OECD DEBT TRANSPARENCY INITIATIVE

Trends, challenges and progress

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The economic consequences of the COVID-19 crisis, particularly for fragile countries, have renewed focus on debt transparency, prompting international organisations and national authorities to step up their efforts to improve the consistency, comparability, scope and frequency of debt statistics. The report offers guidance and recommendations to improve debt transparency and outlines sovereign debt trends of selected countries, with a focus on marketable debt.

Preface

Following more than a decade of sustained debt accumulation, countries around the world have reached remarkable levels of public sector indebtedness during the COVID-19 pandemic, averaging 94% of GDP in OECD countries in 2020, thanks to a low interest rate environment as well as investors' increasing reach for yield.

In response to these shocks, governments around the world have implemented unprecedented monetary and fiscal policy measures to mitigate the negative economic and humanitarian effects of the crisis. While these measures have provided support for households and businesses, they have contributed to an increase in public indebtedness with commodity price shocks and higher interest rates further exacerbating these issues and making it increasingly difficult for developing economies to maintain access to international capital markets.

Recognising this, international organisations and fora, including the OECD and G20, have developed specific policy initiatives to promote debt sustainability and transparency. These efforts include initiatives such as the G20 Common Framework for Debt Treatment beyond the DSSI, as well as international efforts to strengthen sovereign debt transparency under the IIF Voluntary Principles for Debt Transparency.

Transparency is crucial for a range of stakeholders, including borrowers, creditors and the official sector, to help assessing debt dynamics and sustainability and to promote resilience in the financial system. Also, it can be an effective tool to reduce financing costs by strengthening market confidence in sound fiscal management and accountability, particularly for financially strained low-income countries seeking to maintain market access.

To this end, the OECD was called upon by the G20 to operationalise the IIF Voluntary Principles for Debt Transparency, by establishing a data repository to improve transparency by publicly disclosing financing provided by the private sector to developing economies and by analysing and reporting on debt trends of sovereign borrowing needs and implications. While there is increasing focus on greater transparency, challenges lie on the path forward. The success of this Initiative is dependent on private creditors' willingness to provide information on their lending activities.

The report offers guidance and recommendations to improve debt transparency and outlines sovereign debt trends of PRGT-eligible countries, with a focus on marketable debt. Key findings show a decrease in maturity of sovereign borrowings and the high financing costs, which could raise refinancing risks particularly for amounts denominated in foreign currency.

Continued support from G20 members, governments in low-income countries and private sector lenders is also essential to the success of the project. Fully operational, the Initiative can provide an effective mechanism to better assess debt sustainability and improve international co-ordination. This would promote fairer discussions and more durable debt conditions for less developed economies, allowing them to safeguard resources for their societies.

Foreword

The economic consequences of the COVID-19 crisis, particularly for fragile countries, have renewed focus on debt transparency, prompting international organisations and national authorities to step up their efforts to improve the consistency, comparability, scope and frequency of debt statistics.

Although different countries have benefitted from programmes such as the G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for debt treatment beyond the DSSI, a number of remaining constraints prevent countries from efficiently managing their debt in a sustainable manner. Notably, the lack of transparency with respect to financial transactions undermines accurate risk assessment and actions by policy makers and institutions.

This report is the culmination of a pilot project funded by the UK Foreign, Commonwealth & Development Office to support the OECD's operationalisation of the IIF Voluntary Principles for Debt Transparency, thereby enhancing awareness of public sector indebtedness of selected countries.

By providing a high-level assessment of developing economies' marketable debt, and recommendations to overcome gaps, the report describes debt trends of sovereign indebtedness levels and redemption profiles in Poverty Reduction and Growth Trust (PRGT) eligible countries. It also underlines major debt management and sustainability challenges offering an analysis of debt issuances, outstanding debt, maturities and various transaction terms. The report then outlines progress and challenges in collecting, assessing and disseminating debt data from private sector participants. Furthermore, it provides recommendations to improve debt transparency consistently with the OECD Debt Transparency Initiative, to support progress towards addressing remaining challenges and significant debt data gaps.

The report has been prepared by Riccardo Boffo under the supervision of Robert Patalano, from the Financial Markets Division of the OECD Directorate for Financial and Enterprise Affairs. Pamela Duffin and Liv Gudmundson provided editorial and communication support. The report supports the work of the OECD Committee on Financial Markets, and analysis and content from the report was discussed by the Committee in October 2021 and February 2022.

The authors are grateful for valuable inputs and constructive feedback from members of the Advisory Board on Debt Transparency, including UK HM Treasury, French Treasury, Spanish Treasury, US Treasury, Bank of Italy, International Monetary Fund, World Bank, Institute for International Finance, ONE Campaign, Open Society Foundation, and Clifford Chance.

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Table of contents

FIGURES

TABLES

Executive summary

Sustained debt accumulation following the GFC and the surge in debt issuance globally following the COVID-19 shock have raised concerns about public debt management and sustainability. Notably, issuers in low income countries (LICs) and many emerging economies have experienced strained conditions in domestic debt markets and a restricted access to international debt markets, highlighting the importance of improving the understanding of debt conditions. In 2021, initiatives to facilitate debt relief and sustainability addressed a number of challenges but significant work remains to be done.

A better assessment of the levels of indebtedness, debt pricing and other transaction terms, can help reduce the risk of adverse shocks arising as a result of undisclosed public debt transactions appearing in government liabilities. Greater transparency can assist borrowers, creditors and the official sector in the ongoing assessment of debt dynamics and debt sustainability, acting also as a powerful tool to reduce financing costs. Therefore, in a higher interest rate environment following monetary policy tightening of major central banks, transparency will be crucial to mitigate refinancing risk particularly for the countries with deteriorated fiscal positions and with substantial amounts of debt denominated in foreign currency.

In this context, the G20 has supported the implementation of the Institute of International Finance Voluntary Principles for Debt Transparency (IIF Voluntary Principles) and the OECD was chosen to operationalise them and develop a data repository to make public currently opaque data on private financing to countries that are eligible for the Poverty Reduction and Growth Trust (PRGT) and to analyse and report on data trends and implications, which could help make the international co-ordination and negotiations of debt servicing and suspension fairer and more durable to improve borrowers' debt sustainability.

The report provides a brief review of international progress on debt issues followed by an analysis of debt situation and trends in PRGT countries and concludes with remarks and recommendations on improving data gaps. The preliminary findings of the OECD analysis are useful to understand the current conditions of debt markets in PRGT-eligible countries, which is used interchangeably with Low Income Countries (LICs), outlining the OECD's efforts to collect debt data from market participants and other relevant stakeholders to address gaps in reporting of borrowing from commercial banks. Finally, the report provides recommendations to continue improving debt transparency in the context of the OECD Debt Transparency Initiative (OECD DTI).

Section 1 reviews the recent developments in the international fora related to debt transparency. Promotion of transparency of debt data has become an important issue in the international community, fostered by several initiatives endorsed by the G20, such as the OECD sustainable lending principles for official export credits, the G20 operational guidelines for sustainable financing, the Debt Service Suspension Initiative (DSSI), and the Common Framework for debt treatment beyond the DSSI.

Section 2 analyses PRGT-eligible countries' public debt borrowing from markets. Key findings highlight the increasing government funding needs to address COVID-19 related challenges. Borrowing surged in 2020 and 2021, while the maturity of borrowings shortened. The high amount of short-term instruments issued in 2020 and 2021 heighten refinancing risks, although this may depend on the extent to which the buyers are domestic or foreign, level of debt, and the economic conditions that support its repayment.

While yields on government securities have declined in recent years due to the accommodative global rate environment, financing costs in PRGT-eligible countries remain generally high, and prone to rising borrowing costs as monetary policy rates begin to normalise.

Section 3 highlights the OECD DTI governance, key progress in 2021, and remaining challenges that need to be overcome to address significant debt data gaps. It includes recommendations that would be pursued should the OECD DTI transition from a pilot to an ongoing initiative to support the expansion of data collection and analysis, and to strengthen engagement with stakeholders to champion debt transparency in public and private sectors.

Since its launch in January 2021, the pilot of the OECD DTI has accomplished many of the outputs envisioned. It has set forth a blueprint of debt data needs from prominent data users and providers; launched a formal OECD Advisory Board on Debt Transparency (ABDT) to bring together stakeholders across public and private sectors to address challenges; and, launched a fully interactive debt data portal. The OECD DTI will now seek to move forward with a plan for 2022/23 to strengthen the momentum of debt transparency, scale up data collection, improve analysis and overcome obstacles to widespread support for expanded debt data dissemination for public use.

1 Debt transparency in PRGT-eligible countries

The COVID-19 pandemic consequences on economies around the world prompted a renewed focus on data transparency to better assess and address debt sustainability, particularly for the world's poorest and most vulnerable countries. In addition to the growth-hampering impacts of the pandemic, forcing these countries to re-orient limited public spending towards acute health care challenges, declining revenues present an ongoing threat to the ability of these countries to service their debt at sustainable levels.

Developing countries, including PRGT-eligible countries, have seen deteriorating credit conditions materialising in recent years. Therefore, the international fora and national authorities have stepped up their efforts in recent years to improve the consistency, comparability, scope and frequency of debt statistics. Promotion of transparency of debt data has become an important issue in the international community, fostered by several initiatives such as the 'OECD sustainable lending principles for official export credits' and the 'G20 operational guidelines for sustainable financing' which are widely supported by G20 members.[1,2] The upsurge in government spending and reduced revenue collection in the wake of the COVID-19 crisis means that the gross borrowing needs of governments have risen significantly.

These initiatives have taken on additional meaning since the G20 Debt Service Suspension Initiative[3] (DSSI), which helped make the international co-ordination and negotiations of debt servicing and suspension fairer and more durable to improve borrowers' debt sustainability. The DSSI, which calls on official bilateral creditors to offer forbearance to eligible countries that request it, has also underscored the key role of transparency in sovereign debt markets.

Following the DSSI, the G20 endorsed the Common Framework for debt treatment beyond the DSSI (Common Framework), together with the Paris Club to support in a structural manner low-income countries with unsustainable debt.[4] The Framework considers debt treatment on a case-by-case basis, driven by requests from eligible debtor countries, the idea being that debt treatment should be accompanied by reforms ensuring the sustainability of public debt.

In this context, the IIF Voluntary Principles were designed to enhance transparency of private sector lending, particularly to vulnerable PRGT-eligible countries (IIF, 2019[1]). The IIF Voluntary Principles are focused on private sector foreign-currency financial transactions to sovereigns, sub-sovereigns and public sector entities (or borrowers with public guarantees) in PRGT-eligible countries and are meant to capture any arrangements that have the economic effect of borrowing, including loans, guarantees, asset-backed lending and repos. Strengthening the level of transparency related to existing debt transactions, terms and conditions could help avoid macroeconomic stability risks.

This is why, in January 2021, with funding from the UK Government and support from the IIF and its members, the OECD launched the OECD Debt Transparency Initiative to operationalise the IIF Voluntary Principles to collect, analyse and report on relevant public sector debt data from Low Income Countries (LICs). This will enable interested stakeholders to benefit from a better understanding of the public sector debt levels and conditions in these vulnerable countries.

The OECD DTI has begun with an 18-month pilot programme that seeks to operationalise the IIF Voluntary Principles by collecting, analysing and disseminating debt data from market participants with respect to their financial transactions in PRGT-eligible countries. The Initiative brings together commercial banks and other providers of debt financing to public sector authorities in PRGT-eligible countries, as well as debt data users for public policy and investment purposes. Providing timely, aggregated data on the stock of debt data, lending, pricing, and other transaction terms can help better assess levels and terms of public external indebtedness in countries that may be more fragile to changes in interest rates, and exogenous shocks that can lead countries to face financing difficulties.

The OECD DTI has been welcomed by official communiques from the G20 Italian Presidency, supporting the implementation of the IIF Voluntary Principles, including on the launch of the OECD debt data portal, and call on all private sector lenders to adhere to the initiative.[5] Similarly, international bodies and organisations, such as the World Bank and the Bretton Woods Committee highlighted the importance of debt transparency in their recent report, (World Bank Group, 2021[2]; Bretton Woods Committee, 2022[3]) noting the necessity to prioritise policy recommendations to improve transparency, noting the importance of alignment with ongoing initiatives and broadening the recent OECD initiative to create a reliable digital database of sovereign financial information.

