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Radical [Debt] Transparency

WORLD BANK GROUP

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Contents

Boxes

Figures

Tables

Foreword

Debt transparency is essential to safeguarding and monitoring debt sustainability. Yet too often, the world learns of unsustainable debt only when it's too late. In recent years, several countries gained full market access—only to see their economies unravel as hidden debts surfaced. Without decisive action, future debt crises will continue to occur not only due to economic factors, but also because of undisclosed or poorly understood debts. This raises a pressing question: What more must be done—by borrowers, creditors, and the global financial community—to close transparency gaps and prevent such crises from reoccurring?

This report calls for *radical debt transparency*, to shift from current—often opaque—practices toward full and timely disclosure. Since the World Bank's first comprehensive assessment of debt transparency in developing countries in 2021, more countries now report debt data, but there are persistent challenges. Too often, reporting is limited, inconsistent, and delayed. The risks are most acute for public sector debt contracted outside central government, and through non-traditional instruments and contingent liabilities. As sovereign borrowers contend with higher interest costs, tighter refinancing conditions, and limited market access, many are increasingly turning to off-budget financing and opaque, unconventional external financing arrangements—such as private placements, central bank swaps, and collateralized loans. In parallel, domestic debt is increasing, but disclosure standards remain inadequate, and market-based issuance mechanisms are often underutilized. As a result, debt risks are often hidden, true liabilities obscured, and sustainability undermined. Further complicating the picture, partial and confidential debt restructurings with select creditors have become more frequent—depriving markets of vital information and delaying comprehensive solutions.

What is needed now is bold, coordinated international action to encourage all actors—borrowers, official and private creditors, and international institutions—to drive decisive progress on debt transparency. This will require greater participation in transparency initiatives from both debtor and creditor countries, and stronger global platforms and frameworks to support them.

This report calls for key actions to advance debt transparency: full disclosure of lending terms, stronger national oversight of all debt—particularly collateralized and non-market-based instruments; and improved tools for International Financial Institutions to report more granular debt data and detect misreporting. It also urges all creditors to open their loan and guarantee books, engage in joint data reconciliation processes, and publish debt restructuring terms once agreements are reached.

Technology can be a game-changer in advancing debt transparency. For example, a joint borrower-creditor platform for automatic loan data reconciliation can improve harmonization of debt recording practices, support comprehensive and real-time data reporting, and help countries manage debt more effectively. Finally, strengthening national capacity is critical, so that authorities can fully grasp the legal and financial implications of complex debt instruments, instead of having to rely increasingly on the guidance of creditors or financial advisors.

Ultimately, debt transparency is not just about better data disclosure. It is about trust. It gives investors the confidence to commit capital, deters corruption, and strengthens public accountability. It is essential for unlocking investment, driving growth, and creating jobs. Raising the bar for transparency and trust is not optional—it is imperative.

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To find out more on the World Bank's data, tools and research related to debt visit: **https://www.worldbank.org/en/topic/debt**

Executive Summary

Debt transparency is at the center of maintaining and monitoring debt sustainability. We have seen several borrowing countries gain full access to markets and be deemed creditworthy, only for hidden debts to come to light later and trigger economic collapse. All the analyses performed to identify whether a country's debt is sustainable depend on full reporting of debt transactions and contracts. Many sovereign borrowers face higher interest costs, large refinancing needs, and more constrained access to markets. To alleviate these pressures, some countries are turning to off-budget financing and to more unconventional and often less transparent financing instruments—such as private placements, central bank swaps, collateralized loans, and overcollateralized repurchase agreements. The legal and implementation complexities of such instruments, especially in lower-income countries with limited institutional capacity, can result in situations where even governments themselves are unaware of the extent of their obligations, severely undermining their ability to finance development and increasing debt sustainability risks.

Transparency is everyone's responsibility in the sovereign debt space, and everyone benefits from it. Notable progress has been made since the World Bank's 2021 comprehensive assessment of public debt transparency.[1] Many more borrowing countries' debt management offices have published debt data with improved timeliness and coverage. Multilateral mechanisms such as the World Bank's Sustainable Development Finance Policy (SDFP) have provided incentives for better disclosure, while countries also received targeted technical assistance from the World Bank, IMF, and others to strengthen debt recording and reporting practices. On the creditor side, G7 countries are increasingly disclosing their lending portfolios, including through the recent G7 debt reconciliation process with the World Bank. This effort should move forward to include all G20 countries. A good example is Indonesia, which just undertook a debt reconciliation process with the World Bank. Efforts are also underway to expand the World Bank's Debtor Reporting System to include more complex instruments and enhance data quality. Meanwhile, think tanks and academic institutions have compiled databases of lending terms and loan contracts.

Transparency in debt restructuring is also critical. The Global Sovereign Debt Roundtable (GSDR), the G20, and the Paris Club have helped promote more transparent debt treatment processes under the G20 Common Framework through the publishing of factsheets and regular progress updates.[2] However, outside of the formalized Common Framework process, some countries, whose debts have

1. World Bank (2021), hereinafter referred to as the "2021 report".
2. GSDR Co-Chairs Progress Reports, Compendium of Common Understanding on Technical Issues, Restructuring Playbook; G20 Note on Lessons Learned; and Paris Club Restructuring Factsheets for Common Framework cases.

become unsustainable, are increasingly turning to partial, often “silent” bilateral restructurings with select creditors. As these debt agreements are sealed behind closed doors, with often limited or no disclosures from the parties involved, markets are deprived of critical information needed to assess solvency and accurately price risk. While such individual deals may provide short-term relief, their fragmented and liquidity-focused nature can delay broader debt resolution and, over time, heighten the severity and complexity of future restructurings.

Key Findings

Debt reporting by low-income countries has improved but remains partial. The World Bank’s 2021 debt transparency report noted that 40 percent of low-income countries had not published any debt data over the previous two years. Today, that number stands at less than 25 percent, and comprises mostly fragile and conflict-afflicted states. However, major gaps persist for countries that do report debt. Only one in four countries report loan-level information on newly contracted debt. Comprehensive sectoral coverage remains rare, and subnational borrowing, contingent liabilities, and state-owned enterprise debt are often excluded from official tabulations. As instruments grow more complex and liabilities shift beyond the central government, failure to expand debt coverage across the public sector will raise the risks of “hidden debts.”

Some governments lack the full visibility of their obligations due to capacity and disclosure constraints. Since 2021, more low-income countries have turned to unconventional, opaque debt instruments—including private placements, central bank swaps, collateralized loans, and overcollateralized repurchase agreements (repos)—that may fall outside the scope of standard disclosure frameworks. These instruments introduce nonstandard legal terms, restrict refinancing flexibility, and may subordinate other creditors.

Legal frameworks and institutional settings in many countries are not conducive to debt transparency. Most countries lack strong legislative and regulatory provisions requiring comprehensive reporting, regular audits, or oversight from parliaments and supreme audit institutions of sovereign debt. Public debt management legal frameworks often omit key transparency features, such as the requirement to publish borrowing terms, disclose collateral, or define the scope of public sector borrowing in line with international standards. Moreover, many debt management offices are fragmented, have limited mandate, and struggle to select and retain qualified staff, leading to gaps in institutional knowledge and memory. These issues came into sharp focus in Senegal, where inadequate frameworks and weak oversight over the past few years have resulted in one of the largest debt misreporting cases, now being addressed by the authorities.

Some debt restructurings remain opaque and ad hoc. In the past years, several restructurings have occurred without coordinated creditor committees. These have yielded little transparency regarding terms agreed or how creditor selection and contributions were determined. This trend deprives markets and citizens of critical information needed to assess solvency, accurately price risk, and hold stakeholders accountable. Even in comprehensive debt restructuring cases, such as those under the G20 Common Framework, there is scope to further improve transparency and information disclosures—an agenda that is now being actively tackled by the GSDR, Paris Club, and G20.

New efforts in debt reporting through International Financial Institutions (IFIs) and by creditors have yielded significant results but more needs to be done to close the transparency gap. Since 2018, the World Bank's International Debt Statistics (IDS) reporting has captured an additional US$631 billion in loan commitments that have not been reported before—nearly equally split between official and private creditors. Indirect reporting, mediated by external agents like IFIs or rating agencies, often helps expand debt reporting coverage beyond what is officially published by the authorities, but different standards and classifications mean that statistics are not directly comparable.

Creditor reporting remains limited and inconsistent. While G7 countries have made notable progress in publishing loan-level data, several large non-G7 bilateral creditors still refrain from publishing their sovereign lending data. Efforts to improve private creditor disclosure have seen negligible results, with only 15 loans from two commercial banks posted to the OECD's transparency platform before the initiative was suspended. However, recent borrower-creditor reconciliation efforts, such as those initiated by G7 and the Paris Club countries, show promise in enhancing debt data accuracy. Expanding these efforts to all G20 countries is essential and will benefit all parties involved. Despite being time-consuming, reconciliation helps improve data quality and hence reduces debt risks. Automation of these processes would significantly reduce transaction costs and improve efficiency.

Key Policy Recommendations

Given its importance to the international debt architecture, we need a radical shift toward debt transparency. Recent cases of unreported debt have underscored the difficulties in extending debt statistics coverage and ensuring that timely and accurate information is widely available. These setbacks call for a renewed push for radical debt transparency, particularly provision of accurate, comprehensive, and timely debt data by governments and adherence to transparent financing practices by creditors. Yet, further progress will depend on increased participation in transparency efforts by both debtors and creditors and improved international platforms and mechanisms. In addition, creditor scrutiny must be strengthened, and safeguards should be built into contracts, the global debt framework, and national systems. Overall, the standard for debt transparency must be significantly elevated.

Below is a select set of high-priority reforms that should be implemented to elevate transparency standards. The full set of policy recommendations—including medium-term actions for borrowers, creditors, and international financial institutions—is presented in Chapter 3 of this report.

Stakeholder	Recommendations
Borrowers[3]	**Adopt legislative and regulatory reforms to help ensure transparency in loan contracts.** This should include (i) mandating the public disclosure of transaction-level public debt information, (ii) limiting and defining the scope of confidentiality clauses and refraining from those that require secrecy, (iii) committing to comprehensive indirect reporting and (iv) consenting to creditors' disclosure of lending terms. IFIs can help in good practice drafting legal and administrative provisions within a country context.
	Consent to the publication of loan-level data through the World Bank's Debtor Reporting System. This would be a voluntary initiative by willing borrower countries to showcase their commitment to transparency.
	Strengthen debt authorization procedures to ensure the oversight of new borrowing or guarantee operation of the public sector by the debt management office. Introduce enhanced authorization and scrutiny for unconventional debt instruments (e.g., collateralized debt), including involving parliament.
	Expand the coverage and improve timeliness of public debt reports in the categories identified in the World Bank's reporting heatmap (i.e., sectoral and instrument coverage; timeliness; loan-by-loan information on new debt; and disclosure of collateral, if any). Ensuring full coverage of Public and Publicly Guaranteed (PPG) debt, including debts of State-Owned Enterprises (SOE) should be a priority.
Creditors	**Reconcile loan data with the World Bank's Debtor Reporting System.** The G7 and Paris Club debt reconciliation process was a good start, and its scope should be further extended to other creditors.
	Include debt transparency requirements in bilateral debt restructuring agreements. These may mimic the provisions recently applied in bond contracts (e.g., Ghana, Sri Lanka).
	Publish restructuring terms once the agreement is reached and obtain consent from the creditor committee for publication of non-market sensitive information (e.g., key dates, comparability of treatment indicators).
Development Partners/ IFIs	**Support debt portfolio analysis and promote third-party financial audits** of loans identified as high risk, including large resource-back loans. Prioritize countries at high risk of debt distress with debt transparency shortcomings as identified by the WB Debt Transparency Heatmap.
	Develop a methodology for periodical reconciliation of fiscal/budget data (from IFMIS), debt service (DMS), and external account statistics. This methodology could be implemented in partnership with national supreme audit bodies.

3. Although the report focuses on developing countries, some of its key findings and recommendations can be applied to all sovereign borrowers. It also draws on examples from countries outside the specific country group to illustrate practices and lessons that may inform reforms. The focus on developing countries reflects their relatively greater debt-related challenges, including (i) more limited availability of debt data beyond direct central government debt, (ii) higher share of non-marketable debt in their portfolios, (iii) weaker capacity and institutions, and (iv) higher political instability that creates additional opportunities for opaque borrowing.

Stakeholder	Recommendations
	Scale up technical assistance to make (i) operational, (ii) institutional and (iii) legal debt management frameworks conducive to debt transparency.
	Accelerate development of a platform for official loans repository and automated reconciliation of borrower and creditor records. This innovative system—based on the World Bank's ongoing project in Indonesia—will ensure that each transaction (e.g., disbursement, payment, write-off, etc.) is fully reconciled, thus harmonizing debt recording practices and enabling real-time, high-quality debt statistics.
	Develop a new tool to assess key transparency dimensions of the national legal frameworks on an annual basis. For each country, the tool would identify: (i) the definition of debt used in statistics, (ii) the authorities authorized to borrow, issue guarantees, and undertake on-lending operations, (iii) the reporting requirements, (iv) the role of central government in SOEs' borrowing, etc.

Introduction

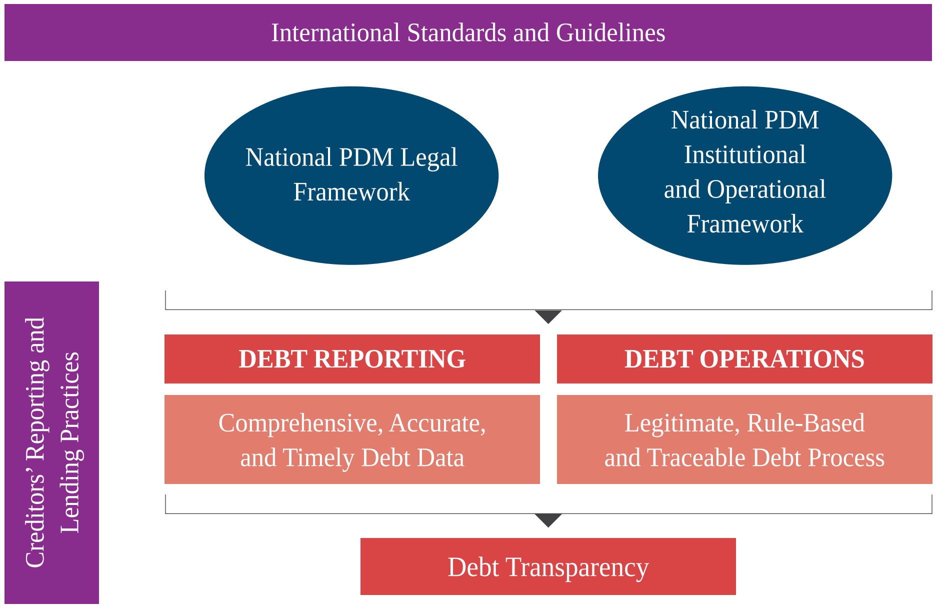
Tightening liquidity and rising interest rates have significantly increased the risk of debt distress in developing economies. Roughly 60 percent of low-income countries are now at high risk of or already in debt distress, with many facing constrained market access, large debt amortizations, and growing rollover risks.[4] These pressures are unfolding against a backdrop of continued fragmentation in the debt landscape and declining international development assistance. As access to traditional financing narrows, countries are increasingly turning to unconventional instruments that are more opaque and harder to monitor.

