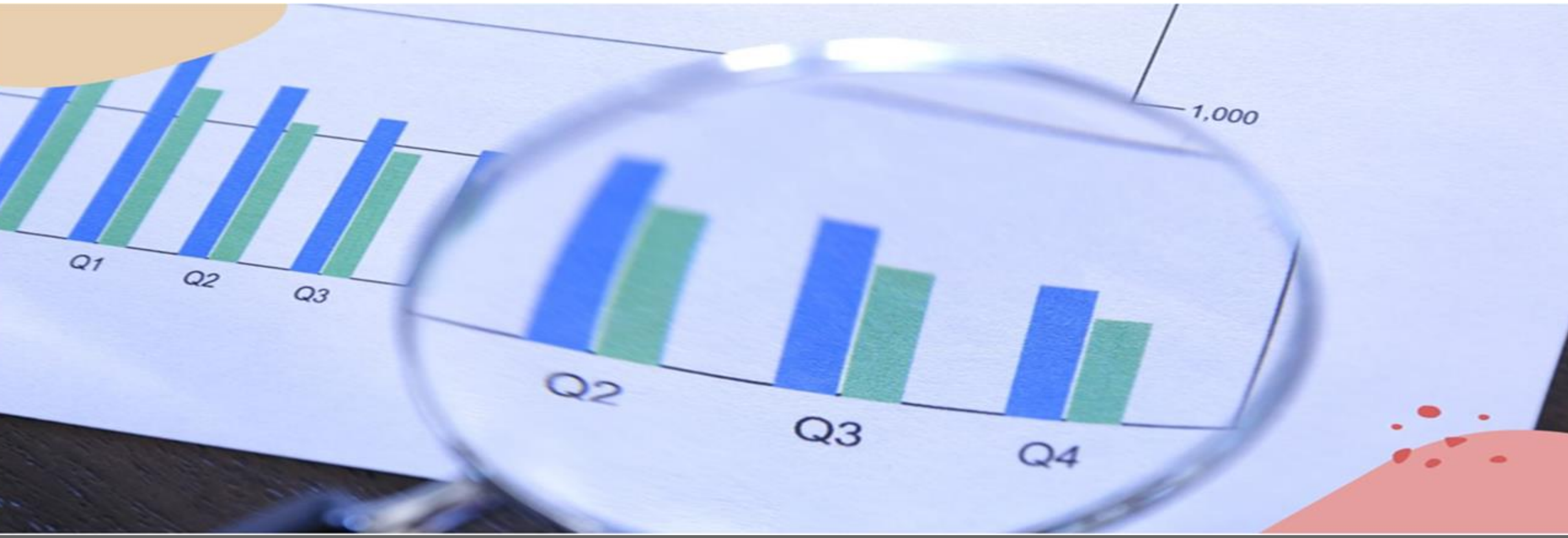
DEBT TRANSPARENCY MONITOR



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DEBT TRANSPARENCY MONITOR

Program title:	Fiscal Accountability and Sustainable Trade
Sponsoring USAID office:	The Bureau for Development, Democracy, and Innovation (DDI) and The Center for Economics and Market Development (EMD)
COR:	Theresa Stattel
Activity Manager:	Steve Rozner
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Contractor:	DevTech Systems, Inc.
Report prepared by:	Mark Gallagher Steve Rozner Audra Killian Nemanja Jovanovic Jose Oyola
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ACRONYMS

BRI	Belt & Road Initiative
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CSO	Civil Society Organization
DMFAS	Debt Management and Financial Analysis System
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
DTM	Debt Transparency Monitor
DTS	Debt Transparency Scorecard
FAST	Fiscal Accountability and Sustainable Trade Project
FBI	Federal Bureau of Investigation
FRS	Fiscal Risk Statement
GDP	Gross Domestic Product
IDA	International Development Association
IFI	International Financial Institutions
IIF	Institute of International Finance
IMF	International Monetary Fund
LMIC	Low- and Middle-Income Country
MENA	Middle East and North Africa
MTDS	Medium Term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTFS	Medium Term Fiscal Strategy
OBI	Open Budget Index
OBS	Open Budget Survey
OECD	Organization for Economic Cooperation and Development
PDD	Public Debt Department
PRC	People's Republic of China
PSBS	Public Sector Balance Sheet
SAI	Supreme Audit Institution
SOE	State-Owned Enterprise
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Public debt levels in low- and middle-income countries (LMICs) have been on the rise for a decade. The worldwide economic challenges caused by the COVID-19 pandemic have only magnified debt burdens, which in many cases have soared to unsustainable levels. International organizations such as the World Bank and the International Monetary Fund (IMF) have raised concern that the lack of debt transparency among these countries has obscured poor borrowing practices, borrowing for infeasible projects, and borrowing for corrupt or fraudulent purposes. This rapidly rising debt, combined with weak debt transparency, can and has led to fiscal distress, leaving governments unable to meet their obligations or provide basic services to their citizens.

An expanding universe of international creditors complicates the ability of LMIC governments to properly report their debt. The relative share of borrowing from Paris Club lenders and international financial institutions (IFIs) has decreased over time, giving way to a combination of commercial debt and borrowing from other bilateral creditors, most notably the People's Republic of China (PRC).[1] As recent research confirms, PRC lending often follows practices that are inconsistent with those of Paris Club lenders and the IFIs, ranging from the collateralization of specific assets or revenue streams to confidentiality clauses that limit the reporting of official PRC loans. Such terms are not only incompatible with good practice, but also make it extremely difficult to know the full extent of the fiscal risks these debts present to debtor countries.

Inadequate debt transparency not only presents risks to fiscal sustainability. It also deprives parliaments and the public of full information on the executive's financial dealings, at the expense of democratic accountability. Furthermore, opaque debt deals can buoy corrupt or authoritarian regimes and even imperil a country's economic sovereignty. Timely, accurate, and comprehensive debt reporting, on the other hand, promotes democratic checks and balances and can help ensure that democracy delivers for all of society.

Against this backdrop, USAID's Fiscal Accountability and Sustainable Trade Project (FAST) developed a new tool, the Debt Transparency Scorecard (DTS), to systematically assess how well LMIC governments report on public debt to their citizens. Based on a survey of 102 LMICs applying the DTS methodology, we found that countries' debt reporting is quite incomplete: governments, on average, report only 58 percent of the debt data and information that they should. Moreover, of the countries with known debt obligations to the PRC, only 58 percent report on this debt. Our findings confirm that when it comes to debt transparency in LMICs, there is considerable room for improvement.

International institutions and bilateral donors, such as USAID, can help partner countries improve debt transparency. Among others, they can help strengthen legal frameworks governing public debt and debt reporting; strengthen interinstitutional coordination for debt control, management, reporting, and oversight; and train and provide guidance for country partners to produce strategic analyses and reports

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[1] The Paris Club is comprised of 22 permanent countries: Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Netherlands, Norway, Russia, South Korea, Spain, Sweden, Switzerland, United Kingdom, and the United States of America.

(e.g., public sector balance sheets, medium-term debt management strategies, and fiscal risk statements) that, combined, can provide a more comprehensive accounting of sovereign debt and vulnerabilities.

Donors can also help build effective demand for good public debt governance and oversight by cooperating with civil society organizations (CSOs), parliaments, and supreme audit institutions (SAIs). Targeted programs would include creating awareness, providing technical training, and supporting advocacy for policy change.

To inform these debt transparency improvements, the DTS clearly identifies where each of the surveyed countries provides information and where such information is lacking. This handy tool provides a reference point for understanding a country's particular needs today, and can be replicated and expanded in future years to monitor improvements in debt transparency over time.

INTRODUCTION

The rapid rise in public debt and weak systems for debt reporting and transparency present grave challenges for most developing countries. In response to these challenges, USAID/FAST developed and conducted a survey of debt transparency in 102 low- and middle-income countries (LMICs) using a novel tool that we refer to as the Debt Transparency Scorecard (DTS).

This report is organized as follows. The first two sections discuss growing concerns around developing countries' indebtedness, including international calls for enhanced debt transparency. The next section examines the rapid growth in developing countries' borrowing from the People's Republic of China (PRC), including the implications of PRC debt for transparency and broader fiscal sustainability. We then summarize findings from the DTS survey, including areas of common weakness across the surveyed countries. The report concludes with recommendations for how international institutions and donors, such as USAID, can help to enhance debt transparency in partner countries.

Annex I to this report explains the DTS methodology and Annex II presents a DTS Scorecard with composite and component scores for each of the surveyed countries.

THE EMERGING DEBT CHALLENGE

Public debt levels in LMICs have risen rapidly in the last decade. In 2019, the World Bank's *Global Economic Prospects* report noted that from 2008 to 2019, debt in these countries rose by about twenty percentage points of GDP.[2] In the same year, the *Open Budget Survey's* report stated that "Global debt levels are spiraling, but budgets are missing details on the levels, risks, and sustainability of public debt" (International Budget Partnership, 2019). Figure 1 illustrates this rise in indebtedness of LMICs since 2010, with a 17 percent increase in indebtedness in just 2020 alone.

