Executive Board Minutes 20/116-1

December 7, 2020–10:00 a.m.

Update on the Joint IMF-WB Multipronged Approach to Address Debt Vulnerabilities

Documents: SM/20/166 and Cor.1 and Sup.1

Staff: Cohen, MCM; Renteria Rodriguez (FAD); Hakura, SPR; Beaumont, SPR

Length: 2 hour 35 minutes

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CEDA OGADA
Secretary

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[1] Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary "gray" or "buff" statements by Executive Directors and staff's responses to Directors' technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair's "sense of the meeting" or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF's Transparency Policy and Open Archives Policy.

THE ACTING CHAIR'S SUMMING UP

Directors welcomed the update on the implementation of the multipronged approach (MPA) to address debt vulnerabilities in low-income and developing countries (LIDCs) and emerging markets (EMs). They continued to support its four mutually-reinforcing pillars, which seek to address debt vulnerabilities through debt transparency, capacity building, analytical tools, and debt policies. Directors agreed that the COVID-19 pandemic had heightened the importance of the MPA while recognizing that its implementation alone may not be sufficient to significantly reduce vulnerabilities.

Directors appreciated the close collaboration between the Fund and the World Bank on MPA implementation and asked for continued strong collaboration to exploit complementarities. They were encouraged by progress achieved so far, including on broader debt coverage in LIC Debt Sustainability Analyses (DSAs); scaled-up capacity development activities in debt recording and reporting; and expanded creditor outreach, in particular through the G20. Directors welcomed implementation of the revised LIC debt sustainability framework, the redesign of IMF and World Bank policies on responsible borrowing and lending in the Bank's newly approved Sustainable Development Finance Policy, and review of the IMF's Debt Limits Policy (DLP) together with recent work on options to reform the architecture for resolving privately-held sovereign debt.

Notwithstanding valuable progress under the MPA, Directors stressed the need to further strengthen debt transparency, a prerequisite to accurately monitor and manage debt risks. They endorsed continued Fund and World Bank support to countries for increasing their capacity to record, monitor, and consistently report on public debt, developing an effective legal framework, and disseminating such data to international databases. Many Directors sought to encourage disclosure of debt subject to confidentiality clauses to the Board. A few Directors emphasized the need to appropriately balance transparency and commercial confidentiality, emphasizing that disclosure by creditors and debtors should be on a voluntary basis. Directors also highlighted the opportunity presented by the upcoming review of Data Provision for Fund Surveillance to expand the minimum data provision obligation to include key public debt data needed to underpin the Fund's capacity to assess fiscal space and analyze debt risks. Noting that creditors also play an important role in debt disclosure, Directors supported continued creditor outreach by the Fund and the World Bank to promote transparency and sustainable financing practices.

Directors appreciated the scaling up and reallocation of capacity development activities in response to the pandemic, to focus on areas key for reducing the incidence and mitigating the effects of debt payments problems, including by adopting innovative methods to deliver technical advice. Further efforts could also be made to strengthen debt management capabilities. Directors emphasized that heightened debt vulnerabilities amid the

pandemic underscored the need to leverage Fund surveillance and lending activities to increase traction of staff advice to further strengthen LIDCs' debt management practices.

Directors noted that debt-related analytical tools are critical to help borrowing countries make informed decisions, such as on the scope to raise spending without endangering market access and debt sustainability. The DSA tools also play a central role to inform the implementation of IMF and World Bank policies and help guide the use of resources. At the same time, these tools need to be embedded in the broader framework for debt management and fiscal risk assessment. Directors encouraged further use of the LIC DSA's debt transparency requirements to continue to broaden debt data coverage and refine contingent liability stress tests for all countries. They also stressed that completing as planned the review of the DSA for market access countries, the guidance note, and rolling out of the new template, would be important to strengthen analysis of risks.

Directors commended the recently approved review of the Debt Limits policy aimed at further adapting debt conditionality to the changes in the creditor landscape facing LICs, including by supporting debt transparency. Directors highlighted that the upcoming reviews of the IMF's lending into arrears policies will be important in the context of rising debt sustainability challenges. In this respect, Directors noted that the "Common Framework for Debt Treatments beyond the DSSI" recently adopted by the G20 and the Paris Club is an important step to enable timely and comprehensive sovereign debt resolution. They encouraged staff to coordinate closely with the G20, the Paris Club, and the World Bank to operationalize this Common Framework consistent with Fund policies in the context of requests for IMF-supported programs.

Directors stressed the importance of monitoring MPA implementation progress and supported the proposed indicators. Many Directors called for an interim initial update on MPA progress, while a few Directors agreed with the proposed update in about 12 months.