This evolving environment underscores the macro-critical importance of debt transparency. Without full visibility of public sector debt obligations, countries cannot credibly assess or communicate their debt sustainability, nor can markets accurately price risk. Hidden or misreported debt has repeatedly triggered confidence shocks and economic crises—revealing that transparency failures can carry severe development costs. Moreover, in many countries, weaknesses in institutional frameworks, fragmented legal mandates, and gaps in technical capacity continue to hinder effective debt reporting, recording, and disclosure.

A comprehensive approach to debt transparency requires both high-quality debt reporting and sound borrowing practices—principles embedded in the World Bank's framework (Figure 1). First, debt reports should be built on comprehensive, timely, and consistent debt data at public sector level. To enable cross-country comparability and support robust debt analysis, public sector debt statistics must be compiled and reported in line with internationally accepted statistical standards and definitions. Second, transparency in borrowing practices is needed to ensure that debt is contracted in line with their domestic legal framework, shielded from undue political interference, and grounded in sound financial and legal analysis of different borrowing alternatives.

4. In this report, "developing countries" are broadly defined as countries eligible for support from the International Development Association (IDA): http://ida.worldbank.org/about/borrowing-countries.

Figure 1.
The World Bank's Debt Transparency Framework



Source: World Bank, Debt Transparency in Developing Economies (2021).

Building on this framework, the report examines the state of debt transparency in developing economies. It looks at the progress made, ongoing challenges, and identifies targeted reforms to strengthen transparency in public debt.

- Chapter 1 provides an update of the debt reporting ecosystem, focusing on the borrowers' direct (1.1) and indirect (1.2) reporting practices, the creditors' reporting (1.3), and their interactions (1.4).

- Chapter 2 focuses on specific debt operations and instruments that may give rise to transparency concerns, notably collateralized debt (2.1), private placements (2.2), domestic debt (2.3), debt restructuring (2.4), and novel financial instruments (2.5).

The report concludes with practical recommendations for strengthening debt transparency. While primarily targeted at developing countries, many of the proposed measures—such as legislative reforms, reconciliation protocols, and enhanced reporting standards—are relevant across the broader group of emerging market borrowers.

01

Transparency in Debt Reporting

Transparency in debt reporting is grounded in the borrower's primary responsibility to publish accurate, comprehensive, and timely debt data—supported by creditor cooperation to ensure completeness and consistency. Public debt represents the largest financial portfolio in most developing countries, and it is primarily the responsibility of governments to regularly provide current data to their citizens, creditors, and policymakers. Failure to fully disclose this information can have significant financial repercussions and erode trust. Creditors also have a significant role to play by promoting transparent financing practices and providing detailed information about their lending portfolio, thus filling possible gaps in borrower's statistics.

In this chapter, we discuss recent developments in debt data disclosure. The first two sections analyze borrowers' debt data disclosure practices, using the definitions of direct/indirect reporting introduced in the 2021 report. The third section explores creditors' reporting. The fourth section focuses on current efforts in ensuring reconciliation of creditors' and borrowers' debt data and the role that the international community, including the World Bank, can play in this effort.

1.1 BORROWERS' DIRECT REPORTING

To track the level of debt data disclosure in developing economies and benchmark it with best practices, the World Bank has developed a Debt Reporting Heatmap, which has been published annually since 2020.[5] The assessment—based on the information available on national authorities' websites—covers three main areas: (i) dissemination of core public debt statistics; (ii) publication of debt management reports; and (iii) identification and quantification of contingent liabilities. Each indicator is evaluated using a scale divided into four categories that ranks reporting standards from red (low) to green (highest) according to the pre-established criteria. (Rivetti, 2021).

The analysis of five years of heatmaps reveals the following key findings:

- **The availability of public debt data in developing countries' official sources has improved over the years.** Of the 76 economies covered,[6] the share of countries that do not publish any reports—covering at minimum the previous' year outstanding debt stock—fell from over 40 percent in 2020 to less than 25 percent, and now mostly includes fragile and conflict-afflicted countries or countries with severe capacity constraints. In these contexts, progress will require stronger creditor engagement in data provision—ideally through automated processes—and targeted technical assistance.

- **The coverage of debt data has improved in recent years, though progress has stalled in several critical areas, particularly in expanding sectoral coverage and capturing contingent liabilities.** In over 80 percent of countries publishing debt reports, instrument coverage now includes external debt, domestic debt, and guaranteed debt. However, progress on expanding the sectoral coverage beyond central government-level—to include subnational and/or SOEs' debt—has been slower (Figure 2). Reporting on contingent liabilities remains extremely limited, with only nine countries publishing comprehensive fiscal risk statements by the end

5. https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report.
6. 74 developing countries have been regularly assessed since 2020 (Moldova and Mongolia assessed only in 2020, as they graduated to IBRD; Sri Lanka was included as of 2023). 33 of these are categorized as Fragile and Conflict Affected states (World Bank(b), 2024).

of 2024. In many developing countries, central bank liabilities are excluded from standard debt statistics and are reported only in balance sheets. However, some of these liabilities—such as foreign exchange swap lines—may serve funding purposes and are therefore increasingly captured through indirect reporting mechanisms, including the World Bank's Debtor Reporting System (DRS) and the Low-Income Country Debt Sustainability Analysis (LIC-DSA).

Figure 2.
Coverage of Public Debt Statistics in Developing Countries (2020-2024), percentage of total countries

Figure 2a: Instrument Coverage Trends Across Years

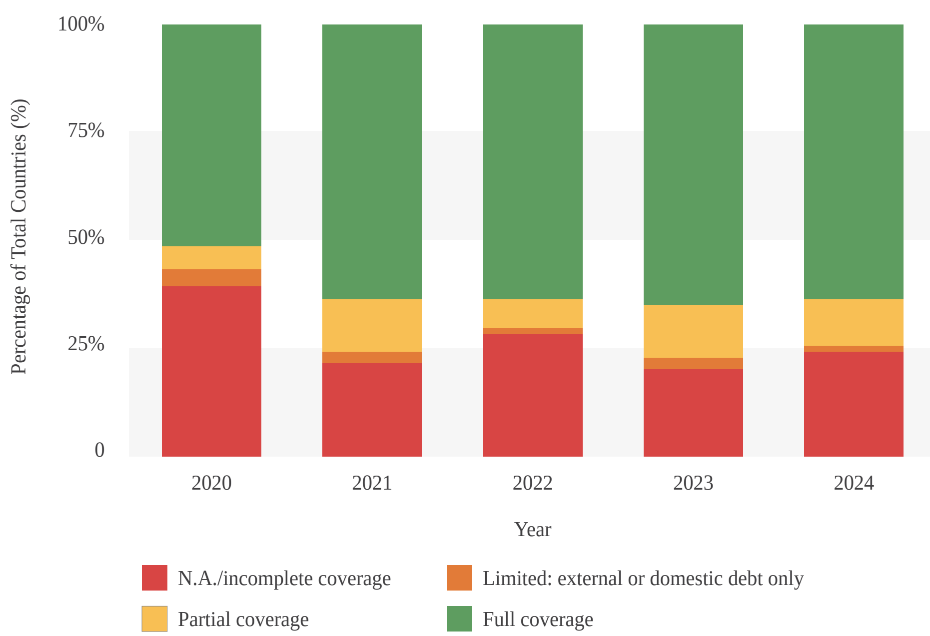
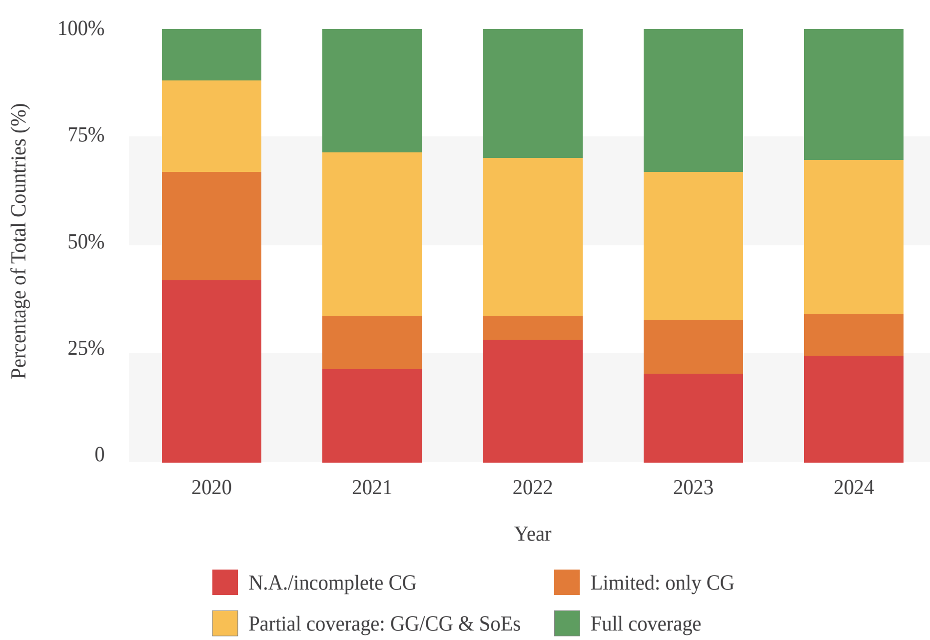


Figure 2b: Sectoral Coverage Trends Across Years



Source: WB's heatmap.

- **Developing countries have made good progress in improving the timeliness of debt data publication.** In 2024, almost three-fourths of countries with available debt statistics published them at least annually, and one-third reported data no older than three-months.

- **While Medium-term Debt Strategies (MTDS) are consistently published by half of developing economies, comprehensive Annual Borrowing Plans (ABP) are not commonly published.** These two debt management documents aim to guide future borrowing and provide key references for investors and stakeholders. In 2024, 58 percent of the assessed countries (43 countries) published some form of MTDS document, an increase from 46 percent in 2020. However, only 15 countries have translated the MTDS into full ABPs. As in the case of debt statistics, the challenges disproportionately affect fragile and conflict-affected countries (Figure 3).

- **Granular loan-by-loan information on new external debt is scarce.** Less than 25 percent of countries provide loan-by-loan information on newly signed debt—including the name of the lender, the principal amount, and the financial terms of new external borrowings. This ratio has been stable over the past five years (Figure 4).

Figure 3.
Public Debt Management Documents in Fragile/ Non-Fragile Countries (2020-2024), percentage of total in each category

Figure 3a: Medium-Term Debt Strategy Published

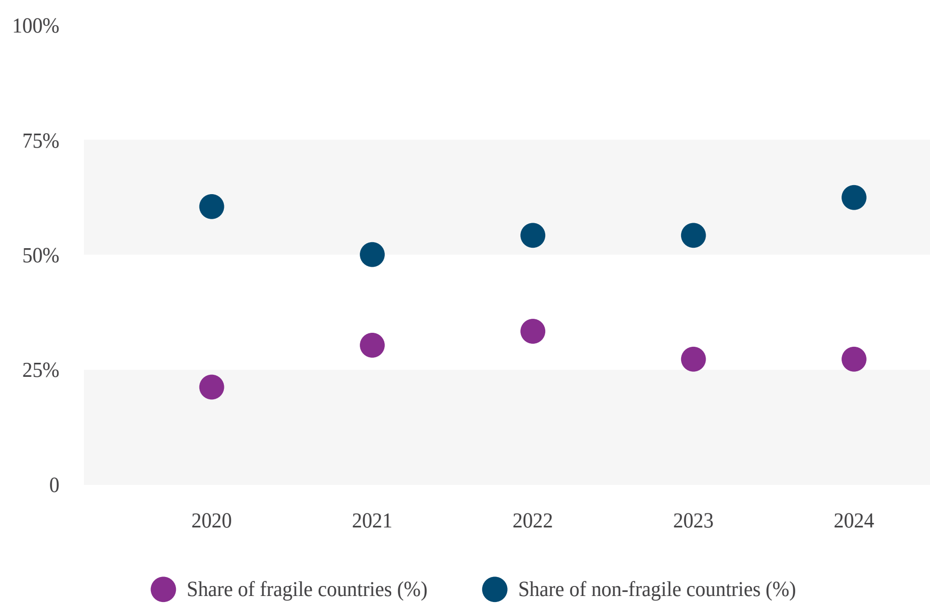
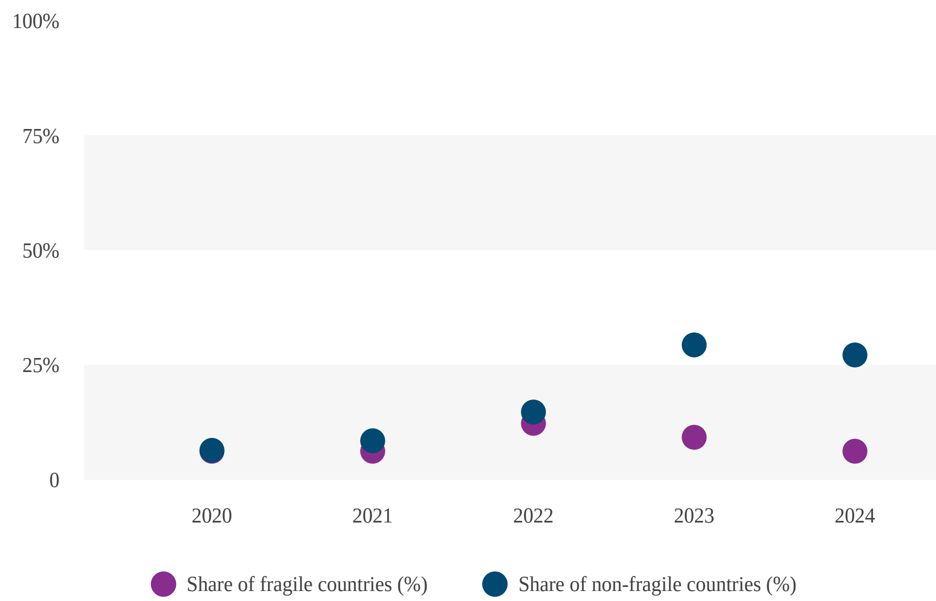
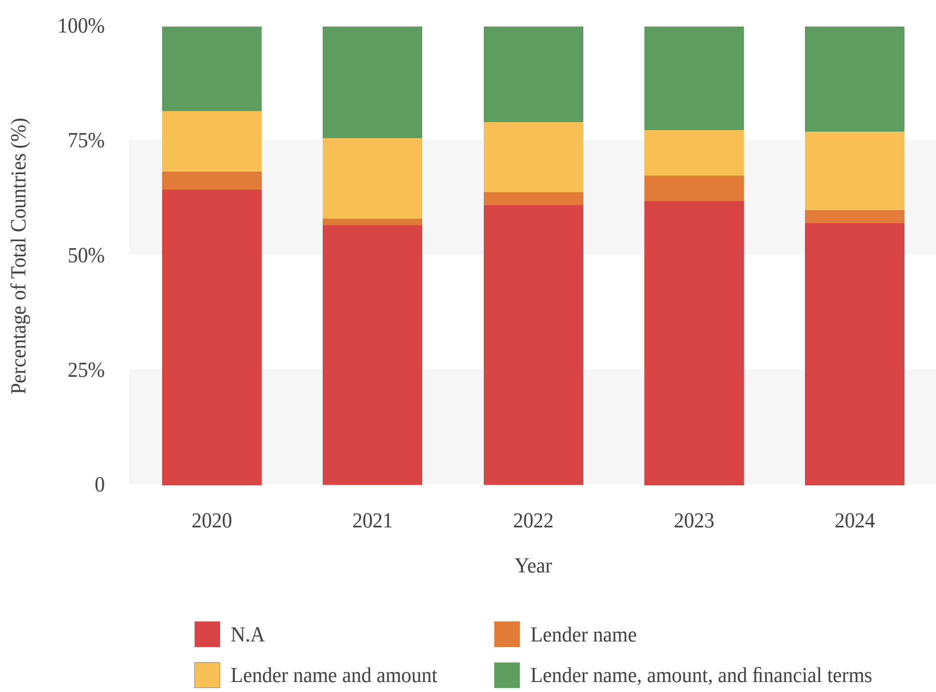


Figure 3b: Annual Borrowing Plan Published



Source: WB's heatmap.