2 Debt trends for PRGT-eligible countries

Assessment and key findings

The analysis of public debt borrowing conditions will focus on PRGT-eligible countries (see Appendix A), as reflected in the IIF Voluntary Principles.[6] As the OECD DTI pilot has launched the mechanisms to collect and assess data by Q1 2022, the report uses mainly general government debt data from commercial data providers such as Refinitiv as well as data from official sources such as the IMF and World Bank, complemented by data received directly from private sector lenders as part of the OECD DTI.[7]

The preliminary results of the OECD analysis are useful to understand both the current conditions of debt markets in PRGT-eligible countries, which is used interchangeably with Low Income Countries (LICs), and the gaps in reporting of commercial bank lending to them. While multilateral and bilateral financing constitute the majority of the debt issued in LICs, some countries have seen a significant increase in reliance on opaque private lending. More efforts are needed at the international level to strengthen co-operation between all stakeholders and improve the debt sustainability of the most vulnerable countries, particularly as LICs recover from the economic turmoil from the COVID-19 pandemic, and seek to re-establish paths of sustainable and inclusive growth.

Key findings

- Increasing government funding needs, which surged in 2020 to more than USD 100 billion compared to about USD 70 billion in 2019, have grown even more in 2021, as vaccination rates remained low while COVID-19 infection rates kept increasing due to new variants. Net debt inflows to low- and middle-income countries increased almost 10% to USD 435 billion.
- During the COVID-19 crisis, the maturity of sovereign borrowings of EMEs and LICs shortened dramatically and issuances of short term instruments have grown remarkably, possibly given the higher liquidity of the instrument, the increased difficulty in pricing risk of instruments with longer maturities and a decrease in demand from institutional investors due to the increase in debt vulnerabilities. Nonetheless, when compared to emerging market borrowing, the impact of the crisis was more pronounced on market access of LICs compared to EMEs.
- Financing costs on government securities have declined in recent years, due to overall monetary policy accommodation among many G20 central banks, despite generally low credit ratings and selected downgrades during the COVID-19 crisis. Nonetheless, financing costs remain high, particularly in countries experiencing acute stress from the pandemic. The range of financing costs varies strongly between countries as the reliance on capital markets and bank lending has been increasing in some countries. Nevertheless, private capital still represents a small part of funding in many countries compared with funding from multilateral institutions.

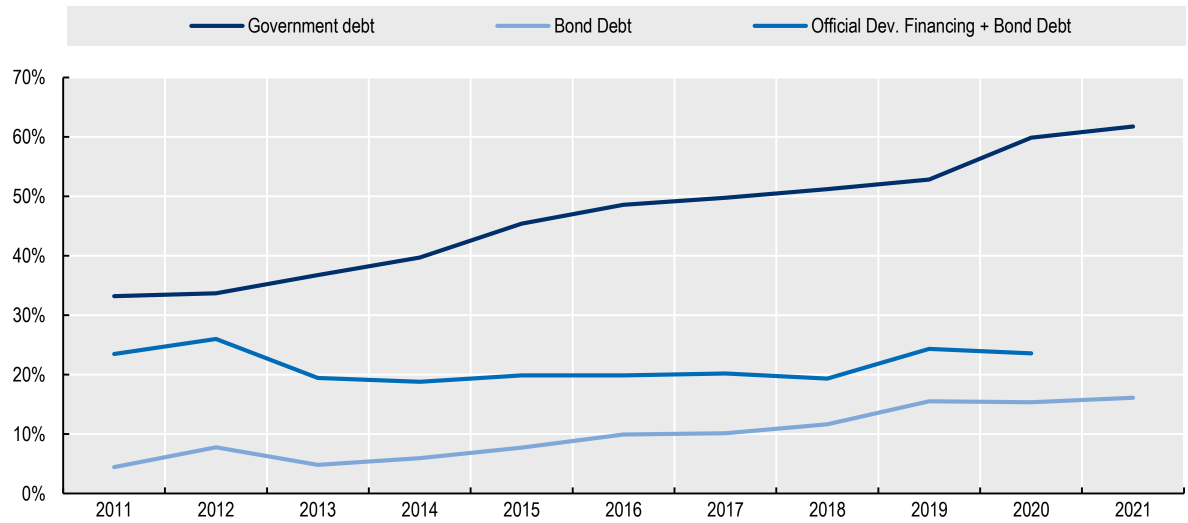
- The high amount of short-term instruments issued in 2020 and 2021 could raise refinancing risks, although this may depend on the extent to which the buyers are domestic or foreign, level of debt, and the economic conditions that support its repayment. Moreover, refinancing risks related to amounts denominated in foreign currency are generally more challenging. Therefore, more attention needs to be given to foreign currency denominated debt, as internal or external monetary developments could have unexpected effects on the debt servicing situation of LICs. Loosening of monetary conditions and inflation expectations could lead to currency depreciations, making repayments in foreign currency debt more onerous.

Debt level trends in LICs

PRGT-eligible countries governments' total external debt have now reached their highest levels in the past decade, edging over 60% of GDP, almost doubling from 2011 to 2021, with a sharp increase following the COVID-19 crisis in 2020. This rise in LICs debt follows years of substantial decline in external debt as countries benefited from international debt relief programs, such as the Heavily Indebted Poor Countries (HIPC) Initiative.[8] Nonetheless, financing for development has been crucial to support LICs, with a growing focus on sustainable finance or environmental, social and governance (ESG) considerations more broadly.

The increasing debt-to-GDP ratio is linked with a growing reliance on debt markets in the past decade (Figure 1). Despite some positive developments related to declining financing costs and international support programmes, supporting the recent surge in domestic debt, LICs are still vulnerable to a number of factors that could make their debt less sustainable. They include low vaccination rates, structural weaknesses in their economies, limited debt management capacity, high foreign currency denomination and irregular access to financing sources, including market-based instruments. Furthermore, the use of debt does not often align with environmental and social sustainability factors.

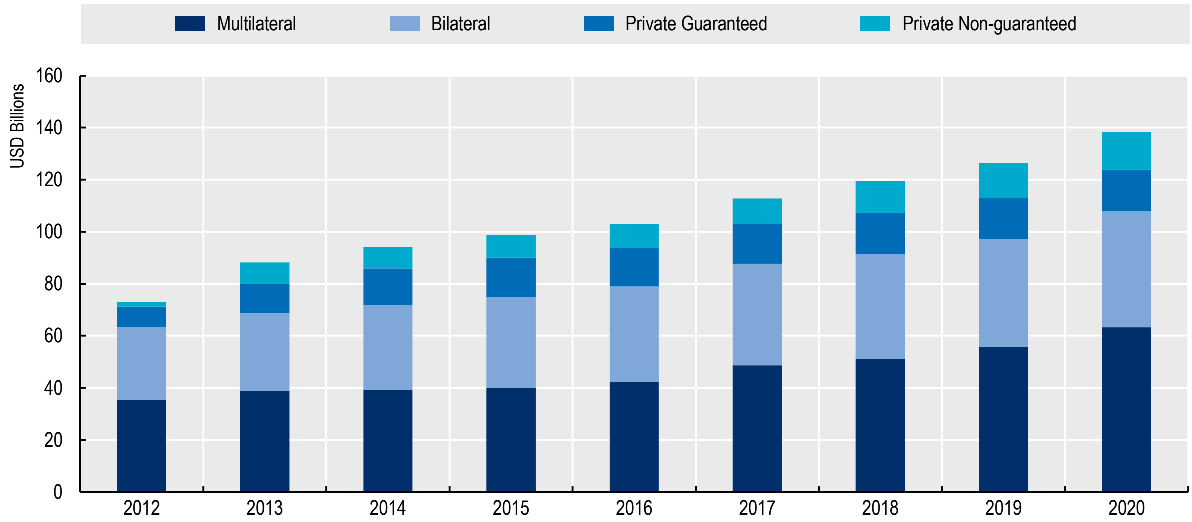
Figure 1. Debt levels as a percentage of GDP



Note: Preliminary figures for official development flows in 2020.
Source: (International Monetary Fund[4]); OECD; Refinitiv; and OECD calculations.

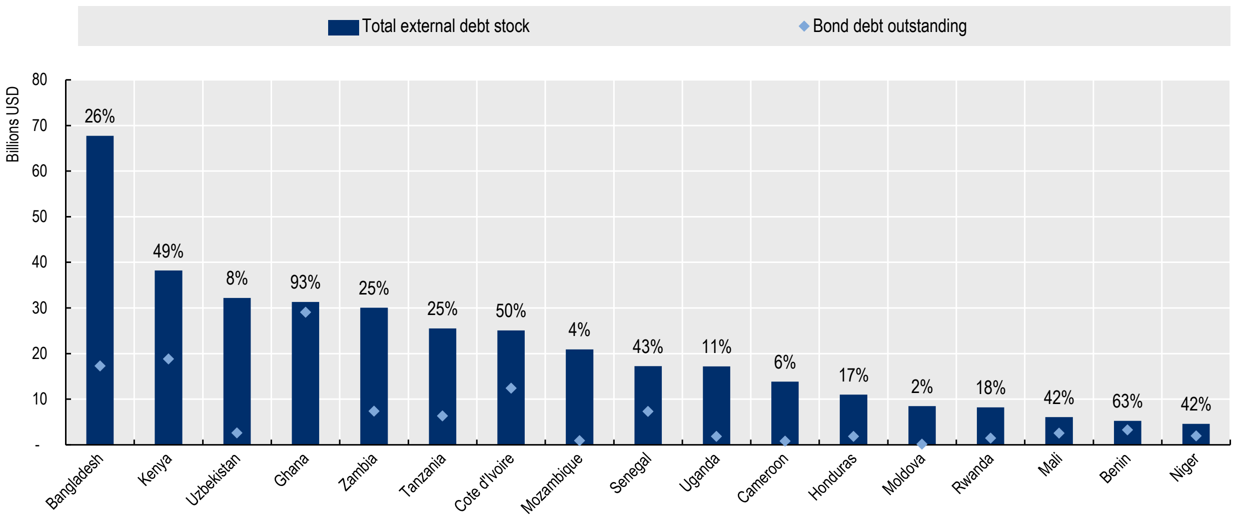
While multilateral and bilateral institutions are the largest creditors to LICs and represent the majority of debt outstanding in these countries, the growing debt trend also reflects an increasing reliance on privately held debt with commercial banks as creditors, including both guaranteed and non-guaranteed debt (Figure 2).[9] Private financing reliance has grown from around 13% of total financing in 2012 to more than 20% in 2020, although the rise is associated with a limited number of countries.

Figure 2. LICs' external debt by creditor type



Note: LICs' list as identified by the World Bank Group.
Source: (World Bank[5]); and OECD calculations.

Figure 3. LICs' external debt level and bond debt outstanding



Note: The percentages represent the amount of bond debt outstanding as a percentage of total external debt stock as of January-end 2022. Data in USD.
Source: (World Bank[5]), Refinitiv, and OECD calculations.

Focusing on country-specific total external debt stock, it is important to highlight that the bond debt outstanding represents in many instances a relatively small part of the financing structure of countries analysed. Nonetheless, some of the countries rely heavily on markets, with high percentages of debt coming from marketable debt.

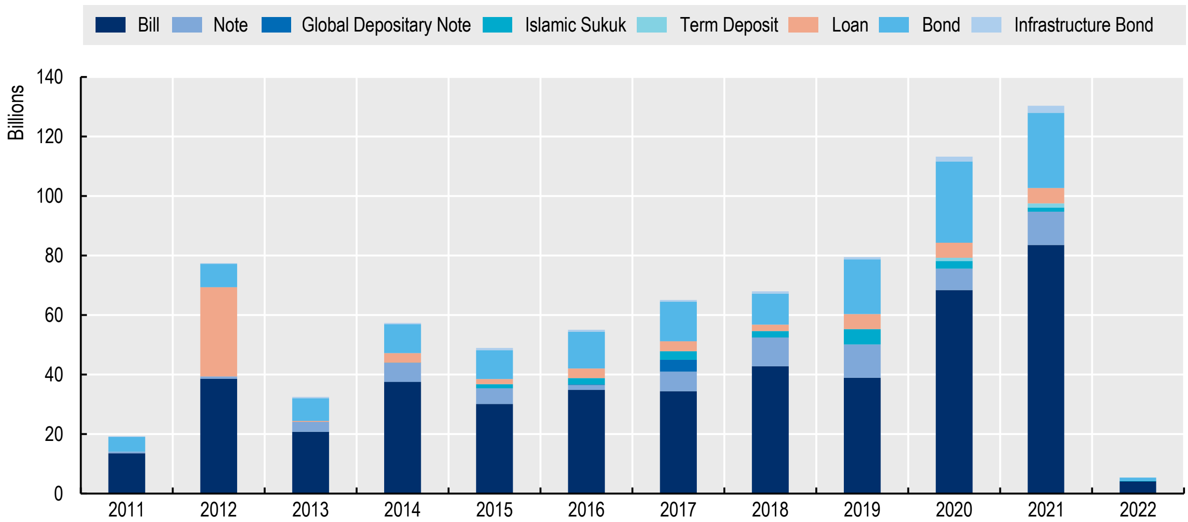
Debt issuance and maturity

Focusing on commercially available fixed income data, there has been a strong increase in public issuances in both domestic and international markets for countries that are eligible under the PRGT programme (Figure 4). Instruments range from bills, short term instruments with maturity less than a year, to notes, which are instruments with maturity between two and 10 years, to bonds which generally have the longest maturity of 10 years or more.