EXECUTIVE BOARD ATTENDANCE[1]

G. Okamoto, Acting Chair

Executive Directors	Alternate Executive Directors
I. Mannathoko (AE)	
	F. Sylla (AF)
S. Chodos (AG)	
C. Huh (AP)	
A. Bevilaqua (BR)	
Z. Jin (CC)	
	A. Guerra (CE)
L. Levonian (CO)	
D. Palotai (EC)	
A. Buisse (FF)	
R. von Kleist (GR)	
	R. Goyal (IN), Temporary
D. Fanizza (IT)	
	K. Chikada (JA)
H. Hosseini (MD)	
M. Mahmoud (MI)	
P. Hilbers (NE)	
M. Poso (NO)	
A. Mozhin (RU)	
	B. Alhomaly (SA), Temporary
A. Mahasandana (ST)	
P. Trabinski (SZ)	
S. Riach (UK)	
M. Rosen (US)	

G. Bauche, Acting Secretary
S. Kalra, Summing Up Officer
A. Lalor / D. Alcantara, Board Operations Officers
L. Nagy-Baker, Verbatim Reporting Officer

Also Present
African Department: A. Cebotari Ouanes, M. Goodman, M. Kamel Farid Mohamed Farid, I. Razafimahefa. Asia and Pacific Department: G. Gottlieb, A. Gulde, L. Jaramillo Mayor, E. Kvintradze, M. Nozaki. Communications Department: N. Ismail, P. Kunzel, J. Lundgren,

[1] For countries in each constituency, please see the Constituency Codes in the annex.

C. Rosenberg. European Central Bank: D. Rakitzis, R. Rueffer. European Department: R. Atoyan, D. McGettigan, I. Petrova. Fiscal Affairs Department: A. Arnoud, C. Renteria Rodriguez, A. Senhadji. Finance Department: P. de Imus, G. Fernandez, N. Ferreira Souza Sobrinho, T. Krueger, C. Mumssen, Z. Murgasova. Institute for Capacity Development: M. Erbenova, F. Fischer, R. Nord, S. Saidi. Independent Evaluation Office: J. Kim. Legal Department: J. Ams, W. Bergthaler, C. DeLong, M. Henriquez, Y. Liu, H. Pham, N. Rendak, G. Rosenberg, R. Weeks-Brown. Middle East and Central Asia Department: S. Abbas, T. Hanna Kass Hanna, J. Ramirez Rigo, C. Serra Ronceros. Monetary and Capital Markets Department: P. Breuer, C. Cohen, U. Das, T. Jonasson, M. Savastano. Office of Budget and Planning: M. Albino Orjuela, M. Shannon. Research Department: G. Melina. Strategy, Policy, and Review Department: C. Beaumont, P. Garcia Martinez, D. Hakura, M. Kaufman, K. Kostial, N. Meads, G. Minasyan, C. Pazarbasioglu Dutz, M. Saenz Castegnaro, N. Shenai, H. Ward, J. Zettelmeyer, J. Zuniga. Statistics Department: A. Kitili, L. Lusinyan, G. Quiros Romero, A. Richter. World Bank Group: D. Doemeland, S. Essl, C. Richaud. Executive Director: A. Andrianarivelo (AF), S. Bhalla (IN), P. Moreno (CE), M. Mouminah (SA), E. Shortino (US), T. Tanaka (JA). Alternate Executive Director: H. Azal (EC), M. El Qorchi (MD), F. Fuentes (BR), S. Geadah (MI), A. Grant (AP), L. Herrera (AG), Y. Indraratna (IN), C. Just (EC), M. Massourakis (IT), F. Mochtar (ST), W. Nakunyada (AE), R. N'Sonde (AF), F. O'Brolchain (CO), O. Odonye (AE), L. Palei (RU), D. Ronicle (UK), P. Rozan (FF), B. Saraiva (BR), J. Sigurgeirsson (NO), C. White (AP), Z. Zhang (CC). Senior Advisors to Executive Directors: S. Ahmed (MD), M. Alle (AF), M. Choueiri (MI), J. Damgaard (NO), Patterson C. Ekeocha (AE), L. Johnson (AP), B. Lischinsky (AG), Z. Mahyuddin (ST), L. Marek (EC), Z. Mohammed (BR), S. Naka (JA), S. Potapov (RU), C. Quaglierini (IT), T. Sitima-wina (AE), N. Thiruvenkadam (IN), R.Velloso (BR), C. Wehrle (SZ), B. Yoo (AP), M. Zhunusbekova (SZ). Advisors to Executive Directors: A. Abdullahi (AE), F. Al-Kohlany (MI), P. Al-Riffai (MI), A. Arevalo Arroyo (CE), S. Belhaj (MD), A. Biriukv (RU), E. Cartagena Guardado (CE), T. Cham (AE), R. Edwards (CO), D. Fadhel (MI), K. Florestal (BR), Rachel Lyngaas (US), J. Hanson (NE), Y. Kikucji (JA), H. Koh (GR), T. Manchev (NE), M. Merhi (MI), R. Moral Betere (CE), T. Nagase (JA), L. Nankunda (AF), K. Nelson (UK), T. Persico (IT), B. Rankin (CO), L. Siliva (AP), B. Singh (IN), Min H. Soe (ST), D. Susiandri (ST), J. Yoo (AP), Y. Zhao (CC), J. Barroso (BR), F. Lopez (CE), D. de Waziers (FF).