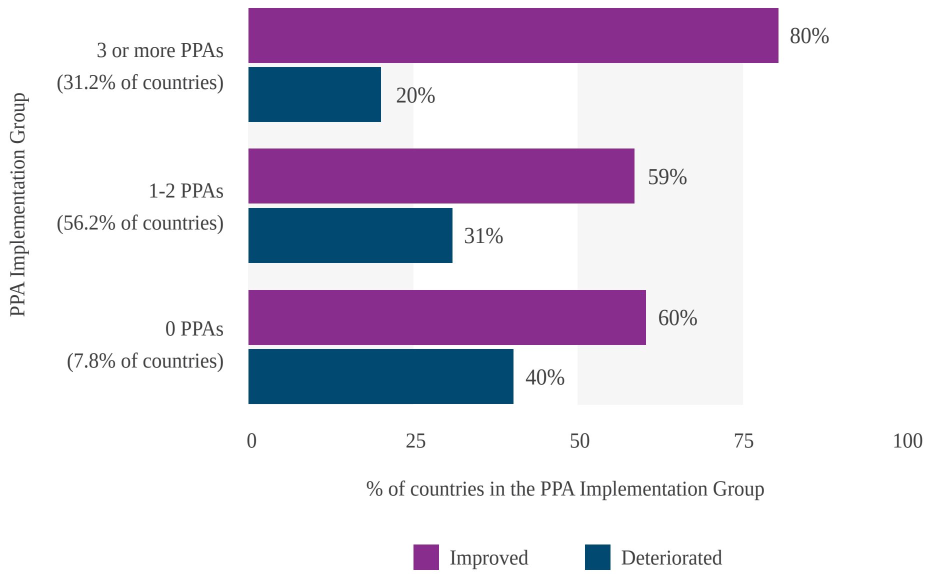
**Figure 4.
Loan-by-Loan Information
(2020-2024), in percentage**



Source: WB's heatmap.

Conditionality and financial incentives have proven effective in advancing debt transparency, but sustaining these improvements is challenging. To encourage countries towards transparent and sustainable financing, the World Bank's Sustainable Development Finance Policy (SDFP)—effective since 2020—makes debt transparency a central focus of the Performance and Policy Actions (PPAs) accompanying World Bank programming. Figure 5 shows that consistent implementation of PPAs leads to a significant uptick in their average heatmap scores across the various debt transparency measures. The greater the number of PPAs, the more substantial improvements in debt transparency, as reflected in the average heatmap scores. The IMF has also increasingly emphasized debt transparency in the design of its programs. However, many countries have ultimately regressed in their performance, especially once the conditionalities or incentives ended (Figure 5).

Figure 5.
Share of Countries Improving and Backsliding on Heatmap by Number of Debt Transparency PPAs Implemented (2020-2024)



Source: WB's heatmap and WB's SDFP database.
Notes: a) A country with an improvement indicates that their average Heatmap scores have improved in 2024 as compared to 2020, vice-versa for deterioration. b) Group labels show % of countries in each PPA Group as a share of the total sample.

Debt transparency requires that borrowers address the root causes of weak reporting. Borrowers may have incentives to keep the existence, or terms, of some transactions secret. For instance, they may want to circumvent fiscal or debt rules, avoid public scrutiny or engage in corruption for personal gains. However, alongside any such malign motives, the lack of transparency is typically driven by failures in the following areas: (1) debt management institutional framework, 2) debt management legal frameworks, 3) domestic oversight, 4) debt recording systems, and 5) debt management office (DMO) capacity. Many developing countries exhibit shortcomings across these dimensions, which hinder accurate debt recording and disclosure, fueling the risk of hidden liabilities and undermining fiscal accountability (see Box 2).

1. Debt Management Institutional Framework[7]

The fragmentation of debt management functions, coupled with poor data-sharing mechanisms and regular circumvention of existing procedures, are primary drivers of debt sub-reporting or misreporting. Lack of solid communication between DMOs—responsible for debt recording and reporting—and line ministries tracking project disbursements regularly result in delayed or incorrect reporting of project-related debt.

2. Debt Management Legal Framework[8]

Strong debt transparency is grounded in a solid public debt management legal framework.[9] A robust framework promotes debt transparency when it: (i) clearly specifies the authority to borrow and the debt authorization cycle; (ii) clarifies the institutional arrangements of debt management; (iii) discloses national debt policies; (iv) includes a definition of public debt and reporting requirements in line with international standards; (v) introduces audit requirements; (vi) identifies consequences of non-compliant debt; (vii) is publicly accessible; and (viii) extends in scope to the entire public sector. A clear legal mandate for the DMO to oversee, collect, and publish data on all public debt beyond central government (e.g., including SOEs' or local authorities' borrowing) is essential to ensure accountability and transparency.

Weak legal underpinnings remain a core obstacle to debt transparency in many developing countries. A 2022 survey by the World Bank among 39 developing countries shows that only about two-thirds of countries legally define public debt, and fewer than half provide for sanctions or legal voiding of non-compliant debt—gaps that facilitate off-balance-sheet borrowing and opacity in loan contracts. The 2024 IMF *Legal Foundations of Public Debt Transparency* paper similarly highlights that vague borrowing authorities, poorly defined reporting obligations, and overly broad confidentiality clauses contribute significantly to debt misreporting and hidden liabilities. To address these weaknesses, adopting targeted legislative and regulatory reforms—such as mandating public disclosure of transaction-level debt, clearly limiting confidentiality clauses, requiring comprehensive indirect reporting, and enabling creditor disclosure—will be essential. IFIs can help countries tailor these provisions to national legal contexts and international good practice.

3. Domestic Oversight

Strong oversight by Parliament and Supreme Audit Institutions reinforces debt transparency. Parliaments' constitutional role in establishing legal and regulatory frameworks, authorizing the budget, and holding governments to account mean they are central actors in efforts to enhance debt accountability (See Box 1 on good practice on Parliament's role). However, stronger legal frameworks alone do not fully mitigate the risks of hidden debt—laws must also be properly implemented and enforced.

7. "The most effective organizational structure is a single DM entity (DMO) responsible for all central government borrowing (…) If the government has multiple DM entities, however, they need to share information regularly and coordinate their DM activities through formal channels." (Source: Debt Management Performance Assessment Methodology, 2021).
8. The debt management legal framework is the broad legislative architecture – comprising both primary and secondary legislation - within which public debt is contracted and managed.
9. See Vasquez et al. (2024)

Audit bodies should periodically examine debt transactions and reports to evaluate the accuracy of the government's financial statements. Enhanced authorization and scrutiny of unconventional debt instruments (e.g., collateralized debt), with Parliamentary involvement, can help curb opaque practices.

Box 1.
The Role of Parliaments in Public Debt Oversight

Parliaments are increasingly interested in integrating debt management considerations into the scope of issues they examine when performing their functions. The complexity of borrowing and debt policy issues has, to date, hindered many parliaments' efforts to properly scrutinize debt management, either as part of an integrated approach to public finance oversight or as a standalone oversight activity. While there is an abundance of good practice on the role of governments in debt management, there is comparatively little guidance on the role of parliaments.

Examples of strong roles of parliament in debt management include Kenya and Uganda, where parliament, supported by the Parliamentary Budget Office, vet draft public debt management strategies and follow up on implementation through regular reports prepared by the debt management office.

Additionally, in many countries, they have long had the role of ratifying external loan agreements (which often have status as international treaties). In Ghana, parliament approves standard terms and conditions for all loans and government guarantees, as well as approves by resolution any external borrowings.[10] The Minister of Finance, via the DMO, also submits the Annual Debt Report to Parliament for review and publication. External loan contracts are published on the parliament's website.[11] These provisions contribute to strong transparency and accountability, ensuring that ratified debt agreements—including restructuring terms—are disseminated to the public as part of routine fiscal reporting. However, requiring parliamentary approval for each individual loan can introduce delays in loan effectiveness—highlighting a trade-off between transparency and operational efficiency, which can be solved through a qualified authorization processes (e.g., approval required for instruments not included in the approved annual borrowing plan or exceeding a certain amount).

4. Debt Recording Systems

Since the 1980s', the United Nations Conference on Trade and Development (UNCTAD) and the Commonwealth Secretariat (COMSEC) have fostered the use of their respective standardized debt software among developing countries. Over 100countries currently use one of the two systems (DMFAS or CS-DMRS/Meridian). A key challenge has been the integration of these systems with the broader Public Financial Management IT network.[12] As the complexity of their debt portfolios increased, some countries have opted to follow the example of more advanced debt management offices and develop their own debt recording systems. The results have been mixed; with some countries customizing and maintaining their new system to great effect, while others face challenges on system design and implementation.

10. https://mofep.gov.gh/sites/default/files/basic-page/Borrowing-Procedures-Manual.pdf
11. https://ir.parliament.gh/
12. See IEG (2021): World Bank Support for Public Financial and Debt Management in IDA-Eligible Countries

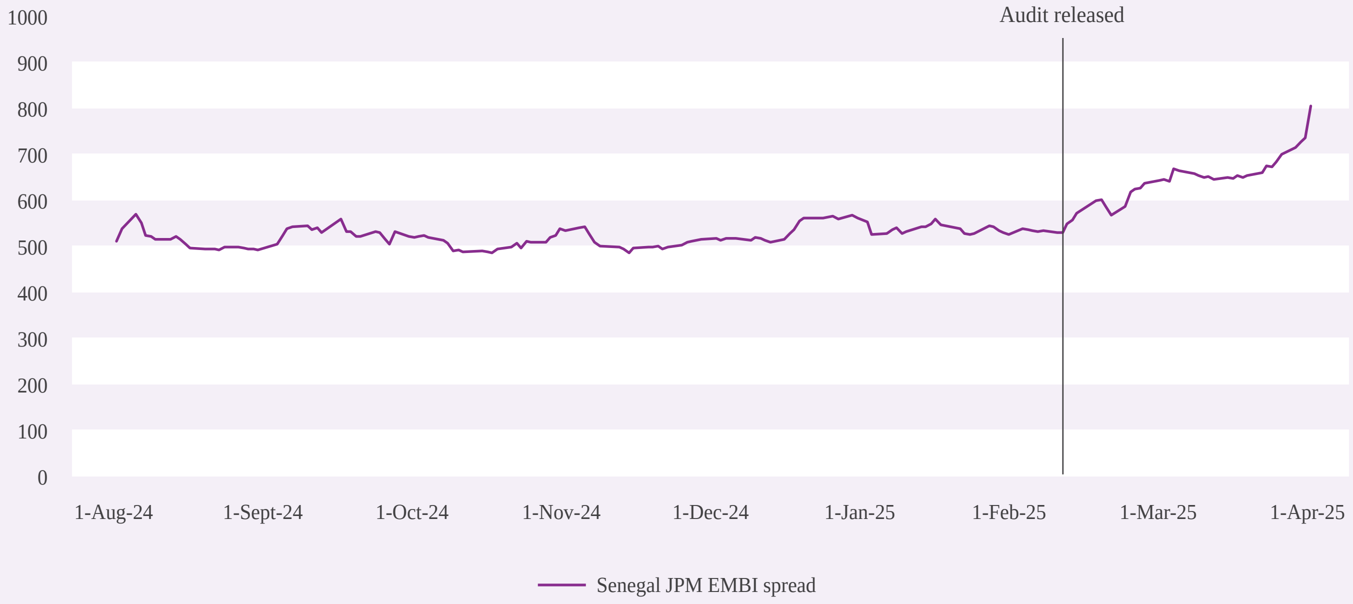
5. Debt Management Office Capacity

For the past three years, the World Bank has assessed and selected staff from local Treasuries and debt management offices for its West African debt management annual training program. The selection process revealed significant knowledge gaps. Over 30 percent of the candidates could not answer basic questions (e.g., simple/compounded interest rate, difference between bonds and bills, etc.). These findings indicate the need to scale up existing technical assistance efforts (see Box 3), enhance the selection process to ensure staff possess minimum financial literacy, and reduce staff turnover by elevating the role of the debt management office and providing incentives for its personnel.

Box 2.
Early Insights from Senegal's Debt Misreporting

A recent case of debt misreporting in Senegal - revealed by an audit commissioned by the new government - has highlighted how uncertainty around debt data can have significant financial impact.[13] As the debt data reconciliation process is ongoing, the full scale of misreporting remains unknown and the factors behind it are still being assessed. However, the country has already experienced an increase in the cost of borrowing (Figure 6).

Figure 6. Senegal Spreads Before/After Audit Report Release



Source: JP Morgan.

13. The findings of the General Inspectorate of Finance and the subsequent Court of Auditors report - published on 12 February 2025 - indicated substantial revisions of fiscal deficits and public debt for 2019-2023. As a result, the fiscal deficit and public debt during this period are now estimated to be significantly higher than previously reported.

Several weaknesses in debt management—challenges that are shared by many developing countries—may have contributed to the misreporting. Debt responsibilities are fragmented across four departments within the Ministry of Economy and the Ministry of Finance, with limited coordination and oversight. The legal framework for debt management is dispersed and unevenly enforced, with borrowing authority shared between ministries. Domestic oversight is also limited: Beyond the publication of the debt strategy and borrowing plan, formal parliamentary scrutiny could be improved. Technical limitations of the in-house debt recording system have affected the quality of debt data. Broader systemic weaknesses in PFM framework also played a role, including practices that circumvented core budget controls and oversights, facilitating unrecorded spending through off-budget mechanisms.

The new authorities are taking proactive steps to address the identified gaps. These include enhanced debt data reconciliation efforts, reforms to strengthen public financial management and debt reporting, and measures to consolidate debt management functions and reinforce domestic oversight.

Box 3.
World Bank Debt Management Technical Assistance Efforts

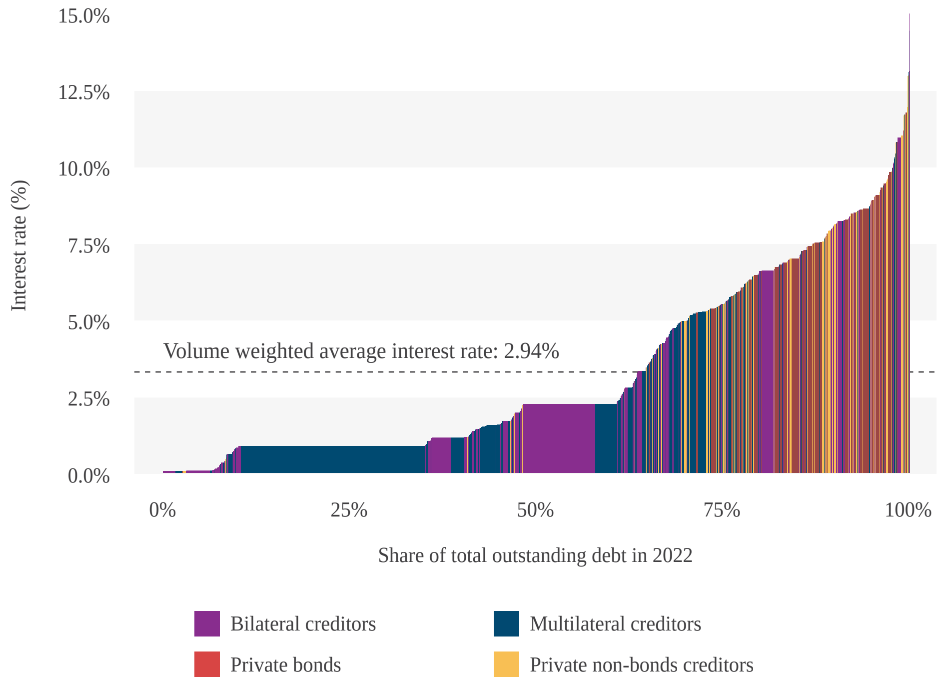
The World Bank, together with the IMF and international/regional implementing partners, is providing technical assistance to 88 developing countries[14] through the Debt Management Facility Program (DMF).[15] The DMF's technical assistance combines debt management diagnostic methodologies, development of specific management tools and trainings, through activities such as the Debt Management Performance Assessments, the Medium-Term Debt Management Strategy, and the formulation of Debt Reform Plans. Peer-to-peer learning activities—including a Debt Management Practitioner's Program, the annual DMF Stakeholders Forum and the Debt Managers' Network—also play a critical role in developing and disseminating information about sound debt management practices.