Bills and bonds constitute the majority of these issuances, with a high amount of bills issued in 2021, underlining a higher amount of short-term debt that will need to be refinanced in the coming years if the debt is rolled over. While rates have been relatively low in recent years, the tightening of global financial conditions in 2022 could represent a vulnerability, as it may result in higher refinancing costs, which could put further pressure on government budgets and sovereign creditworthiness.

The analysis reveals also a part of financing is made through syndicated and bilateral loans. While these constitute a minor part of total financing, terms are generally less transparent than other financing instruments.

Figure 4. Debt issuance by instrument type



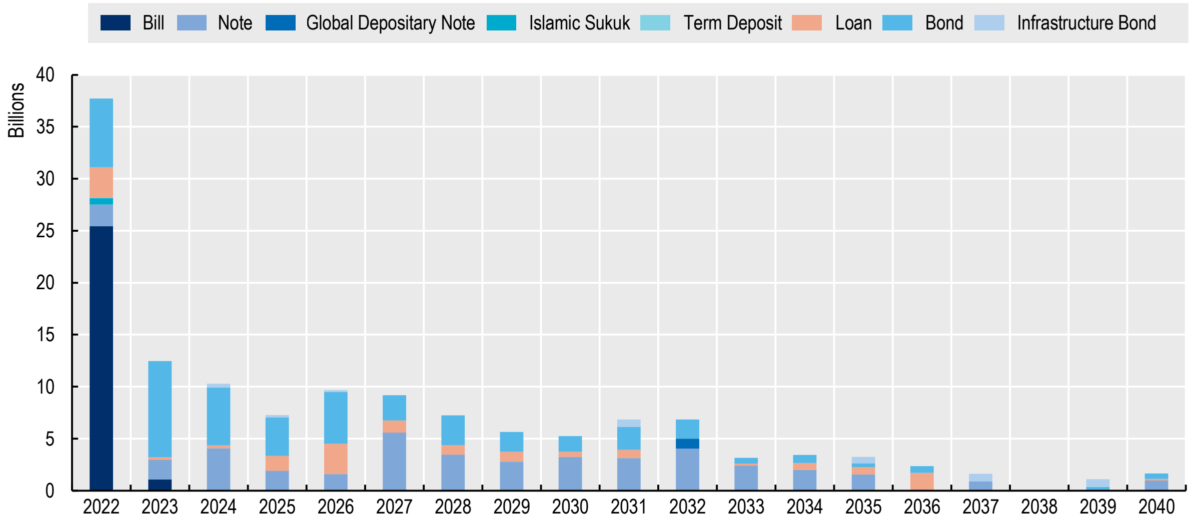
Note: As of January-end 2022. Data in USD.
Source: Refinitiv; OECD calculations.

The instruments used to issue debt are reflected in the maturity structure of debt outstanding, which shows a higher amount of short-term debt coming due in 2022 composed of bills. Other relevant instruments constituting the debt due in the following years are notes, bonds and infrastructure bonds.[10] The short-term debt (due in less than one year) outstanding represents around 20% of total debt, while notes that are due in less than three years represent around 35% of debt outstanding. Together, these short term commitments constitute more than 50% of all debt due in the coming years. Loans constitute a smaller part of the total, and while there are commitments due in 2022, the remaining maturities are generally medium to long term. However, some of the loans lack information on maturity, making it difficult to provide a precise analysis of the repayment structure.

During the COVID-19 crisis specific issuance and refinancing programmes have been introduced. For example, the West African Economic and Monetary Union (WAEMU) in collaboration with the Central Bank of West African States (BCEAO), introduced the “COVID-19 Social Bonds” which raised a total of West

African CFA franc 1 172 billion on behalf of member states. In this case, an important risk is represented by the need to ensure continuous bond market access and liquidity as these facilities are phased out, to avoid any rollout issue.

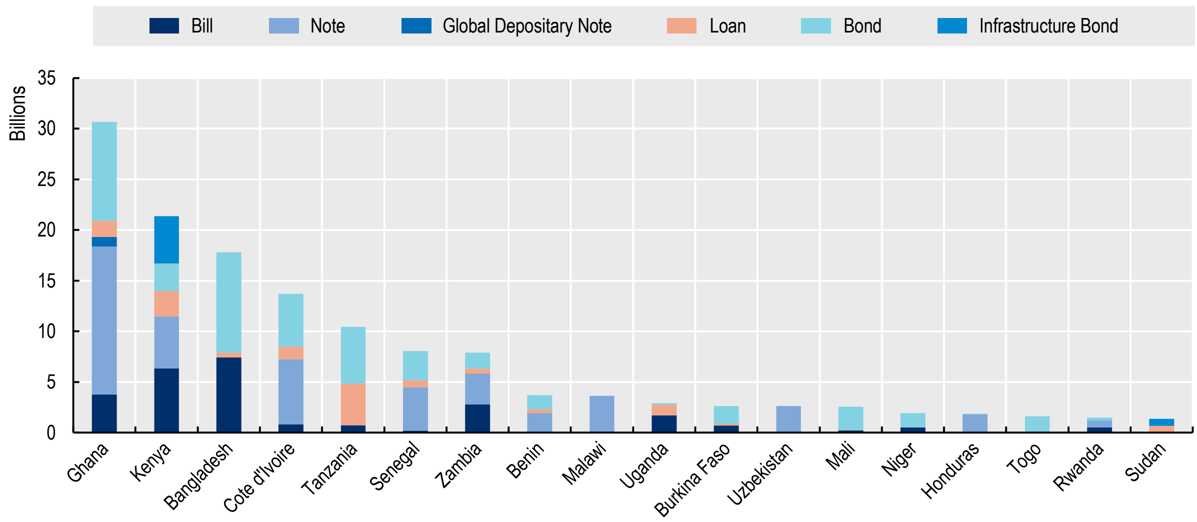
Figure 5. Maturity structure of debt outstanding



Note: As of January-end 2022. Data in USD.
Source: Refinitiv; and OECD calculations.

Focusing on countries' specific debt structure, the majority of debt outstanding comes from Ghana, Kenya, Bangladesh and Cote d'Ivoire respectively (Figure 6). The country specific analysis highlights that in many instances, countries have seen a strong GDP growth embraced by improved investor confidence, allowing them to access financing through public markets. In particular, the four mentioned countries have more than quintupled their GDP in the past 20 years.

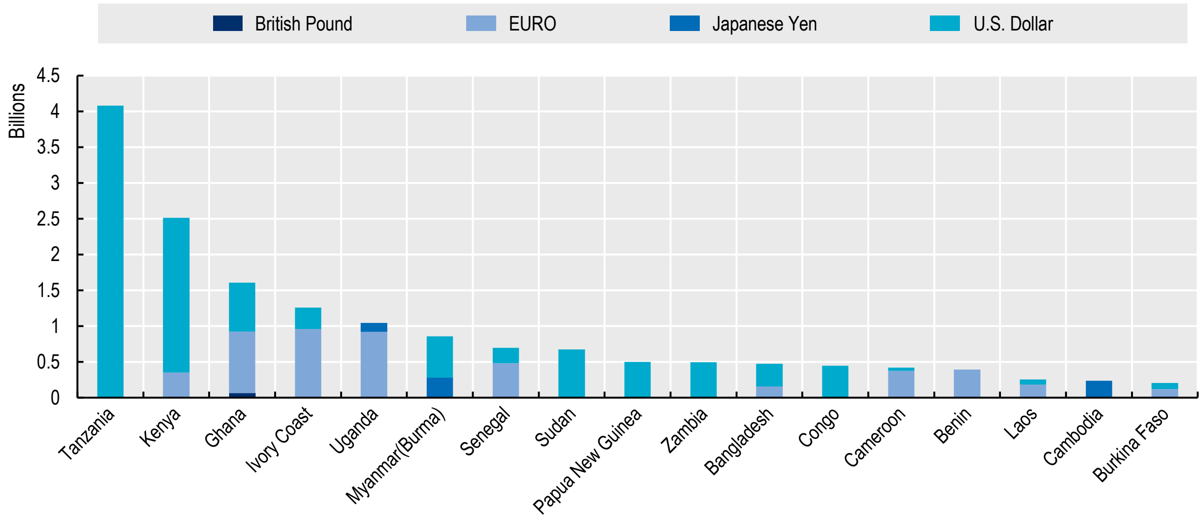
Figure 6. Outstanding debt by instrument



Note: As of January-end 2022. Data in USD.
Source: Refinitiv; and OECD calculations.

Focusing on loan and syndicated loan debt, it is noticeable how the majority of commitments are made in USD, followed by EUR, Japanese Yen and GBR. While marketable debt such as bonds and bills have shown to be issued in a variety of currencies, in many instances favouring local currencies, loans are issued solely in foreign currencies.

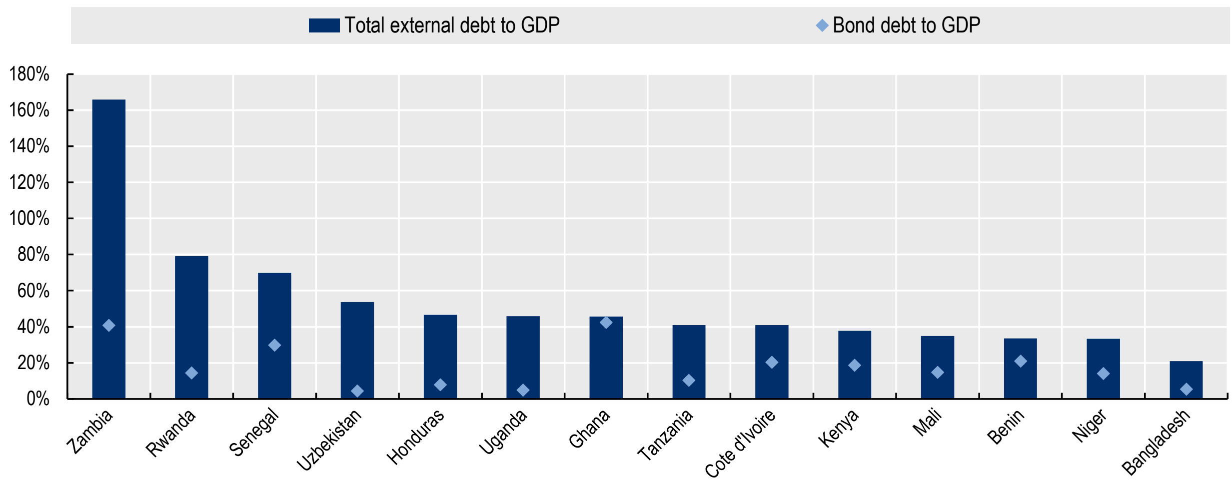
Figure 7. Outstanding loan debt by currency



Note: As of January-end 2022. Data in USD.
Source: Refinitiv, and OECD calculations.

The differences in GDP better allow to understand the effective weight of the debt of countries analysed. For many of the countries with high debt levels the amount of bond debt is relatively low, while for countries that have been growing rapidly is generally higher. Nonetheless, a comparison of debt with the GDP highlights those countries, such as Zambia, that could face debt distress situations.

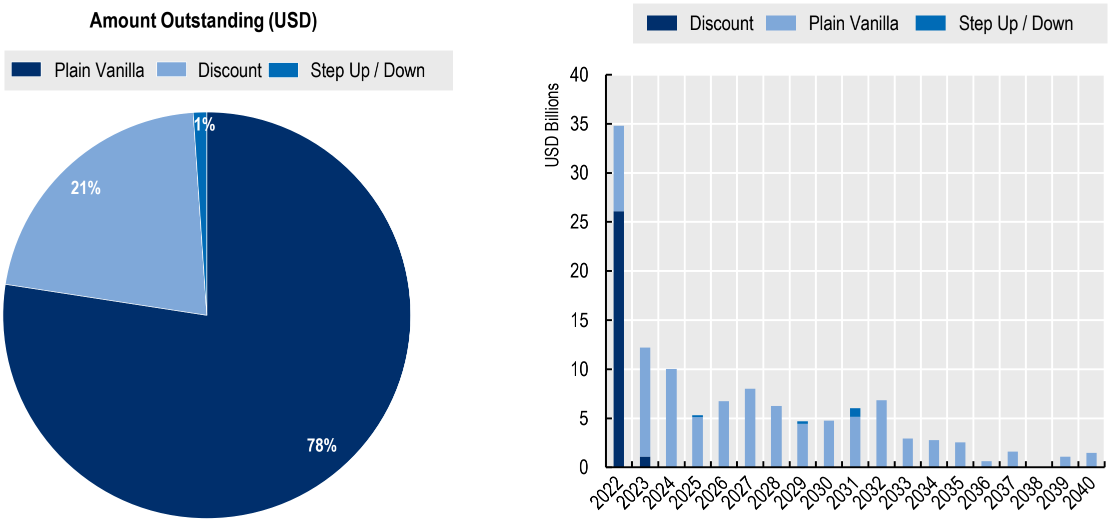
Figure 8. Country debt levels as a percentage of GDP



Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

The majority of outstanding debt, about 80% of the total, is composed of fixed plain vanilla coupons, followed by discount coupons and with a very small percentage of Step Up/Step Down coupons. As the majority of short-term instruments generally do not pay coupons, these are indicated as discount, or zero-coupon bonds, and are reflected in the outstanding debt for 2021 and 2022. Much of the amount coming due in 2022 is mostly issued in domestic currency while foreign currency is used for longer term transactions and is less concentrated in specific years.