DISCUSSION RECORD[2]

The Acting Chair (Mr. Okamoto):

Today, we have a meeting, which is an update on the joint IMF-World Bank Multipronged Approach (MPA), to address debt vulnerabilities. The MPA is an initiative that the Fund and the Bank have been working together on for two years now. This is put in place in response to calls back in the fall of 2018 from the IMFC and the Development Committee for a comprehensive strategy to address emerging debt vulnerabilities in low-income and developing countries and emerging markets. These vulnerabilities have now worsened considerably owing to the pandemic, increasing the urgency of implementing the MPA.

I am pleased to see that Directors welcomed the progress achieved in the MPA implementation since the end of 2018, as well as the strategy going forward and how it is being adapted amid the rising pressures on debt emanating from the COVID-19 shock. Many Directors noted support for the proposed set of monitoring indicators to measure future progress.

As we discuss the MPA, it is going to be important to recognize that this initiative deliberately focuses on actions directly related to debt through the MPA's four pillars of debt transparency, debt management capacity, analytical tools for debt, and related IFI policies. This work cannot be a substitute for fiscal policies and structural reform policies that are the key drivers of debt dynamics and which are central to managing shocks and supporting debt sustainability. These critical policies are the focus of the Fund's surveillance and program activities.

Rather, the MPA is a complementary approach to debt issues, which as is often the case with building capacity, institutions, enhancing transparency and strengthening IFI policies, they require medium- to long-term effort that is adapted over time to new challenges. Many Directors noted the Bank and the Fund's close coordination and collaboration in several areas. Indeed, valuable progress has been achieved. Some examples include, one, the implementation of the revised low-income countries' debt sustainability framework, the LIC-DSF, with its emphasis on broad coverage of public debt and monitoring of contingent liability debt risks; number two, scaled up capacity development activities for borrowers in debt recording, debt management, and fiscal risks. In addition, expanded creditor outreach, in particular with the G20, including

[2] Edited for clarity.

through valuable technical work, such as on collateralized debt, and also the near completion of the revision of the IMF and the World Bank policies in relation to responsible borrowing and lending, including a review of the Fund's Debt Limits Policy (DLP).

In view of the exceptional economic and fiscal shock that members are facing, staff have made adjustments in response to COVID-19, including scaling up and recalibrating capacity development to focus on areas critical to reduced debt vulnerabilities. For example, debt recording and reporting in managing near-term refinancing risks, as well as adapting the capacity development modalities to a virtual format where possible and introducing on-demand and just-in-time online training.

We have also been increasing creditor outreach, for example, the IMF-World Bank collaboration to support the implementation of the G20 Debt Service Suspension Initiative, as well as prioritizing completion of reviews of the IMF Debt Limits Policy and the IMF market access country's DSA and working on sovereign debt resolution.

Going forward, the MPA aims to make further progress under each of the four pillars in different strands of work while adjusting to a post-COVID world. This is going to require further emphasizing debt transparency to properly monitor and assess debt risks, further adapting capacity development towards crisis prevention, emphasizing timely assessment of debt problems, and adopting and implementing reforms of our debt policies to better address debt risks and promote efficient debt resolution. I look forward to hearing Directors' views on the MPA to addressing debt vulnerabilities and especially the guidance on the evolution of this work program going forward.

The staff representative form the Strategy, Policy, and Review Department (Ms. Hakura):

As Directors note, the multipronged approach encompasses a wide range of activities that cover a number of departments, along with the World Bank. This paper is the work of an interdepartmental working group, which in addition to SPR and MCM, includes LEG, ICD, FAD, STA, and RES. I would first like to thank our colleagues from the World Bank, Ms. Doerte Doemeland and Mr. Sebastian Essl, for their collaboration on the paper. I would also like to thank the members of the Interdepartmental Working Group for their cooperation on this paper.

We appreciate the interest in the paper from Executive Directors, and I would like to thank Executive Directors for their comments and questions. We sought to address most of those questions in writing. I will address the questions on the common framework and the Debt Service Suspension Initiative (DSSI), and Mr. Beaumont will cover a few questions on debt transparency.

Directors asked several questions on the common framework, including on the Fund's role, implementation modalities, and progress to date. Staff plans to provide a briefing on the DSSI extension and common framework in January; I will cover these points relatively briefly.

The common framework was agreed by the G20 on November 13, 2020, and it is also endorsed by the Paris Club. It was adopted because it is recognized that a few countries face deep debt challenges that the DSSI does not adequately address. The goal of the common framework is to coordinate timely and comprehensive debt relief for low-income countries that are eligible to participate in the DSSI and that require a debt treatment in the face of sustainability concerns and/or financing pressures.