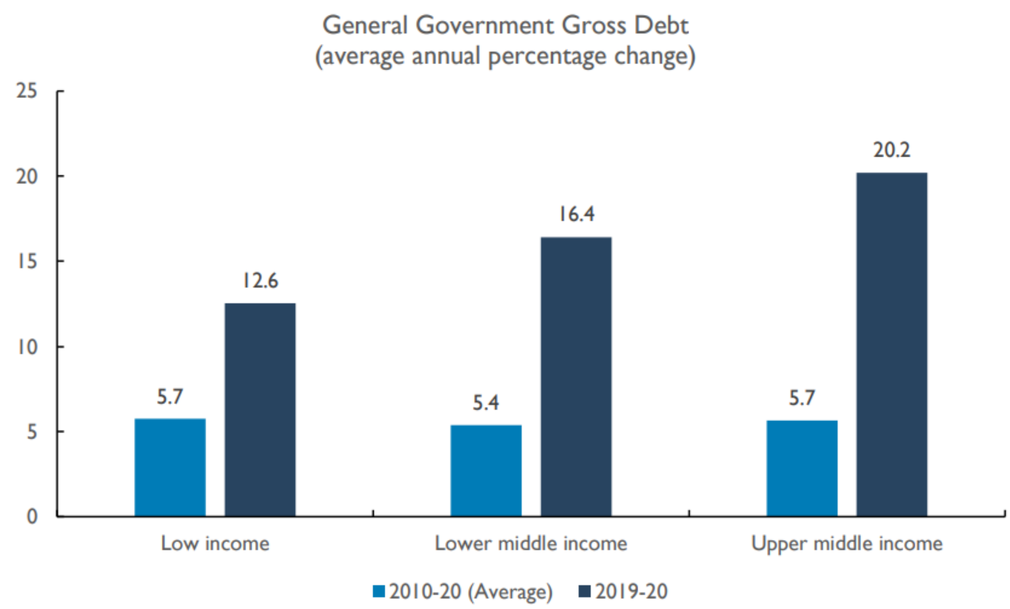
Public debt transparency is receiving increasing global attention for several reasons, including:

1. A worrying surge in public debt, including non-concessional debt, especially in the poorest countries; 44 percent of low-income developing countries were in debt distress or at elevated risk of distress at the end of 2018.[3]
2. The growing diversity of international creditors, including private and official bilateral creditors that operate outside the bounds of Paris Club norms and guidelines.
3. The increasing use of opaque debt terms and practices, such as loan collateralization, confidentiality clauses, non-market-issuances, and off-budget lending to public sector entities in these countries.

[2] USAID's Macroeconomic Resilience Database shows median debt-to-GDP among low- and middle-income countries rising during 2020 alone by a full ten percentage points.

[3] A country is in debt distress when it faces difficulties in servicing its debt, such as it may enter be in arrears or may need to restructure or have its debt forgiven or it may be on the verge of default.

Figure 1: Growth Rates in General Government Debt in LMICs



Source: IMF World Economic Outlook database, December 2021.

These and other factors have diminished the ability of governments to monitor and manage public debt risks, and even more so, public institutions' and citizens' ability to hold their leaders accountable for actions taken that affect not only debt sustainability, but also governance and the stability of their economies. Depriving parliaments and citizens of full information on the executive's financial dealings undermines these basic democratic checks and balances. Worse still, opaque debt deals can buoy corrupt or authoritarian regimes and even imperil the economic sovereignty of borrowing countries.

For many LMICs, the COVID-19 pandemic has only worsened the situation, as declining revenues and widening fiscal deficits have increased the risk that unreported or implicit liabilities will emerge and make it difficult for governments to service or restructure their debt. While increased debt ratios during the COVID-19 crisis were unavoidable, the concern is that a combination of known and unknown debt vulnerabilities will push many developing countries closer to the economic precipice.

INTERNATIONAL CALLS FOR ENHANCED DEBT TRANSPARENCY

In the face of rising risk, many actors have advocated for more debt transparency. In a 2020 press release, the World Bank called for "full transparency of the terms of the existing and new debt and debt-like commitments of the governments of the poorest countries," and it "urged creditors and debtors alike to embrace this transparency—to facilitate analysis that would enable countries to identify sovereign-debt levels that are consistent with growth and poverty reduction." (World Bank, 2019)

Also in 2020, the G7 Finance Ministers encouraged official and private creditors to strengthen debt transparency to promote debt sustainability and long-term financing for development:

> *We call on the international financial institutions, borrowers, and creditors to work together on strengthening public reporting of debt data used in debt sustainability analyses, including a breakout by external creditor and more thorough coverage of contingent liabilities, state-owned enterprise debt, and collateralized financing.*
>
> *We urge creditors to disclose fully the terms of public debt in line with the G20 Operational Guidelines for Sustainable Financing, while refraining from collateralized transactions that use assets or revenues unrelated to projects. Creditors should also limit the use of confidentiality clauses, including for state-owned enterprises.*

Statement of the G7 Finance Ministers on Debt Transparency and Sustainability, June 3, 2020

That same year, the IMF echoed the need for more transparent reporting of public debt, noting that, "The framework for reporting on public debt is sound. But there is room for low-income developing countries to further improve their compilation, reporting, and dissemination of public sector debt data in international databases and more broadly the public domain." (IMF, 2020a)

Accordingly, the World Bank and the IMF in 2020 revised their approach to address public debt vulnerabilities by prioritizing debt transparency initiatives that ensure "the availability of comprehensive, detailed, timely and consistent public sector debt data, produced by borrowing countries, including the terms and conditions of lending." (World Bank Group and IMF, 2020)

More recently, the World Bank (2021) reported that 40 percent of low-income developing countries "have never published debt data on their websites, or they have not updated their data in the last two years." The Bank's research underscores the importance of debt transparency, including how "hidden debt" can quickly destabilize an economy and alter the lives of ordinary citizens. (See Box 1)

Box 1: Mozambique's "Hidden Debt" Scandal: A Cautionary Tale

In 2016, it was revealed that three state-backed companies in Mozambique took on more than $2 billion in loans (equivalent to about 13% of GDP) underwritten by sovereign guarantees from the government. Roughly half of the debt was borrowed in secret, without the knowledge of parliament and the public.

The loans, arranged by three European banks, were ostensibly used by the three companies to finance public investments in coastal security, shipyards, and a national tuna fishing fleet. An international shipbuilder, the sole contractor to the projects, allegedly paid bribes and kickbacks to secure the deals. Despite a parliamentary enquiry, an external forensic audit, and later a U.S. FBI investigation, much of the money remains unaccounted for, while a substantial portion was spent poorly (rusting tuna fishing boats are still parked in Maputo's port) and used to pay highly inflated fees.

As the true magnitude of the fraud became apparent, international donors and the IMF withdrew support, causing a chain reaction that rocked the economy and hurt millions of Mozambiquan citizens. The government was forced to make deep cuts in public spending. It defaulted on its international debt payments. And the national currency collapsed, causing food and other prices to rise, with the greatest burden borne by the poor.

"Mozambique reels from Credit Suisse 'tuna bond' scandal." (2021). *Financial Times*. October 14. https://www.ft.com/content/f8288871-6a21-447c-8031-f69aa8ee80fa.

Debt Transparency in Developing Economies. (2021). World Bank. Page 1.

Many private creditors have joined the international calls for enhanced public debt transparency. In response to growing concern about the risks to debt sustainability caused by rising public debt levels, the Institute of International Finance (IIF), a global association of the financial industry, issued its Voluntary Principles for Debt Transparency on June 10, 2019. The principles complement G20, IMF, and World Bank initiatives designed to improve transparency in public sector borrowing. However, they put the onus on private sector creditors to voluntarily disclose any financial transactions they undertake with public sector entities that have the economic effect of borrowing, or with any other entity which are guaranteed by a public sector entity.

To help operationalize the Voluntary Principles for Debt Transparency, the Organization for Economic Cooperation and Development (OECD) in 2021 launched a new debt transparency initiative. This OECD program provides a repository and reporting mechanism for private sector lenders to report their lending to governments and other public sector entities in developing countries.[4]

THE RISE OF PRC DEBT

Debts owed by developing countries to the PRC pose complex new challenges for many developing countries. Over the past two decades, lending to LMICs by the PRC Government, PRC state-owned enterprises, and PRC development banks has soared, particularly accelerating since 2013 under the Belt & Road Initiative (BRI). Consequently, in many LMICs, PRC debt has now surpassed lending from Paris Club members. According to recent reports, PRC lending does not conform with the lending terms of the Paris Club, which can create certain challenges to international cooperation efforts should a debtor

[4] See OECD Debt Transparency Initiative: https://www.oecd.org/finance/debt-transparency/.

country enter into debt distress and seek either debt restructuring or even forgiveness. (Gelpern et al. 2021)

PRC lending also creates challenges for debt transparency. For instance, according to recent reports, an increasing proportion of official PRC financing to LMICs takes the form of loans to public corporations or special purpose vehicles that do not show up in official public sector debt reporting. In addition, official PRC bilateral loan agreements for LMIC borrowers often include non-disclosure or confidentiality clauses, which prohibit the debtor from making public the terms and conditions of these loans. Such practices are not consistent with lending by Paris Club members or by IFIs, such as the IMF, World Bank, and the African Development Bank.

Nor is collateralization, which is a hallmark of official PRC lending to LMICs. Collateralization means that repayment of a loan is guaranteed by a specific income stream or by a particular asset. Also known as resource-backed loans, collateralized lending is often guaranteed by export revenues generated by the specific sector the loan is linked to, such as copper or oil exports. In Bosnia and Herzegovina, official PRC financing of the Tuzla electric power plant is collateralized against the plant itself, where if the plant is unable to meet its debt servicing requirements, it will fall to the ownership and management of the PRC lender.[5]

Paris Club members, by contrast, do not collateralize their loans, neither against specific revenue streams nor specific assets. The IFIs and Paris Club members lend to country governments or public sector entities based on the ability of the overall public finance system to repay. Collateralized PRC lending effectively ringfences specific revenue streams and puts PRC creditors ahead of all other creditors in case of repayment problems. This preferential treatment can make debt-relief negotiations complex, non-cooperative, and prone to failure.

Due to the lack of transparency, USAID/FAST cannot precisely calculate the total amount of official PRC debt currently outstanding. There are hints, however, of the magnitude. For instance, Horn et al. (2019) estimates by drawing from a variety of sources that PRC overseas debt claims have surged from about 0.1 percent of world GDP in 1998, to about 1.9 percent in 2019, or from $33 million to $1.6 trillion. More recent and perhaps more reliable information arises from the G20 Debt Service Suspension Initiative (DSSI), showing that 84 percent of the official bilateral debt of the 57 eligible countries is owed to the PRC Government or other PRC public sector lenders such as the China Development Bank or the Export-Import Bank of China.

DEBT TRANSPARENCY: WHO BENEFITS?

Debt transparency benefits a broad range of domestic and international stakeholders.

Citizens and **civil society** have the right to hold their governments accountable and to do this, they need free and ready access to understandable information. Lack of citizen access to debt information can allow public servants to make decisions about the use of public funds or future claims on public funds that are not in the best interest of society.

[5] See AidData database referred to in Malik et al (2021): https://www.aiddata.org/publications/banking-on-the-belt-and-road.

