audit
  - **financial audit** to examine material misstatement of public debt information disclosed in financial reports
  - **compliance audit** to determine whether debt management has complied with the legal and regulatory provisions
  - **performance audit** to examine the effectiveness and efficiency of debt management operations
- Audit practices should be consistent with international standards and external audit reports be published within six months of completion (DeMPA, 2021)



# Market transparency



# Means of market transparency





# Evaluation of market transparency

14 out of 20 evaluation criteria for the investor relations offices are transparency related

- **IR staff identifiable and reachable through website**
- **Central bank and government agency websites available in English**
- Reciprocal links to IRO, Central Bank, and Ministry of Finance websites
- **Country subscribes to SDDS**
- **Effective data transparency of key elements**
- Macroeconomic data presented in user-friendly format
- Historic policy information available
- **Forward-looking policy information available**
- Structural information available
- Web-based communication with investors
- Bilateral meetings with investors
- Non-deal roadshow
- Investor conference call(s)
- **Archives of investor presentations and/or conference call related materials available on websites**

# Evaluation of market transparency (cont.)

## 3 out of 23 evaluation criteria for data dissemination have the highest weight

- Adoption of accrual accounting for central government finance statistics (GFSM)
- Availability of central government amortization schedule disseminated at least every 3 months
- Availability of external debt time series, and amortization schedule disseminated at least every 6 months

## 7 out of 23 evaluation criteria for data dissemination have higher weight

- Timeliness of the dissemination of central government debt
- Timeliness of the dissemination of external debt
- Breakdown of external debt by sector (public and private)
- Disclosure of contingent liabilities
- Amortization schedule is published including contingent liabilities
- Non-resident holdings of public debt issued domestically
- Non-resident holdings of private debt issued domestically

# IIF's debt transparency score

A subset of the headline Investor Relations country score aiming to assess sovereign borrowers' data and policy dissemination practices, with a maximum score of 13.

The assessment of debt transparency is based on:

- countries' adherence to the IMF's Special Data Dissemination Standards (SDDS),
- the effective data transparency for key elements,
- enhanced transparency practices,
- user-friendliness of macroeconomic and ESG data formats,
- availability of ESG data.

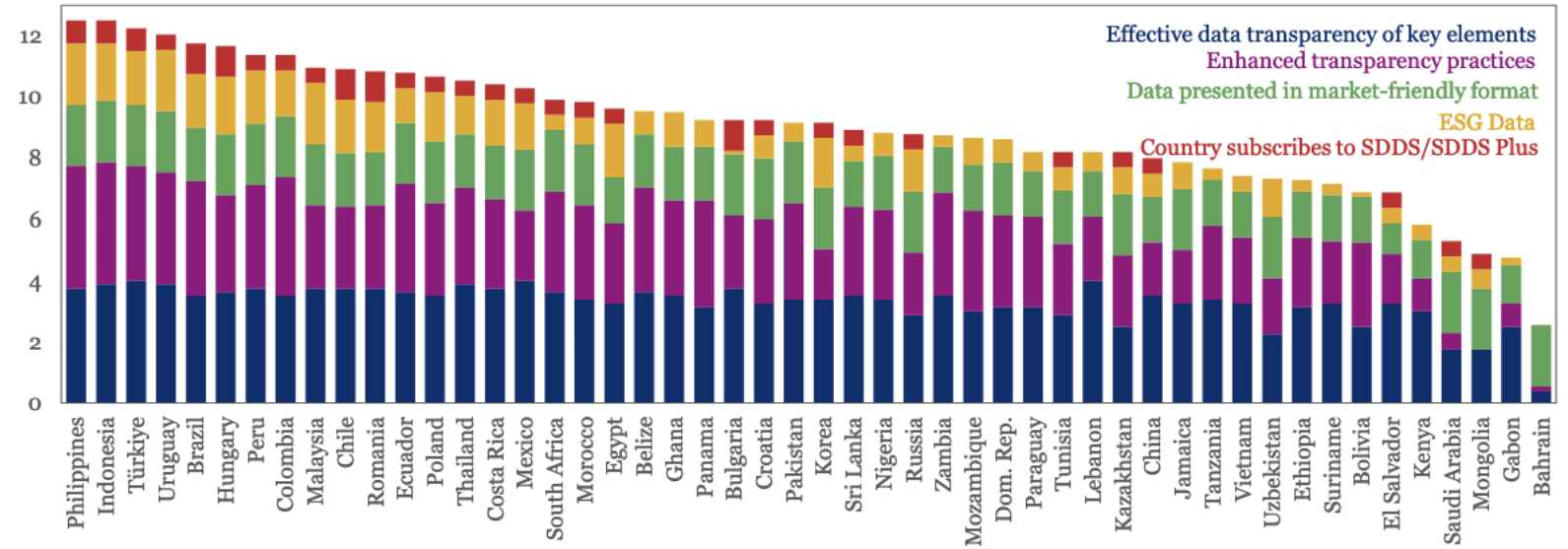
These categories encompass detailed breakdowns of government operations, debt, and debt service, including creditor and currency composition requirements.

