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Statement by Mr. Bevilaqua, Mr. Saraiva, and Ms. Florestal on Update to the Joint WB-IMF Multipronged Approach for Addressing Debt Vulnerabilities (Preliminary)
Executive Board Meeting
December 7, 2020

We thank staff for the comprehensive update on the implementation of the Joint IMF-WB Multi-Pronged Approach (MPA) to address debt vulnerabilities. The rapid debt increase in LICs due to the pandemic calls for scaled-up efforts to ward off vulnerabilities stemming from incomplete and asymmetric information, as well as weak debt management capabilities. It is also timely for the IMF and the World Bank to continue reviewing their debt policies.

While there has been commendable progress in improving debt transparency, significant gaps remain. As stated in the report, transparency is mostly a responsibility of debtors. However, creditors have to do their part, for example, by avoiding non-disclosure agreements that often hinder data transparency efforts, and by adopting legal and institutional frameworks that shorten lags in the availability of data and rely on standard terms and conditions. The efforts to enhance the availability of comprehensive, timely and consistent debt data by borrowing countries are appropriate and should continue to be supported by targeted and effective capacity development (CD). On the creditors' side, the IMF and World Bank support to the G20 in the implementation of the Operational Guidelines for Sustainable Financing is a noteworthy step towards increasing lenders responsible participation in promoting sustainable practices, particularly regarding collateralized debt. *Could staff update on the use so far by private sector creditors of the G20 common framework for debt treatment?*

Capacity development has yielded positive results in improving debt management and transparency, but more progress is needed in areas such as enhancing borrowers' debt reporting, auditing, cash flow management and medium-term debt strategies (MTDS). We are pleased to learn from the document that substantial technical assistance is being offered in these fields. Nonetheless, shortcomings in implementing audits and cash management as well as the lack of visible impact on borrowing decisions of improvements in debt strategy formulation remain a cause for concern. The report also rightly underscores that debt reporting in countries at high risk of debt distress and in fragile situations is weakest, implying an underestimation of risks. We noticed, however, that the report does not mention the issue of domestic arrears, which frequently turn into an important source of future indebtedness. Proper monitoring of domestic arrears based on accurate and transparent data is essential to mitigate vulnerability and should be prioritized under the MPA. Overall, the planned intensification of CD operations is welcome. At the same time, we look forward to the upcoming report on methodology analysis of borrowing and spending for infrastructure in Africa. *We wonder if such exercise will be replicated in other regions. Also, could staff expand on the use in surveillance and program settings of the dynamic general equilibrium model developed to analyze debt-investment growth linkages?*

We acknowledge the importance of comprehensive coverage of public sector debt data to enable the Fund to properly assess fiscal space and debt risks. That said, we are concerned that countries that are far behind in their capacity to comply with data requirements may become overburdened or penalized. In this regard, we welcome the plan to roll out in the next 18 months, within the D4D framework, a broad-based effort to engage with countries to address the most pressing gaps. Also, existing diagnostic tools should help determine the necessary steps for countries to comply with new data provision requirements contemplated for the 2021 Review of Data Provision to the Fund for Surveillance Purposes. *Suitably, we wonder if there is scope to consolidate some of the IMF and WB databases, perhaps simplifying data requirements. Also has enough funding to address CD needs in debt data provision and essential debt management skills been secured?*

Capacity development is the cornerstone for achieving enhanced debt data transparency and better debt management. We are pleased that, to overcome the current hurdles, in-person delivery is being seamlessly substituted by remote modalities, and adapted frameworks and tools have been developed. We applaud the scaled-up online delivery of debt training. However, success should be measured by concrete indicators of increased capacity in recipient countries, such as their ability to produce their own DSAs based on the revised framework. We also look forward to tangible results from the rollout of fiscal space analysis, albeit acknowledging that the remaining space in LICs and EMEs has been severely curtailed by the global pandemic. We commend the effort to increase the presence of long-term resident experts, while calling the attention that language constraints may hinder the effectiveness of assistance of regional advisors in certain settings.

LICs that are making progress in data transparency and debt management should be able to tap into adequate concessional finance. We are concerned that a lack of commensurate provision of concessional finance may hamper the ultimate goal of reducing debt vulnerabilities while countries pursue their development efforts. Proper debt data provision and debt management may not suffice to mitigate vulnerabilities if the available finance is on terms and conditions that push borrowing countries to the brink. It is worrisome that the global pandemic may be leading advanced economies to reduce their ODA budgets when the capacity of multilaterals to provide concessional loans is also limited. Hence, finding a solution for PRGT funding is a major and urgent priority for the IMF membership to help address debt vulnerabilities in LICs.

We welcome the presentation of the monitoring indicators structured according to the MPA's four pillars. The indicators seem comprehensive and sensible, covering important milestones to assess progress in the implementation of the MPA. *We wonder whether the indicators should also be presented according to the different actors in charge of delivering that result. It would be interesting to visualize how debtors, creditors, the IMF and the World Bank have performed so far in their assigned tasks.*