Parliaments and **supreme audit institutions** (SAIs) need ready access to public debt information, not only during the budget process, but on a continuing basis to fulfill their public sector oversight function and to help safeguard public resources and citizens' welfare.

Lenders or **investors** looking to buy sovereign bonds or invest in a country require information about a country's sovereign debt so they can make informed decisions, based on real-time information. In addition, **international credit rating agencies**, such as Moody's and Standard & Poor's, need access to information about public debt, debt servicing, maturities, and related information to play their essential role in helping international capital markets operate and ensure investment risks and returns can be appropriately assessed and managed.

Governments themselves benefit from publicly accessible, comprehensive, and timely debt information, and they are the entities that have the prime responsibility for ensuring this transparency. But this transparency also goes beyond the central government since other institutions, such as SOEs and local governments, may also take loans or issue debt securities and may even do so in foreign currency, with the associated exposure to currency risk. In the absence of transparency, central governments may find themselves burdened by debts incurred by SOEs or other levels of government even when the ministry neither authorized the borrowing nor was aware that the transactions were occurring.

Finally, **international institutions such as the IMF and donors such as USAID** need readily available information about their partner countries' fiscal and debt reporting. Donors need debt transparency because essential public spending on things such as health, education and infrastructure may be threatened by abrupt bouts of debt distress, which can result in deterioration in economic development and give rise to social and political instability. Debt transparency is an essential element of building effective, inclusive, and accountable institutions. International partners can promote reforms that enhance governance around public debt and make dept reporting more comprehensive, accurate, and timely.

Indeed, all of these stakeholders play a vital role in promoting debt transparency, but transparency starts with the governments in borrowing countries. If the authorities themselves are not open and forthcoming when it comes to public finances, there is little basis for others to check their behavior or hold them accountable.

THE DEBT TRANSPARENCY SCORECARD

To put the issue of debt transparency into internationally comparable terms, USAID/FAST developed a Debt Transparency Scorecard (DTS) using a methodology that assesses the breadth and depth of debt reporting that governments in low- and middle-income countries make available to their citizens. The full details of the DTS methodology are explained in Annex I. Annex II presents the DTS scores by country and indicator for each of the 102 surveyed countries.

Between July and November 2021, USAID/FAST scoured official websites and publicly available and downloadable documents in 102 LMICs to ascertain whether governments report effectively on their borrowing. Specifically, we assessed whether they publicly disclose key debt information and special reports that comprise the essential information needed to track public debt and understand the risks that debt may pose to the economy, the fiscal system, and to people's livelihoods.

The team searched for this information with respect to five dimensions: 1) high-level and strategic information, including special reports; 2) breakdown of information about domestic and external debt servicing; 3) debt maturities; 4) planned new financing from domestic and external sources; and 5) specified reporting on debt owed to PRC public entities and government.

Across these five dimensions, we score each country on the basis of 14 indicators. For each indicator, a country receives a score of either 1 or 0, where a 1 means up-to-date data or reports are available and a 0 means they are not. An overall DTS score is then derived by totaling the scores for the 14 indicators, expressed in terms of percentage achieved, where a 1.00 denotes full or 100 percent compliance across all indicators. Importantly, to be considered compliant, the required data or documentation must be available to the public from official government sources; it is not sufficient to have the information accessible from third-party sources.

While we have assessed whether the data are available for public scrutiny, we do not assess their veracity—a task which is beyond the scope of this exercise.

DEBT TRANSPARENCY SCORECARD: KEY FINDINGS

Our survey of 102 LMICs applying the DTS methodology reveals several important findings.

Almost all the countries surveyed provide the public with some information about public debt, but in most cases the information is quite limited. Governments in 86 percent of the countries provided some information on the size of the national debt to their publics as recently as last year, but governments in only 61 percent of those countries reported publicly guaranteed debt as well. On average, countries met the requirement for roughly eight out of the 14 DTS indicators, yielding an average DTS score of only 58 percent (0.58), meaning there is much to be done to improve debt transparency. Four LMICs[6] met all of the requirements, yielding an overall score of 100 percent or 1.0, while twelve countries[7] met none of the requirements, securing them an overall DTS score of zero. Table 1 presents the average DTS scores for each of the 14 indicators for the surveyed countries. Box 2 discusses how top performers Guyana and Uganda provide users with ready access to debt information.

Table 1: DTS and Component Scores – Average Values for 102 Countries

INDICATOR AND AVERAGE VALUE			
Overall DTS	0.58	ST external debt service to reserves	0.55
Public debt	0.86	Domestic debt service to revenues	0.57
Public and Publicly Guaranteed Debt (PPG)	0.61	Domestic debt maturity	0.54
Public sector balance sheet	0.48	External debt maturity	0.58

[6] Bhutan, Guyana, Maldives, and Uganda.

[7] Algeria, Comoros, Djibouti, Eritrea, Haiti, Iraq, Kiribati, Libya, Micronesia (Federated States), Sudan, Turkmenistan, and Venezuela.

Medium term debt management strategy	0.57	New borrowing	0.51
Fiscal risk statement	0.47	External new borrowing	0.54
Debt service to exports	0.62	Official PRC debt	0.58
Short-term debt service to government revenue	0.57		
Average values of information in Annex II.			

Box 2: Top Scoring Debt Reporters - Uganda and Guyana

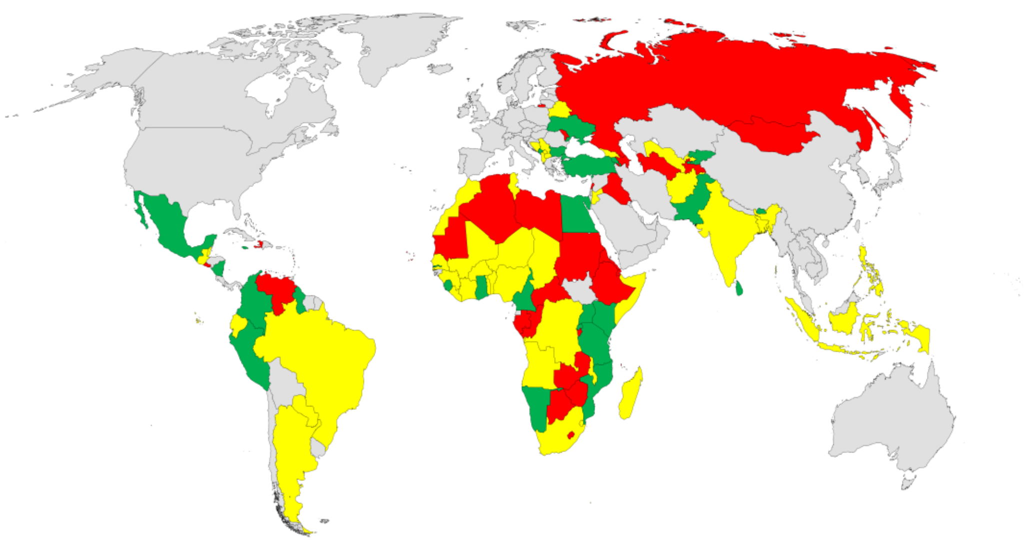
Uganda: Uganda's debt information is concentrated on the Ministry of Finance, Planning, and Economic Development's website. The Quarterly Statistical Bulletin presents debt information through tables and figures, and also includes an overview of the government's contingent liabilities and risks. The section on contingent liabilities specifically lists the publicly guaranteed debt as well as the debt of SOEs. Risk indicators are presented at the end of the document, along with separate narratives on each of the three main risks: refinancing and rollover risks, interest rate risks, and exchange rate risks. The bulletin also lists the specific projects funded by debt from the PRC. Uganda's public sector balance sheet is presented in the Ministry's Reports and Consolidated Financial Statements of the Government of Uganda. Its medium-term debt management strategy is separated into two parts: an overview of the debt situation in the country (FY 2019/2020) and the fiscal strategy for 2021-2024. The strategy clearly lays out the objectives, associated assumptions, worst-case scenarios, and stress tests (particularly exchange and interest rate shocks). The annex of the strategy lists out each government project, associated sectors, donors, and the annual project forecast until 2024.

Guyana: All of Guyana's debt information is organized and transparently reported in two main documents: the Ministry of Finance's Public Debt Annual Report and the Bank of Guyana's Annual report. The Public Debt Annual Report includes an overview of the government's contingent liabilities and the report has two separate chapters on publicly guaranteed debt, including foreign lending to SOEs and private entities. The report includes extensive analysis and reporting on domestic and foreign debt and includes a summary of indicators at the end which provide a concise and clear picture of Guyana's debt as well as the associated risks and costs. On the same Ministry of Finance webpage as the debt report is the government's medium-term debt management strategy. On the Bank of Guyana's website, their Annual Report provides a public sector balance sheet for the government. The report also includes a financial stability review, which analyzes financial and other risks (e.g., natural disasters) and reports on the several stress tests (simulations of multiple system disasters or failures).

The debt information reported by LMIC governments is often not easy to find, and when found, it is frequently lacking in coverage, timeliness, and detail. Our team of four fiscal experts, working in multiple world languages and using online translation tools, spent hours rooting through hundreds of official websites. We searched websites of Ministries of Finance and Planning, budget directorates, central banks, and sometimes other sites built to facilitate transparency. We found debt reports that reported external debt but not domestic debt, other debt reports that did not include the structures of debt (such as concessionality, market rates, maturities, loans or securities), and various other bulletins that reported some debt information but did not specify the creditor or creditor type (multilateral, bilateral, Paris Club, non-Paris Club, commercial) or even the maturity of each debt. We also found key data needed to meet the requirements of specific DTS indicators (e.g., debt service, government expenditures, foreign exchange reserves, new deficit financing) buried in medium-term fiscal frameworks (MTFF), annual budget laws, central bank balance of payments reports and other documents. That is to say, the information was technically available, but it would have been hard for the average person to find.

Debt transparency weaknesses are present in all regions and income groupings. Figure 2 features a world map comparing the relative debt transparency of the 102 surveyed countries, as represented by their composite DTS score. The colors are assigned as green for the top one-third performers, yellow for the middle-third performers, and red for the lowest-third performers. As the map illustrates, the issue of inadequate debt transparency is not confined to any specific region of the world. And even many of the countries in green have considerable shortfalls in terms of providing adequate reporting to their citizens on the nature, size, characteristics, and riskiness of their public debt.