The coverage extends to publicly guaranteed debt, local and state government debt, state-owned enterprises' debt, contingent liabilities, and other categories related to transaction-level data.

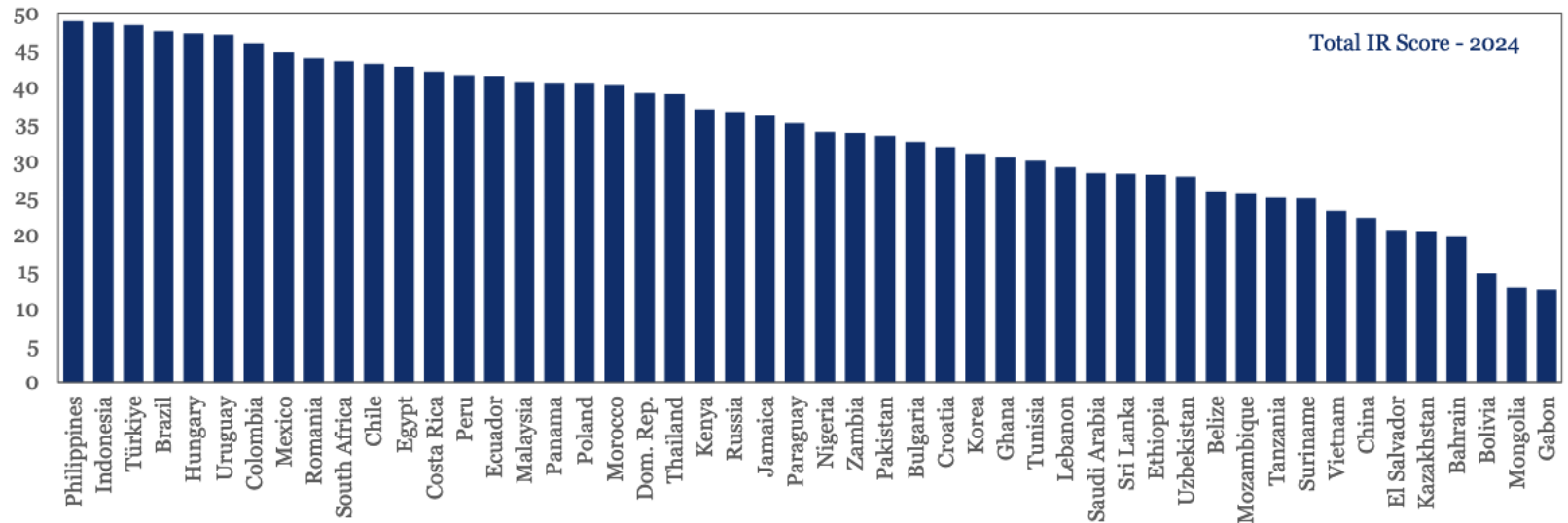
Long-term trade credits and information on bond prospectuses are also included in the score.