The central features of the common framework are participation of all official G20 creditors with fair burden-sharing through common terms; second, full participation of other bilateral official creditors and private creditors with comparable treatment of all creditors being a key feature of the framework, and an Upper Credit Tranche (UCT) quality Fund-supported program is required to underpin sound policies and catalyze financing in support of sustained recovery.

The joint IMF-World Bank Debt Sustainability Analysis (DSA) plays a key role in determining the envelope for the debt treatment. There was a question about the Fund's role in the common framework. Here, I would like to note that the Fund plays an active role in supporting the adoption of a debt treatment under the common framework consistent with providing the assurances on financing and debt sustainability needed for Board consideration of a Fund-supported program.

First, the Fund staff discusses a program with the member country, and in that process, it determines the envelope for the debt treatment, including initial financing needs.

Second, as in the past, when Fund staff was supporting debt restructurings in the context of the Paris Club, Fund staff will likely be

providing briefings to creditors on the economic situation of the country, on the program policies, and on the envelope needed to move towards sustainability and address liquidity needs.

Third, once the necessary assurances have been received, and if the Board approves the program, Fund financing and policy monitoring contributes importantly to the success of the debt treatment.

Finally, the Fund will also be monitoring the implementation of the debt treatment over time, including the progress being made with private creditors. At the current time, the modalities for the implementation of the common framework are still being worked out among the creditors. Fund staff, together with World Bank staff, are providing input focused mainly on ensuring that Fund policy requirements can be met.

As I mentioned, a staff briefing to the Board is planned for January 2021, which will provide an update on modalities. In the meantime, we are briefing mission chiefs on the common framework while noting that this is work in progress, and we will provide more conclusive guidance when available.

There was also a question on the interface with the lending into arrears policies. The broader coordination of official creditors under the common framework would not alter the potential for the IMF to lend to a member despite its arrears to external private creditors under certain conditions. So, in a few cases, negotiations with private creditors can take place while the country is in arrears. This possibility, together with the requirement that the country seek comparable treatment, can help promote agreement with private creditors. This is a topic that could be discussed more fully in January.

On the DSSI, let me note that the Bank and Fund staff are supporting the implementation of the six-month extension by sharing the template letter with countries and encouraging them to send it to all their official creditors soon to enable an extension without interruptions. Staff have briefed country mission chiefs on the extension process, and we would also welcome support by Executive Directors' offices on encouraging timely requests for the extension.

Finally, there was a question on the lessons learned from the recent experience with DSSI reporting and the improvements that took place to ensure a standardized method of reporting. I would like to highlight the importance of strong coordination and regular information sharing among

creditors. At first the G20 reporting on DSSI implementation lacked granularity on creditor institutions, which created some uncertainty on participation. Improvements made in the reporting framework address such issues. Having a clear understanding on the participation of other countries is key to the confidence of creditors to participate in such a collective effort and ensures discussions among creditors are well informed.

This experience should benefit the implementation of the DSSI extension. Another factor that is helping all parties' assessment is the World Bank's recent decision to start publication of more granular data on external debt service by creditors for DSSI countries on its international debt statistics website.

The staff representative from the Strategy, Policy, and Review Department (Mr. Beaumont):

A question was raised regarding the need for an IMF policy on debt transparency and debt data. Debt transparency is encouraged by the Fund. The Fund has also welcomed and supported initiatives to improve debt transparency, such as the Institute of International Finance's (IIF) debt data repository for voluntary reporting by private creditors, according to the IIF principles on debt transparency, which is now going to be hosted by the Organization for Economic Co-operation and Development (OECD).

In that context, it is reasonable to consider whether the IMF should have a specific policy on this topic. Usually, the IMF adopts a policy to guide the implementation of a mandate provided by the Articles, such as lending. However, while there are articles requiring provision of information to the Fund, there is no requirement that members publish information.

Against that background, we should note that debt data, while important, is only one subset of data that the Fund needs for its operations, such as surveillance and UFR, so there should be some consideration as to whether a special policy would be warranted for one set of data but not others.

While the Fund does not have a requirement that members publish information, the Fund can always encourage voluntary publication of information. For example, the Fund publishes data voluntarily reported by member countries for re-dissemination, including the IFS. It also supports data dissemination by establishing standards for the publication of economic and financial data as a technical service to which members can subscribe on a

voluntary basis, for example, the Special Data Dissemination Standard (SDDS).

If there were to be a Fund policy on debt transparency, it would need to be built on this legal foundation of voluntary cooperation with members. It could also involve cooperation with other institutions. Let me note a few possibilities that we could explore.

One would be a new standard for debt data dissemination with high granularity, including on terms and conditions. Such an enhanced debt transparency standard could only be voluntary for member countries to subscribe to, but over time it could set expectations for financial markets and other stakeholders. Let me mention that the reserves template is a voluntary data standard for which participation has risen to quite high levels.

In the case of debt, careful consideration of how to design such a standard to deliver high transparency at the same time as having a manageable cost to participants would be needed. This would likely be an area where collaboration with the World Bank and the OECD would be helpful. They are often our partners on debt data issues.