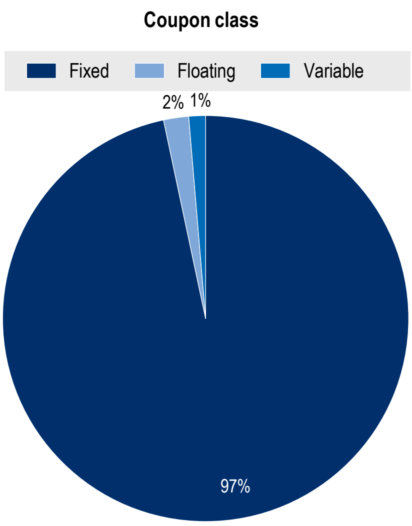
Figure 9. Outstanding debt by coupon type



Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

Of the debt outstanding, excluding zero coupon debt, it is also important to note the predominance of fixed interest rate instruments, with only a minority of debt constituted by floating and variable interest rates. This has repercussion on the effect of exogenous rates changes, particularly for foreign-currency debt, as it would benefit countries if interest rates increase.

Figure 10. Outstanding debt by coupon class

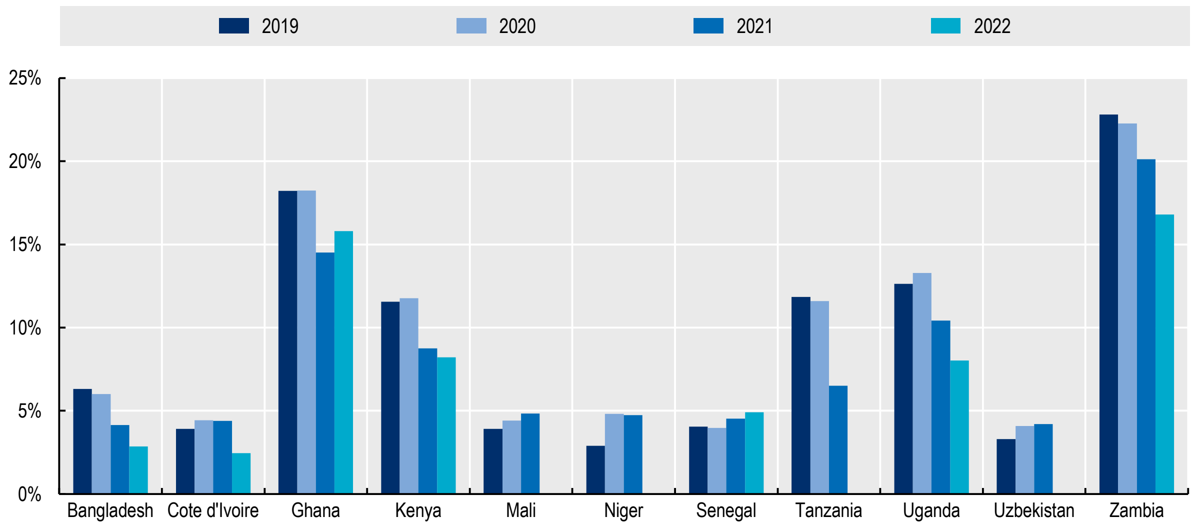


Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

Marketable debt pricing

Despite the significant market disruption in the immediate aftermath of the outbreak of the COVID-19 pandemic and the surge in debt issuances thereafter, financing costs have been declining on average for both local and foreign currency issuances of PRGT-eligible countries. As a result of this lower yield environment, some governments, like Ghana and Kenya, were able to borrow from the markets at lower costs during 2021. Yet, some countries saw an increase in yield-to-maturity, which can be linked to different factors ranging from the maturity structure of the debt to downgrades of public sector debt.

Figure 11. Yield-to-maturity for debt issued since 2019

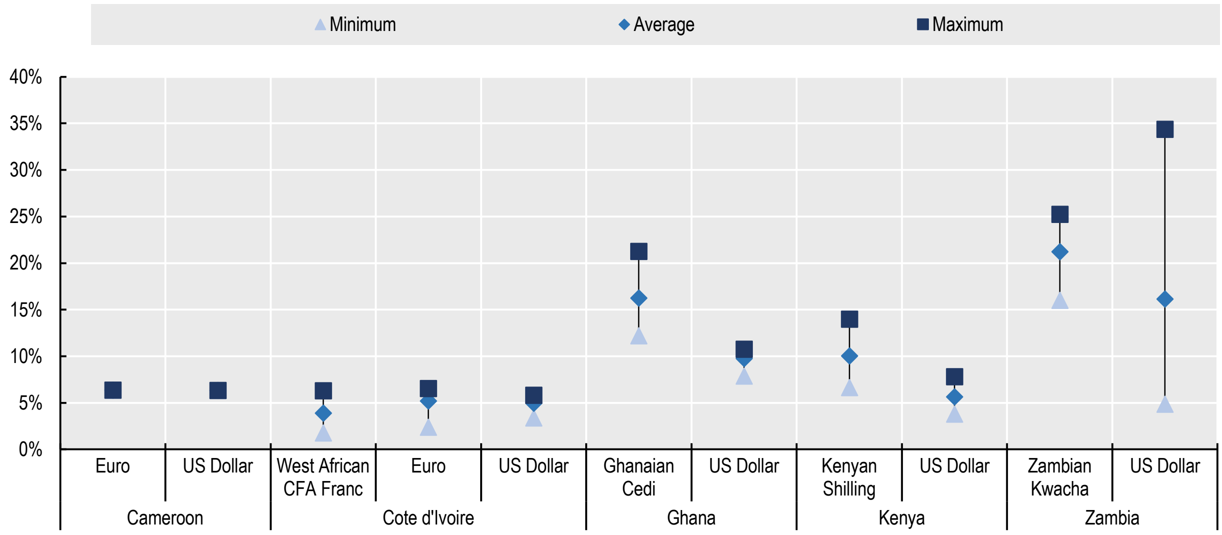


Note: Selected LICs for which data is available. As of January-end 2022.
Source: Refinitiv; and OECD calculations.

The yield-to-maturity is still dependent on many factors, including the maturity and the amount of the debt issued, the credit rating of the issuing country and the currency in which the debt is denominated, which are analysed more in detail in the following section.

There is a strong differentiation between domestic and foreign currency debt yields in some countries (Figure 12). In this case, the cost on foreign currency debt also depends on external factors, such as foreign monetary policy and liquidity which have generally been beneficial for sovereigns in recent years. While generally the domestic currency yield is higher than the foreign currency yield, which is generally represented by US Dollar or Euro, there are exceptions, such as the case of Cote D'Ivoire, where yields are relatively similar, since the CFA Franc has a fixed exchange rate to the euro. The high yield in USD for Zambia is related to the defaulted bond that is also referred to in Figure 17, relative to the analysis of asset status.

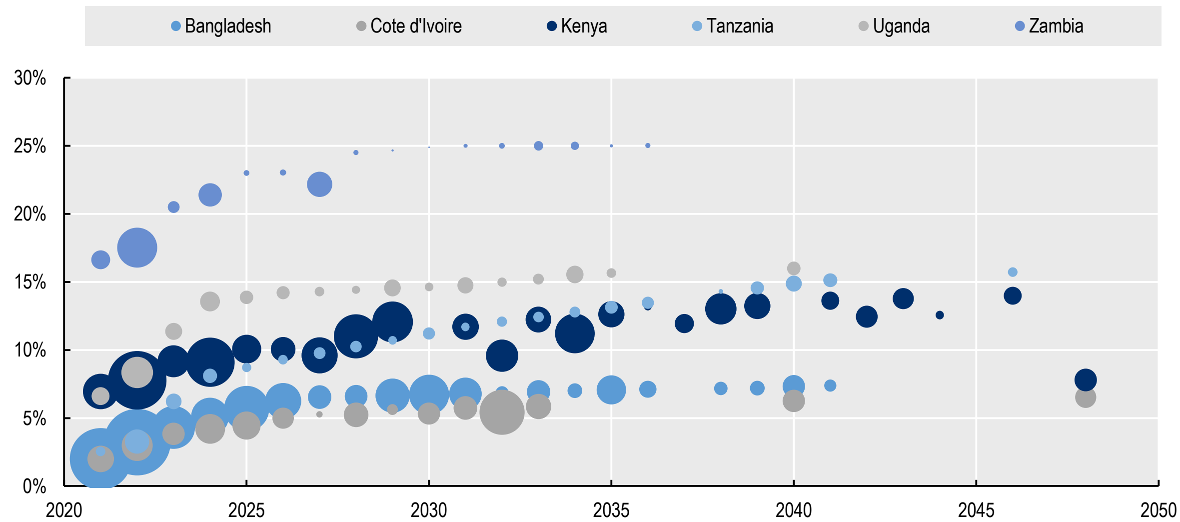
Figure 12. Yield-to-maturity range by currency for selected countries



Note: YTM of active instruments as of January-end 2022.Source: Refinitiv; and OECD calculations.

The yield-to-maturity is also expected to increase with a longer maturity. While this is generally the case, the yields start to stabilise after 2030 (Figure 13). Yields are strongly influenced by debt issuances on the short end of the maturity profile. In the chart below it is easier to appreciate the difference in yields by country, where for cases such as Bangladesh, short term refinancing rates are lower and the amounts larger than if compared to Zambia.

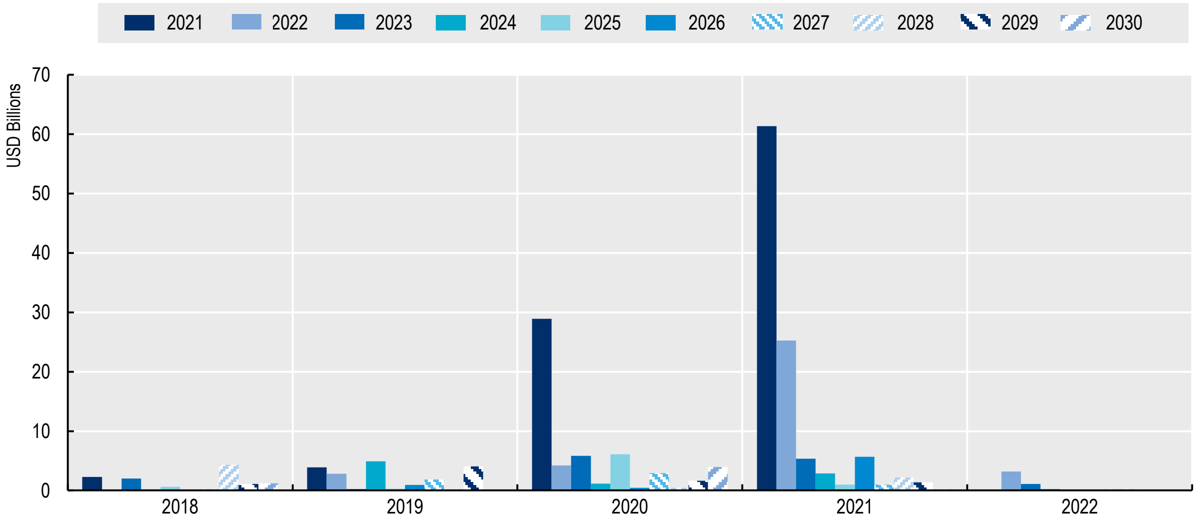
Figure 13. Yield-to-maturity by maturity date



Note: As of January-end 2022. The size of the bubbles represents the amount issued.
Source: Refinitiv; and OECD calculations.

The decline in rates can also be linked to the increasing shorter maturity of the debt that was issued in recent years (Figure 14). In this instance, a large share of debt issued in 2020 and 2021 included very short maturities. Since short term debt might be issued and expire in the same year, a higher amount of debt issued can depend on a higher total amount issued or an increase in the number of issuances with respect to the previous years.