# Debt transparency in market relations

Index, 2024 Debt Transparency Score, Maximum = 13



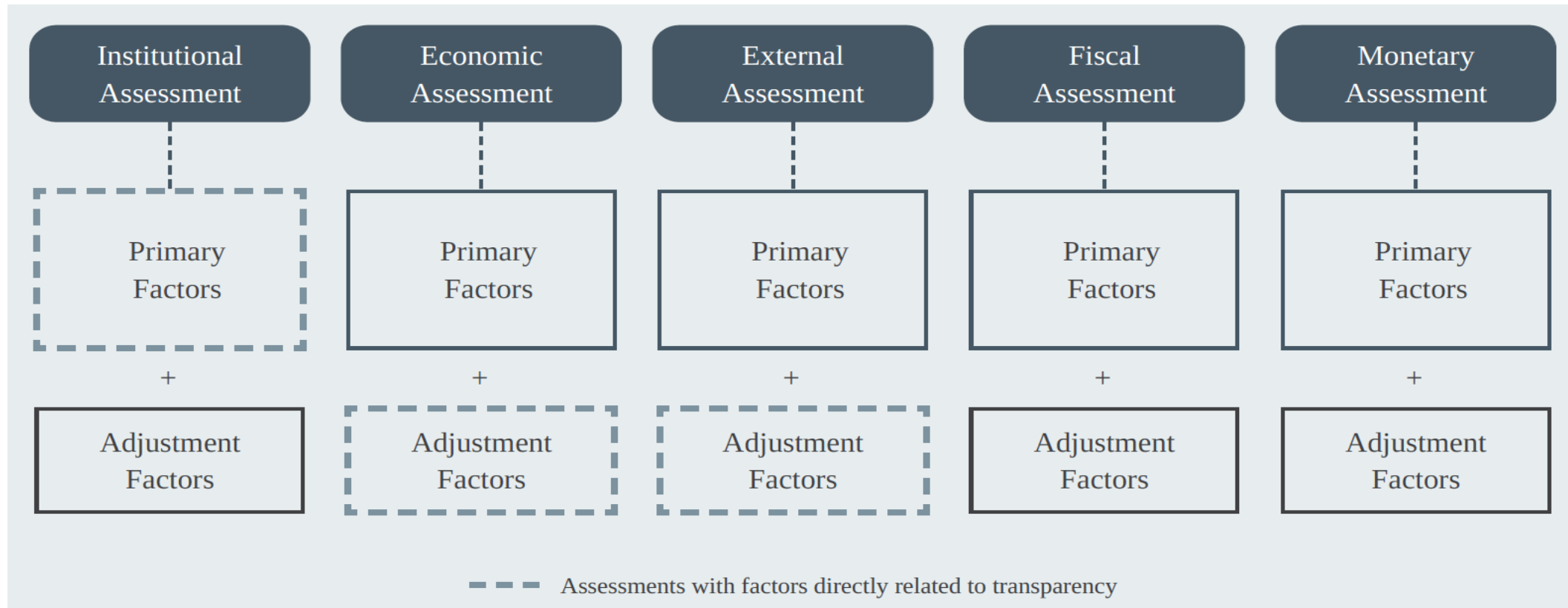
Index, 2024 Investor Relations Score, maximum = 50



# Debt transparency in the assessment of creditworthiness

Transparency is defined by the credit rating agencies (CRA) as the availability of data. CRAs' methodology contains clear criteria regarding the impact of sovereign data transparency on the rating assessment.

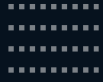
Key areas affected by transparency in S&P's sovereign rating methodology



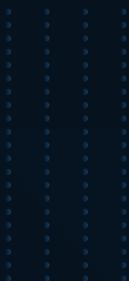
# Indirect reporting

Several debt databases have been developed and expanded over time reflecting evolving needs for debt data and debt data transparency. These are accessible through the respective or joint data web sites. These include the Quarterly External Debt Statistics (QEDS), the Quarterly Public Sector Debt (QPSD) Statistics, the annual Government Finance Statistics (GFS), the International Financial Statistics (IFS), the Global Debt Database (GDD), the Joint External Debt Hub (JEDH), and the International Debt Statistics (IDS).