Figure 2: Debt Transparency Around the World



Source: Debt Transparency Scorecard Database. USAID/FAST, 2021.

Table 2 presents the average DTS scores by income group and region. It indicates that the DTS score increases with a country's income grouping, but the differences are small. It also indicates that, by region, the lowest average DTS scores are found in Oceania (0.31) and the Middle East and North Africa (MENA) (0.37). Oceania only includes five surveyed countries, while MENA includes eight. For the 44 countries surveyed in sub-Saharan Africa, we found an average DTS score of 0.57, similar to the global average for all LMICs.

Table 2: Average DTS Scores Across Income Groups and Regions

Category	Average DTS
Income group	
Low-Income	0.55
Lower Middle Income	0.57
Upper Middle Income	0.61
Region	
Asia	0.66
Europe and Eurasia	0.65
Middle East and North Africa	0.37
Sub-Saharan Africa	0.57
Latin America and the Caribbean	0.66
Oceania	0.31
Global	0.58

Source: Debt Transparency Scorecard database created by authors. Data in Annex.

Little more than half the surveyed countries with PRC debt report it. Of the 136 LMICs covered in AidData's dataset of PRC development projects, 118 countries have financed these projects with official PRC debt.[8] The DTS survey covers 91 of these 118 LMICs. Of the 91 surveyed countries with official PRC debt, 53 (58 percent) reported that debt on their official websites or in publicly available fiscal documents.

Given the importance of PRC debt and its special characteristics, the failure of debtor country governments to report these obligations has potentially grave consequences. Table 3 indicates DTS-surveyed countries that have debt to the PRC and whether this debt is explicitly reported on national authorities' websites. The last two columns of the table indicate those LMICs covered in AidData's dataset that were not surveyed for the DTS, and whether or not they have projects financed by official PRC debt.

[8] Dataset available at https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-2-0.

Table 3: Reporting on Official PRC Debt

Countries surveyed that have and report PRC debt	Countries surveyed that have PRC debt but do not report it	Countries surveyed that do not have PRC debt	Countries not surveyed that have PRC debt	Countries not surveyed that do not have PRC debt
Albania Angola Armenia Bangladesh Belarus Benin Bosnia and Herzegovina Botswana Burundi Cabo Verde Cameroon Central African Republic Colombia Congo (Brazzaville) Congo (Kinshasa) Dominica Ecuador Ethiopia Fiji Gambia Georgia Ghana Guinea Guyana Jamaica Jordan Kenya Kyrgyzstan Liberia Madagascar Malawi Maldives Mali Mauritania Mongolia Montenegro Morocco Mozambique Namibia Niger Nigeria Paraguay Philippines Rwanda Samoa Sierra Leone Sri Lanka Tanzania Tunisia Turkey Uganda Zambia Zimbabwe	Afghanistan Algeria Argentina Azerbaijan Brazil Bulgaria Cambodia Chad Comoros Haiti India Indonesia Iraq Kiribati Kosovo Lebanon Lesotho Libya Marshall Islands Mexico Micronesia (Federated States) Moldova Nepal North Macedonia Nicaragua Pakistan Peru Russia Senegal Serbia Somalia Sudan Tajikistan Togo Turkmenistan Ukraine Uzbekistan Venezuela	Belize Bhutan Burkina Faso El Salvador Eswatini Guatemala	Bolivia Burma (Myanmar) Costa Rica Cuba Equatorial Guinea Grenada Guinea-Bissau Honduras Iran Kazakhstan Laos Malaysia Papua New Guinea São Tomé and Príncipe South Africa South Sudan St. Lucia Suriname Syria Thailand Timor-Leste Tonga Vanuatu Vietnam West Bank/Gaza Yemen	Dominican Republic Korea, Democratic Republic Solomon Islands St. Vincent and Grenadines Tuvalu

Source: Data about whether a country has PRC debt is from AidData: https://www.aiddata.org/, launched in 2021.

Too few countries produce and make available three strategically important documents: public sector balance sheets (PSBS), medium-term debt management strategies (MTDS), and fiscal risk statements (FRS). These documents are difficult to produce, have important data system requirements, and require superior analytic and modeling skills. Nonetheless, these are key components for debt reporting, debt management, and macroeconomic stability.

Fewer than half the surveyed countries produce and make public the PSBS, and many are not comprehensive. One cannot really assess a country's liabilities (including debt position) without understanding its assets. A comprehensive PSBS includes all the assets and all the liabilities, both financial and real, of a country's non-financial public sector, including those of public corporations or SOEs. Most PSBSs that USAID/FAST reviewed were less than fully comprehensive, but they were a start. Most of them only provided information for financial liabilities and assets and did not include physical capital assets. And some did not fully cover the non-financial public sector but were limited to the central government. One benefit of a complete and comprehensive PSBS is that it will provide information about *sukuk*, a commonly used Islamic financing instrument. Sukuk allows governments to secure financial backing for projects and activities, giving sukuk investors a claim on both future asset values and revenue streams. In this sense, it is not debt, *per se*, but it does entail a promise from the government to redeem the investor's initial investment at a future date. Consequently, sukuk involves a government obligation and should appear in a comprehensive PSBS.

Ready examples of a comprehensive PSBS include (click to follow the links):

- Botswana's Public Sector Balance Sheet (Annual Statement of Accounts)
- Philippines' Financial Position Statement

Fewer than half of the countries produce and make public the MTDS. The MTDS is a useful tool for assessing a country's debt profile and its exposure to currency and other risks, and for setting a strategy to lower borrowing costs and raise creditworthiness. Because of its coverage, it is usually a thorough source of public debt information. Producing an MTDS is an arduous task, and it requires the use of sophisticated analytic tools applied with good economic and financial modeling techniques, access to a wide array of data, and coordination among various parts of government.

Ready examples of MTDSs include (click to follow the links):

- Jamaica's Medium-Term Debt Management Strategy
- Nigeria's Medium-Term Debt Management Strategy

Few countries produce and make available a fiscal risk statement. Among the LMICs surveyed, the FRS is the single biggest lacuna in debt reporting and oversight. A comprehensive FRS will include an analysis and presentation of the impact of a wide variety of events that can affect a country's overall fiscal situation, such as financial crises, natural disasters, and commodity price collapses. It will also disclose any explicit contingent liabilities that, if triggered, could result in fiscal distress. A comprehensive FRS will include information on a variety of contingent liabilities of the public sector that are like debt but may not be included in debt reporting elsewhere. Such contingent liabilities include, *inter alia*, guarantees of debts to SOEs, guarantees extended to the private sector, and other credit enhancements that under a triggering situation will give rise to claims on the public sector.

Ready examples of FRSs include (click to follow the links):

- Côte d-Ivoire's Fiscal Risk Statement
- Rwanda's Fiscal Risk Statement
- Maldives' Fiscal Risk Statement

Countries do not adequately report the breakdown between domestic and external debt. Only half of surveyed countries report net new borrowing in local currency, and only slightly more than half report net new borrowing in foreign currency. In practice, fewer than half of the surveyed countries report the breakdown between external and domestic public debt and debt service. Similarly, only slightly more than half of the countries report any information on debt service, whether for local currency-denominated debt or for external debt.

HOW DONORS CAN HELP LMICS IMPROVE DEBT TRANSPARENCY

The World Bank (2021) offers several recommendations for improving debt transparency, particularly focused on low-income countries. These include, *inter alia*: develop a sound public debt management legal framework; publish core public and publicly guaranteed debt statistics at the general government level (i.e. inclusive of central, provincial, and local governments) annually; limit and define the scope of confidentiality clauses in borrowing, and refrain from those that require secrecy; and develop and adopt strict analytical and monitoring processes for approval and implementation of resource-backed (i.e. collateralized) loans.

Another report addressing this topic (Hickle, 2021) provides similar recommendations. These include: create a clear legal and regulatory framework for public debt that includes transparent reporting; plan and publish an annual strategy; and conduct and publish debt sustainability analyses (DSAs) to provide transparency around debt vulnerabilities.

In addition to these recommendations, below we propose several programmatic opportunities that international institutions and donors, such as USAID, might pursue to directly help partner countries implement changes that will both improve debt management and strengthen debt transparency. These recommendations derive directly from our DTS research findings.

The international community can support the design and standardization of national debt reports. Many countries produce debt reports, but these vary from country to country and often lack important information. Often central banks produce debt reports, but these only report on external debt, do not treat maturities, and do not indicate borrowing plans, let alone net new financing needed to cover public sector budget deficits. A fully informative, broadly scoped debt report that is available within 3-6 months after the start of the fiscal year, published by either the central bank or the Ministry of Finance, would be of great value to citizens, lenders, creditors, and development partners alike.

Support for interinstitutional coordination can enhance the quality and comprehensiveness of debt information. International assistance to produce comprehensive debt reporting frameworks must consider the structure of the entire public sector and requirements for reporting of all constituent parts of the public sector, and build collaboration and cooperation among these constituent parts.

Support for interinstitutional cooperation in debt management, control, and reporting must bring together all levels of government, from local to provincial to national, along with SOEs and other public sector entities that may be operating outside the national budgeting process. Systems for compiling, reconciling, and transferring data may need to be developed or enhanced, while procedures must be codified, either in laws or regulations.

This may not be straightforward, as USAID experience has shown. For example, the final project report of the USAID-funded Angola Fiscal Reform Project (Gallagher, 2009) accounts for considerable progress in building the capacity of the Ministry of Finance to better report and project central government debt statistics while also clearly indicating that information from extrabudgetary operations, and especially from the national oil company (SONANGOL), continued to remain outside of public sector financial and debt accounting and reporting.

Tools such as the Debt Management and Financial Analysis System (DMFAS) or the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) are used by many nations and can produce most of the reports required for debt transparency, but there are still challenges. For instance, these systems may be rolled out covering only a portion of the public sector, often just the central government. Expanding coverage to incorporate all public sector debt will often require assistance from the relevant international organization. For instance, DMFAS is a product of the UN Conference on Trade and Development (UNCTAD), but UNCTAD may not be able to provide the necessary assistance without funding (see Box 3).

