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Statement by Mr. Chodos and Mr. Lischinsky on Update to the Joint WB-IMF Multipronged Approach for Addressing Debt Vulnerabilities (Preliminary) Executive Board Meeting 20/116 December 7, 2020

We thank staff for the extensive update on the implementation of the Joint IMF-WB Multi-Pronged Approach (MPA) to address debt vulnerabilities and its continued engagement with the Board.

We understand that implementation of the MPA may not be sufficient to address debt vulnerabilities and risks that have increased during the pandemic, due to the global economic shocks and the reduction of fiscal space. Important gaps still remain but we recognize this is important progress going forward. An important key goal of the MPA is to help member countries to increase their fiscal space for recovery. That is, to help countries to achieve greater consistency between debt management capacity, and fiscal and growth objectives. We broadly support the four pillars of the approach and the continuation of staff's priorities.

However, to adapt to the IMF and World Bank's lending policies to better address debt risks and resolution of debt crises, we must consider that both institutions have different lending objectives. While the Fund finances countries' short- or medium-term financial needs, mainly arising from balance-of-payment gaps, the World Bank finances long-term development projects. Of course, both institutions should coordinate to address debt risks and crisis resolution. However, both have differentiated mandates and countries should not feel that they are under two blades of the same scissor, nor that access to long-term concessional finance is threatened. In this regard, to provide the right balance between development needs and sustainable finance remains of the essence.

We commend the progress made since the MPA was first stablished in 2018. In this regard, debt transparency was enhanced with broader debt coverage in LICs' DSAs of several countries and more countries reported to the international statistics databases, with data published by the IMF and World Bank. At the same time, any advance on proposals to encourage debt disclosure and transparency gaps to improve IMF-supported programs' design should be done with confidence and an appropriate dialogue with authorities. Furthermore, we concur with Mr. Bevilaqua, Mr. Saraiva, and Ms. Forrestal that countries that need to comply with data requirements should not be overburdened or penalized.

In addition, strengthening guidance on when and how to seek debt data in IMF-supported programs would be important to avoid unevenhandedness.

Debt transparency will also focus on greater reporting by creditors. Besides expanded creditor outreach to the G20 countries, there is not much data from creditors to show, and efforts must be strengthened to engage commercial creditors in providing comparable debt relief, as the IMF and World Bank with the DSSI. Incidentally, it would be important that countries have a list of financial terms and conditions offered by private creditors. It also would be interesting to know from debtor countries which private creditors´ non-disclosure agreements impede that transparency be achieved. *Could staff estimate when the regular inclusion of a table on the profile of debt holders in staff reports for IMF-supported programs will be implemented? Could staff elaborate on what debt-related data will be required from countries in the near future?*

Capacity development (CD) is of the utmost importance in this process. Progress has been made in debt recording and debt management capacity development activities for borrowers that have been supported by increased donor financing. We recognize that CD will be prioritized in crisis prevention, debt recording and reporting, managing near-term refinancing risks for international financing, and liquidity management. *Could staff clarify how capacity development in the required quantities will be delivered and funded, and by the IMF or the World Bank or both?* We convey that online delivery of debt training is important but for several countries' programs to support IT capabilities an internet connection must be in place.

Finally, a debt analysis toolkit and enhanced debt policies have been key to deal with debt vulnerabilities. We commend the advances made on a new DSA and hope that it can soon be completed and used, as well as a wider use of the revised LIC DSF. We take note that a full redesign of IFIs responsible for borrowing and lending policies will be completed shortly. We support the idea of reviewing the IMF's lending into arrears policies to focus on supporting a rapid, comprehensive, and transparent resolution to limit distress and facilitate recovery. We also support continuing work and look forward to the implementation of the options presented by IMF staff to the G20 on how the international architecture for resolving sovereign debt held by private creditors should be. Collateralized debt sustainability practices should also be extended to systemic countries' surveillance for which the needed budgetary resources should be provided.