

**EXECUTIVE  
BOARD  
MEETING**

SM/20/169  
Supplement 2

January 13, 2021

To: Members of the Executive Board

From: The Secretary

Subject: **Review of the Debt Sustainability Framework for Market Access Countries—  
Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Thursday, January 14, 2021**

Publication: Proposed, with main paper

Questions: Mr. Saenz, SPR (ext. 35408)  
Ms. Marchettini, SPR (ext. 38397)





## IMF Executive Board Reviews IMF Debt Sustainability Framework for Market Access Countries

FOR IMMEDIATE RELEASE

**Washington, DC – January 14, 2021:** The Executive Board of the International Monetary Fund (IMF) reviewed the IMF Debt sustainability Framework for Market Access Countries (MAC DSA).

The MAC DSA plays a key role in the Fund's core functions of surveillance and lending. In surveillance, the framework helps identify a member's vulnerability to sovereign stress to steer the member away from such stress. In Fund-supported programs, which often take place after the stress has already developed, the DSA helps determine if sovereign stress can be resolved via a combination of IMF financing and economic reforms, or if measures such as debt restructuring are needed to deliver medium-term debt sustainability. The framework is also used in developing IMF conditionality and informing debt relief in debt restructuring operations undertaken in the context of Fund-supported programs.

Since its introduction in 2002, this framework has been reviewed in 2003, 2005, and 2011-13. The 2011-13 review introduced key features, including a risk-based approach through distinction between high and low scrutiny countries, standardization of writeup and publication requirements, realism tools to guard against optimistic economic projections, a heatmap summarizing debt vulnerabilities, and debt fancharts to give a sense of the uncertainty around the projected path of the debt/GDP ratio.

A careful review over the past two and a half years has revealed scope for further improvements, so as to predict sovereign stress with greater accuracy. Problems of uneven and inadequate debt coverage, baseline optimism and unclear bottom-line assessments suggested the need for changes to the existing framework. In addition, the analytical and empirical basis of the methodology was modernized.

The new framework includes a broader and more consistent debt coverage, a longer projection horizon, new tools at multiple horizons based on superior analytical methods that account for countries' structural characteristics, and enhanced transparency in the bottom-line assessments including the exercise of judgment. Furthermore, the new tools support probabilistic debt sustainability assessments, as required by the Fund's lending framework.

The framework is expected to be operationalized in the final quarter of 2021/first quarter of 2022. This will be preceded by the completion of the accompanying Guidance Note and template, and extensive engagement with country authorities and other external stakeholders

## Executive Board Assessment<sup>1</sup>

< >

---

<sup>1</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.