The third phase of the DMF, launched in 2019, strengthened capacity building activities to boost debt transparency. Debt reporting and monitoring technical assistance was introduced to support debt transparency initiatives. The support aims at reviewing the legal framework and institutional arrangements related to debt reporting, assessing quality of back-office functions, identifying gaps in publication of debt reports, and making recommendations aligned with sound practices. The DMF III also includes a scaling up of activities related to domestic debt market development, guarantees' management, cash management, assistance on international capital market access, and training on the LIC-DSF. Efforts are ongoing to expand the technical assistance to the interpretation of public debt legal clauses. Additionally, there is a focus on strengthening the capacity of Parliamentary Budget Offices and Supreme Audit Institutions to scrutinize government debt management strategies, policies, and operations.

14. This includes countries eligible for IDA financing in 2008, and those that later became eligible for the IMF's Poverty Reduction and Growth Trust (PRGT) and for IDA credit.
15. https://www.worldbank.org/en/topic/debt/brief/debt-management-facility
16. https://mof.gov.sl/public-debt-management/

Instrument-level disclosure and conducting regular debt portfolio reviews can support prudent borrowing decisions and incentivize greater transparency and accountability in public debt management. While governments typically report on their borrowing in aggregate, some also report more granular borrowing data (see Figure 4). For example, Pakistan, Sierra Leone[16] and Suriname[17] publish the financial terms of each loan they have borrowed since 2016-17 and 2019, respectively.[18] Several borrowers also publish debt contracts (see the Philippines[19] or the Ghana example discussed in Box 1). Such disclosures can enable third parties (including CSOs, academics, financial experts) to identify loans that may stand out from a cost-risk perspective and better monitor their use. Our review of financial terms of over 10,000 debt instruments across 53 IDA-only borrowing countries—based on their reporting to the World Bank—reveals a complex creditor landscape, which cannot be fully captured without a granular analysis at instrument level. While much of these countries' borrowing is on concessional terms, among the more expensive debt with interest rates exceeding 5 percent originate from mixed sources (Figure 7): 35 percent was lent by the official sector, 21 percent is from the non-bond private sector, and 44 percent is from bonds.

Figure 7.
Distribution of Interest Rates on Outstanding External Public Debt Across IDA-only Countries



Source: Authors, based on WB DRS data.

1.2 BORROWERS' INDIRECT REPORTING

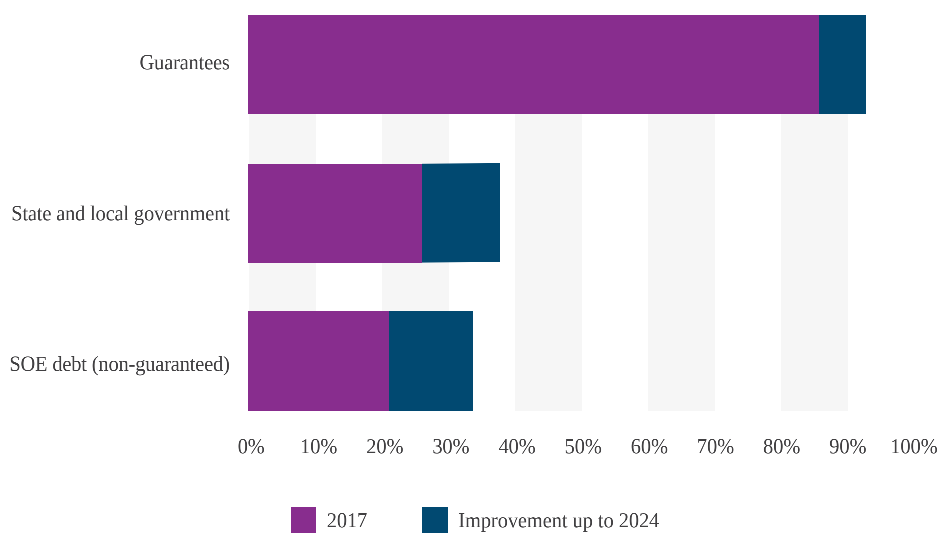
International Financial Institutions (IFIs) play an important role as collectors and custodians of key debt statistics. In order to carry out their mandates, various international organizations collect, integrate, and standardize borrowers' debt records, often filling the gaps or expanding the coverage beyond the direct reporting by borrowers. WB, BIS, IMF, OECD publish a range of debt statistics (see Annex 2 in WB, 2022 for details). Their datasets are widely used both for their ease of access, cross-country

17. https://www.sdmo.org/index.php/leenovereenkomsten
18. https://www.finance.gov.pk/survey/chapter_24/9_public%20debt.pdf
19. https://www.dof.gov.ph/resources/financing-agreements

comparability, and data quality, though they ultimately rely on borrower reporting for data coverage. Three data sources—WB/IMF LIC Debt Sustainability Assessments (DSAs), WB International Debt Statistics (IDS) and IMF GFS/PSBS—are particularly important, both as repositories of critical data and for informing multilateral policy.

Debt Sustainability Analyses for Low-Income Countries have improved debt coverage since the current framework was adopted in 2017. LIC DSAs aim to include all public and publicly guaranteed debt. In practice, the IMF and World Bank teams that carry out the assessments are sometimes unable to obtain complete and consolidated data on guaranteed debt, SOE debt, and subnational debt.[20] As mentioned in Section 1.1, this reflects fragmented debt-related functions, the lack of integrated IT systems, and the coordination challenges some LICs face in the debt management space. Some progress has been made since 2017, with the share of DSAs that cover guarantees increasing from 86 to 93 percent. The share of DSAs covering state and local government borrowing increased from 28 to 34 percent,[21] while the share of DSAs with full coverage of non-guaranteed SOEs debt increased from 21 to 34 percent (Figure 8). This share is significantly higher when considering the DSAs with partial (often nearly complete) SOE coverage and additional progress has been made since 2024. Nonetheless, further improvements are critical to ensure the quality and consistency of risk and sustainability assessments in LIC DSAs. The ongoing review of the joint Bank-Fund LIC-DSF presents an opportunity to introduce more granular tracking and stronger incentives for increasing the debt coverage applied.

**Figure 8.
Institutional Coverage of Debt Sustainability Analyses of Low-Income Countries (Percent)**



Source: IMF-WB LIC-DSA database.
Notes: Lack of coverage of elements can reflect different institutional arrangements rather than data gaps.

20. SOEs should be included by default. They can only be excluded from the coverage if the enterprise poses limited fiscal risk, i.e., it is able to borrow without a guarantee from the government, does not carry out uncompensated quasi-fiscal activities, and has an established track record of positive operating balances.
21. In many countries, subnational governments are not legally allowed to borrow or only borrow very modest sums, but the graph denotes such instances as not covered.

There have been substantial improvements in the coverage of the external debt data published by the World Bank through the International Debt Statistics (IDS). Unlike other reporting mechanisms, which are typically voluntary, loan-level PPG debt reporting to the World Bank through Debtor Reporting System is compulsory for all World Bank borrowing countries. These statistics are aggregated and published in the World Bank's IDS system. In recent years, there have been important efforts to ensure comprehensive coverage of the IDS data, often driven by the implementation of country-level concrete performance and policy actions under the World Bank's SDFP. The debt data submitted by borrower countries are validated against creditor disclosures, privately compiled market data (e.g., Bloomberg), academic data sets, and central bank balance of payments datasets. Additionally, the World Bank undertook comprehensive debt data sharing and reconciliation with G7-countries and Paris Club creditors in 2021 and 2023 (see Section 1.4). When data gaps are identified, they are brought to the attention of national debt compilers to ensure rectification of records.

The IDS system has identified US$631 billion in previously unreported loan commitments since 2018.[22] Newly identified loans were extended in almost equal parts by official creditors and private creditors. Debt revisions peaked at US$199 billion in 2022, the single largest increase in reported debt coverage in over 50 years. While revisions are often relatively modest, upward revisions exceeded 10 percent of initially reported debt stocks in 19 countries. Low-income countries and countries with weak public debt recording and reporting capacity dominate this group.[23]

Publicly available IDS debt data has seen a major expansion in scope and detail. The total number of indicators available has expanded to over 500 indicators, up from around 200 in earlier years. In 2020, the IDS database added the ability to disaggregate data by more than 300 creditors, including country-level bilateral lenders and about 100 multilateral institutions. The Debtor Reporting System (DRS) is currently being modernized and its coverage expanded to include systematic reporting of domestic debt instruments, alongside external ones, and new information on collateral arrangements and guarantee provisions, thus serving as a more comprehensive global debt repository.[24] As the updated DRS takes shape, borrower countries can further advance transparency by voluntarily consenting to the publication of loan-level data. This would demonstrate a strong commitment to transparency and highlight participating countries' leadership in advancing sound debt practices.

The IMF has introduced a framework to assess the quality of debt data. In 2024, the IMF's Statistics Department introduced a new Data Quality Assessment Framework (DQAF) for its public sector debt statistics (PSDS).[25] Country-level evaluations are now undertaken as part of a project to strengthen the quality of public sector debt data, including efforts to review countries' compilation and dissemination practices against the DQAF, and identify recommendations to improve data quality and transparency. So far, these evaluations have taken place in four countries, but only executive summaries of the reports were disclosed.

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22. This is equivalent to more than 17 percent of the total outstanding public and publicly guaranteed debt stock in 2021.
23. Horn et al. (2024)
24.. https://www.worldbank.org/en/programs/debt-statistics/drs-update
25. https://dsbb.imf.org/content/pdfs/dqrs_psds.pdf

Building on these important institutional efforts, additional high-priority efforts by the international community are urgently needed to improve transparency and strengthen the integrity of debt data. This includes supporting targeted debt portfolio analyses and promoting independent third-party financial audits of high-risk loans—such as large resource-backed transactions - especially in countries where the capacity of the state audit institutions is limited. In parallel, the development and implementation of a common methodology for reconciling fiscal data, debt service records, and external account statistics, in partnership with national supreme audit bodies, would help improve the consistency, reliability, and credibility of official debt data. Finally, there is a pressing need to scale up technical assistance to help countries strengthen their operational practices, institutional arrangements, and legal frameworks in ways that promote full debt transparency.

1.3 CREDITORS' REPORTING

Creditors can and should contribute to debt transparency in developing countries. Creditor disclosure of loan disbursements and lending policies are key to promoting transparent financing practices. Creditor data fills gaps in borrower-reported statistics, promoting accountability, transparency, and sound legal practice across the sovereign debt landscape.

The G20 Operational Guidelines for Sustainable Financing, endorsed by G20 in 2017, provide a clear and detailed reference for creditor transparency.[26] The G20 Guidelines encourage sovereign creditors to publish loan-by-loan information on new loans, including all terms on a single website with regular updates. They further suggest that sovereign creditors refrain from confidentiality clauses and use only publicly available legal documentation templates. These Guidelines were translated into a Diagnostic tool for creditor self-assessment. The second voluntary self-assessments took place in 2020-21 and was completed by 14 G20 and four non-G20 creditors. The report, summing up the findings of the exercise, highlights that "information sharing and transparency remains key area for improvement," identifying the following areas for improvement: (i) disclosure in line with strong practices on a single government website could be further improved, (ii) greater use of publicly available templates for financing agreements, and (iii) significant room to upgrade post-restructuring data reconciliation.

Official creditors can improve their reporting in a number of areas. Following on the 2017 G20 Guidelines, G7 countries further committed to publishing their creditor portfolios on a loan-by-loan basis by the end of 2021 (G7 FMCBGs, 2021). This effort has achieved mixed results with some shortfalls in the granularity and applied exceptions to these disclosures.[27] Three G7 countries are missing information on loan-level interest rates. Two creditors do not publish the full portfolio, limiting disclosure to ODA-loans or lending by select institutions. Data disclosure is typically timely, with only a quarter lag. Additionally, official creditors typically report separately on grants and trade credits.[28] The heterogenous housing of these data—across countries and templates—makes their systematic analysis very challenging. Reporting by the largest non-G7 creditor is typically limited to project descriptions and rarely involves financial

26. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/123921574699529934/g20-operational-guidelines-for-sustainable-financing-diagnostic-tool
27. *Debt-Justice UK (2021).*
28. See G20 Operational Guidelines for Sustainable Financing.
29. AidData: Tracking Underreported Financial Flows, Georgetown Law: #PublicDebtIsPublic, Kiel Institute: Africa Debt Database.

terms. In response to these shortcomings, academic institutions have paced together granular financial data (including loan contracts) to help close the gaps.[29]

Official creditors could help global coordination efforts by disclosing more detailed information on net financial flows. In light of current liquidity challenges facing many countries, there is great interest in understanding the contribution of creditors to filling the funding gaps in developing countries. While the World Bank has been providing record positive net flows in both concessional loan and grant form, other creditors have been pulling back. Yet, few provide a clear picture of their overall net contribution. The widely quoted 'net flow' numbers (from debtor-reported IDS) excludes grants and would look widely different for LICs once grants are factored in (See Figure 9). Disclosures of net financial flows would enable parties to identify early warning signs of net outflows from borrower countries, facilitating preemptive as well as corrective actions. Such a system would prove invaluable in a restructuring scenario, enabling parties to track each official creditor's contributions to alleviating liquidity challenges.