Another area based on voluntary cooperation would be supporting creditor disclosure, including by official creditors, which will be in line with the strong practice in the G20 operational guidelines for sustainable financing. The diagnostic tool prepared by the IMF and World Bank that was published in November 2019 identified this strong practice.

To date, we are aware that the UK published in October this year a report on outstanding debt owed by other countries as of the end of August 2020. This is a welcome start, and perhaps the Fund can find ways to encourage more creditors to adopt this practice.

A last example of cooperative effort would be the proposal of the G30 group of former policymakers to enhance debt transparency through robust disclosure requirements in borrowing countries as part of their public debt authorization. Fund staff have recently discussed the proposal with its author, Professor Gelpern, and will further consider this concept going forward.

In view of the importance of this issue, following the reviews of data provision to the Fund and lending into arrears, SPR working together with LEG and MCM, is planning to prepare a fuller analysis and a paper on debt transparency. This paper would seek to better understand the incentives for

limited debt transparency by debtors and creditors, such as confidentiality clauses and consider policies, including domestic legal frameworks, international standards, and best practices, that could lead to greater debt transparency. Such a paper could also inform discussions on the desirability and nature of any IMF policy in this area.

On a different topic, there was also interest in an update on the G20 and IMFC request for an analysis of external financing needs in low-income and developing countries and on sustainable financing options. At this early stage, I can note that the work on this paper is underway and is expected to come to the Board around the time of the Spring Meetings.

The Acting Chair (Mr. Okamoto):

I wanted to note for the record that the European Central Bank and World Bank representatives are also in attendance for today's meeting. All Directors have issued gray statements in advance of the meeting.

Mr. Trabinski:

This topic is very broad and includes many elements that are important for the membership, so I will try to be brief and clear on the points I make.

We continue to strongly support efforts by the IMF and the World Bank to address debt vulnerabilities. We are deeply concerned about the high and rising debt and fiscal vulnerabilities in many countries, so the efforts under the MPA must therefore remain a top priority of the Fund and World Bank. Here, we join others in their call for an update to the Board on the MPA in six months.

We would like to offer the following specific comments in addition to the gray statement we co-signed with other, chairs more specifically on debt transparency, capacity development, macro-fiscal and debt analysis and PFM.

First, we strongly support efforts to enhance the transparency as a key pillar under the MPA, and debt transparency should be enhanced to increase reporting by borrowers to international statistical databases and the wider publication of debt data by the IMF and the World Bank. Remaining debt transparency gaps should be closed with urgency, including reporting on terms and conditions, collateral, nonstandard debt instruments, debt beyond central government, and on the restructuring terms of official bilateral debt. This requires work with borrowers and creditors.

We agree with staff that the use of non-disclosure agreements (NDAs) should be strongly discouraged and here we would welcome a proposal by staff on how this could be achieved and whether this will be covered by the paper on debt transparency staff is planning to issue soon.

Second, capacity development remains critical to durably strengthen debt management capacity and to help members meet higher debt coverage and disclosure requirements, so we welcome debt management training to regional technical assistance centers (RTACs) but also stress the need to ensure that it is well coordinated with existing TA and does not come at the expense of existing RTAC priorities.

Third, we welcome work to improve the analytical toolkit to support macro-fiscal debt analysis. The framework for a country's debt-carrying capacity plays a critical role in addressing debt vulnerabilities, as highlighted in the G20 Common Framework (CF). The critical role that the Fund and the World Bank will play in supporting the implementation of the G20 CF should be reflected in the MPA. Both institutions will be instrumental in operationalizing the framework, including through conducting DSAs, designing country programs with strong conditionality, and enhancing creditor coordination.

Fourth, efforts to improve financial management should be pursued in parallel to the MPA, especially within the context of foreign public investment spending envisaged as a way for recovering from the current crisis, which may have further implications for debt sustainability. In this context, long-term debt sustainability will critically depend on continued work to enhance domestic revenue mobilization, control current spending, and improve both spending efficiency and public investment project management.

Finally, we look forward to the review of the lending into arrears policy, not only to further clarify the perimeter of claims, but also to help achieve progress on debtor-creditor engagement with a view to facilitate timely debt restructurings.

Mr. Alhomaly:

We have issued a detailed gray statement. Therefore, I will focus my remarks on a few key issues.

First, given that both debt vulnerabilities and financing needs are expected to remain elevated, especially in low-income and developing countries, we echo the call of many Directors for a broader conversation on debt-related issues with a focus on the role of the Bank and the Fund on the international debt architecture, which has gone through major developments recently.

The second point I would like to make is that in light of the significant debt vulnerabilities, full support for the G20 DSSI and the Common Framework is critical. The DSSI continues to enable eligible countries to reallocate resources to mitigate the health and economic impact of the pandemic. It has also reaffirmed the important role of digital towards debt transparency and reporting.