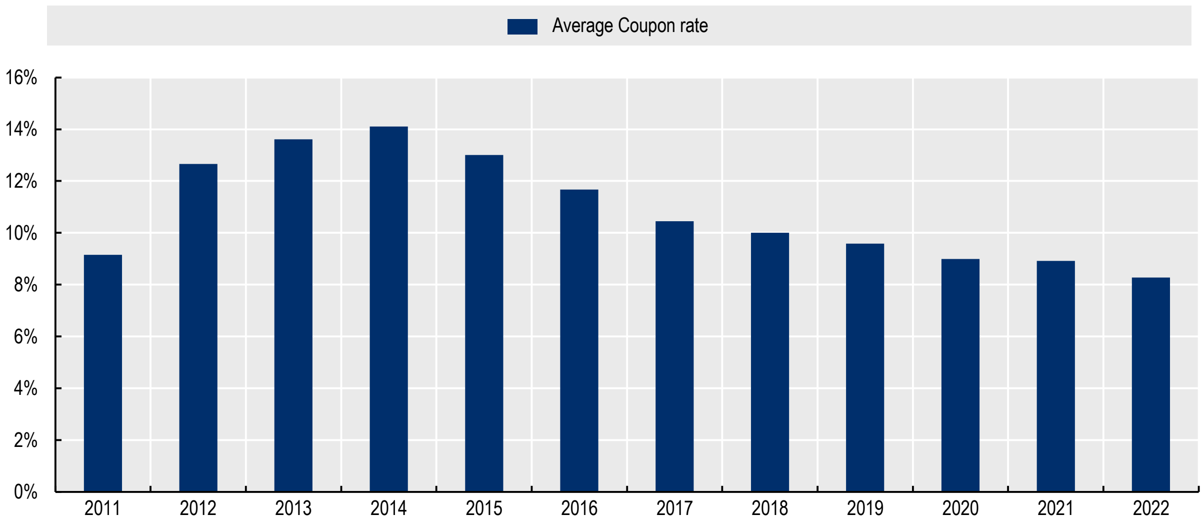
Figure 14. Average maturity of debt issued



Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

However, rates remain relatively high for the poorest countries, reflecting structural difficulties in their economies and low confidence from investors. This is reflected in particular by the coupon rate of bonds issued in the last decade, which has remained above 8% despite a secular downward trend since 2013 (Figure 15). This can depend on many factors, such as credit ratings as well as low interest rates for currencies such as the USD or the EUR. While the low rates can benefit PRGT-eligible countries particularly if the debt is issued with fixed rates, an increase in interest rates could make refinancing more difficult.

Figure 15. Average coupon rate for debt issued



Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

Table 1 highlights the different features of the bond debt held by countries analysed in the report. While the debt data analysed in many instances represents a small part of the total external debt stock, it is quite relevant in other instances such as in the case of Ghana and Kenya among others. Interestingly, the percentage of foreign currency debt varies widely among countries analysed. In different instances countries with low levels of GDP have the highest amounts of foreign currency bond debt, which might be linked to investor's lack of confidence in the local currency.

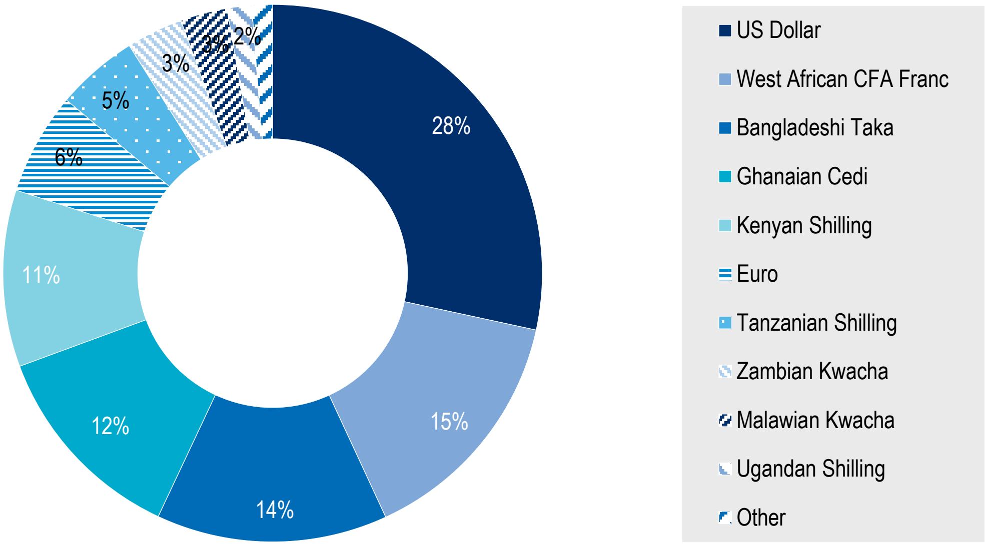
Table 1. Country specific debt analysis

	Bond debt outstanding (billions USD)	Bond debt as percentage of total external debt	Average bond debt maturity	Average bond debt yield-to-maturity	% of foreign-currency bond debt
Bangladesh	17.9	26%	2026	5.1	0%
Benin	3.3	63%	2025	5.1	58%
Cameroon	0.9	7%	2026	6.4	100%
Cote d'Ivoire	12.4	50%	2026	4.2	53%
Ghana	29.1	93%	2024	15.8	47%
Honduras	1.9	17%	2026	5.6	100%
Kenya	18.8	49%	2024	9.7	27%
Mali	2.6	42%	2024	4.5	0%
Moldova	0.1	2%	2022	7.6	0%
Mozambique	0.9	4%	2031	10.5	100%
Niger	1.9	42%	2025	4.6	0%
Rwanda	1.5	18%	2022	5.3	46%
Senegal	7.3	43%	2026	4.2	59%
Tanzania	6.4	25%	2028	8.9	0%
Uganda	1.9	11%	2022	11.4	0%
Uzbekistan	2.6	8%	2027	3.7	84%
Zambia	7.4	25%	2026	21.0	41%

Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

Similarly, financing rates are also linked to the currencies in which the debt is issued, as seen in Figure 12. In different instances, foreign currencies such as the US Dollar or the Euro have lower yields, possibly linked to the higher stability of the currency, except in the case of Zambia, where the high yield could be dependent on the sovereign debt default. In this regard, US Dollar has been the main foreign currency used, followed by the euro (Figure 16).

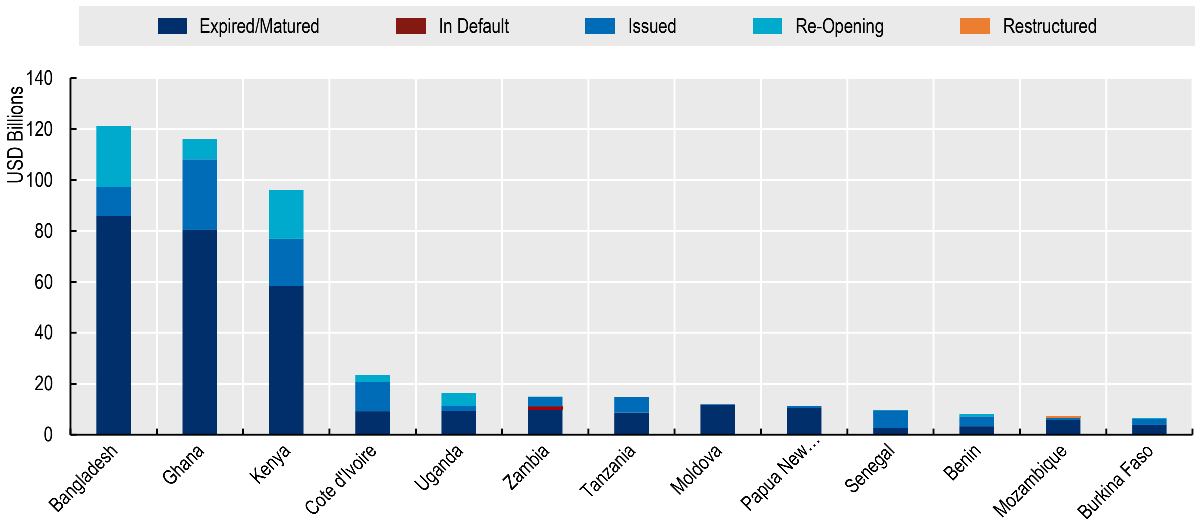
Figure 16. Outstanding debt by currency



Note: Data as of January-end 2022.
Source: Refinitiv; and OECD calculations.

While some countries have issued new instruments to gather the necessary financing, many countries re-open existing instruments, applying the same terms and allowing for a faster process. Similarly, there are some events of default as well as debt restructuring, such as those related to Zambia and Mozambique (Figure 17). The majority of debt results expired or matured and this is also linked to the high issuance of short term instruments.

Figure 17. Status of debt securities issued since 2015



Note: As of January-end 2022.
Source: Refinitiv; and OECD calculations.

Box 1. Benin's SDG bond framework

Benin is the first country in the African continent to offer markets a Sustainable Development Goals linked Bond. Issued on 22 July 2021, the bond was launched in partnership with the Sustainable Development Solutions Network (SDSN). The size of the issuance was set at EUR 500 million, with a coupon rate of 4.95%, a price of 97.33 and maturity on 22 January 2035.

Since there are no internationally accepted standards related to SDG bonds, Benin's framework aligns with the International Capital Market Association (ICMA) Sustainability Bond Guidelines (SBG) and also makes use of ICMA's Green Bond Principles (GBP) and with the Social Bond Principles (SBP). In this regard, the framework describes the four essential components of the guidelines: (i) use of proceeds; (ii) process for expenditure evaluation and selection; (iii) management of proceeds; (iv) reporting on allocation and impacts of the funds used.

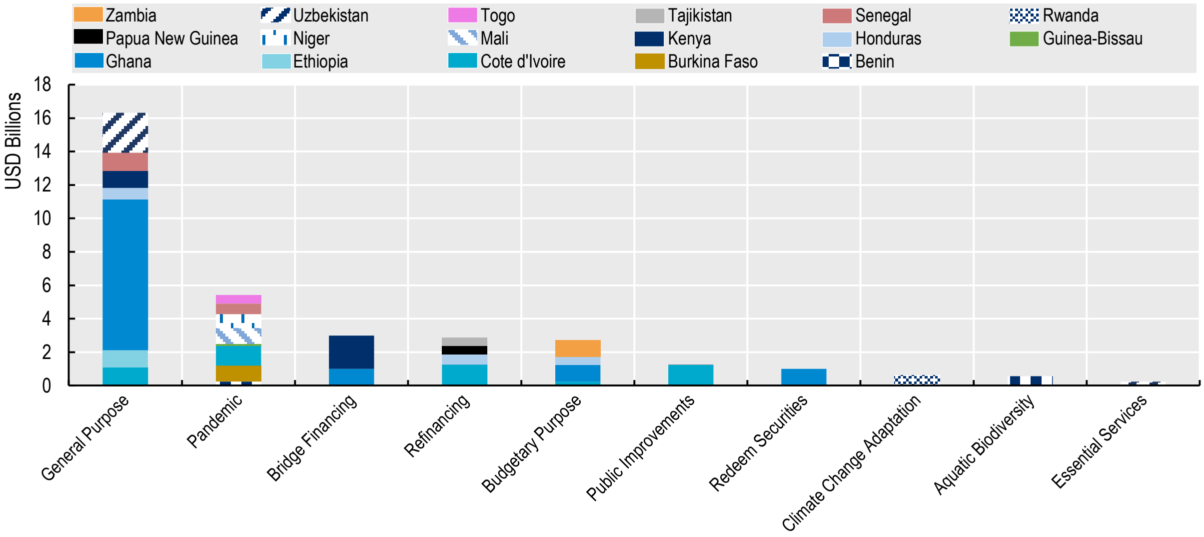
The eligible expenditures are classified according to four pillars that serve as an analytical tool for identifying synergies among the SDGs and minimising arbitrage effects between targets: population, prosperity, planet and partnerships.

Benin's first nationally determined contribution under the Paris Agreement includes mitigation and adaptation measures to climate change. These measures relate to limiting greenhouse gas emissions from energy, agriculture, and forestry sectors, as well as reducing vulnerabilities in the agriculture, water resources, coastal and forestry sectors. Particularly important is the preservation of lake and coastal areas, the preservation and restoration of biodiversity, the reasonable exploitation of Beninese forest cover and the fight against desertification. Annual reports are provided, with the aim to provide information on the social and environmental impacts generated by the use of funds.

Source: SDG Bond framework 2030 agenda; Republic of Benin, Ministry of Development; and co-ordination of Government Action.

The debt issued by LICs has been used for a variety of purposes, recently including sustainability issues. For instance, Rwanda issued USD 620 million in notes, with a coupon rate of 5.5% and maturity in 2031 for which the purpose of proceeds is Climate Change Adaptation (Figure 18). The government made a commitment towards "greening the economy" by creating legal frameworks such as the Green Growth and Climate Resilience Strategy launched in 2011. A key component of the framework is the Environment and Climate Change Fund, launched in 2013 with financing from the UK Aid Department for International Development. Similarly, Benin issued notes with to mature in 2035 with the aim of improving its Aquatic Biodiversity Conservation (Box 1). Nonetheless, a high amount of sovereign debt issuances do not identify the use of proceeds.