Figure 9.
Net Official Financial Flows: Loans Only vs. Loans + Grants by Income Group

Figure 9a: Low-Income Countries

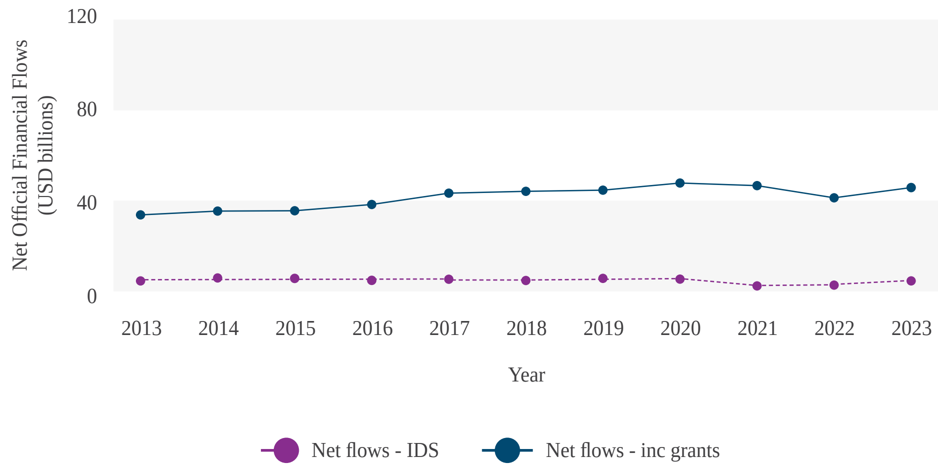
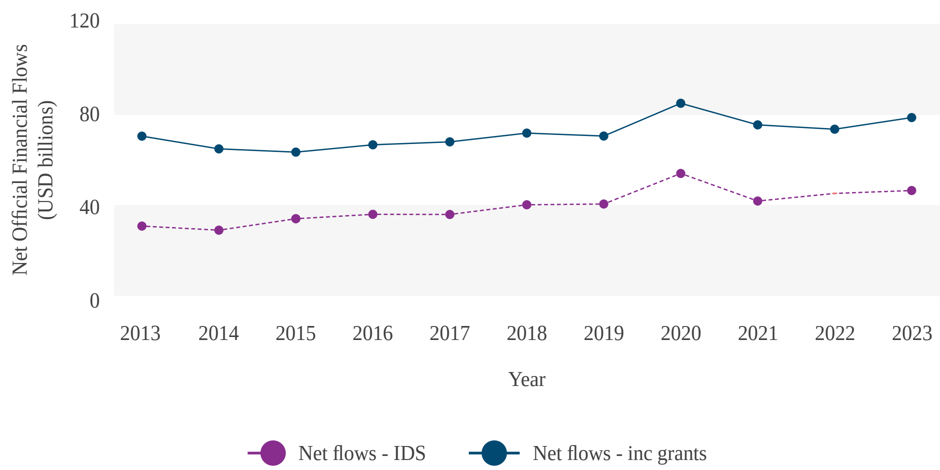
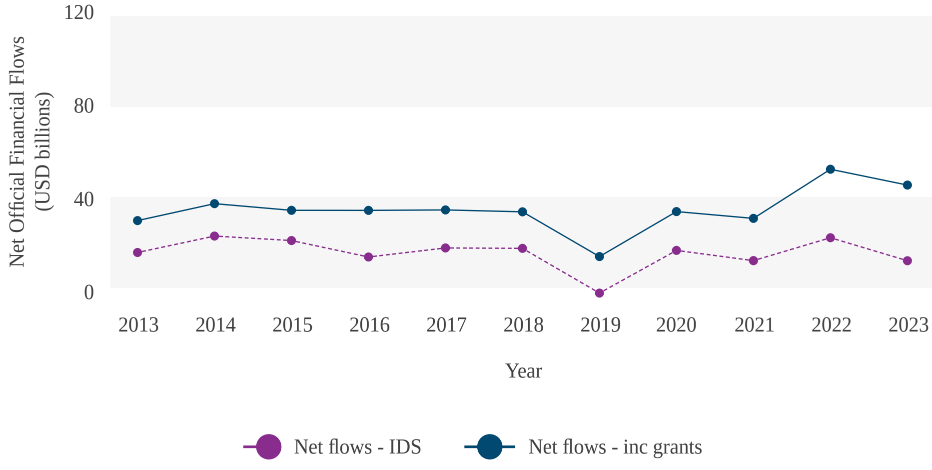


Figure 9b: Lower-Middle Income Countries



29. AidData: Tracking Underreported Financial Flows, Georgetown Law: #PublicDebtIsPublic, Kiel Institute: Africa Debt Database.

Figure 9c: Upper-Middle Income Countries



Source: Mihalyi & Rivetti (forthcoming), based on WB IDS and OECD CRS data.

Private creditor participation in debt transparency initiatives has been very limited. In 2019, the Institute of International Finance (IIF) published the Voluntary Principles for Debt Sustainability for private sector lenders, which encourage private sector lenders to disclose the amount and terms of their foreign currency lending to all public sector entities. The OECD has developed a repository to host such disclosures since 2022.[30] However, given the limited uptake (only 15 loans and 39 bonds have been disclosed, all originated by two banks) the OECD project has been closed.

Private sectors creditors often cite the same reasons why they do not disclose information voluntarily. They point to (i) the difficulty in obtaining consent from the borrowers; (ii) the cost of compliance with detailed disclosure requirements; and (iii) perceived commercial sensitivities as reasons for disclosure limitations. However, the evident willingness of two banks to publish loan-level data suggests these claims may be exaggerated.

1.4 BORROWER-CREDITOR LOAN DATA EXCHANGE AND RECONCILIATION

Debt records in developing countries rely largely on manual inputs. Data on bonds (which are dematerialized and digitalized in most markets) are increasingly automatically imported into debt management systems. However, loan agreements and related transactions have to be manually recorded by debtors into their debt management systems. Debt management office staff gather these inputs from original contracts and subsequent communications, including emails, letters, or dedicated website inputs. Similarly, creditors must also record the initial loan terms and update their own recording systems whenever a debtor has confirmed a payment of interest and/or principal.

30. https://www.oecd.org/en/publications/oecd-debt-transparency-initiative_66b1469d-en.html

Manual recording by debtors and creditors not only duplicates efforts but neglects cross-validation.[31] As a result of different debt recording procedures, definitions, or computation methods, creditors' and borrowers' data often do not match and regular exercises to reconcile them are needed for accurate and comprehensive reporting. These costly and time-consuming undertakings are typically conducted by the borrowing countries, at their own expense, through emails, letters, or missions. Comprehensive data reconciliations are essential during debt restructuring processes, and these tasks are performed by financial advisors in conjunction with the Paris Club.

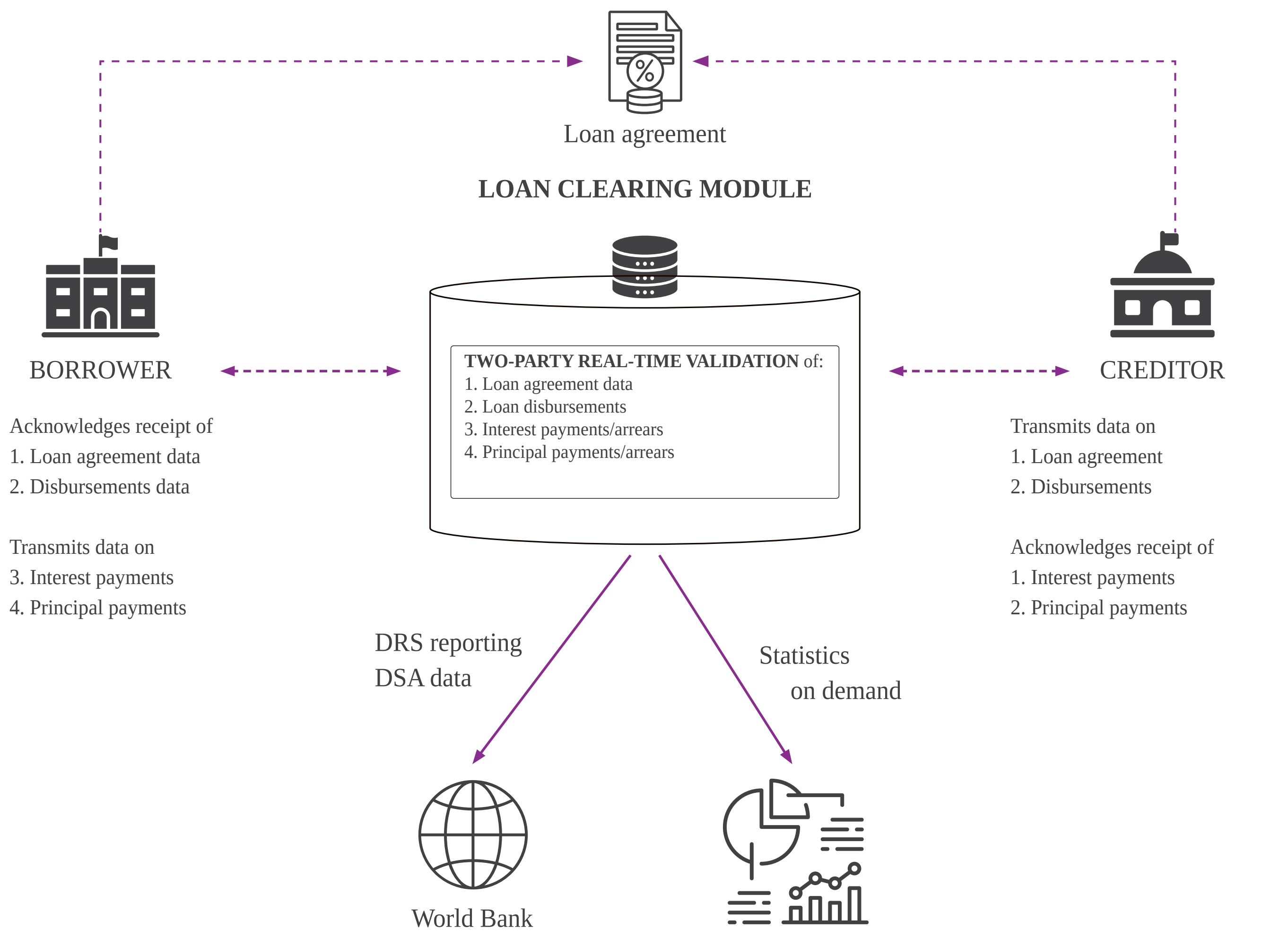
In 2021 and 2023 the World Bank launched initiatives to reconcile debtor data reported to the World Bank's Debtor Reporting System with comparable creditor data. The first exercise was initiated by Japanese authorities, who provided extensive loan-by-loan data for all their bilateral claims, engaging in open dialogue with the World Bank to fix discrepancies and anomalies. Other creditors have followed suit, with 18 countries participating in the 2021 reconciliation exercise, and 16 in the 2023 exercise.[32]

The reconciliation exercise revealed the extent of the sub-reporting and misreporting problem for the first time. The reconciliation exercise matched 3,437 (73 percent) of the 4,692 loans reported by creditors to their counterpart in the DRS database, while the remaining loans presented challenges in achieving a full match and required further analysis. On the matched loans, however, the average discrepancy is less than 1 percent of the total loan outstanding.

New standards and protocols for debt data reconciliation supported by innovative IT solutions to systematically digitalize and automatically reconcile public loan data would ensure better quality recording and save time and effort. In 2025 the World Bank launched a pilot project in Indonesia—funded by Japan—to develop a Loan Clearing Module. This module acts as a platform for information sharing between creditors' and local debt management office's debt systems (Figure 10).[33] In its first phase, this project will seek to reconcile loans issued by Indonesia's largest external lenders (JICA, the Asian Development Bank, and the World Bank), before including a wider group of Indonesian official and potentially private sector creditors in its second phase. Once fully operational, the Loan Clearing Module codes could be made available to other countries, potentially serving as an international platform for debt data reconciliation, providing a new, real-time source of fully validated debt statistics.

31. To illustrate this point, the recording of a loan agreement in the most widely used DMRS in LICs (UNCTAD's DMFAS and COMSEC's Meridian) requires filling out a minimum of 20 mandatory data fields (numerical and alphanumerical).
32. This includes all G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the U.S.) and ten of the other 15 permanent Paris Club member countries (Australia, Brazil, Finland, Israel, the Republic of Korea, the Netherlands, Norway, Spain, Sweden, and Switzerland).
33. The Loan Clearing Module is located within the debtor's IT infrastructure and connected to its own DMS. Creditors would connect to the LCM through a dedicated client connection system to transfer or receive digital information related to loan contracts and/or transactions, that is, for every loan transaction effectuated by either the creditor (e.g., disbursement) or the debtor (e.g., interest or principal payments), the originator will create a new data file electronically transmitted to the Loan Clearing Module. The counterpart can then consult the information in the Loan Clearing Module and transfer the data as needed into its own system. This would ensure full data coherence and eliminate all risk of erroneous data entry.

Figure 10.
Loan Data Digitalization Project



Source: Authors' elaboration.

The development of a Loan Clearing Module will bring several benefits:

- Facilitate secure debtor/creditor data exchanges on loan transactions
- Automate data recording in debtor's debt-recording systems and reduce data inconsistencies
- Alert creditor and borrower of missing information and errors and prompt corrections
- Create a repository of validated data on all loan transactions
- Contribute to the compilation and dissemination of timely and reliable statistics
- Replace costly and time-consuming manual reconciliation exercises—improving transparency and expediting debt restructurings
- Assist creditors and debtors in moving to digital end-to-end processing of loan transactions.

02

Transparency of Debt Instruments and Operations

This chapter highlights recent trends in debt instruments or borrowing operations that raise transparency concerns. Section 2.1 investigates recent collateralized lending operations; Section 2.2 focuses on the increased use of private placements to tap external markets; Section 2.3 explores transparency in domestic debt issuances; Section 2.4 explores transparency in debt restructuring and Section 2.5 discusses the transparency of unconventional and novel financial instruments introduced in sovereign lending.

2.1 COLLATERALIZED DEBT

Collateralized financing requires more scrutiny than conventional unsecured financing. Collateralization of a debt instrument grants creditors rights over a borrower's asset or revenue stream, ranging from physical assets to financial instruments.[34] Collateralized debts are hence senior to non-collateralized obligations, subordinating the latter and limiting recovery prospects in the event of default. As extensively discussed in recent World Bank and IMF publications (2020 and 2024),[35] collateralized debt can give borrowing countries access to financing when conventional unsecured financing is not available and/or lower its cost. However, recent studies confirm that these transactions are not always associated with lower cost.[36] Moreover, as more of these transactions occur, new creditors may be more reluctant to lend without collateral or require higher premiums, and the transaction could also create major complications in case of a restructuring.

Careful use of collateralized financing is justified in specific circumstances. The following criteria should be preferably met: financing (i) is used to generate assets and/or revenue streams that can be directly used for repayment ("related collateral"); (ii) improves borrowing terms and doesn't weaken debt sustainability; (iii) respects negative pledge clauses of the country's other creditors;[37] (iv) is done transparently.