Since its inception, official bilateral creditors conveyed almost on a monthly basis, through the G20 to monitor progress, provide regular reporting, and address implementation issues. Here, we would like to express our appreciation to the IMF and the World Bank for their support to the G20 and the Saudi presidency during the formulation and implementation of the DSSI.

Beyond the DSSI, the Common Framework for Debt Treatment (CF) represents a breakthrough in coordination among creditors, and it will be instrumental in advancing debt sustainability through a case-by-case approach, which will facilitate private sector participation. Going forward, it is critical to operationalize this framework promptly and effectively, as rightly stated by the Managing Director and echoed by many Directors, and certainly the Fund and the Bank have an important role to play in this area, as highlighted today by staff, and we look forward to their support through the end of the Italian presidency.

The third point I would like to make is about staff response on effectiveness of capacity development. Here we see room for exploring additional support to the recipient countries are institutionalized. This certainly will enhance transparency and strengthen implementation.

Finally, like other Directors, we see merit in receiving an update on the progress made.

Ms. Levonian:

The burden of public debt is a growing problem across the globe, with most low-income countries now at high-risk of or already in debt distress. There is a real risk that just as countries start to recover from the pandemic, debt crises trigger a second wave of economic distress. The Fund has a central role to play in addressing these vulnerabilities, and the MPA can serve as an important resource in providing regular and comprehensive updates on the public debt outlook and emerging vulnerabilities, as well as presenting a holistic strategy to tackling evolving risk. We issued a comprehensive gray statement with ten other chairs, so allow me to pick up on three points.

It is core to the mandate of the Fund, and we should be doing all we can to support greater disclosure. In this respect, we will be looking to the upcoming review of data provision to the Fund for surveillance purposes, for proposals that extend minimum data provision obligations. However, I also wanted to pick up on a question that was raised at a previous Board, and it was mentioned again by Mr. Beaumont, on the idea of a new standalone policy on public debt transparency. While such a policy would, of course, need to be situated within the Articles of Agreement, the exercise could help put more visibility on the Fund's efforts in this space, as well as help tie together the Fund's various policies and practices related to debt transparency, and we look forward to further discussion in this respect.

Second, on my earlier point on presenting a holistic strategy, and, Chair acknowledged it in the opening remarks, we see scope for policy advice to become a pillar of the multi-pronged approach. As the paper notes, public debt is largely driven by fiscal policy, but references to policy advice are largely absent from the MPA. Particularly in a post-COVID recovery, countries will be looking to the Fund for guidance on issues like the tradeoff between reducing debt and stimulating growth and how to reconcile debt sustainability with the urgent need in many countries to build resilience to climate change.

Finally, on beyond debt transparency, the MPA should also have greater focus on broader international debt architecture that supports orderly debt operations. In this respect, the recent endorsement of the G20 Common Framework represents a very positive step forward, but now we must turn to important work of implementation where the Fund will have a key role to play. More work also remains on strengthening contractual provisions, particularly in nonbonded debt, as well as promoting uptake of state-contingent debt instruments, to name just two issues. I join others in

requesting more regular briefings on the MPA and on debt issues. The Fund needs to take a comprehensive view and approach to public debt issues. It will be key to achieving a sustainable and inclusive recovery.

Mr. Bevilaqua:

We reiterate our appreciation for the important work that staff has been developing on the debt track. Implementation of the Multipronged Approach on Debt Vulnerability (MPA) has registered a few setbacks with the COVID-19 pandemic, but in some respects progress has accelerated because of the measures taken exactly to cope with the pandemic challenges, such as in the case of the G20 DSSI. Indeed, the increase in debt vulnerabilities precedes the pandemic and calls for consistent and well-coordinated fiscal, monetary, governance, and other relevant policies. Timely rollout of the MPA is also a fundamental piece of this framework given its focus on debt transparency, improved analysis of debt developments and risks, intensifying capacity development, and strengthening IMF and World Bank policies.

There is no doubt that we need to get rid of hidden debts of liabilities that emerge from obscure terms and conditions, and we need authorities to be fully aware of risks and contingencies associated to different indebtedness strategies. Furthermore, the Fund and the World Bank should be able to support this effort with proper analytical tools and policies. However, debt transparency and institutional capacity are not 100 percent effective to prevent debt crises. We have seen time and again countries with relatively developed institutions and ample access to markets ending up in unsustainable debt paths.

Accordingly, as Ms. Mannathoko mentioned in her gray statement, the MPA "may not be sufficient to address debt vulnerabilities and risks from global economic developments". Therefore, addressing debt vulnerabilities will require a comprehensive strategy involving bolstering aggregate demand, and the free flow of goods and services at the global level, and promoting adjustments and reforms at the national level, especially where debt risks are elevated.

But for countries with limited or no access to markets, these efforts need also to be supported by IMF financial assistance and development finance and in the case of LICs by ODA, which has diminished in view of the mounting needs. Therefore, while all efforts to enhance debt transparency and management capacity must be undertaken, it is important to keep in mind that they may fail to deliver reduced vulnerability if sufficient resources, including

for the PRGT, are not mobilized to support the transition to a sustainable path under such challenging circumstances.