Box 3: USAID Experts Assess Debt Data Systems for Bosnia and Herzegovina

Bosnia and Herzegovina does not have an overarching system for public debt information and management. The State, two entities, and Brcko District are using independent and old Access databases to record and trace external debt. Domestic debt is recorded in Excel files. Risk management and analysis are inadequate.

USAID experts analyzed existing software solutions and assessed their applicability in the country's institutions. The analysis assessed software functionality and data exchange capabilities in light of local institutions' needs, availability of interface and help subsystems in the three local languages, implementation processes, and involved costs including total cost of ownership and technical prerequisites for the solution.

USAID (2015)

International support can be provided to help partner countries to develop robust MTDSs. Producing an MTDS will directly address two issues. First, countries need these strategies more now than ever, given the rapid increase in borrowing, both domestic and external, needed to support their recovery from the pandemic-induced crisis. Second, a well-developed MTDS will, by its very nature, use and report the information that is needed to create debt transparency, such as size of the debt, its structure, foreign and domestic make up, and maturity, which can inform the rest of the debt reporting system.

Support to MTDS development can include technical assistance, training, and the sharing of experience with other countries that have made progress in this regard. Donor assistance might also include reviewing and updating templates and manuals for creating MTDSs and ensuring the dissemination and support for implementation of these tools (see Box 4).

Box 4: USAID Jordan Fiscal Reform II Project Helped Ministry of Finance Develop its First MTDS

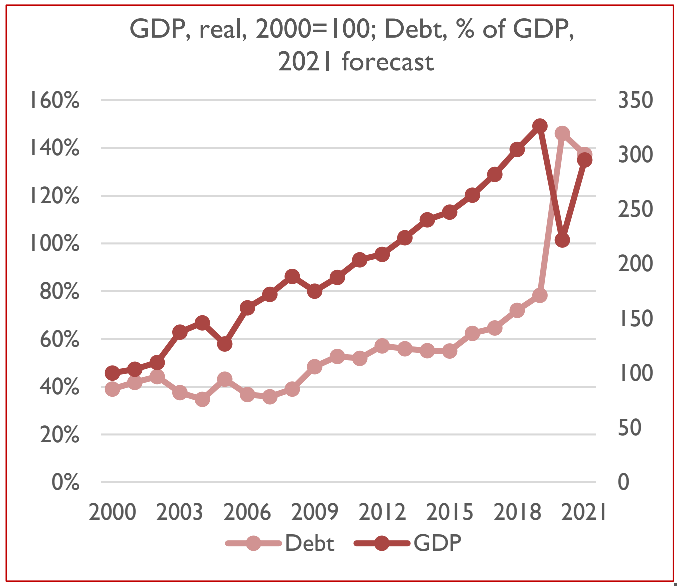
Professionals in the Jordanian Ministry of Finance's Public Debt Department (PDD) had little support for determining the best way to fund government deficits. USAID experts worked collaboratively with PDD staff to develop a MTDS, the first of its kind in the country. Assistance first focused on training counterparts to use a customized analytical tool. After learning how to populate the tool with macroeconomic and primary deficit data, and using it to generate forecasted market variables, PDD staff then used the tool's outputs to draft the country's first MTDS. This strategy laid out the composition and vulnerabilities of Jordan's current debt portfolio, and presented seven alternative paths for future debt strategies, assessing each for four distinct risk scenarios. The PDD was able to propose various strategies that ensured a combination of least cost and least risk, lessened Jordan's currency risk, and offered longer average maturities, thereby reducing refinancing risk.

Fahey et al. (2011)

International assistance to produce fiscal risk statements will not only make clear the debt position of the public sector, but also provide data on debt-like exposure the country faces. For instance, an FRS that meets standards (see IMF, 2016, Chapter V) will include debt and guarantees of SOEs, commitments to public-private partnership deals, where the public sector guarantees revenues or profits of a private sector investment in a public-private partnership arrangement, and other guarantees the public sector provides the private sector and citizens. An FRS will also report on both formally contingent liabilities of the public sector as well as liabilities that are only implicitly guaranteed.

Assistance to Ministries of Finance and other institutions should not be confined to the development of fiscal risk statements, but also extend to fiscal risk assessment and management more generally. Greater understanding of and attention to fiscal risks can contribute to enhanced transparency and better fiscal management. Guidance for fiscal risk management and preparing FRSs is readily available in the IMF's *Fiscal Transparency Handbook* (2018). The IMF and World Bank have each developed handy tools to assist governments to identify, evaluate, and mitigate fiscal risks. USAID Indonesia's Economic Growth Support Activity has also developed several tools for developing an FRS, as well as fiscal risk assessment and mitigation, which can be adapted to use in other countries. (USAID, 2021a) In addition, in 2021, USAID helped the Government of Maldives develop it first FRS. (See Box 5)

Box 5: USAID Helps Maldives Produce its First Fiscal Risk Statement



High-end tourism propelled the Maldives economy over the past decade. But with the onset of COVID-19, GDP plummeted 32 percent in 2020. This drastic drop in economic activity has brought on acute fiscal challenges and a near doubling of public debt—from 80 percent to nearly 150 percent of GDP—in one year. The economy has since stabilized and is expected to grow by 22 percent in 2021. But the fiscal stress and debt burden remain.

To manage and prepare for the impacts of fiscal risks that emerge from the COVID-19 pandemic, the soaring debt burden, and potential future crises, the USAID-funded Maldives Public Financial Management Activity collaborated with the Ministry of Finance, the Maldives Monetary Authority, the Maldives Inland Revenue Authority, and the World Bank to prepare the country's first comprehensive fiscal risk statement. The Maldives' Medium Term Fiscal Strategy 2022-2024 sets out an in-depth and transparent disclosure and analysis of fiscal risks and their mitigation that can help the government ensure fiscal policy will be able to respond to future economic and fiscal shocks; that specific risks are actively monitored and managed; and that abrupt and disruptive changes in policy are avoided when risks materialize. Effective management of, and planning for, fiscal risks contribute to sound and transparent public finances, investment and economic growth, and greater resilience to shocks.

USAID (2021b)

Provide technical assistance and training to help partner countries develop their PSBS. Comprehensive PSBSs bring together all the accumulated assets and liabilities that governments should be monitoring, including pension liabilities and those of SOEs. They attempt to account for the entirety of what the state owns and owes. This is particularly relevant in the current context of record and still rising public debt among LMICs. PSBSs bring about greater transparency and allow closer scrutiny of a government's financial position.[9] However, the PSBS is also quite challenging to produce, as it relies on solid accounting systems, expertise in valuation, and coordination of the entire non-financial public sector, including SOEs. As a result, very few low-income countries produce and publish them.

Strengthen parliamentary scrutiny and oversight of public debt. In particular, legislatures or parliaments have a vital role to play in setting the legal framework for and overseeing public debt and debt management. This includes defining the authority to borrow (and limits thereto), analyzing key debt management documents (e.g., MTDS, FRS) in the course of reviewing and approving the annual budget, and reviewing and approving new loans and financing agreements. As part of their ex-post oversight role, parliamentary committees also have a critical role to play in reviewing and acting upon debt-related

[9] See Alves et al. 2020.

audits prepared by the supreme audit institution, which itself may be a prime target for international support.

Build the capacity of SAIs to conduct audits of public debt and public debt management. SAIs play a key role in ensuring the transparency and integrity of public debt and public debt management. UNCTAD (2012) states, "An audit institution should conduct independent, objective, professional, timely and periodic audits of their debt portfolios to assess quantitatively and qualitatively the recently incurred obligations. The findings of such audits should be publicized to ensure transparency and accountability in debt management. Audits should also be undertaken at sub-national levels." In support of these principles, the International Organization of Supreme Audit Institutions (INTOSAI) has issued guidelines for member organizations to audit public debt as well as to audit public debt management. Building the capacity of SAIs to implement these principles can improve debt transparency. (See Box 6)

To spur demand for increased debt transparency, donors can collaborate to build capacity of civil society organizations. In many countries, CSOs play a significant role in interfacing with Ministries of Finance and other parts of government as an external oversight institution to serve the broader interest of citizens. Often around the world, CSOs have taken up this mantle, but greater understanding of debt issues, debt statistics, and the special analyses, such as MTDS and DSAs will help ensure they play this role in a better-informed way. Targeted assistance would include creating awareness, providing technical training, and supporting advocacy for policy change.

Box 6: USAID Builds Capacity of the State Audit of Vietnam to Audit Public Debt

USAID/Vietnam's Support for Trade Acceleration Plus (STAR Plus) project, with additional funding from the U.S. Department of State's Fiscal Transparency Innovation Fund, engaged with counterparts to raise awareness about, advocate for, and implement measures to improve fiscal transparency. One component of this program was to build the capacity of the State Audit of Vietnam – the country's supreme audit institution – to conduct in-depth audit of the country's public debt. STAR Plus translated the Manual on Public Debt Audit produced by the International Organization of Supreme Audit Institutions. The main trainer for this capacity building exercise was also the main author of the Manual. STAR Plus provided an intensive four-day training session for more than 40 senior SAV auditors.

USAID (2013)

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ANNEX I: THE DTS METHODOLOGY

In 2021, USAID/FAST created the Debt Transparency Scorecard to assess debt transparency around the world. This inaugural DTS survey covers 102 low- and middle-income countries (LMICs), including most USAID partner countries, emerging market countries, and countries eligible for International Development Association (IDA) financing. Additional countries may be added to the survey through future annual updates.

The DTS puts country actors at the center of the analysis. We collect information solely via surveys of websites maintained either by government agencies, or by the respective central bank. We do not give credit for information reported to or published by third parties, such as the IFIs or other international organizations. We also give credit only where countries report relevant data in a timely way: If data are not reported for the past year (i.e., 2020) they are not considered compliant. By assessing all countries against the same reporting standards, our approach also facilitates cross-country comparison as well as tracking of changes over time.

The DTS's focus is purely on the existence (or absence) of debt reporting. It does not assess the veracity of the reported data or the quality of debt plans. Nor does it evaluate credit ratings, debt risks, related policies and what they may imply. Similarly, it does not attempt to assess the legal or institutional arrangements relating to debt, such as debt legislation and regulation, the degree of external oversight, the capacity of debt-related organizations, or the transparency of local capital markets. Such assessments are beyond the scope of this tool.