		IDS	JEDH	QEDS	QPSD	GFS	IFS	GDD
Administered by		WB	WB	WB	WB	IMF	IMF	IMF
Country coverage	Country groups	Low and middle income	All countries	All countries	All countries	All countries	All countries	All countries
Frequency		Annual	Quarterly	Quarterly	Quarterly	Quarterly Annual	Monthly Quarterly	Annual
Institutions	Central			X	X	X	X	X
	General Gov.			X	X	X	X	X
	Public corporates				X			X
	Public sector	X		X	X			X
Instruments	Dom. Ext.	Ext.	Ext.	Ext.	Dom&Ext	Dom&Ext	Dom&Ext	Dom&Ext
	Securities	X	X	X	X	X	X	X
	Loans	X	X	X	X	X	X	X



# Country case



# France

## Objectives of debt transparency

*Agence FranceTrésor (AFT) has an internal charter that defines rules of external communication including relationships with the media. In practice, as per the requests for “on the record” interviews and written reports CEO and Head of Communication serve as interface with the Minister’s office and only AFT’s CEO can be quoted.*

- Inform investors about auction calendar and results
- Report AFT’s work and assignments specifically to the financial community and the media
- Disseminate AFT’s various information on debt management
- Promote AFT as the French State cash and debt management agency and the French sovereign bonds
- Answer the questions arising from the public (individual investors, individuals, academics, students and schools) through AFT’s website.
- •Answer the questions from non-targeted audience: other stakeholders such as the Finance Committee of the National Assembly, the Court of Auditors, the rating agencies or international institutions



# France: Means and frequency

- Documents published on website (<http://www.aft.gouv.fr/>) and circulated by email:
  - Auction results by email (twice a month: first and third Thursday of each month)
  - Monthly bulletin on the website with an email alert (once a month)
  - Annual report on the website (once a year)
  - News on current activities of AFT(once a year or occasionally)
- **Annual report and monthly bulletin are published in 7 languages**( Arabic, Chinese, English, French, Japanese, Russian and Spanish).The choice of multi-languages relies on the fact that French debt's investor base is international-based and diversified.
- **Subscription**
- AFT's newsletter to receive by email.

The screenshot displays the Agence France Trésor website interface. At the top, there are language options (Français, English, 日本語, Español, 中文, العربية, Русский) and navigation links (CONTACT US, SUBSCRIPTION, RSS FEED). The main header features the AFT logo and the text 'AGENCE FRANCE TRÉSOR' with a brief description of its role. Below the header is a navigation menu with categories like AFT, BUDGETARY FRAMEWORK, DEBT MANAGEMENT, CASH MANAGEMENT, MIDDLE OFFICE, ECONOMIC INDICATORS, and PUBLICATIONS.

The main content area is divided into several sections:

- PRESS RELEASE:** A list of recent announcements, including 'AFT issuance: a total amount of €1.249bn of inflation-linked bonds' (16 June 2016) and 'Next issuance: Thursday 16 June 2016' (10 June 2016).
- LATEST UPDATES:** A list of recent updates, such as 'Latest auctions - June 2016' (21 June 2016) and 'Today TEC 10 Index' (21 June 2016).
- PUBLICATIONS:** A section for various reports, including the 'Monthly Bulletin' (No. 312, May 2016) and the 'Annual Report' (No. 2014, Oct. 2015).
- French government negotiable debt outstanding as of 30 April 2016:** A summary box showing 1 604 863 164 229 euros, with an average maturity of 30 April 2016, 7 years and 108 days, and a weighted average yield of 0.44% as of 16 June 2016.
- TEC 10:** A box showing the average annual issuance for 2016 as of 21 June 2016, with a value of 0.44%.
- BTANI / OATI and BTANG / OATG:** A box for indexation coefficients.
- OATS FOR RETAIL INVESTORS:** A box for a user guide for retail investors.
- CONTACT US:** A box with contact information for the Ministry for the Economy and Finance.
- 2016 Draft budget bill:** A box for the draft budget bill (Oct. 2015).