Figure 18. Debt outstanding by use of proceeds

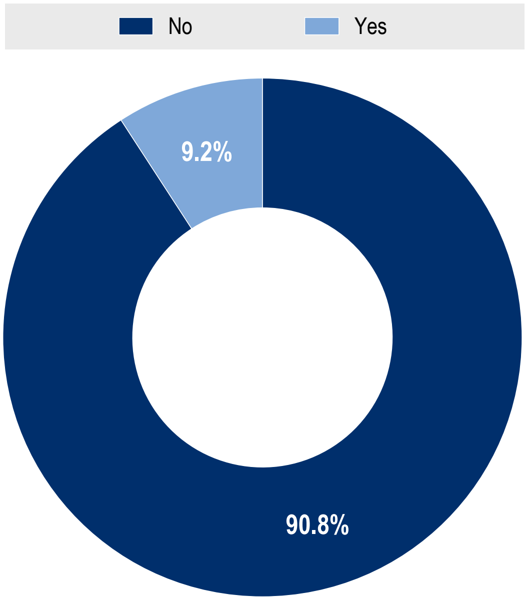


Note: Excluding debt for which the use of proceeds is not identified.
Source: Refinitiv; and OECD calculations.

Among the alternative investment products tailored to low carbon transition that have emerged, green bonds have been preferred by sovereign issuers. Despite a recent increase in sustainable issuances, the level of ESG debt outstanding remains a small percentage of the total, raising awareness of the need to improve international efforts to sustain environmental, social and governance friendly debt issuances (Figure 19). Comparatively, sovereign green bond issuance in OECD and EM economies has exceeded USD 130 billion globally since 2016 and accelerated in 2020 due to the COVID-19 pandemic. The ESG bond status is assigned depending on the use of proceeds according to Refinitiv. In many instances, the issued amount can be used for environmental of social purposes, such as forest linked projects, blue bonds or transition bonds or for example for projects related to the COVID-19 pandemic and vaccination needs.

Reports from the World Bank highlight the importance of sustainable finance as a pathway for low-income countries to de-risk investments and enable the financial flows needed to support climate action and sustainable development (World Bank Group, 2020[6]). Moreover, the Wold Bank launched in 2018 the Environmental and Social Framework (ESF). The framework applies ten Environmental and Social Standards, designed to support borrowers' risk management as well as to improve environmental and social performance of the borrower, allowing a broader scope of risks, for example on climate change, biodiversity, community health, road traffic safety, disability, occupational health and safety, to be assessed.

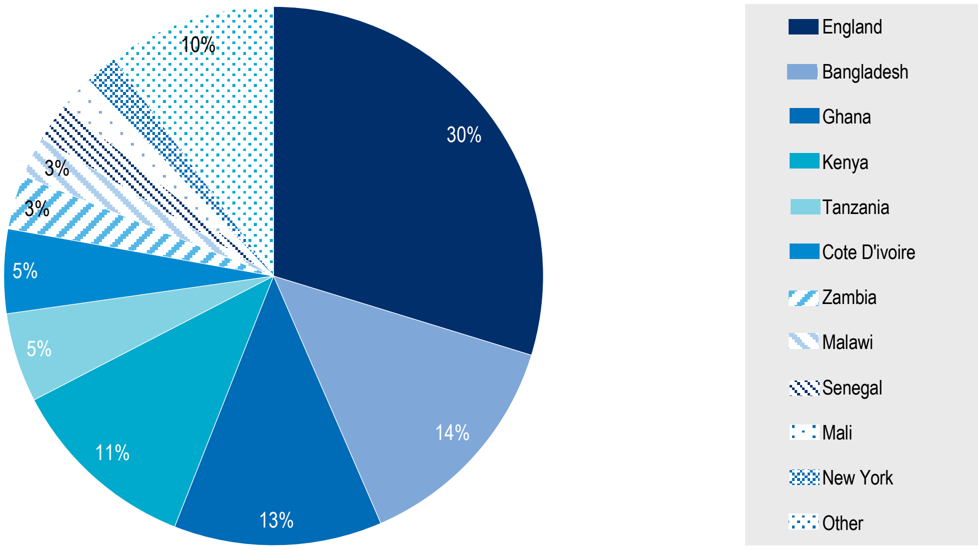
Figure 19. ESG debt outstanding as a percentage of total



Source: Refinitiv; and OECD calculations.

Concerning the governing law of the instruments issued, more than 30% of the total amount is governed by English law (Figure 20).

Figure 20. Outstanding debt by governing law



Source: Refinitiv; and OECD calculations.

Granular individual transaction data has been used to perform the analysis and will be displayed and subsequently available for download in the OECD DTI data platform. The majority of deals come from the most indebted countries and among the largest transactions (Table 2). According to the information provided so far, countries tend to have medium to long-term deals exclusively in USD with notes used predominantly as instrument type and coupon structures mostly being plain vanilla fixed.

Table 2. Example of individual transaction disclosure for marketable debt

Issuer / Borrower	Issue Date	Maturity	Instrument Type	Principal Currency	Interest rate / Coupon	Interest rate / Coupon Type	Repayment frequency	Amount Issued (USD)
Cote d'Ivoire	16-04-2010	31-12-2032	Bond	US Dollar	5.75	Step Up / Step Down	Semiannually	2, 332, 149 000
Kenya	24-06-2014	24-06-2024	Note	US Dollar	6.875	Plain Vanilla Fixed Coupon	Semiannually	1, 500, 000 000
Zambia	30-07-2015	30-07-2027	Note	US Dollar	8.97	Plain Vanilla Fixed Coupon	Semiannually	1, 250, 000 000
Cote d'Ivoire	15-06-2017	15-06-2033	Note	US Dollar	6.125	Plain Vanilla Fixed Coupon	Semiannually	1, 250, 000 000
Ghana	26-03-2019	26-03-2032	Note	US Dollar	8.125	Plain Vanilla Fixed Coupon	Semiannually	1, 250, 000 000
Senegal	23-05-2017	23-05-2033	Note	US Dollar	6.25	Plain Vanilla Fixed Coupon	Semiannually	1, 100, 000 000
Ghana	07-08-2013	07-08-2023	Note	US Dollar	7.875	Plain Vanilla Fixed Coupon	Semiannually	1, 000, 000 000
Zambia	14-04-2014	14-04-2024	Note	US Dollar	8.5	Plain Vanilla Fixed Coupon	Semiannually	1, 000, 000 000
Ethiopia	11-12-2014	11-12-2024	Note	US Dollar	6.625	Plain Vanilla Fixed Coupon	Semiannually	1, 000, 000 000
Mozambique	30-10-2019	15-09-2031	Note	US Dollar	5	Step Up / Step Down	Semiannually	900, 000, 000

Note: N/A stands for "not available".
Source: Refinitiv.

The research also analysed loan data available in Refinitiv and received from commercial banks, to understand the difference in terms with existing marketable debt transactions.

Table 3. Example of individual transaction disclosure for loans and syndicated loans

Issuer / Borrower	Issue Date	Maturity	Instrument Type	Principal Currency	Interest rate / Coupon	Interest rate / Coupon Type	Amount Issued (USD)	Mandated arrangers
Tanzania	26-04-2021	26-04-2031	Loan	US Dollar	3% to 8%	Floating Rate	1, 300, 000 000	Note 1
Tanzania	13-02-2020	13-02-2036	Export Credit	US Dollar	N/A	Fixed Rate	992, 907, 000	Note 2
Angola	01-04-2021	01-04-2036	Loan	US Dollar	N/A	Floating Rate	910, 000, 000	Note 3
Kenya	10-04-2018	10-04-2025	Loan	US Dollar	N/A	Fixed Rate	750, 000, 000	Note 4
Ghana	09-03-2019	30-09-2029	Loan	US Dollar	N/A	Floating Rate	500, 000, 000	Note 5
Kenya	05-03-2019	27-02-2026	Loan	US Dollar	N/A	Fixed Rate	410, 000, 000	Note 6
Zambia	17-06-2016	17-06-2031	Loan	US Dollar	N/A	Fixed Rate	381, 727, 000	Note 7
Cote d'Ivoire	31-12-2018	31-12-2025	Loan	Euro	N/A	Fixed Rate	344, 070, 000	Note 8
Uganda	14-04-2020	14-04-2027	Loan	Euro	N/A	Floating Rate	329, 370, 000	Note 9
Senegal	26-11-2021	15-09-2043	Loan	Euro	N/A	Fixed Rate	328, 872, 000	Note 10

Notes: 1: Credit Suisse; African Export Import Bank; Africa Finance Corporation; Nedbank Ltd.
2: Landesbank Hessen-Thueringen; Commerzbank; Societe Generale; AKA Ausfuhrkredit-GmbH; Deutsche Bank; DGZ-DekaBank; Landesbank Baden-Wurttemberg; BBVA; Standard Chartered Bank; DZ Bank; KfW IPEX-Bank GmbH; Credit Agricole CIB; Aviva PLC; BNP Paribas; Fortis SA/NV.
3: Standard Chartered Bank; BNP; Crédit Agricole CIB; Société Générale; Credit Suisse as Lender.
4: Societe Generale; Industrial & Comm Bank China; Trade and Development Bank; Credit Suisse; Nedbank Ltd.
5: Standard Bank of S. Africa; Standard Chartered Bank;
6: Standard Bank of S. Africa; Trade and Development Bank
7: Standard Chartered Bank;
8: Societe Generale; Banque Marocaine du Comm Ext; Development Bank of S. Africa;
9: Societe Generale; Trade and Development Bank;
10: Credit Agricole CIB; UniCredit SpA.
Source: Refinitiv, commercial banks' submissions to the OECD.

Further considerations

While the OECD DTI is incorporating data directly from sources such as commercial banks and other private lenders as well as including analysis using data from commercial providers, there is still the need to improve interoperability and to better incorporate data from other sources in 2022, including official data providers as well as academic databases.

As the OECD DTI is currently focusing on collecting new issuances, other existing sources can help to fill in the gaps related to already existing transactions. These platforms often collect lending data on financial transactions to developing and emerging markets, and aim to improve opaque transactions' features. These include, among others, the World Bank International Debt Statistics for example includes data on external borrowing and sources of lending by type of borrower and creditor with information on data availability and comparability.

Another important project is the China-Africa Research Initiative, which collects data on Chinese loans to jurisdictions in Africa and was set up to promote a better understanding of the relations between China and African countries through data collection, field research, conferences, and collaboration (Acker and Brautigam, 2021[7]).[11] Similarly, the Euro-Mediterranean Economists Association currently provides a platform collecting data on private transactions to LICs from alternative sources and includes data on lending from some banks such as Citibank, Deutsche Bank and Société Générale among others, to African countries, which can be used to further strengthen LIC debt transparency (Ayadi and Avgouleas, 2020[8]).[12]

Such sources are used to produce research looking deeper into Chinese lending and analysing 100 contracts between Chinese state-owned entities and government borrowers in 24 developing countries to compare them to loans provided by other multilateral organisations ((Gelpern et al., 2021[9])). More work is needed in this context to improve the consistency and comparability of debt statistics from other sources, in order to provide a complete picture of the indebtedness of LICs.

Table 4. Example of individual transaction disclosure for loans between Chinese state-owned entities and government borrowers

Issuer / Borrower	Issue Date	Maturity	Instrument Type	Principal Currency	Interest rate/ Coupon	Interest rate/ Coupon Type	Amount Issued (USD)	Creditors
Congo	**17-09-2007**	**N/A**	**Loan**	**US Dollar**	**3% to 8%**	**Fixed**	**400, 000, 000**	**China Railway Group Limited, Synohydro**
Malawi	15-01-2009	01-01-2029	Loan	Chinese Yen	0% to 3%	N/A	92, 230, 664	Export-Import Bank of China
Sierra Leone	17-05-2011	01-05-2031	Loan	Chinese Yen	0% to 3%	N/A	15, 472, 691	Export-Import Bank of China
Sierra Leone	01-01-2012	01-01-2032	Loan	Chinese Yen	0% to 3%	N/A	15, 374, 130	Export-Import Bank of China
Uganda	03-02-2016	03-02-2031	Loan	Chinese Yen	0% to 3%	Floating rate	84, 979, 503	Export-Import Bank of China
Sierra Leone	01-01-2017	01-01-2032	Loan	Chinese Yen	0% to 3%	Floating rate	659, 000, 000	ICBC, Export-Import Bank of China
Uganda	16-01-2019	01-01-2039	Loan	Chinese Yen	0% to 3%	N/A	209, 609, 010	Export-Import Bank of China
Rwanda	22-06-2020	01-06-2040	Loan	Chinese Yen	0% to 3%	N/A	226, 901, 187	Export-Import Bank of China

Source: Gelpern, A., Horn, S., Morris, S., Parks, B., & Trebesch, C. (2021). How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments. Peterson Institute for International Economics, Kiel Institute for the World Economy, Center for Global Development, and AidData at William & Mary.