The DTS assesses countries' debt transparency on the basis of 14 indicators spread across five dimensions, including reporting on: 1) high-level debt, 2) the currency composition of debt, 3) the maturity of debt, 4) capacity to incur future debt, and 5) official PRC debt. (The indicators are described in detail below and in Table 4.) All 14 DTS indicators relate to risk factors, where failure to publicly disclose and account for those risk factors could be contributors to fiscal distress, default, or broader macroeconomic vulnerabilities. All data are consistent with internationally established definitions and standards, such as those found in the IMF's Government Finance Statistics Manual (2014), and represent indicators or information that individuals or organizations tracking debt reporting around the world would readily seek and understand.

DTS SCORING

Indicator scoring follows a binary scale. Each indicator scores a one (1) if the data are reported, or a zero (0) if not. The data must not only exist or be compiled in some institutional repository, but must be proactively reported by national authorities to their citizens in some form or another. For instance, the requirements for an indicator will be considered met if the data are clearly reported in budget documents, budget proposals, debt plans, or other relevant documents, such as a published medium-term fiscal or expenditure framework (MTFF or MTEF), or if such information is otherwise presented in an accessible manner on the websites of relevant government agencies, such as the Ministry of Finance or central bank.

The fourteenth DTS indicator, "Official PRC debt" (Indicator 5.a in Annex 2), is scored slightly differently.

- If a country has contracted debt from PRC entities but does not report it, it is scored 0.
- If it has contracted debt from PRC entities and actively reports it, it is scored 1.
- If the country has not contracted any debt from PRC entities, it also receives a 1. This ensures that countries that do not have PRC debt (and therefore have nothing to report) are not penalized in DTS scoring.

Once the 14 individual indicators are scored, each country receives a composite score expressed in terms of percentage achieved. Think of each individual score as either 0, does not meet the requirement, or 1, meets the requirement.

- If a county meets the requirements for all 14 indicators, it will be scored 100 percent, or 1.00.
- If it meets only half, then it will be scored only 50 percent, or 0.50.

Each country can be scored without reference to other countries, and no sophisticated analysis is required to replicate results. Indeed, the intention was to provide complete transparency, so that anyone applying the DTS methodology and scoring system would reach the same conclusions.

DTS INDICATORS

A multitude of different debt indicators could have been selected to inform this debt transparency assessment. However, data collection takes time, and trying to incorporate every data point is costly and of declining marginal value. The DTS approach, therefore, limits the set of indicators to those that are commonly reported, are consistent with international standards and practice, and each add value to the overall debt transparency scoring.

The 14 DTS indicators are spread across five dimensions:

High-level debt. High-level or strategic debt reporting includes information about public and publicly guaranteed debt at the macroeconomic level, both in terms of reporting debt statistics as well as producing certain reports that provide strategic analysis and information about debt positions, vulnerabilities, and plans. This high-level debt reporting should be at the most comprehensive level, reporting not just central government debt, but all debt of the entire public sector as well as publicly guaranteed debt.

Currency composition of debt. The currency composition of debt is a key aspect of macroeconomic stewardship. When the public sector borrows in foreign currency, its repayment obligations and debt servicing are also in foreign currency and will fluctuate in domestic currency terms as exchange rates rise or fall. Borrowing in domestic currency has its own challenges as this can affect domestic interest rates, inflation, and capital market liquidity.

Maturity of debt. It is important to record, publish, and monitor the maturity of debt, i.e., when debt repayment is due, both domestic and external, because it affects the risk that a country may enter debt distress if obligations for repayment arise quickly or if multiple debts come due at the same time. Relying on short-term debt for long-term economic gains is a mismatching that can result in liquidity challenges even if the government is solvent from a longer-term perspective.

Capacity to incur future debt. Capacity to borrow or incur new debt is an important signal of resilience. The more new debt a country can incur, particularly in case of economic shocks and revenue shortfalls, the less it will have to resort to spending cuts or tax increases precisely at the moment when doing so might cause economic or societal harm.

Official PRC debt. DTS tracks whether countries that have official debt from the PRC Government or other public sector entities in the PRC debt report it.

Table 4 presents the 14 indicators that we use to construct the DTS.

Table 4: Transparency Indicators

Indicator	Rationale
High-level debt reporting	
1.a Ratio of total public debt over a country's gross national income (or data to calculate the ratio)*	Debt-to-GDP ratio is an important public debt indicator used by experts as an overall indicator of debt sustainability.
1.b Ratio of total public and publicly guaranteed debt over a country's gross national income (or data to calculate the ratio)*	Reporting public and publicly guaranteed debt as a ratio to GDP provides a more comprehensive picture of the potential financial obligations of the public sector.
1.c Country reports and makes available a current – within past two years – Public Sector Balance Sheet (PSBS), which can be downloaded	Public Sector Balance Sheets are the most comprehensive means of reporting the assets and liabilities of the public sector, including pension liabilities and those of SOEs. Comprehensive PSBSs will capture all of these obligations, whether they were initiated by the central government, lower levels of government, or even by public corporations.
1.d Medium-Term Debt Management Strategy (MTDS), can be downloaded	The MTDS provides comprehensive information about public debt and a perspective of future debt or planned future debt. (Balibek, Rivetii, and Tamene, 2019)
1.e Fiscal Risk Statement (FRS) or similarly named document that includes treatment of public debt and contingent liabilities, can be downloaded	The IMF Fiscal Transparency Code recommends that governments analyze and disclose potential risks and publish these in an FRS or similar document. As of 2018, only about one-third of countries (per IMF Fiscal Transparency Manual) publish FRSs.
Currency composition of public debt	
2.a External: Ratio of debt service owed in foreign currency over a country's exports* 2.b Domestic: Ratio of a government's debt service due over the next fiscal year's government revenue* 2.c External: Ratio of a government´s debt service due projected over its foreign currency reserves* 2.d Domestic: Ratio of interest payments over revenues*	Currency composition of public debt affects the ability to service debt. External public debt is defined as debt owed to non-residents by public entities. In contrast, domestic debt refers to obligations of public entities to lenders within a country.[10] The shares of domestic and external debt can be useful indicators of risk factors that might arise when public debtors lack the required currency to pay maturing debts. These four indicators of risk factors relate to currency mismatches that are used by IMF-World Bank´s Debt Sustainability Framework to classify countries into one of three debt-carrying capacity categories (strong, medium, and weak).[11]
Maturity composition of debt	
3.a Domestic: Average debt maturity, or sufficient information to calculate the average debt maturity.* 3.b External: Average debt maturity*	Debt refinancing risk arises when a government lacks the capacity to make large debt payments on time and the debt must be refinanced at an unusually high interest cost, if it can be refinanced at all. This refinancing risk is higher when large debt service payments are due in the immediate timeframe, for instance, within the next two or three years. Refinancing risk may occur in countries under debt distress due to rapidly deteriorating economic indicators and credit rating downgrades.

[10] See IMF Glossary, https://www.imf.org/en/About/Glossary. See also IMF and World Bank 2021.

[11] See IMF Factsheet, Debt Sustainability Framework for Low-Income Countries, https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries.

	Refinancing risk can be reduced by distributing debt maturities evenly across time periods. This risk factor can be disclosed by providing the country´s debt redemption profile.[12] The DTS assesses whether the country discloses both its domestic and external average debt maturity since refinancing risks may be vary depending on the currency composition of the debt.
Capacity to incur additional debt	
4.a Domestic: Net new borrowing over total budget resources in the fiscal year* 4.b External: Net new borrowing over total budget resources in the fiscal year*	Capacity to incur additional debt is an indicator of resilience. Borrowing capacity enables countries to finance important development programs and projects. It also means governments do not have to increase taxes in response to external shocks, such as recessions and natural catastrophes. The two proposed indicators of borrowing capacity – net new borrowing over total budget resources (domestic and external) – would be provided in sources such as medium-term debt strategies and budget documents. Stakeholders with access to this information will be able to estimate the net new borrowing to finance the budget deficit, pay principal payments on outstanding debt, and finance new investments with debt instruments.
Official PRC debt	
5.a The country specifically reports its debt and other official financing from PRC public sector entities	The PRC's official bilateral lending often includes non-disclosure clauses, collateralization, and other terms and conditions inconsistent with lending from Paris Club members. We have derived a list of countries from aiddata.org that have official PRC debt and compared country debt reporting to ascertain if the debt is reported. If the country is on the list but does not report, it is scored zero (0). If it is on the list and reports, it is scored one (1). To avoid penalizing countries that do not borrow from official PRC lenders, if a country is not on the list, it is also scored one (1).
* In cases where the indicator is a ratio, it is sufficient that the data for calculating the ratio are available to the user, even if the ratio is not explicitly provided.	

INDICATOR WEIGHTING

In developing the DTS, the USAID/FAST team considered whether all components should have equal weight. A good weighting scheme would reflect an *a priori* about the degree to which different components could or should contribute to the overall composite score. The team has no such *a priori* judgements and therefore built the DTS with all components having equal weighting.

This decision runs the risk of creating a DTS that may be biased, where had the weighting scheme been different, the DTS calculation would be quite different. The team tested for this possibility by generating 1,000 random scenarios where we applied different weightings to each of the components of the 102 surveyed countries.

Changing the weighting scheme did not change DTS results in any meaningful way. There is a small standard deviation in most country distributions, between 0.04 and 0.08, which implies that the DTS

[12] See World Bank, February 2019.

results are not dependent on any weighting assumption. Moreover, the test shows that there is no skewness under the 1,000 randomly generated weighting schemes..