# France: Content

## Monthly bulletin and website include:

- General debt related data, (auction schedule, debt detention, outstanding debt etc..)
- Secondary market data (yield curve, total stripping and reconstitution).
- Negotiable government debt data (details of short, medium and long-term debt at the end of month).
- French economy and international comparisons (economic indicators, government budget position, general government debt etc.)

## Annual report:

- Annual performance of the State Debt and Cash Management.
- Trading account: records of all transactions linked to the management of the government's negotiable debt and cash holdings and statistics about negotiable government debt, medium- and long-term debt, government borrowing, short-term debt



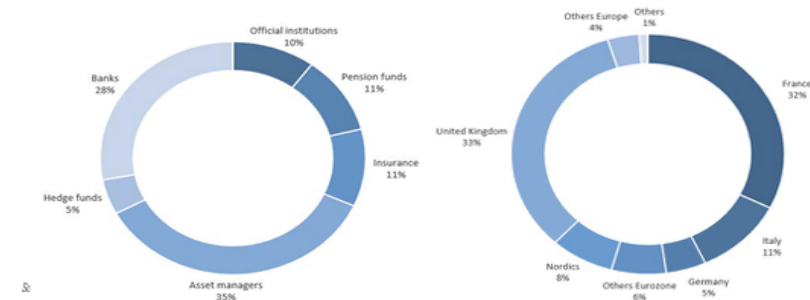
**LAUNCH OF THE NEW OAT€i 0.10% 25 JULY 2053 AT A RECORD REAL RATE OF ISSUE**

As announced in the indicative State financing programme for 2022, on Tuesday the 25 January, AFT executed its first syndication of the year by launching the OAT€i 0.10% 25 July 2053. This operation thus renewed the longest point on the euro-denominated real yield curve, which had been occupied for six years by the OAT€i 0.10% 25 July 2047 launched on 28 September 2016 at a real rate of -0.262%.

The syndication met with investors' interest, resulting in a very strong total demand for this product category, reaching around €24bn, of which €3bn was served. The real yield at issue was set at -0.926%, which is the lowest real yield ever achieved by a syndicated launch of indexed OATs. The break-even inflation rate underlying this issue is 1.90%.

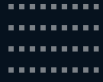
Close to 200 final investors took part in the transaction, which sets a record level for this type of syndication. Geographically, distribution is almost exclusively in Europe where the allocation reflects an order book from a very diversified and high-quality investor base, both geographically and in terms of counterparty types.

Highly diverse allocation in terms of investor categories and geographical origins for the OAT0.10% 25 July 2053

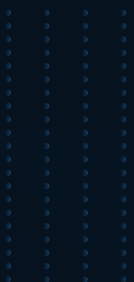


The lead managers for this operation were BNP Paribas, Citi, Crédit Agricole CIB, J.P.Morgan and Société Générale. All of the primary dealers were in the syndicate.

Each year, AFT issues around 10% of the State's financing program in the form of indexed bonds. This syndicated issue reaffirms France's status as an issuer of long term benchmark inflation-indexed bonds in the euro area. It is also further proof of investors' confidence in the French economy and France's creditworthiness.



# Concluding thoughts



# Concluding thoughts

- Transparency allows for a better-informed policymakers and the public about the design and results of debt management operations and helps establish accountability.
- The degree of transparency can lower the risk/uncertainty premium of investors, allow them to make better investment decisions, increase demand for government securities, allow the DMO to take investor preferences into account in their funding plans and strategies, and build sounder bases for credit ratings, among others.
- Transparency in debt management operations and in the design of debt instruments can also help issuers reduce transaction costs and the risk of fraud.
- International standards set minimum requirements of transparency based on sound practices but there is no one fits all solution as the structure of debt management, size and sophistication of debt portfolio and market dynamics and expectations are different across countries.