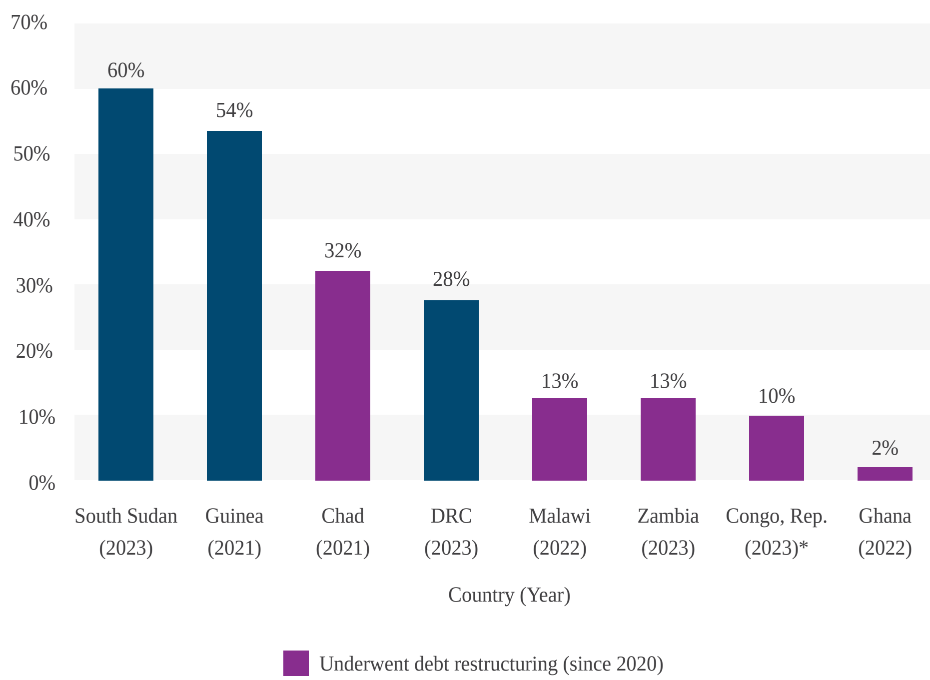
Reporting on collateralized transactions is insufficient. Debt management offices typically disclose borrowing activities without specifying which transactions are collateralized or detailing the nature and terms of these arrangements. In some cases, the extent of collateralized borrowing arrangements becomes visible only if the country ends up restructuring its debt. Progress in indirect reporting of collateralized transaction has also been slow. The IMF Debt Limits Policy mandates reporting on the nature, value, and legal implications of collateralized debt, but compliance is inconsistent.[38] Some data on collateralized transactions appeared in public IMF staff reports between 2021 and 2025, but these estimates were inconsistently reported and rarely disaggregated into related and unrelated collateral. Public disclosure also remains constrained by confidentiality considerations (Maslen, Aslan, 2022). IMF staff reports for both Angola and Papua New Guinea, for instance, acknowledge the existence of collateralized debts but omit value estimates.[39] The World Bank has been actively involved in assessing and reviewing specific collateralized transactions, including in the case of Ecuador

34. Collateralized debt is intended to also include "quasi-collateral" transactions, which do not entail liens but can have a similar economic effect. For instance, they give lenders a "first mover advantage" by being able to withdraw funds from a debtor's deposit/collection account ahead of other legally unsecured lenders (WB/IMF, 2023).
35. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/689561580497778132/collateralized-transactions-key-considerations-for-public-lenders-and-borrowers.
36. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/369931643829886430/resource-backed-loans-in-sub-saharan-africa
37. A negative pledge clause is a covenant that limits a borrower's ability to pledge assets to other lenders. The covenant would typically define the scope of indebtedness covered and types of collateral as well as any remedies available to the affected lender in the event it is breached.
38. https://www.imf.org/en/Publications/Policy-Papers/Issues/2020/11/11/Reform-of-the-Policy-on-Public-Debt-Limits-in-IMF-Supported-Programs-49876
39. Some of the Angola's collateralized debt data are available in the country's sovereign bond prospectuses.

and Zimbabwe. The World Bank's Debtor Reporting System (DRS) currently does not track collateral features, but it is included in the ongoing review of the template. The collateralization details are not typically visible in trading platforms (e.g., Bloomberg) except in a recovery situation. Borrowers are expected to disclose material collateralized obligations in the prospectus of subsequent bond offerings. However, few safeguards exist to ensure these lists are comprehensive, and quasi-collateralized transactions often fall beyond the scope of official disclosure requirements.

IMF statistics suggest collateralized debt is significant and frequently observed in cases of debt distress, especially in resource-rich African economies (Figure 11). Of the four countries that have requested Common Framework debt treatment, three (Chad, Zambia, and Ghana) feature resource-backed loans. Malawi and the Republic of Congo have also faced issues regarding treatment of collateralized debts in their ongoing/recent restructurings. Collateralized debt also makes up over half of all external debt in South Sudan, Guinea, and the Democratic Republic of Congo (DRC). In all three cases, the high share of collateralized borrowing reflects pledges of resource revenues in return for borrowing that funded general government operations (i.e., unrelated collateralized borrowing).

**Figure 11.
Collateralized Share of External Public Debt in Selected Sub-Saharan Countries**



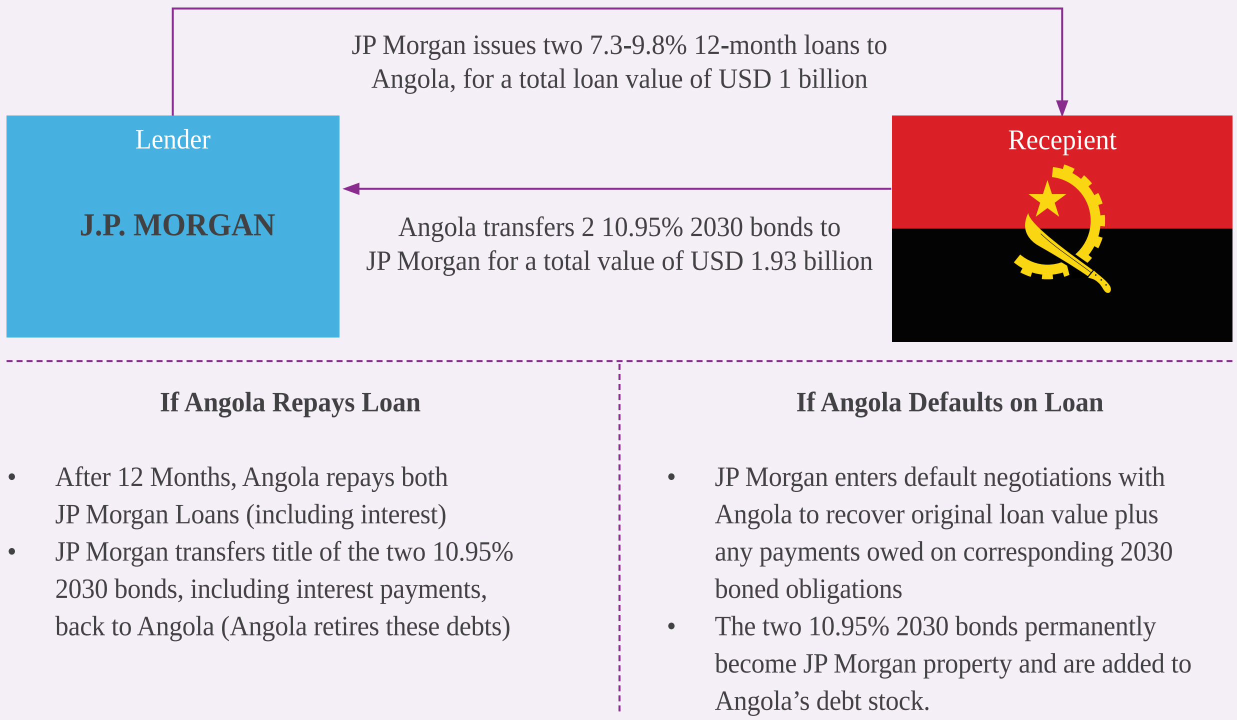
Source: Authors, based on IMF Staff Reports using latest figures reported under the Debt Limits Policy (DLP). The Republic of Congo figures only cover oil-prepurchase agreements.

One form of collateralized financing, the overcollateralized repurchase agreement, or "repo," can be particularly problematic. Overcollateralized repos typically involve the borrower pledging assets or cash flows worth more than the loan amount, which the lender holds as a buffer against default risk. Overcollateralization usually enables borrowers to secure financing at preferable rates, but it if the market value of the pledged collateral falls, many repo contracts require the borrower to pledge additional collateral ("margin call") exacerbating liquidity strains. Additionally, these deals result in collateralized creditors becoming de facto senior, by encouraging borrowing countries to prioritize their repayments rather than including them in the restructuring perimeter, as demonstrated by Ecuador's default in 2020 (WB, 2021). Particularly problematic are repos that use the countries' own sovereign bonds as collateral, as they may significantly dilute other creditors' rights in case of default (Box 4).

Box 4.
Angola Overcollateralized Repos

Angola recently participated in two overcollateralized repo transactions (Figure 12). Between December 25, 2024 and January 13, 2025, Angola transferred US$1.93 billion of newly issued 10.95 percent 2030 bonds to J.P, Morgan as collateral for two one-year loans. These bonds are recorded as "contingent liabilities" in the Angolan debt statistics. The loans, worth US$600 million and US$400 million, respectively, have a floating interest rate of 7.3 to 9.8 percent. Structured as a total return swap, JP Morgan will return custody of the 2030 bonds (plus any interest payments) to Angola in 2025, saving the government over 10 million in debt service. If Angola fails to pay off either loan, JP Morgan will assume full custody of the corresponding 2030 bond tranche (US$1.2 billion and US$728 million, respectively), effectively doubling that loan's contribution to Angola's debt stock and diluting the claims of other creditors in subsequent restructuring.

Figure 12. Angola's overcollateralized REPOs (2025)



Source: Authors, based on Angola 1/14/2025 bond prospectus.

Besides traditional collateralized financing, there are numerous "quasi-collateralized" transactions. Loans requiring the borrower to keep money in a dedicated account are particularly frequent, based on evidence from resource-backed loans (Mihalyi et al. 2020) and from a review of Chinese loan contracts (Gelpern et al. 2023). These loans would typically require the borrower to keep in such account an amount set as not less than either a fixed (minimum) amount set in USD or other currency, or equivalent to an expected debt service obligation over a certain period. While the details on such arrangements are rarely available in full, the research by Gelpern et al. (2023) provides clear evidence on several cases based on public information. (Table 1). Governments often also pledge revenue streams (e.g., mining royalties or railway levy), which can be hard to predict *ex-ante.*[40] As a result, those revenues may be higher than what is necessary to service the loan in question.

Table 1.
Selected Loan Contracts with Special Accounts

Loan	Amount	Minimum account balance	Source
Cameroon-Commerzbank (with ECA guarantee), 2015	US$57 million	Initial amount: US$14 million (one year's principal and interest payments).	Contract p. 26
Ecuador-CDB, 2010	US$1 billion	Initial amount: US$50 million. Long Term Required Amount: US$113 million.	Contract p. 4
Ghana-Sinohydro, 2018	US$390 million	"The aggregate amount of the two upcoming repayments."	Contract p. 21
Guinea-ICBC	US$546 million	Required amounts not public, but US$80 million balance in 2020.	DMO report p. 12
Congo, Rep.-China Exim, 2006	US$1.6 billion	20 percent of outstanding loans.	IMF report p. 9
Suriname-China Exim, 2016	US$94 million	Required amounts not public, but US$2.9 million balance was kept in Feb 2022.	DMO report p. 8 IMF report p. 19

Source: Contracts published by Gelpern (2023), IMF country reports, public debt reporting by authorities.

Pledging revenue streams and maintaining reserve accounts tie up significant resources and entail implicit costs. The borrower may need to maintain up to 20 percent of the outstanding loan amount parked in an account. While there is no public information on the interest rates such accounts provide (if any exist), these are expected to be much below the financing costs of most LIC borrower governments. In addition, given that these sums are generally held offshore, they do not contribute to central bank reserves or domestic bank balance sheets, while reducing the fiscal space available to borrower governments. None of these implicit costs are captured in traditional evaluations of loan concessionality and they are typically overlooked by the DMOs when assessing the merits of such loans.

40. The US Development Finance Corporation's recent program FAQ document notes a range of collateral types—including completion guarantees, pledges of shares, escrow accounts, liens/mortgages, and pledges of insurance proceeds—eligible for DFC loans. The DFC primarily finances private sector operations but also SOEs in developing countries. See: https://www3.dfc.gov/DFCForms/Documents/DFCFinanceFAQs.pdf

Collateralized debt complicates restructurings. Recent cases (Box 5) have demonstrated that collateralized debt makes restructurings considerably more complicated and slower by undermining inter-creditor equity and the application of the IMF's lending into arrears policy. In addition, the outcomes tend to be more opaque. In response, the Global Sovereign Debt Roundtable has called for increased transparency surrounding these transactions.[41]

Box 5.
Recent Restructurings of Collateralized Debt

In **Chad,** the oil-backed loan contracted by the national oil company (SHT) with Glencore was restructured for the third time in 2020-22 (under the G20's Common Framework), contributing to the prolongation of negotiations for two years. Oil price fluctuations during this period affected the funding gap to be financed during the IMF program, which was ultimately closed without the need for any debt relief except for a minor postponement of the 2024 debt service owed to Glencore.

In **Malawi,** debt restructuring negotiations—managed outside the Common Framework—started in 2022 and are yet to be completed. The largest commercial creditors, Afreximbank, held collateral in the form of USD deposits and treasuries attached to their claims, which have delayed engagements in the debt restructuring process,.

In the **Republic of Congo,** the renegotiations of three oil-backed loans signed by the national oil company (SNPC) with oil traders began in early 2018 but concluded at different points over several years: 2020 (Orion), 2021 (Glencore), and 2022 (Trafigura). No official report detailing its terms has been published. The country has remained in debt distress. While Glencore was repaid in 2024, other oil traders are expected to be repaid by 2025.

In **Suriname,** amidst ongoing debt restructuring negotiations in 2022, an erroneous payment was made from an offshore escrow account linked to a US$94 million China Exim loan. A second erroneous payment in January 2023 prompted corrective action, including strengthened controls and a presidential decree to halt payments before a restructuring deal was reached, with a commitment to reflect past payments in debt restructuring to ensure comparability of treatment with other official creditors.

2.2 PRIVATE PLACEMENTS

Private placements are increasingly used by developing countries to tap international debt markets. These transactions typically involve the direct sale of securities to institutional investors without a public offering or full regulatory registration, relying on frameworks such as Regulation S or Rule 144A in the U.S. or similar exemptions in other jurisdictions. Table 2 summarizes some of the most widely used regulatory exemptions that enable issuances or re-sales to proceed without full public registration, along with their key features. Cameroon (2023), Senegal (2024), and Kenya and Gabon (2025) are recent examples of countries that have resorted to private placements to place their international bonds.

41. https://www.worldbank.org/en/topic/debt/brief/the-global-sovereign-debt-roundtable-gsdr

Table 2.
Overview of Private Placements Framework

Feature	U.S. Rule 144A	U.S. SEC Rule 4(a)(2) Private Placement	U.S. SEC Regulation S
Regulatory Nature	SEC oversight (exempt from full registration)	Exempts private placements from SEC registration when sold to sophisticated investors	SEC exemption for offshore offerings
Investor Base	Tradable among Qualified Institutional Buyers	Sophisticated institutional investors	Restricted resale into the U.S. for a period of time
Disclosure Level	Private Offering Memoranda	Minimal SEC disclosure required	No SEC disclosure required if offering remains offshore
Market Standardization	High (Bond-like covenants & structure)	Flexible terms based on investor negotiation	Flexible, varies by jurisdiction

Source: Authors

Private placements allow for flexible and faster execution of lending agreements. Private placements are often chosen by sovereigns to engage with specific investors—such as foreign pension funds, banks, or development finance institutions—without having to organize roadshows and comply with the extensive underwriting process typical of a registration procedure. Additionally, private placements provide greater flexibility than standard bond issuances in structuring terms, allowing sovereigns to negotiate customized maturities, tailored covenants, and specific interest/fee structures. In some cases, issuers can even forgo a public credit rating or extensive regulatory filings, temporarily shielding their financing activities from adverse market reactions.

Private placements may introduce long-term risks for the issuer. Unlike public bonds, which are actively traded on secondary markets and included in sovereign bond indices—such as the JP Morgan EMBI—some private placements lack broad investor participation and cannot be easily traded.[42] This reduces their attractiveness to investors, which will therefore demand additional incentives to compensate for their lower liquidity. In those cases, contrary to public bond offerings—which help in building a yield curve that reflects investor sentiment and macroeconomic conditions—private placements do not contribute to price discovery. Finally, legal flexibility may go as far as to exclude standard clauses like collective action clauses (CACs), which facilitate creditor coordination in case of default.

Some issuers may be leveraging the discretion of private placements for less scrutiny. The level of public disclosure in private placements varies significantly depending on the regulatory framework. Unlike public bond offerings, which require issuers to file detailed prospectuses and comply with strict regulatory frameworks, private placements offer a more confidential option, making them particularly attractive to issuers seeking discretion and tailored funding solutions. In some cases—particularly in emerging financial centers—disclosure requirements are minimal or even

42. Some issuances are instead included in indexes–usually after a period during which their liquidity is assessed–even though they meet lower disclosure requirements.

nonexistent, meaning these transactions can occur with little to no public knowledge. This is implicitly confirmed by the signaling effect often observed when a sovereign with established access to public capital markets chooses private placements. Investors typically interpret this as an indication of underlying fiscal or economic vulnerabilities, prompting the issuer to use private placements to avoid public scrutiny, bypass rating agency oversight, or circumvent market-driven price formation. Over time, these perceptions may lead to higher risk premiums on future borrowings and diminish investor confidence. Greater coordination with financial center regulators is essential to ensure transparency requirements keep pace with evolving market practices.