We have issued a comprehensive gray statement, and to conclude my intervention today, I want to briefly underscore the following issues:

First, we encourage staff to continue developing the analytical tools to support debt-investment-growth analysis and promote more extensive use of IMF DIG and DIGNAR models by country teams.

Second, close collaboration of WB and IMF country teams in the operationalization of their respective policies is fundamental to ensure that countries with weak institutional capacities are not overburdened with requirements.

Third, adequate institutional capacity is required for countries to be able to properly identify risks, do their own sustainability analysis, and take efficient policy decisions to avail themselves of the flexibility embedded in the DLP for using NPV and sustainably combining different levels of concessionality.

Fourth, given the relative scarcity of concessional finance country teams need to be cautious when estimating the catalytic role of IMF signaling.

Finally, it is important to assess to what extent IMF's delivery of debt TA and training has been constrained by limited technological infrastructures.

Ms. Riach:

The Board has been clear of the priority that we place on this work, so it is very welcome to see that progress has been made across each of the workstreams, and we are pleased that World Bank staff are able to join us today and strongly welcome the continued joint working and joint Board updates. Coordination will become ever more critical as the debt across countries becomes increasingly challenging and the debt architecture evolves.

I strongly agree with Mr. Andrianarivelo in his gray statement that the coexistence of similar sets of policies, analytical tools, and conditionality may be burdensome for member countries and that going forward the two institutions should find ways to move to a single framework whenever that is possible.

In the joint gray statement that we signed, we made it clear that the efforts to increase debt transparency from both debtors and creditors must remain a priority. The principles of debt transparency and debt data issues should be mainstreamed into all existing policies and workstreams, and I very much welcome Mr. Beaumont's comments this morning and look forward to the paper on debt transparency. Specifically, I thought that the suggestion of a new voluntary standard for debt data transparency seems to have value, and we look forward to further consideration of this.

In the gray statements and in this morning's discussion, Directors unsurprisingly focus on the importance of adequate capacity development support. As we said in the joint gray statement, we see this as a priority for Fund efforts. The UK is providing support to the debt management facility, and we would encourage others to do likewise. Long-term resident experts embedded in RTACs has proven to be an effective way of delivering support, and we underscore the value of it becoming a standard practice for all RTACs to have this expertise.

In the joint gray statement, we also touched on the importance of monitoring indicators as a way of assessing progress in implementing the MPA, and we welcome the indicators as set out in Appendix 4. These would be further strengthened by the inclusion of target timeframes for implementation, and we welcome ongoing efforts to refine the monitoring framework to ensure that it is SMART.

We thank staff for their comments this morning on the Fund's role in implementation of the CF, and we look forward to the January briefing. As requested in the joint gray, we would also welcome a broader update on the MPA ahead of Spring Meetings.

The Acting Chair (Mr. Okamoto):

A few Directors have brought up continued deeper collaboration between the Fund and the Bank to make sure we are not overburdening countries. Those are reflected in a few of the gray statements. We have our debt team of both institutions that are meeting on policy issues but also DSA assumptions and the rest. They meet every two weeks; this is something that is done in that spirit to try and streamline as much as possible within each institution but also downstream for members that are interacting with us, and that is something we started over the past few months, and that seems to be going quite well, and will continue.

Mr. Hilbers:

We issued a comprehensive gray statement with ten other Directors, so I would like to limit myself to four brief additional remarks today. First, public debt transparency in our view is a public good. In our gray statement, we commented extensively on the issue of transparency, and I would like to emphasize three points related to further work by the Fund.

First, we believe the review of data provision to the Fund should consider key gaps in debt transparency. Second, we would welcome further work by the Fund on debt authorization and the possible link with debt data disclosure as discussed in the recent Group of 30 report, and like others, we would be interested to reflect on the merits of the standalone debt transparency policy. In that context, the context of my last two points, I welcome very much what Mr. Beaumont just mentioned on debt authorization and on debt transparency policy, including the announcement of the paper on debt transparency in the time to come.

Second, we strongly support capacity development in the areas of debt data disclosure and debt management, and we fully agree with the proposed scaling up. We also see added value in use of resident experts to secure institutional capacity building. We noted that the paper describes quite a large number of debt databases and capacity development toolkits, and we wonder whether there is scope to streamline this in order to make the support offered more manageable for receiving countries.

Third, on debt policy, we look forward to the review of the arrears policies and would support inclusion of the debt disclosure elements under this review.

Finally, we would support further analytical work and policy advice on policies to combat debt vulnerabilities and enhance debt resilience. The recent Staff Discussion Note on state-contingent debt included a positive assessment of clauses that triggered debt standstills during the debt crisis and/or in case of official sector standstills, such as the DSSI. We wonder whether staff plans to further extricate the introduction of such clauses or whether staff sees scope to advise such countries on their merits and implementation.