The analysis provided by Gelpern et al. highlights among their key findings how Chinese contracts contain particular confidentiality clauses that bar borrowers from revealing the terms or even the existence of the debt when compared to debt from multilateral and bilateral organisations, as well as using collateral arrangements such as lender-controlled revenue accounts and promises to keep the debt out of collective restructuring (“no Paris Club” clauses).

3 OECD DTI governance, progress, challenges and recommendations

The creation of the OECD DTI required the establishment of appropriate infrastructure and reporting mechanisms to effectively operationalise the IIF Voluntary Principles. This section explains the OECD DTI's key programme elements, governance, engagement and remaining challenges that need to be overcome to address significant debt data gaps. It includes recommendations that would be pursued as the OECD DTI transitions from a pilot to a standing structure that can be funded by public and private sector resources.

Governance structure and engagement

The OECD DTI started in 2021 with a multi-phased approach seeking to bring together providers that lend to PRGT-eligible countries and data users. This section explains the set-up, including governance and structure of the engagement, and also the phases of activities and outputs.

Governance and structure

The OECD DTI has been established as a pilot programme under the oversight of the OECD's Committee on Financial Markets (CMF), whose members include central banks, finance ministries, and international organisations such as the IMF, BIS, and World Bank. As the CMF oversees a number of financial initiatives that provide input reports to the G20, APEC, FSB, NGFS and other international fora, it has the requisite competency to review initiatives and analysis with respect to debt data collection, trends, and implications.

To help bring the pilot forward, the Secretariat created the Debt Data Users Group by the Secretariat, and an Advisory Board for Debt Transparency, which advises the Committee on ways to overcome challenges of LIC debt data collection.

- The **Debt Data Users Group**, was created to provide stakeholder feedback on debt data collection and testing of the process and feedback on relevant challenges, refinement of the Reporting Template as well as supporting analytical content, including the data platform interface and features. It was composed of the IIF, debt analysts from central banks, finance ministries, IFIs, private lenders and asset managers. The purpose was to provide needed feedback to develop a Blueprint to guide the portal development, both to ensure that data collection would be efficient, and data dissemination would meet the information needs of various stakeholders.
- The **Advisory Board on Debt Transparency (ABDT)** was established to advise the Committee on Financial Markets and its Secretariat on the direction and implementation of the OECD DTI. The ABDT is composed of the IIF, participating global banks, key international financial institutions (BIS, IMF, WB, UN), central banks and finance ministries, civil society organisations, and academia. It provides a broad range of perspectives on the scope of the initiative, to assess challenges and recommend solutions and, to provide a preliminary assessment of the debt collection, data gaps, and implications of debt trends, and was launched in July 2021, with subsequent meetings in October and November. See Annex A for further information.

The Debt Data Users Group involvement consisted initially of a series of interviews with commercial banks, to better understand the reporting requirements, as well as the challenges in submitting data and how to overcome them. The workshop with the Users Group organised by the OECD Secretariat provided a blueprint for the development of the data platform. The Users Group also helped to better define the fields pertinent for the OECD DTI data reporting template.

The ABDT, chaired by the UK HMT, held three meetings in 2021. Discussions at these meetings focused on potential solutions to identified challenges to facilitate the implementation of the IIF Voluntary Principles; data platform progress, including debt data submission practicalities; engagement with public sector authorities in LICs and the next steps of the initiative.

Following the launch of the test portal in October 2021, the OECD began receiving sample data for in-scope financial transactions from international banks. The OECD Secretariat, with the support of the Advisory Board, will seek to assess the robustness of the data and, with the Committee's approval, will make transaction specific data available through a progress report to the relevant G20 body, and is now making transaction-specific data periodically available on its portal as of Q1 2022.

Phases of implementation

Phase I – Outreach and pilot design

The first phase began the programme by engaging with the stakeholders that would provide and use the data, as well as to commence with a preliminary step of test data collection through a matrix sheet. It served to: (i) launch the preliminary matrix sheet to receive data; (ii) identify potential stakeholders to join the ABDT; and (iii) survey or interview stakeholders for data needs and platform functionality; (iv) develop specific deliverables for the blueprint for the platform and for the ABDT.

Phase II – Progress update and test launch

Building on the elements of first phase, the second phase achieved several outputs. First, it reviewed all of the experiences and preliminary findings from the user experience, and blueprint recommendations, and made a preliminary progress update to the G20, to set the stage for expectations in 2021. The Secretariat moved forward with implementing the elements of the blueprint, following feedback from the UK FCDO, IIF and other engaged IOs (BIS, IMF, WB) to ensure that the core debt data standards are met. These relate to; (i) the envisioned implementation of the IIF Voluntary Principles, and (ii) practically serving the demands of key data users.

Phase III – Platform Implementation and data collection

The third phase built on the test launch of the DPDT and the ABDT to implement the full launch of the DPDT for selective public use, to include lenders and selected data users, and to allow for high level updates of information on the website. It allowed for full data collection and aggregation, and dissemination of trends via the digital platform, to selected users such as the ABDT, the IIF Board of Trustees, and the CMF, to review the data and test the site. Based on this work, the Secretariat was able to facilitate a review by the ABDT, and to issue an interim report to the G20 bodies on data levels and gaps, and implications for debt sustainability.

Phase IV – Full launch, debt assessment and communications

Phase IV included the full assessment, review and refinement of all aspects of the work to date. The purpose was to develop a draft report to G20 bodies, which requires a thorough review and feedback from all parties involved, including the ABDT, the CMF and its sub-bodies involved in debt and financial statistics. In addition, insights from feedback from users could help further improve the site design and data display, and may help inform as to the extent to which additional guidance is needed through communications.

To improve the engagement, and following guidance from the ABDT, the Secretariat engaged in outreach to public debt managers of low-income countries. The OECD held a webinar, the "OECD DTI: A Step towards Enhanced Debt Transparency" in November to introduce the OECD DTI to LIC participants, in terms of its purpose, data collection effort, intended use, and expected outcomes. The aim of the meeting was to start engagement with countries in order to build support for the Initiative and to support banks in the outreach related to confidentiality agreements. Further engagement will be pursued in 2022 to seek more explicit support for the improvement of debt transparency.

Phase V – Publish preliminary findings of the Pilot Initiative

Phase V completes the Pilot Project, through the (i) preparation of a report to G20 bodies; (ii) and assessment of data gaps and recommendations to improve the data reporting, completeness, and the repository functioning; and (iii) the development of a 2022 Implementation Plan to finish the full Pilot Initiative by subsequent G20 reporting by early 2023.

Collecting transaction specific data on a voluntary basis from banks and other market participants takes time to build momentum and scale up efforts. Therefore, to supplement the debt data collection from lenders and other investors, the OECD has provided analysis of aggregated and country-specific trends and descriptive statistics from commercial data providers, as this information is not readily available to the public.

The live version of the data platform, which was launched in December 2021, includes analysis on debt trends using the data from commercial providers and banks and underlining key findings about issuances, debt features such as amounts, instruments used and maturities, and insights on the sustainability of debt outstanding.

The analysis conforms to the elements of the IIF Voluntary Principles with respect to the scope of information collected through the data matrix, such as borrower, type of financing, amount which can be borrowed/raised and details of disbursement period among others.

Further assessment of the process will take place in the first quarter of 2022 towards the end of the pilot project.

Challenges and progress

The three Advisory Board meeting that took place in 2021 highlighted key challenges and called for solutions to overcome a range of obstacles that contribute current data gaps. Nonetheless, the key challenge remains the data submission from banks involved in the Initiative. Initial problems related to the IT side as some of the banks had strict security protocols that did not allow easy interactions for data submissions, confidentiality agreement challenges related to legal procedures and discussion on the fields of the reporting template for data collection. In this regard, the Secretariat organised events with the aim of improving the support and understanding of the Initiative from countries involved.

These challenges have been addressed through different means, but in many instances engagement has been the primary solution. The OECD Secretariat discussed with participating banks the best way to submit data and at the same time have been in discussion with the IIF to developed the Implementation Note, which is now published and available online. The note highlights best practices and offers responses to frequently asked questions to help through the reporting process and includes a Confidential Information Template Carve Out as well as a Template Confidentiality Consent/Waiver Letter Agreement, to support financial institutions in reaching out to borrowers.

Despite the efforts to set up the data platform and progress on engagement with banks, the volume of transactions received as of early 2022 has been relatively low, as the initiative is meant to capture recent and new lending activity. Nonetheless, the OECD Secretariat has been receiving more data, with a total of 40 submissions, including bonds and loans for transactions to countries including Angola, Tanzania and Uzbekistan among others.

Further key challenges and potential ways to incorporate feedback and preferences that align with the OECD DTI have also been discussed during Advisory Board meetings. The following list presents an overview of the main points raised.

1. Data granularity and individual transactions disclosure

The issue of granularity of data revolves around the dissemination of data received from reporting entities through the data platform. Challenges exist regarding the willingness of debt data providers to report granular data in adherence with the OECD DTI. After the issue was discussed at the Advisory Board, the OECD Secretariat decided to disclose all transaction-specific data after the financial transactions embargo period, which shall be no less than 90 days from the date of transactions starting from Q1 2022. Moreover, the Secretariat will complement the data received with granular data from commercial data providers.

2. Scope of the initiative, with a focus on:

a. Type of financial instrument subject to OECD debt data collection

The IIF Voluntary Principles explain the scope of coverage, such that it includes any foreign-denominated financial transaction that is not already subject to public disclosure. Nonetheless, in many instances such financial information disclosed to commercial data providers are not available to the general public, limiting the possibilities of usage by numerous stakeholders. This situation raises the question as to what constitutions *public* disclosure. Advisory Board members broadly supported including bonds in the scope of the Initiative, so that banks or other financial institutions holding traded financial instruments would also provide this information to the OECD. Subsequently, the OECD Secretariat has begun to collect bond data directly from reporting entities, including banks, and will welcome submissions from institutional investors and collective investment vehicles. Moreover, the Secretariat is engaging with commercial data providers to determine possibilities for the OECD to make a greater amount of granular LIC debt data available on the OECD DTI portal.

b. Range of jurisdictions subject to OECD debt data collection

The IIF Voluntary Principles explain the scope of coverage, which initially prioritises PRGT-eligible countries. Stakeholders have suggested that the elevated debt levels in middle-income countries due to the COVID-19 pandemic call for accelerated path to improving debt transparency for these countries. Several Advisory Board members expressed support for the inclusion of countries outside the range of PRGT-eligible countries, including EMEs and other jurisdictions, as this could be of benefit to all stakeholders. Members also raised concerns over the practicality of operationalising a much wider scope of countries, highlighting that the IIF Voluntary Principles themselves suggest that any expansion to countries beyond LICs should be the subject of a review following the initial operationalisation of the IIF Voluntary Principles. The OECD Secretariat has therefore focused on in-scope, eligible-PRGT countries while keeping open in the data matrix the possibility for banks to provide data on EMEs and other countries (even though beyond the current scope of the IIF Voluntary Principles).

3. Engagement with public sector authorities in low-income countries to facilitate data provision by lenders and involvement of borrowers

ABDT members, particularly civil society organisations and banks, highlighted that direct engagement with senior staff at debt management offices and finance ministries of LICs could help facilitate both greater awareness of the benefits of debt transparency and support for the OECD DTI. Hence, the involvement of governments that are directly affected by the initiative is important to: (i) ensure that they can engage in dialogue and provide feedback to the OECD on aspects of the programme and its implementation; (ii) seek their support for the OECD DTI to operationalise the IIF Voluntary Principles, which in turn will lessen lenders' perception of a competitive disadvantage from engaging in the Initiative. Subsequently, the OECD Secretariat engaged with relevant sovereign authorities of LICs through a webinar, the "OECD DTI: A Step towards Enhanced Debt Transparency", to inform them of the OECD DTI and to try to facilitate such sovereigns' acknowledgement and support for commercial banks' submission of LICs debt data to the OECD DTI for transaction-specific dissemination. The meeting represented an initial engagement with countries in order to build support for the Initiative. Further engagement will be pursued in 2022 to seek more explicit support for the improvement of debt transparency.