2.3 DOMESTIC DEBT

Domestically issued or contracted debt is growing in importance in developing countries. There are three main categories of domestic debt with varying levels of debt data disclosure—(i) marketable debt, (ii) non-marketable debt, and (iii) expenditure arrears.

A larger share of countries issues marketable debt, although related information is not always available. For marketable debt, transparency practices—including the use of competitive auctions, the regularity of issuance calendar and results publication, or auction cancellation frequency—have significant bearing on investor confidence. Based on data from the World Bank's domestic debt transparency heatmap, the share of developing countries without domestic debt market has been stable at 20 percent of the total, while the share of countries issuing more than half of their overall domestic debt through auctions has grown from 35 to 40 percent in the past three years.[43] The transparency of secondary markets has also improved, with over 40 percent of countries publishing post-trade information, against 30 percent in 2021. However, there is a significant room to improve on timeliness in publishing the securities auction results. For instance, no developing country analyzed publishes any information on bond issuances within 60 minutes of auction completion—a regular practice in high-income economies.

Regional centralized frameworks can help standardize and incentivize transparency in domestic securities issuances, but the level of information provided varies. UMOA-Titres (in the WAEMU region)[44] maintains very informative and user-friendly websites for regionally issued debt. However, West African countries also issue their bonds through syndications and information on these issuances is more limited. The Eastern Caribbean Securities Exchange (ECSE) and the Bank of Central African States (BEAC) also manage domestic issuances for the countries in their respective regions, but their websites could provide more timely and comprehensive information to investors about auctions schedules and results, and secondary market transactions.

43. The World Bank domestic debt securities heatmap (https://www.worldbank.org/en/data/interactive/2024/08/12/domestic-debt-securities-heatmap) tracks the performance of Developing Countries across key dimensions, assessing the transparency of domestic debt markets. The heatmap indicators are the following: (i) use of market-based mechanisms to borrow from the domestic market; (ii) predictability of the government securities issuances; (iii) adherence to the issuance calendar; (iv) publication of the results of the borrowing transactions; and (iv) disclosure of secondary market operations. A country's performance in each indicator is evaluated under a four-category scale, from low (red) to high (green)

44. https://www.umoatitres.org/fr/

For non-marketable debt, a key challenge is the timely and accurate reporting of bank loans. The example of Senegal (see Box 2) that some loans are subject to lower levels of scrutiny and may even be contracted off-budget. The classification of certain facilities as trade-finance or cash advances rather than loans—particularly when the maturity is under one year—helps them remain under the radar of national statistics disclosures, as often excluded from the national definition of public debt.

Payment arrears in developing countries are significant, but data is reliable only after audits. The timeframe at which late payments become arrears is typically governed by local law (e.g., after 30, 60, or 90 days). Countries regularly undertake audits of their arrears, often in the framework of an IMF program. These audits—aimed at verifying the legitimacy and size of arrears claims—often reveal significant liabilities for the central government, usually leading to settlement through securitization (i.e., issuing new domestic debt). Recent audits (Box 6) confirm that arrears are often larger than 1 percent of GDP, in line with the estimates of the joint Bank of Canada (BoC) and Bank of England (BoE) database.[45] Additional efforts are needed to especially systematize arrears data collection, verification and disclosure upon verification (e.g., by category, age) as they are typically outside debt stocks under the cash-based reporting frameworks largely applied in developing countries.

Box 6.
Quantification of Suppliers' Credits and Other Payment Arrears

In **Burkina Faso,** an audit by the Authority for State Control and Anti-Corruption (ASCE-LC), published in November 2024, revealed payment arrears of CFAF47.6 billion (0.4 percent of 2023 GDP) and floating debt of CFAF73.4 billion (0.6 percent of GDP) as of end-2023.[46] The audit covered 21 SOEs, social security funds and similar entities, 34 ministries and public institutions, and two municipalities (Ouagadougou and Bobo Dioulasso). Among a total amount of CFAF410.3 billion examined, the audit identified CFAF171.7 billion (1.3 percent of GDP) in liabilities that lacked clear accounting records as of end-2023. The national hydrocarbon company SONABHY accounted for 55.7 percent of this unrecognized debt, while the national cotton company SOFITEX accounted for 17.2 percent.

In **Cameroon,** an audit revealed domestic arrears of FCFA 671.7 billion (2.5 percent of 2023 GDP) over the period 2000-2019. The arrears owed by the central government represent 68.7 percent of the total, while SOE arrears account for 28.9 percent. By type of debt, wage debt represented 45.2 percent of the total, tax and customs debt, 32.1 percent, and commercial debt, 18.1 percent. Following the audit findings, an arrear repayment plan has been approved.

In **Maldives,** tight budget financing constraint in 2023-24 have led to an accumulation of expenditure arrears. Concerns over delayed disbursements and unpaid obligations have been raised by government contractors, the fishing industry, and private hospitals.[47] However, the volume of arrears remains unconfirmed.

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45. The Bank of Canada (BoC) and Bank of England (BoE) jointly maintain a database with information on domestic arrears. This refers to overdue domestic payments for legally mandated or contractually required government expenditures—including payables for tax refunds, pensions, salaries, other services and capital outlays, as well as sovereign local-law bonds. The timeframe in which late payments become arrears is typically governed by local law, most often after 30, 60, or 90 days. Their principal sources are the IMF, central banks, and governments. Within that dataset, 25 developing countries have domestic arrears of over 1 percent GDP in 2023.
46. Floating debt is defined as an expense for which the invoice has been accepted for payment and for which the payment is not overdue more than 90 days; if these payments are overdue more than 90 days, they become payment arrears. *Source:* https://www.finances.gov.bf/fileadmin/user_upload/storage/fichiers/Rapport_definitif_audit_dette_VF.pdf
47. https://openknowledge.worldbank.org/entities/publication/44b2ff24-f864-4065-aee7-fc03b21b9fe8

2.4 TRANSPARENCY IN DEBT RESTRUCTURINGS

Debt transparency plays a pivotal role in facilitating debt restructurings. Transparency serves two key functions in debt restructuring. Firstly, it allows restructuring participants to make informed decisions regarding the appropriate level of debt relief needed to restore debt sustainability. Secondly, it enables creditors to verify that the burden of debt relief is equitably distributed. An essential prerequisite for both tasks is the availability of timely and comprehensive debt records. In addition, debt restructuring offers a unique opportunity to promote the continuous disclosure of fully validated data going forward. For this analysis, debt restructurings are classified into two main categories: (1) comprehensive restructurings—those undertaken under the G20's Common Framework or led by the Paris Club; and (2) partial restructurings—those provided by selected creditors, often silently.

2.4.1 Comprehensive Debt Restructurings

Comprehensive restructurings start with a data sharing and reconciliation exercise between the borrower and creditors, supported by financial advisors and the IMF/World Bank. Recent Common Framework restructurings have shown this process to be lengthy, often driven by the poor quality of borrowers' debt databases, and the increasing diversity—accompanied by varying data reporting and disclosure policies—of the creditors.[48] As a result, negotiations typically begin even if the data reconciliation process is still ongoing, exposing the process to adjustments after the fact.

Thus far, opportunities to improve debt transparency and disclosure during and in the immediate aftermath of a restructuring process have largely gone unexploited. During restructuring, surge technical support from creditors and financial advisors alleviate many of the technical constraints that typically challenge borrower reporting of comprehensive debt statistics. The advent of restructuring processes also provides an opportunity to "start fresh," implementing new policies and practices to codify and deepen debt disclosure. However, the last major wave of debt relief (HIPC) and subsequent restructurings fell short of introducing targeted debt transparency measures.

Currently, there is no uniform approach to promote debt transparency in countries undergoing comprehensive restructuring. However, the efforts of the GSDR have helped to elevate debt transparency as a critical priority in the restructuring process. An examination of Common Framework countries reveals heterogeneous disclosure practices. Chad published a statistical bulletin for the first time two years after the end of the Common Framework process, without disclosing any information on the outcome of the only loan renegotiation finalized (Glencore).[49] Zambia, by contrast, has emerged from restructuring, publishing detailed quarterly debt bulletins and statements on the agreements achieved with creditors.[50]

48. For instance, some countries may not participate in the Paris Club Data-Call or provide late and/or aggregated data.
49. Chad Public Debt Bulletin First Quarter, 2022.
50. https://www.mofnp.gov.zm/?p=7786

Stricter conditionality has been introduced by the private sector through "transparency positive covenants" in bond contracts, providing useful reference for official creditors. In countries like Ghana and Sri Lanka (Table 3), failure to report can go as far as to trigger acceleration, although proposed remedies for non-compliance with transparency clauses need practical testing. Similar clauses could become standard in future issuance—following the work conducted by the Emerging Market Investor Alliance (EMIA).[51] Similarly, official creditors should consider linking their debt relief—which is typically delivered over time—to predefined debt disclosure standards to be designed in consideration of the debtor's capacity and legal framework for debt data disclosure.

Table 3.
Transparency Clauses in Recently Restructured Bonds

Ghana (2024)[52]	"The Issuer must publish the following information on a dedicated website by June 30 and December 31 each year: 1. Aggregate External Indebtedness of Ghana and Covered Public Sector Instrumentalities. 2. Summary tables of interest rates, maturities, and principal amortization schedules for this indebtedness. 3. Names of the Covered Public Sector Instrumentalities and their successors. 4. List of agreements or arrangements to settle Included External Indebtedness from the preceding six months, including details of debtor, creditor, and amounts, along with a compliance statement."
Sri Lanka (2024)[53]	"The Issuer must publish the following information on a dedicated website by June 30 and December 31 each year: 1. Aggregate data on public debt and guaranteed public debt of the Republic and of Public Sector Instrumentalities 2. This includes data regarding the composition and characteristics of the public debt stocks and guaranteed public debt, the underlying lenders or lender categories, types of debt instruments, outstanding amounts, currency of denomination, average applicable interest rates and tenor 3. The issuer must publish a 'Debt Report' every six months that lists new agreements to repay, settle, or restructure external debt, naming the borrower, lender, key terms, and any untreated debt 4. The official Ministry website should publish a 'MOF Annual Report' on or prior to June 30 in each year, an annual report for the previous calendar year, which includes data on total revenue to GDP 5. The Central Bank should publish an 'Annual Economic Review' on or prior to June 30 in each year, data on Real GDP Growth and USD Nominal GDP for the previous calendar year

51. https://www.emia.org/programs
52. https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism
53. https://www.bondsupermart.com/bsm/bond-factsheet/XS2966241361

6. Within 45 days following the publication of the semi-annual Debt Report, the issuer shall organize investor calls with the Holders of the New International Bonds to present the relevant Debt Report and other relevant fiscal and other developments in the country and answer questions from holders of the new bonds
7. If the issuer fails to publish the Annual Economic Review by November 15 in any year, up to and including the year 2028, and if the IMF has not published the World Economic Outlook data for the Issuer (or such publication does not include sufficient Real GDP Growth and USD Nominal GDP data that would be relevant for the Macro-Linked Determination) *shall constitute as an Event of Default"*

Source: Bonds' prospectuses.

State contingent debt instruments are being used more often. They require additional disclosure to ensure triggers are objectively calculated. Suriname's restructured bonds,[54] for instance, contain a provision requesting the appointment of a third-party "verification company" to verify "(i) the metering, measurement, calculation, valuation, and sale of the Royalty Barrels and (ii) the Royalty Proceeds" in quarterly reports. The government must publish such report "promptly after receipt." Failure to produce the documents needed by the verification company to conduct its analysis would give bondholders the right to accelerate the bond.

Similarly, some non-financial clauses of restructured instruments can be enforced only with transparency. The proliferation of non-financial clauses, such Most Favored Creditor, which ensure that other commercial creditors do not obtain better treatment, and Loss Reinstatement Clauses, which preserve the value of the original claim in case of future restructuring, require all creditors to understand how creditors are classified and what terms were offered.

Timely publication of non-material information about key restructuring parameters and outcomes is crucial to building trust in the global debt restructuring architecture. Such information, which could be collected on a dedicated website, should include the dates of agreements (in principal and official) and Comparability of Treatment parameters for key classes of creditors in line with reforms proposed under the auspices of the Global Sovereign Debt Roundtable. The recent publication of factsheets on debt treatments for Common Framework countries on the Paris Club website is a welcome step toward improving access to information and enhancing the transparency of debt restructurings.[55] Further progress could be made by gradually expanding the scope of information disclosed—particularly on key financial terms—to help strengthen comparability of treatment and foster broader stakeholder confidence in the process.

54. https://sdmo.org/documenten/nieuws/Suriname%20-%20Final%20-%20Exchange%20Offer%20and%20Consent%20Solicitation%20(October%2023).pdf
55. https://clubdeparis.org/en/traitements

2.4.2 Partial Debt Restructurings

Increased fiscal pressures and concerns about the comprehensive approach to debt restructuring have led to a rise in partial, often silent, restructurings. The three countries that have started comprehensive debt restructuring since 2020 took an average of 34 months to complete negotiations. The choice to opt for partial restructuring partially reflects a reluctance to engage in lengthy comprehensive processes in favor of more nimble, less transparent bilateral approaches. However, these deals are very poorly documented. When information is provided, it generally comes from non-official sources—as opposed to the creditors/borrower website—and lacks key financial details. This complicates the task for IFIs and credit rating agencies of assessing debt sustainability; the lack of transparency surrounding these transactions significantly impedes precise measurement and assessment. Table 4 contains a non-exhaustive list of these deals, based on available information.

While offering some breathing space to the beneficiary country, partial restructuring carries risks. While individual deals may offer short-term benefits to the parties involved, their partial and liquidity-oriented approach often leads borrowing countries to defer requests for comprehensive debt relief, thus potentially increasing the severity and complexity of future restructurings. In fact, creditors that enter comprehensive restructurings, having previously granted some form of debt relief, will likely argue that their treatment should count towards their contribution to the comprehensive restructuring efforts. Such actions would exacerbate delays and holdout risks. The lack of transparency surrounding bilateral restructuring amplifies these issues.

Table 4.
Partial Restructurings in Selected Countries (2021-2025)

Borrower Country	Creditor	Year	Details	Omitted Details	DSA	Source
External Bilateral						
Djibouti	China Exim	2021	China Exim consolidated arrears into the face value of the US$492 million loan, extended the grace period by five to 10 years, extended the maturity by 10 years to 25 years, and reduced the interest rate by 0.9 percent, resulting in a 4 pp NPV reduction.		In Distress – Unsustainable	IMF
Lao PDR	China	2024	While debt negotiation has been ongoing, Lao PDR deferred debt repayments to China since 2020. Cumulative deferred debt repayment due (principal and interest) amounted to an estimated US$1.892 billion over 2020-2023. Lao PDR was able to pay interest for 2024 as planned, while a majority of principal repayments in 2024 to a key creditor were deferred.	Length, scope,and nature (principal, interest, or both), if applicable, of 2024 deferral.	In Distress – Unsustainable	IMF
Maldives	India	2024	India granted a one-year extension on two US$50 million Maldives treasury notes purchased by India in 2023.	Interest rate of reprofiled obligations.	High – Unsustainable	Maldives MoF; Reserve Bank of India

Table 4 continued...

