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**Statement by Mr. Mouminah, Mr. Alkhareif, and Mr. Alhomaly 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 update on the joint IMF-WBG Multipronged Approach (MPA) and the ongoing efforts to address debt sustainability issues. We reiterate our support for the four pillars of the MPA and underscore the importance to adjust to a post-COVID world where both debt vulnerabilities and financing needs are elevated, especially in low-income and developing countries (LIDC).

1. **We welcome the significant progress achieved in implementing the MPA since its introduction.** We positively note that the IMF and WBG's multi-faceted approach to enhance debt transparency has succeeded in achieving targeted improvements on multiple dimensions. Among others, it has strengthened borrowers' debt reporting, supported creditors, and strengthened IFI policies and debt data collection/dissemination. The Fund and Bank's suite of tools to support debt analysis, such as the Low-Income Country (LIC) Debt Sustainability Framework and the WBG's new Sustainable Development Finance Policy (SDFP), have been instrumental in facilitating debt transparency, while supporting capacity development. More broadly, the MPA should be complemented and contextualized in broader fiscal reforms, particularly on public revenue and expenditure and public investment management.

2. **Full support to the G20 historic Debt Service Suspension Initiative (DSSI) and Common Framework for Debt Treatments is required given the rising debt vulnerabilities.** The DSSI is significantly facilitating higher pandemic-related spending in DSSI-eligible countries, as recently reported by the IMF-WBG Note on the Implementation

and Extension of the DSSI. In addition to the disclosure requirements on debtors, the DSSI has reaffirmed the important role of creditors towards debt transparency and reporting. Since the inception of DSSI, official bilateral creditors convened almost on a monthly basis through the G20 International Financial Architecture Working Group to monitor progress, provide regular reporting, and address implementation issues. Here, we appreciate the Fund and the Bank's support for the G20 during the ongoing implementation of the DSSI and look forward to their joint assessment of the need for an additional DSSI extension by the time of the 2021 IMF/WBG Spring Meetings. *We would appreciate if Staff can reflect on the lessons learned from the recent experience with DSSI reporting and the improvements that took place to ensure a standardized method of reporting.* Similarly, the Common Framework represents a major achievement in strengthening the coordination among creditors, who play a key role in supporting borrowers in each of the MPA pillars, especially given the current juncture of debt vulnerabilities that have been exacerbated by the pandemic. Under this Framework, more than 30 official bilateral creditors have come together for the first time on a unified basis to facilitate timely and orderly debt resolution on a case-by-case approach – an approach that the private sector has asked the G20 for through the Institute of International Finance (IIF). Going forward, *“it is critical to operationalize this Framework promptly and effectively”*, as rightly noted by the Fund's Managing Director. In this regard, we see a great role for the Fund and the Bank in the implementation phase, since the debtor countries will provide them with the relevant information on public sector financial commitments, and that the restructuring will be based on an IMF-WBG Debt Sustainability Analysis (DSA) and consistent with the parameters of an upper credit tranche (UTC) IMF-supported program.

3. We believe that there is scope for further streamlining and better aligning initiatives and tools. Due to variations in definitions, coverage of instruments, valuation methods, and debt classifications, issues of comparability arise. Leveraging on the positive collaboration between the Fund and the Bank would help promote internationally unified definitions of public sector debt data, with the aim to enhance data reporting and consistency without adding additional burden on countries, especially those with limited capacity. We also welcome the progress made in strengthening debt disclosure and reporting in borrowing countries but remain concerned about the significant gaps in LIDC debt management capacity. *In this vein, we would appreciate staff's elaboration on why improved debt strategy formulation has not resulted in better implementation for borrowers.* We support a progressive, incentive-based program for improving debt transparency to ensure a country's ownership of debt sustainability efforts, while pacing development to its capabilities. In addition, we are encouraged by the IMF and WBG's support to the implementation of the IIF Voluntary Principles for Debt Transparency and welcome the proposal by the OECD to host the data repository. *Staff update on this issue is welcome.*

4. **We take positive note of the technical assistance (TA) and capacity building efforts, demonstrated in Figure 7, and underscore the importance of pursuing more timely and tailored approaches to building debt management capacity.** We believe the Middle East & North Africa region remains particularly vulnerable to debt sustainability issues, yet we notice TA provided to this region is the lowest. *Staff's comments would be welcome on how to enhance CD support in this important area.* More broadly, we see merit in scaling up capacity development (CD) programs to emerging and developing countries. *Here, we would appreciate further details from staff about any funding gap, given that CD efforts rely, to an extent, on external funds.*

5. **With the support of the IMF and WBG, the G20's agenda prioritized debt-related issues under the Saudi Presidency, including collateralized transactions, the contractual approach for debt resolution, in addition to the unprecedented DSSI and Common Framework.** Here, we call on the Fund and the Bank to remain attentive to the macro-critical issue of debt vulnerabilities. We look forward to the operational guidance note for the IMF's Debt Limit Policy and the introduction of its new framework by Q2 2021 and to the WBG's Debt Reduction Facility in Q1 2021. *We also welcome the expanded coverage of countries under the fiscal space assessment and would appreciate more details on staff's plan to update the framework together with the introduction of the new MAC DSA in mid-2021.*

6. **We look forward to the IMF analysis on external financing needs in LIDC and sustainable financing options, as requested by the G20 and IMFC.** *Staff update on this issue is welcome.* We also look forward to the WBG deploying instruments in new ways to mobilize financing in those countries. On the same note, we welcome the attention given to domestic capital market development in the context of the MPA. In particular, we look forward to the Guidance Note on Local Currency Bond Market (LCBM) development and to enhance TA and guide authorities' efforts in this area.

7. **Finally, we look forward to an engagement in the near future on the IMF's plans to explore and propose actions to address debt vulnerabilities in low-income countries.** We believe that regular engagement on debt issues will be useful, taking into consideration the evolving needs and challenges and given the heightened debt vulnerabilities in some low-income countries. In this context, we see merit in providing an update on the progress made under the MPA sooner than the proposed 12 months cycle, especially given the elevated debt vulnerabilities.