4. Data interoperability

There are a number of debt data initiatives seeking to improve aspects of debt transparency in low and middle income countries.[13] Various international organisations also provide a measure of debt transparency on their websites, such as the World Bank International Debt Statistics. Members expressed the importance of data sharing between different platforms, including the necessity to consider existing financial transactions in the Initiative and not only focus on new transactions in order to provide a complete overview of each jurisdiction's debt situation. Different dataset are currently available, providing some level of data on LICs. For example, commercial data providers generally provide data on bonds that are publicly issues. Alternatively, certain academic platforms include data on loans from China to African countries. The OECD Secretariat is mapping the different existing databases and Initiatives to determine how it can benefit from collaboration to address data gaps where possible and useful and to create mechanisms for sharing the data collected in order to provide a comprehensive data platform for users. The effort will entail closer co-ordination with relevant International Financial Institutions such as the World Bank and IMF.

Progress and recommendations

Since January 2021, the pilot of the OECD DTI, funded by the UK Foreign, Commonwealth & Development Office, has accomplished many of the outputs envisioned. The OECD DTI has engaged in setting forth a blueprint of debt data needs from prominent data users and providers; launched a formal OECD Advisory Board to bring together stakeholders across public and private sectors to address challenges; launched the live site and fully interactive portal; and communications through the Committee on Financial Markets to the G20. As a result, some commercial banks have overcome internal challenges and started to share transaction level data to the OECD, and the OECD is negotiating to also incorporate a portion of granular data from commercial data providers. Also, the initiative has established and will further develop outreach to public sector authorities in low-income countries, a vital steep in securing their acceptance of the need for better transparency.

Similarly, international bodies and organisations, such as the World Bank and the Bretton Woods Committee highlighted the importance of debt transparency in recent reports, (World Bank Group, 2021[2]) (Bretton Woods Committee, 2022[3]) noting the necessity to prioritise policy recommendations to improve transparency, the importance of alignment with ongoing initiatives and the need for broadening the OECD initiative to create a reliable digital database of sovereign financial information.

To build on this progress in establishing the reporting infrastructure, the scaling up of debt data from private and public sector, as well as genuine support for debt transparency, needs to make additional progress. Global banks, including members of the IIF have expressed a number of challenges that need to be overcome to enable them to commit to providing a flow of deal transactions in the future. Also, greater efforts are needed to ensure expansion of data collection and analysis, and to strengthen information-sharing with key stakeholders (including for example the World Bank and IMF) to champion debt transparency in both public and private sectors.

To strengthen the momentum for debt transparency, scale up data collection, improve analysis in a more granular way (differentiating it from other IOs) and overcome obstacles to widespread support for expanded debt data dissemination for public use, the activities below are suggested.

Maintain a committed Advisory Board on Debt Transparency

The continuation of the OECD DTI will depend on continued support for the staffing to manage the engagement, and the continuation of periodic meetings of the Advisory Board on Debt Transparency, which has widened its purpose to become a frank forum for discussing debt transparency in public and private sector. Moreover, continuous discussion needs to take place with the IIF and financial institutions to overcome obstacles to scaling up debt data submission on new financial transactions to LICs.

Engage in building stakeholder support with public sector in PRGT-eligible countries

One of the key takeaways from the efforts of the ABDT and the OECD Secretariat is that greater outreach is needed to public sector authorities in PRGT-eligible countries. Their support is needed, at the very least to have them agree to allow banks to waive confidentiality agreements, and amend such agreements in the future, so that such debt data can be submitted to the OECD (among other bodies) for collection, assessment and dissemination. The Secretariat is planning to hold additional webinars and meetings for PRGT-eligible countries to support the purpose of increasing awareness and support for public sector debt transparency.

Scale up debt data

One of the main efforts of the Secretariat is related to the scaling up of debt data from commercial banks. More elaborate analysis on syndicated loans data from commercial providers makes clear that a number of international banks are engaged in loan syndication at the same time as providing bilateral financing, and therefore should be engaged and contributing data in the future.

A step further will entail engagement and reaching out to regional banks, or quasi-public sector banks, as well as regional development banks to understand their involvement in lending to LICs and the extent to which more data can be collected from them, while maintaining a stronger focus on international banks with a larger exposure to PRGT-eligible countries.

In addition to the use of bank debt data, which is inherently limited due to the slow pace of deals, the Initiative could scale up other forms of debt data from private equity and credit firms, to help provide a more holistic and granular picture of the debt situation in LICs. Other sources include commercial data providers. In this regard, the OECD Secretariat is discussing with commercial data providers how to better utilise available debt data which is substantial, but not widely available to central banks and IOs. This includes bond and syndicated loan issuances, which appear to represent much of the unguaranteed external private sector debt in LICs (although this varies by country).

One of the topics raised by the Advisory Board for Debt Transparency is the incorporation of Export Credit Agency supported loans to LICs. While ECA backed transactions had been excluded from the IIF Voluntary Principles, the OECD is exploring the extent to which it engage with stakeholders to agree to include this type of data in the Initiative. Similarly, academic initiatives, such as a debt transparency initiative by Euro-Mediterranean economists, and the China-Africa Research Initiative platform on loans to African countries, could be better utilised for a more holistic picture of debt data to LICs.

Annual reporting and engagement with the G20 and APEC

While the debt portal is meant to provide dissemination of granular and aggregated data, annual reporting of debt trends of PRGT-eligible countries and their implications, including with respect to the Debt Service Suspension initiative (DSSI) and post-COVID-19 recovery remains a key deliverable for the Initiative. The OECD Secretariat will develop annual reporting to the Committee on Financial Markets, and G20, on the OECD DTI's progress to expand coverage, and also the assessment of debt considerations related to issuance, refinancing risks, types of contracts, currencies, restrictive covenants, and sustainability features. The report's section on debt in LICs would be similar to the OECD's flagship annual Sovereign Borrowing Outlook, which covers the debt refinancing needs, maturity schedules, and assessment of financing conditions in external debt markets.

Expand debt transparency to incorporate sustainable finance, ESG, and nature-related capital

Given the growing use and importance of sustainable finance, an additional consideration in the OECD data collection not currently in the IIF Voluntary Principles are ESG factors. The OECD is already seeking to collect this data from LICs, and wishes to better understand both the ESG factors that may influence the supply of financing to LICs, as well as LIC demand for green or nature-based loans on the side. While the main focus should remain on the IIF Voluntary Principles, an improvement of the granularity of data collected would be useful to understand if these products are genuinely helping the countries with their sustainability endeavors or rather are engaging in greenwashing or nature-washing. Moreover, work streams such as the European Commission's debt for nature swap initiative could benefit from a phased expansion of the OECD DTI in this direction.

In sum, these efforts would help to strengthen the momentum of debt transparency, scaling up data collection, improving analysis in a more granular way and overcoming any remaining obstacles to widespread support for expanded debt data dissemination for public use. Improved granularity for certain areas of work, including sustainability, ESG and ECA-backed debt would expand the usefulness of the Initiative, allowing to improve the comprehensiveness of the data disseminated and its practicality for the public.

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Annex A. List of PRGT eligible countries and their debt outstanding

Countries	Total external debt stocks (Millions USD)	GDP (Millions USD)	Debt to GDP	Countries	Total external debt stocks (Millions USD)	GDP (Millions USD)	Debt to GDP
Afghanistan	3 036	20 116	15%	Maldives	3 351	3 742	90%
Bangladesh	67 749	323 056	21%	Mali	6 081	17 465	35%
Benin	5 250	15 651	34%	Marshall Islands	-	244	-
Bhutan	2 868	2 315	124%	Mauritania	5 710	7 913	72%
Burkina Faso	4 494	17 933	25%	Micronesia	-	410	-
Burundi	625	284	220%	Moldova	8 475	11 915	71%
Cambodia	17 562	25 808	68%	Mozambique	20 932	14 019	149%
Cameroon	13 863	40 804	34%	Myanmar	13 348	79 852	17%
Cabo Verde	2 069	1 703	121%	Nepal	7 904	33 657	23%
Central African Republic	935	2 380	39%	Nicaragua	12 050	12 621	95%
Chad	3 654	10 829	34%	Niger	4 590	13 741	33%
Comoros	301	1 235	24%	Papua New Guinea	17 971	24 668	73%
Congo, Democratic Republic of	6 137	48 716	13%	Rwanda	8 193	10 333	79%
Congo, Republic of	5 253	10 187	52%	Samoa	437	807	54%
Côte d'Ivoire	25 072	61 348	41%	São Tomé and Príncipe	291	472	62%
Djibouti	2 678	3 384	79%	Senegal	17 238	24 644	70%
Dominica	328	504	65%	Sierra Leone	2 113	4 063	52%
Eritrea	788	–	-	Solomon Islands	428	1 545	28%
Ethiopia	30 364	107 645	28%	Somalia	4 659	4 988	93%
Gambia, The	775	1 868	42%	South Sudan	-	–	-
Ghana	31 323	68 532	46%	St. Lucia	733	1 616	45%
Grenada	658	1 042	63%	St. Vincent and the Grenadines	406	807	50%
Guinea	4 175	15 681	27%	Sudan	22 953	21 329	108%
Guinea-Bissau	805	1 431	56%	Tajikistan	6 797	8 194	83%
Guyana	1 506	5 471	28%	Tanzania	25 537	62 409	41%
Haiti	2 317	14 508	16%	Timor Leste	231	1902	12%
Honduras	11 016	23 662	47%	Togo	2 546	7 574	34%
Kenya	38 193	101 013	38%	Tonga	194	488	40%
Kiribati	-	197	-	Tuvalu	-	48	-
Kyrgyz Republic	8 697	7 735	112%	Uganda	17 206	37 600	46%
Lao P.D.R.	17 164	19 132	90%	Uzbekistan	32 174	59 929	54%
Lesotho	1 052	1 875	56%	Vanuatu	455	881	52%
Liberia	1 480	3 201	46%	Yemen, Republic of	7 120	–	-
Madagascar	4 873	13 056	37%	Zambia	30 045	18 110	166%
Malawi	2 943	12 182	24%	Zimbabwe	12 740	18 051	71%

Note: Data collected as of 31 January 2022
Source: (International Monetary Fund[4]), (World Bank[5]), OECD calculations.

Annex B. Members of the Advisory Board on Debt Transparency

A multi-stakeholder Advisory Board on Debt Transparency (ABDT) has been established to obtain perspectives on the scope and sequencing of the initiative; to assess challenges that arise and recommend solutions; and, to provide a preliminary assessment of the debt collection, data gaps, and implications of debt trends.

OECD Debt Transparency Initiative Advisory Board on Debt Transparency members	
Name	Institution Type
UK HM Treasury	Finance Ministry
U.S. Treasury	Finance Ministry
French Treasury	Finance Ministry
Colombia Treasury	Finance Ministry
Portugal Treasury	Finance Ministry
Spanish Ministry of Economic Affairs and Digital Transformation	Finance Ministry
U.S. Federal Reserve	Central Bank
Banque de France	Central Bank
Bank of Italy	Central Bank
OECD	International organisation
BIS	International organisation
IMF	International organisation
United Nations	International organisation
World Bank	International organisation
EIB	International organisation
IIF	Association
HSBC Holdings plc	Financial Institution
Mitsubishi UFJ Financial Group	Financial Institution
UBS AG	Financial Institution
Citibank	Financial Institution
Standard Chartered	Financial Institution
Credit Suisse	Financial Institution
Farallon Capital Europe LLP	Investment Fund
TIA Capital	Investment Fund
Open Society Foundation	Civil Society Organisation
ONE campaign	Civil Society Organisation
Jubilee Debt Campaign	Civil Society Organisation
City University of London	Academia
Johns Hopkins School of Advanced International Studies (SAIS)	Academia
Paul Hastings LLP	Legal
Clifford Chance	Legal

Notes

[1] OECD sustainable lending principles for official export credits

[2] G20 operational guidelines for sustainable financing

[3] Debt Service Suspension Initiative

[4] Common Framework for debt treatment beyond the DSSI.

[5] Italian G20 Presidency Third Finance Ministers and Central Bank Governors meeting Communiqué.

[6] List of LIC DSAs for PRGT-Eligible Countries

[7] To ensure the data are properly cleaned, the OECD Secretariat adjusted the amount issued based on the bond re-openings, as well as accounting for duplicate listing of bonds issued under both Regulation S and Rule 144A to excluding privately placed bonds.

[8] World Bank, Heavily Indebted Poor Countries (HIPC) Initiative

[9] Privately held debt can be categorised as related to commercial bank loans from private banks but also from other private financial institutions as well as bonds that are privately placed. The non-guaranteed debt is an external obligation that is not guaranteed for repayment by a public entity.

[10] While bonds are generally issued in a rather large offering with a longer maturity, notes tend to be issued with shorter maturities (generally under three years).

[11] China-Africa Research Initiative

[12] Euro-Mediterranean Economists Association, Debt Transparency Platform

[13] Several initiatives, for example, have sought to identify and assess Chinese lending to African countries, while some others have sought to make transparent debt securities holdings by global asset managers.