Borrower Country	Creditor	Year	Details	Omitted Details	DSA	Source
Mauritania	Saudi Arabia	2022	Saudi Arabia restructured a US$300 million non-concessional deposit at the Central Bank of Mauritania into a concessional loan. The new terms extended the loan maturity to 20 years with an eight-year grace period and reduced the interest rate from 3 percent to 1 percent. The liability for the loan was transferred from the Central Bank to the Central Government.	Interest rate, payment schedule, of restructured concessional loan.	Moderate – Some Space to Absorb Shocks	World Bank
External Bilateral						
Mauritania	Kuwait	2021	Kuwait restructured US$990 million (12.4 percent of GDP), canceled 95 percent accumulated interest due, amortized principal repayment over 20 years with a two-year grace period, reduced interest rate to 0.5 percent.		Moderate – Some Space to Absorb Shocks	World Bank
Mozambique[1]	Iraq	2025	Iraq announced US$256 million in debt forgiveness on a US$320.2 million oil debt. The remaining US$64 million will be repaid over 15 years, beginning in 2029.	Interest rate and payment schedule of restructured obligations.	High – Sustainable	Bloomberg
Domestic						
Congo, Rep.	Domestic bondholders	2024	The Republic of Congo converted US$1.9 billion in CFAF-denominated domestic debt (21 percent of the total) into Treasury notes with longer maturities.	Interest rate, payment schedule, and maturity of reprofiled obligations	In Distress – Sustainable	IMF
Mali	Domestic bondholders	2024	After ECOWAS sanctions limited the country's access to financial markets, Mali defaulted on US$31 million in bond payments in 2022 and arrears were repaid after sanctions were lifted.	Composition of debts in arrears, length of time before arrears payments made.	Moderate – Limited Space to Absorb Shocks	IMF Bloomberg
Niger	Domestic bondholders	2023	Niger accrued about CFAF263.9 billion (approximately US$430 million) of arrears in the regional bonds market between July 2023 (coup d'etat) and April 2024. In April 2024, authorities paid the interest and penalties related to the arrears and negotiated a one-year extension on the maturity of the principal (until April 2025).	N.A.	High - Sustainable	IMF

Source: Authors.

Table 5 shows that information is scarce in instances of partial restructuring. Most partial restructurings have occurred between borrowers and sovereign official creditors. Reprofiling operations are also increasingly common and similarly poorly disclosed.[56] Debt sustainability analyses are often the main source of information on such operations. The review of the LIC-DSF provides an opportunity to require tighter scrutiny of such events when determining debt distress ratings.

Identifying the scope and impact of domestic debt restructuring is more challenging than with external debt. This challenge is especially pronounced in currency unions, where domestic debt is classified based on currency rather than creditor residency. As a result, restructuring operations—though recorded as domestic—may affect regional banks and spill across borders, with broader implications for financial stability and transparency. Recent cases of Chad (2022), Niger (2024), the Republic of Congo, (2024) and Gabon (2025), show these restructurings imply direct negotiations with the largest commercial banks—often orchestrated by Central Banks—carry heavy fees to extend the maturity of a selected portfolio of securities. This stands in sharp contrast to market-based securities exchanges offered via auction to the entire investor base. Enhancing the level of transparency around these restructuring practices is critical, as they can significantly impact a country's ability to service its debt and may lead to inconsistent treatment among creditors (e.g., domestic bondholders, banks, and service providers in arrears). Because domestic debt is regulated by local legal frameworks and follow country- or region-specific market practices, distinguishing between financial repression and restructuring can also be challenging.

2.5 NOVEL FINANCIAL INSTRUMENTS

Recently, several novel instruments have been introduced in the sovereign debt sector. Among them, debt-for-development swaps and Climate Resilient Debt Clauses (CRDCs) have garnered significant attention from stakeholders.

Debt-for-development swaps ("debt swaps") promise to reduce debt burdens while advancing a development goal (conservation, climate action, education, etc.).[57] The spending is usually required to be ringfenced in some form, typically through the establishment of a new government trust fund or entity to manage projects funded by the earmarked committed spending. The key appeal of debt swaps is that they propose tackling debt and other pressing global development challenges simultaneously. However, these transactions are also often complex, administratively costly, and heavily reliant on donor subsidies through grants or concessional financing.[58]

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56. For instance, on November 29, 2022, the Saudi Press Agency reported that Saudi Arabia had extended the maturity of a US$5 billion (3.2 percent of Egypt's total external debt as of September 2024) deposit made to the Central Bank of Egypt (CBE) earlier that year. The reprofiling made up part of broader Gulf liquidity support for Egypt's central bank, and while the extension is set to last until the conclusion of the current Extended Fund Facility (EFF) with the IMF, the interest rate associated with this deposit was never published. This lack of transparency regarding the terms of the short-term debt contrasts with the publicly available schedules of interest and principal payments for other medium and long-term deposits, as detailed in CBE reports.
57. The commitment of the country to make payments towards the development objective of the swap (e.g., marine conservation fund) is a fiscal liability that reduces future cash flows available for other purposes, rather than a debt liability.
58. https://documents1.worldbank.org/curated/en/099080524122527783/pdf/BOSIB1f57baa3f0971916811e7bda53f7d5.pdf

Recent debt swaps have introduced innovative features and have increased in volume. While debt swaps have been used for decades, the total face value of debt treated with swaps from 1987-2021 was only US$3.7 billion, with many transactions totaling under US$10 million (AfDB, 2022). The last few years have seen high-profile transactions in Barbados, The Bahamas, El Salvador, Gabon, Cote D'Ivoire, and Ecuador with transactions sizes in the US$100 million to US$1 billion range. Innovative features include credit enhancements from third-party donors to help borrowers secure cheap financing to buy back more expensive debt or discounted bonds.

Recent debt swaps have generated debt service savings and, in some cases, added to the complexity of countries' debt profiles. These operations typically involve repurchasing Eurobonds or other conventional instruments that are relatively transparent and simple to manage. The instruments that replace them often incorporate features such as guarantees, insurance, reinsurance, use-of-proceeds commitments, or KPI-linked conditionality, which can present new operational challenges for less experienced debt management offices. In addition, these new instruments are frequently privately placed, which may result in less standardized disclosure compared to conventional Eurobonds (see Section 2.2). Financial information is often fragmented across multiple sources—including press releases, fact sheets, and publications—making comprehensive analysis more challenging.

Responsibility for disclosing swap terms varies depending on the structure and the parties to the swap. In every debt swap to date, at least one party has published nominal size and total savings generated by the swap.[59] But to evaluate the net financial benefits of a debt swaps—as discussed in the 2024 WB-IMF Debt-for Development[60] framework—the key financial terms, including guarantee fees, must also be available. In general, the responsibility for this disclosure falls on the country or entity whose debt is being swapped, while guarantee fees are the purview of the financial guarantors. Historical practice suggests that disclosure standards for these datapoints are particularly poor and should be a focus of future transparency efforts.

More transparency is needed for swap conditionality and enforcement mechanisms. Most debt-for-nature swaps employ "use of proceeds conditionality," allocating some portion of the new financing or savings to specific projects or activities. Such language puts hard constraints on budget flexibility and limits fiscal space available for other creditors in a subsequent default. Swap contracts may also contain provisions to ensure enforcement of the spending commitments, including the imposition of fines, interest rate step-ups, or potentially even default on swap debts. As most debt swaps consist of private loans, there is no requirement for parties involved to publish contracts. However, given the possible legal consequence of these clauses across the whole debt portfolio, it is advisable that countries begin disclosing debt swap contracts.

59. However, savings can be calculated in a variety of ways (nominal value vs. present value) using a variety of discount rates and market assumptions.
60. WB-IMF (2024) Debt for Development Swaps: An Approach Framework

Debt swap reporting should be centralized and standardized. To date, the most comprehensive data on debt swap transactions has come from case studies voluntarily disseminated by sponsor or NGOs involved in the transactions. Centralized and standardized reporting of key financial and legal features—including estimates of the generated savings based on an internationally-recognized methodology—would be a welcome improvement that could support further scaling of these instruments.

Climate Resilient Debt Contracts (CRDCs) are novel financial instruments designed to increase fiscal resilience in countries vulnerable to climate shocks. These contracts employ features such as deferrals, payment reductions, and maturity extensions in the wake of extreme external shocks. Grenada (2015) and Barbados (2018) were the first two countries that included CRDCs in their bond issuances. In turn, the International Capital Market Association (ICMA) published a model for CRDCs (2018) and a model term-sheet (2022) for sovereign issuers interested in inserting natural disaster provisions into their bond documentation. Among official creditors, the Inter-American Development Bank (IADB) was the first to offer a CRDC-type instrument (Principal Payment Option) in 2022. The UK Export Credit Agency (UKECA) provided CRDCs beginning 2023, and other bilateral creditors (France, Spain, among others) have followed suit. In 2023, the World Bank launched its CRDC coverage that was later expanded beyond tropical cyclones and earthquakes to cover other disasters, including droughts, floods, and health emergencies like pandemics in eligible countries. Several other official creditors have incorporated or announced plans to include CRDCs in loan agreements.[61] In 2024, Grenada became the first country to activate a CRDC on a bond, deferring US$12.5 million in debt payments to private creditors following Hurricane Beryl.

Currently, there is no centralized repository providing comprehensive information on existing CRDCs, their eligibility, activation criteria, or terms, making it difficult for debt managers in developing countries to fully understand and compare available options. Publicly available documentation is limited and indicates significant variation across CRDCs offered by various creditors. Activation triggers differ: some contracts rely on third-party verification of catastrophic events such as hurricanes or earthquakes, while others permit self-reporting of climate-related shocks or public health emergencies, with activation contingent on specified economic thresholds. Terms governing payment suspension also vary, with some clauses allowing immediate suspension for up to 24 months, while others provide more limited or conditional relief. As interest in CRDCs increases, a more systematic disclosure of key contractual terms could help improve understanding, comparability, and effective use of these instruments.

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61. See G20 note for CRDC terms applied by select creditors: https://g20.gov.br/pt-br/trilhas/trilha-de-financas/arquitetura-financeira-internacional/1-g20-presidency-note-on-climate-resilient.pdf

03

Recommendations

Given its importance to the international debt architecture, we need a decisive shift toward radical debt transparency. Recent cases of unreported debt have underscored the difficulties in extending debt statistics coverage and ensuring that timely and accurate information is widely available. These setbacks call for a renewed push for radical debt transparency, particularly the provision of accurate, comprehensive, and timely debt data by governments and adherence to transparent financing practices by creditors. Yet, further progress will depend on increased participation in transparency efforts by both debtors and creditors and improved international platforms and mechanisms. In addition, creditor scrutiny must be strengthened, and safeguards should be built into contracts, the global debt framework, and national systems. Overall, the standard for debt transparency must be significantly elevated. Based on the analysis in the previous chapters, this report offers a set of concrete actions and policy recommendations tailored to all key stakeholders: borrowers, creditors, and international financial institutions.

Stakeholder	Recommendations	Priority
Borrowers	**Adopt legislative and regulatory reforms to help ensure transparency in loan contracts.** This should include (i) mandating the public disclosure of transaction-level public debt information, (ii) limiting and defining the scope of confidentiality clauses and refraining from those that require secrecy, (iii) committing to comprehensive indirect reporting, and (iv) consenting to creditors' disclosure of lending terms. IFIs can help in good practice drafting legal and administrative provisions within a country context.	**High**
	Consent to the publication of loan-level data through the World Bank's Debtor Reporting System. This would be a voluntary initiative by willing borrower countries to showcase their commitment to transparency.	**High**
	Strengthen debt authorization procedures to ensure the oversight of new borrowing or guarantee operation of the public sector by the debt management office. Introduce enhanced authorization and scrutiny for unconventional debt instruments (e.g., collateralized debt), including involving parliament.	**High**
	Expand the coverage and improve timeliness of public debt reports in the categories identified in the World Bank's reporting heatmap (i.e., sectoral and instrument coverage; timeliness; loan-by-loan information on new debt; and disclosure of collateral, if any). Ensuring full coverage of Public and Publicly Guaranteed (PPG) debt, including debts of State-Owned Enterprises (SOE) should be a priority.	**High**
	Enhance the selection procedures and develop incentive programs for personnel at Debt Management Offices (DMOs) to ensure the hiring and the retention of a professional team of debt managers.	Medium
	Prioritize market-based issuing and restructuring mechanisms for domestic debt. Expand reporting on domestic debt along the categories of the World Bank's domestic debt securities heatmap.	Medium

Stakeholder	Recommendations	Priority
	Strengthen oversight of debt management activities by establishing procedures for periodical reporting to appropriate parliamentary institutions and regular audits by Supreme Audit Institutions.	Medium
	Develop online debt portals containing updated debt statistics, investor relations documents, and debt management rules and regulations.	Medium
Creditors	**Reconcile loan data with the World Bank's Debtor Reporting System.** The G7 and Paris Club debt reconciliation process was a good start, and its scope should be further extended to other creditors.	**High**
	Include debt transparency requirements in bilateral debt restructuring agreements. These may mimic the provisions recently applied in bond contracts (e.g., Ghana, Sri Lanka).	**High**
	Publish restructuring terms once the agreement is reached and obtain consent from the creditor committee for publication of non-market sensitive information (e.g., key dates, comparability of treatment indicators).	**High**
	Implement the G20 Operational Guidelines for Sustainable Finance, including publishing self-evaluation to incentivize complete loan-level reporting. This should follow a common template.	Medium
	Develop a repository to collect key financial and legal terms of Climate Resilient Debt Clauses (CRDCs) and debt-for-development swaps, thus improving information available to debt managers and facilitating the analysis of their terms and impact.	Medium
Development Partners/IFIs	**Support debt portfolio analysis and promote third-party financial audits** of loans identified as high risk, including large resource-backed loans. Prioritize countries at high risk of debt distress with debt transparency shortcomings as identified by the WB Debt Transparency Heatmap.	**High**
	Develop a methodology for periodical reconciliation of fiscal/budget data (from IFMIS), debt service (DMS), and external account statistics. This methodology could be implemented in partnership with national supreme audit bodies.	**High**
	Scale up technical assistance to make (i) operational, (ii) institutional and (iii) legal debt management frameworks conducive to debt transparency.	**High**
	Accelerate development of a platform for official loans repository and automated reconciliation of borrower and creditor records. This innovative system—based on the World Bank's ongoing project in Indonesia—will ensure that each transaction (e.g., disbursement, payment, write-off, etc.) is fully reconciled, thus harmonizing debt recording practices and enabling real-time, high-quality debt statistics.	**High**

Stakeholder	Recommendations	Priority
	Develop a new tool to assess key transparency dimensions of national legal frameworks on an annual basis. For each country, the tool would identify: (i) the definition of debt used in statistics, (ii) the authorities authorized to borrow, issue guarantees, and undertake on-lending operations, (iii) the reporting requirements, (iv) the role of central government in SOEs' borrowing, etc.	**High**
	Introduce more granular tracking and stronger incentives to increase debt coverage as part of the review and rollout of the updated Bank-Fund Joint LIC DSF framework.	Medium
	Conduct a public review of the quality of indirect debt reporting databases. Routinely specify the country-specific instrument and sectoral coverage and explain deviations from direct statistics.	Medium
	Create a task force with the main providers of debt management systems and of indirect debt reports to coordinate the design of future debt-management systems to ensure (i) standardization of functionalities and computation methods consistent with debt reporting requirements, (ii) reconciliation with creditor data, and (iii) greater interoperability with PFM systems, including systems tracking project disbursement and implementations.	Medium
	Support professional development—including peer-exchange opportunities in countries with high transparency standards—for qualified debt management office staff.	Medium

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