Figure 3: Weighting Simulations for El Salvador DTS

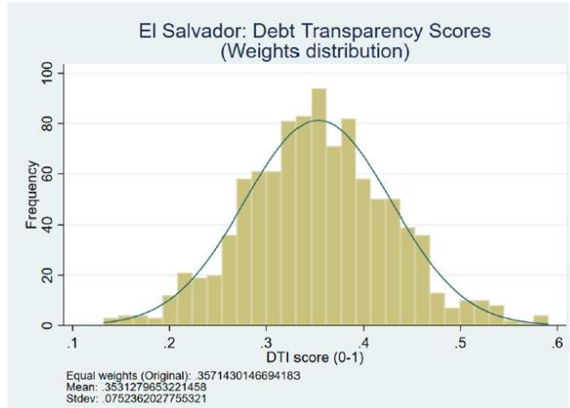

Figure 3 is a graphic example of the typical distribution of these scenario results, in this case for El Salvador. This typical distribution shows visually that no matter how the individual indicators are weighted, the overall DTS score would be about the same. Since the distribution does not skew to the right or the left of the mean and because the number of scenarios is large, i.e., 1,000, it is clear that generating these alternative score scenarios does not differ in any significant way from the original equal-weight scoring. Statistically speaking, the standard deviations are small and the mean is robust.[13]

COMPARING THE DTS WITH OTHER INDICES

In this section we compare the DTS with three related indices: 1) the World Bank's Debt Reporting Heat Map; 2) Development Reimagined's Debt Transparency Index; and 3) the International Budget Partnership's Open Budget Index (OBI). The first two both seek to address or measure debt transparency, while the OBI is a broader assessment of budgetary transparency.

We compare these indices by calculating their correlation. Correlation measures the strength of the linear relationship between two or more variables. In this analysis, we test the degree to which the DTS and each of the three other indices move in coordination with one another. If they move in the same direction (i.e., countries broadly perform similarly across the two indices), then they have a positive correlation. If they move in opposite directions (i.e., countries that perform well on one method broadly perform poorly on the other), then they have a negative correlation. A rule-of-thumb standard in statistics is that a correlation of 0 to 0.3 is low; 0.3 to 0.5 is moderate; 0.5 to 0.7 is high; and 0.7 to 1.0 is very high.

Below we compare the DTS to each of these indices separately.

WORLD BANK DEBT REPORTING HEAT MAP

In 2020, the World Bank developed its Debt Reporting Heat Map.[14] The Heat Map assesses the availability, completeness, and timeliness of debt reporting by IDA-eligible countries based on review of public debt statistics and public debt management documents published on websites of national authorities.[15] A country's performance on each of nine indicators is evaluated under a four-category

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[13]The originally DTS score for El Salvador is 0.357 and the average mean of the 1,000 calculations using alternative weightings is nearly identical at 0.353, with a standard error of 0.0755 and the t-statistic is 4.33.

[14] https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report.

[15] IDA, operated by the World Bank, lends to the world's poorest 74 countries on concessional basis. Last year, about 70 percent of IDA lending went to African countries.

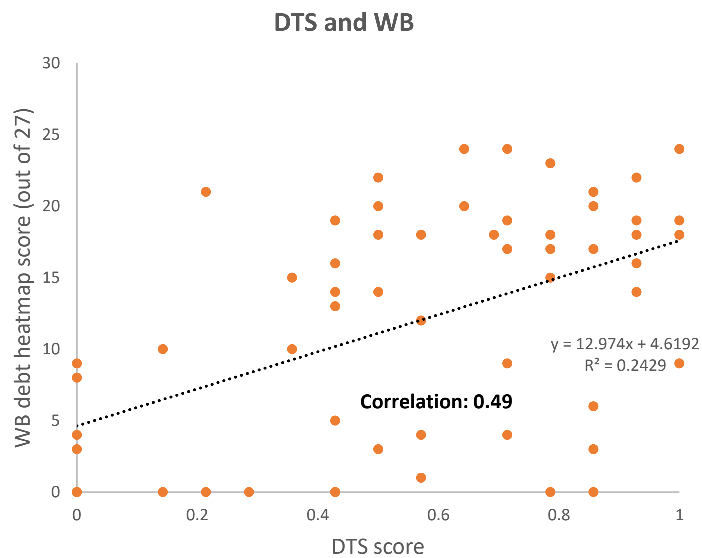
scale: green denotes reporting meeting the highest standard, followed by declining levels of performance from yellow, to orange, and finally red, denoting no or incomplete reporting.

The Heat Map covers 56 of the 74 IDA-eligible countries. Therefore, many USAID partner countries are not included. The methodology of the Heat Map is explained in a note linked to the Heat Map website.

To compare our findings to those in the World Bank Debt Reporting Heat Map, we first had to convert the Heat Map color coding to a numeric scoring system. We did this by assigning green color indicators a 3; yellow, 2; orange, 1; and red 0. With each indicator assigned a numeric score, we then derived a composite score for each country. With nine scored indicators, the highest score any country can receive is 27, i.e., assuming a maximum score of 3 on all nine indicators.

Figure 4 visually presents a positive relationship between the DTS score and the score derived to represent the World Bank Heat Map. The DTS and the Heat Map correlation is 0.49. This positive and moderate correlation implies similarity of the two indices. Differences in how these two indices were created explain much of their difference. For instance, USAID/FAST's decision to assign all "red" indicators a score of 0 (i.e., requirement not met) may not accurately reflect the intent of the Heat Map's design team. Likewise, whereas USAID/FAST scored countries a zero (0) for not reporting current (i.e., 2020) data, the Heat Map methodology may have assessed countries more generously if debt data or documentation were available for 2019 or earlier years.

Figure 4: Comparing DTS and the Debt Reporting Heat Map



DEVELOPMENT REIMAGINED'S DEBT TRANSPARENCY INDEX

In January 2021, Development Reimagined, a consultancy, published its Country Debt Guide,[16] which reports on the debt of 20 African countries based on a debt transparency index developed by its authors. The index scores these countries on five indicators, with the first indicator worth up to four points and the other four valued at one point each (for a maximum attainable score of eight). The indicators are:

1. User-friendly government website or data portal with publicly available (debt) data – based on four factors: availability of historical data, current data, degree of comprehensiveness, and user-friendliness of the website.
2. Existence of a debt management office.

[16] https://developmentreimagined.com/wp-content/uploads/2021/01/final-eng-debt_cor1-merged-small.pdf.

3. Publication of a medium-term debt management strategy.
4. Existence of freedom of information rules.
5. Publication of contracts (whether the country participates in Open Government Partnership).

Development Reimagined's Debt Transparency Index is quite novel, but it covers only a limited number of countries (20) and they are all on one continent: Africa. These 20 countries were specifically included in the analysis because they have "relatively high debt-to-GDP ratios or relative dependence on [PRC] credit." According to Development Reimagined, these countries accounted for over 70 percent of total African debt stocks in 2018 and are the most likely to face difficulties during the pandemic.

Figure 5: Comparing DTS and Development Reimagined's Index

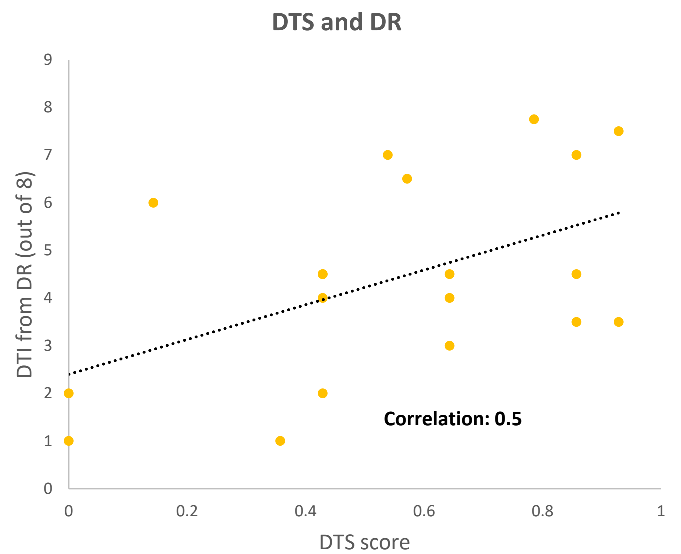


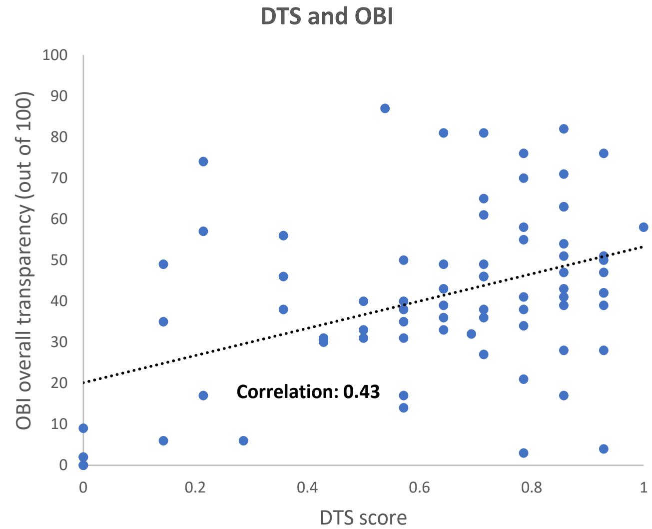
Figure 5 compares the DTS and the Development Reimagined scores, with a positive correlation of 0.5 for the countries of overlap. One factor explaining divergence of the DTS from the Development Reimagined index is that Development Reimagined rated Zimbabwe highly, a 6 out of a possible 8, whereas our survey found that much of the data that was available was outdated and so scored Zimbabwe lower, meeting only 2 out of a possible 14 requirements (0.14). Development Reimagined's index also includes Mauritius, whereas the DTS does not because it is a high-income country.

OPEN BUDGET SURVEY

The OBS is a product of the International Budget Partnership. It is a comprehensive analysis and survey that evaluates the extent to which governments give the public access to budget information and opportunities to participate in the budget process. The OBS has five components, covering budget transparency, public participation in the budget process, the role and effectiveness of oversight institutions, legislative oversight, and supreme audit oversight. The component covering budget transparency is referred to as the Open Budget Index (OBI). More information about the International Budget Partnership and the OBS is available at http://survey.internationalbudget.org/#home.

Figure 6 plots the OBI country scores against those of the DTS, showing a positive correlation of 0.43. Unlike the World Bank's Debt Reporting Heat Map and the Development Reimagined index, the OBI is not specifically about debt transparency but it is about broader budget or even fiscal system transparency. Nevertheless, it is reasonable to expect correlation between the DTS and the OBI, and this is borne out by our analysis.

Figure 6: Comparing DTS and the Open Budget Index



Comparing the DTS to these other indicator systems is useful since they all are attempts to measure similar concepts: debt or broader fiscal transparency. And while they each differ in methodology, country coverage, and other design choices, the correlations are all positive and moderate to strong. Correlation with the World Bank Debt Reporting Heat Map and the Development Reimagined index are similar. Correlation with the OBI is slightly lower, though still of moderate strength, which is understandable given the differences in focus, i.e., debt transparency vs. budget transparency, and the number of observations. Overall, these findings tell us that these indices are not contradictory—that high or low scores on one index are likely to be matched by high or low scores on the other indices.

ANNEX II: DEBT TRANSPARENCY SCORECARD

Country	DTS composite score	Debt to GDP	PPG debt to GDP	PSBS	MTDS	FRS	ST external debt service ratio to export	ST domestic gov't debt service to revenue	ST gov't debt service to int'l reserves	Domestic interest payments to expenditure	Domestic maturity	External debt maturity	Domestic net new borrowing to budget	External net new borrowing to budget	PRC debt
Algeria	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Comoros	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Djibouti	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Eritrea	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Haiti	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Iraq	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kiribati	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Libya	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Micronesia (Federated States)	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sudan	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	
Turkmenistan	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Venezuela	0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Azerbaijan	0.14	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Lebanon	0.14	1	0	0	1	0	0	0	0	0	0	0	0	0	0
Marshall Islands	0.14	0	0	1	0	0	0	0	0	0	0	0	0	0	1
Zimbabwe	0.14	1	0	0	0	0	0	0	0	0	0	0	0	0	1
Moldova	0.21	1	1	0	1	0	0	0	0	0	0	0	0	0	0
Russia	0.21	1	1	1	0	0	0	0	0	0	0	0	0	0	0
Tajikistan	0.21	1	1	1	0	0	0	0	0	0	0	0	0	0	0
Burundi	0.29	1	0	1	0	0	1	0	0	0	0	0	0	0	1
Botswana	0.36	1	1	0	0	1	0	0	0	0	0	1	0	0	1
El Salvador	0.36	1	1	0	0	0	0	0	0	0	0	0	1	1	1
Mauritania	0.36	0	0	1	0	0	1	0	0	0	0	1	0	1	1
Mongolia	0.36	1	0	0	1	0	1	0	1	0	0	0	0	0	1
Cabo Verde	0.43	1	0	1	0	0	1	1	1	0	0	0	0	0	1

Country	DTS composite score	Debt to GDP	PPG debt to GDP	PSBS	MTDS	FRS	ST external debt service ratio to export	ST domestic gov't debt service to revenue	ST gov't debt service to int'l reserves	Domestic interest payments to expenditure	Domestic maturity	External debt maturity	Domestic net new borrowing to budget	External net new borrowing to budget	PRC debt
Central African Republic	0.43	1	0	0	0	0	1	1	1	1	0	0	0	0	1
Congo (Brazzaville)	0.43	1	0	0	0	0	0	0	0	0	1	1	1	1	1
Dominica	0.43	1	1	0	0	1	0	1	0	1	0	0	0	0	1
Ethiopia	0.43	1	1	0	1	0	0	0	0	0	1	1	0	0	1
Gabon	0.43	1	0	0	1	0	0	1	0	1	0	0	1	1	0
Lesotho	0.43	1	1	1	1	1	1	0	0	0	0	0	0	0	0
Zambia	0.43	1	0	0	0	0	1	0	0	1	0	0	1	1	1
Belarus	0.50	1	1	1	0	1	1	0	1	0	0	0	0	0	1
Burkina Faso	0.50	1	1	0	1	0	1	0	0	0	1	1	0	0	1
Congo (Kinshasa)	0.50	1	1	0	1	0	0	0	0	0	1	1	1	0	1
Guinea	0.50	1	0	0	1	1	1	0	0	0	1	1	0	0	1
Madagascar	0.50	1	1	0	1	0	1	0	0	0	1	1	0	0	1
Uzbekistan	0.50	1	0	0	0	0	1	1	1	1	0	0	0	1	1
South Africa	0.54	1	1	1	1	0	0	0	0	0	1	0	1	1	
Afghanistan	0.57	1	1	0	0	1	1	0	1	1	0	0	1	1	0
Chad	0.57	1	0	0	0	0	1	1	0	1	1	1	1	1	0
Eswatini	0.57	1	0	0	0	0	1	1	1	1	0	0	1	1	1
Mali	0.57	1	0	0	1	1	0	0	0	0	1	1	1	1	1
Niger	0.57	1	1	0	1	1	0	0	1	0	1	1	0	0	1
Serbia	0.57	1	0	0	1	1	1	1	1	1	0	0	0	0	1
Tunisia	0.57	1	1	0	0	1	0	0	0	0	1	1	1	1	1
Angola	0.64	1	1	0	0	0	1	1	1	1	1	1	0	0	1
Bosnia and Herzegovina	0.64	1	0	0	1	1	1	1	1	1	0	0	0	1	1
Brazil	0.64	1	1	1	1	1	0	0	0	0	1	1	1	1	0
Fiji	0.64	1	1	0	1	1	0	1	0	1	1	1	0	0	1
India	0.64	1	1	1	0	1	1	0	1	0	0	1	1	1	0
Morocco	0.64	1	1	0	0	0	0	1	0	1	1	1	1	1	1
Togo	0.64	1	0	0	1	1	0	1	0	1	1	1	0	1	1

Country	DTS composite score	Debt to GDP	PPG debt to GDP	PSBS	MTDS	FRS	ST external debt service ratio to export	ST domestic gov't debt service to revenue	ST gov't debt service to int'l reserves	Domestic interest payments to expenditure	Domestic maturity	External debt maturity	Domestic net new borrowing to budget	External net new borrowing to budget	PRC debt
Cambodia	0.69	1	1	0	1	0	1	1	1	1	1	1	0	0	0
Bangladesh	0.71	1	0	1	0	1	1	1	1	1	0	0	1	1	1
Belize	0.71	1	0	1	0	0	1	1	1	1	1	1	1	0	1
Benin	0.71	1	1	1	1	1	1	0	0	0	1	1	0	1	1
Georgia	0.71	1	0	1	1	0	1	1	1	1	1	1	0	0	1
Guatemala	0.71	1	1	1	0	0	1	1	1	1	0	0	1	1	1
Jordan	0.71	1	1	1	1	0	1	0	1	1	1	1	0	0	1
Liberia	0.71	1	1	1	1	1	0	1	0	1	0	0	1	1	1
Malawi	0.71	1	1	1	1	1	1	0	1	0	1	1	0	0	1
Paraguay	0.71	1	1	1	0	0	1	1	1	1	0	0	1	1	1
Senegal	0.71	1	0	1	1	0	1	1	0	1	1	1	1	1	0
Albania	0.79	1	1	0	1	1	1	1	1	1	0	0	1	1	1
Argentina	0.79	1	1	1	0	0	1	1	1	1	1	1	1	1	0
Côte d'Ivoire	0.79	1	1	1	1	1	0	1	1	1	1	1	0	1	0
Ecuador	0.79	1	1	0	1	0	1	1	1	1	0	1	1	1	1
Indonesia	0.79	1	1	1	1	1	1	1	1	1	1	1	0	0	0
Kosovo	0.79	1	1	1	1	0	1	1	1	1	1	1	0	0	1
Nigeria	0.79	1	0	1	1	1	1	1	1	1	1	1	0	0	1
North Macedonia	0.79	1	1	0	1	1	1	1	1	1	0	0	1	1	1
Philippines	0.79	1	0	1	0	1	1	1	1	1	0	1	1	1	1
Samoa	0.79	1	1	1	1	1	0	1	1	0	1	1	1	0	1
Somalia	0.79	1	0	1	0	1	1	1	0	1	1	1	1	1	1
Bulgaria	0.86	1	1	0	1	1	1	1	1	1	1	1	1	1	0
Cameroon	0.86	1	1	0	1	0	1	1	1	1	1	1	1	1	1
Colombia	0.86	1	1	1	0	0	1	1	1	1	1	1	1	1	1
Egypt	0.86	1	1	1	1	1	1	1	1	1	1	0	1	1	0
Ghana	0.86	1	0	1	1	1	1	1	1	0	1	1	1	1	1
Kyrgyzstan	0.86	1	1	1	1	1	1	1	1	1	1	1	0	0	1
Mexico	0.86	1	1	1	1	0	1	1	1	1	1	1	1	1	0
Montenegro	0.86	1	1	1	1	1	1	1	1	1	1	1	0	0	1
Namibia	0.86	1	1	1	1	1	1	1	1	1	0	0	1	1	1

Country	DTS composite score	Debt to GDP	PPG debt to GDP	PSBS	MTDS	FRS	ST external debt service ratio to export	ST domestic gov't debt service to revenue	ST gov't debt service to int'l reserves	Domestic interest payments to expenditure	Domestic maturity	External debt maturity	Domestic net new borrowing to budget	External net new borrowing to budget	PRC debt
Nicaragua	0.86	1	1	0	1	0	1	1	1	1	1	1	1	1	1
Sierra Leone	0.86	1	1	0	0	1	1	1	1	1	1	1	1	1	1
Tanzania	0.86	1	1	1	1	1	1	0	1	0	1	1	1	1	1
Ukraine	0.86	1	1	1	1	0	1	1	1	1	1	1	1	1	0
Armenia	0.93	1	1	0	1	1	1	1	1	1	1	1	1	1	1
The Gambia	0.93	1	1	0	1	1	1	1	1	1	1	1	1	1	1
Jamaica	0.93	1	1	1	1	1	0	1	1	1	1	1	1	1	1
Kenya	0.93	1	1	1	1	0	1	1	1	1	1	1	1	1	1
Mozambique	0.93	1	1	0	1	1	1	1	1	1	1	1	1	1	1
Pakistan	0.93	1	0	1	1	1	1	1	1	1	1	1	1	1	1
Peru	0.93	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Rwanda	0.93	1	1	1	1	1	1	1	0	1	1	1	1	1	1
Sri Lanka	0.93	1	1	1	1	1	1	1	1	1	0	1	1	1	1
Turkey	0.93	1	1	1	1	1	0	1	1	1	1	1	1	1	1
Bhutan	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Guyana	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Maldives	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Uganda	1.00	1	1	1	1	1	1	1	1	1	1	1	1	1	1

See Table 4: Transparency Indicators for full description of indicators