Ms. Mannathoko:

We have always welcomed, and we continue to welcome the improvements that we are seeing now due to the MPA agenda over the past two years. We think it is a strong example of effective collaboration between the IMF and the Bank on debt issues, and like Mr. Andrianarivelo and Ms. Riach, we do encourage such joint frameworks, as they limit duplication and stress on authorities. The agenda right now is of added importance as a time of elevated debt levels and rising vulnerabilities and that have been exacerbated by the pandemic. We issued a comprehensive gray, so I will just add several points.

First, just to follow up, regarding the staff response or the concern we had raised about Africa's declining export-to-GDP ratio and the finding, whether it is in empirical literature, even in IMF research itself, that this tends to be correlated to the risk of external debt distress. Mr. Bevilaqua indicated that we really want to encourage staff to think outside the box looking for solutions here, because the sort of policies which you had described in the staff response are policies which have been implemented over the past decade, and yet the ratio continues to decline. It has been declining since the global recession in 2009, so we just wanted to encourage thinking outside the box here. We have a chart showing the declining trend.

On debt data transparency, we just wanted to appreciate the progress in reporting for countries in our constituency. Nevertheless, as was mentioned, debtor countries continue to improve coverage and timeliness of data reporting, but like other Directors, we also note that official and private creditors have a corresponding responsibility at facilitating transparency, and so we wanted to encourage staff to continue the work that they described exploring how to facilitate this. For us, we really feel creditors should be motivated to refrain from nondisclosure clauses in loan agreements.

On capacity development, we welcome the progress that has been made on various dimensions of debt management and reporting. And given the critical role of CD in addressing debt vulnerabilities, we welcome the effort to meet the increased demand from the membership. In particular, debt management capacity challenges and the production of debt management plan strategies, et cetera, still require significant tailored CD.

We also encourage the continued provision of CD in fragile countries where significant capacity gaps are still there, and these hamper at times the comprehensive data dissemination. We hope that further lessons in improving

CD delivery can be drawn from the IEO evaluation of IMF and capacity development.

On debt restructuring, we appreciate the supportive role played by the Fund in spearheading the development and operationalization of the G20 DSSI and the Common Framework. We are grateful for the initiatives by the G20. However, we just wanted to note given the urgency of timely debt restructuring for countries that are currently addressing emerging pressures, we just wanted once again to emphasize the importance of swift operationalization of the CF. Like Mr. Andrianarivelo and others who have countries that are facing debt restructuring delays, we stress that quick action is needed to facilitate timely debt resolution agreements that even in program negotiations these provide staff with assurances as part of the program discussions. Some of these are ongoing, but operationalization would facilitate the upcoming program negotiations. A lot of countries are struggling to stay afloat while they are seeking balance of payments support.

We also encourage SPR to provide guidance notes to country teams as soon as possible to make guidelines available as well as to both debtors and private creditors as soon as possible on the process of implementing the framework.

On the press release, we noted that the last sentence in the second last paragraph does not mention private creditors, so we just wanted to propose that maybe some text be added after the reference to staff operationalizing the CF, maybe text saying something about staff will also keep private creditors abreast of the framework's implications for them or something like that.

Finally, we look forward to the review of lending into arrears and to the report on big financing needs, and we wanted to call for a Board update on the MPA in six months.

The Acting Chair (Mr. Okamoto):

We will reflect on the suggestion on the press release. I couldn't agree with Ms. Mannathoko more that we want countries to deal with their debt issues in a timely manner. It requires a lot on everybody's part: some of that is on us to make sure that our processes, our coordination with the World Bank, our coordination with creditors, and communication with the Board is in a good place. It also means that official creditors have what they need in place within their countries to provide the financing assurances and be able to undertake the restructurings that are going to be needed over time. And then,

finally, it requires countries to approach us. It requires countries to come forward and face these challenges head on. I know countries are dealing with a lot at the moment in dealing with the pandemic and the health issues and the economic issues, but certainly I hope Directors are passing back along to the authorities that for those that do see, that are facing difficulties, come to us earlier so we can work through these issues.

Mr. Buisse:

With COVID-19 exacerbating debt vulnerabilities, the continuation of this agenda is absolutely key. We issued a joint gray statement, so I would like to focus on a few points.

First of all, I want to stress the crucial role of the MPA to help countries implement the DSSI and the CF. Firstly, I want to warmly thank teams on both sides from the Fund and the Bank for their support on the DSSI and the Common Framework. Going forward, further analysis would be welcome ahead of the next Spring Meetings on key lessons of the DSSI implementation. Our institutions should also be able to very concretely and pragmatically, as Chair said, help the countries to engage in the CF. Implementation, now, is a real challenge.

Strong coordination among bilateral creditors is crucial in that environment. In this context, it would have been helpful and useful for the paper to clearly recall the joint nature of these initiatives in order to underline the coordination between Paris Club and other creditors, which is exactly what is warranted right now. The IMF and the World Bank support to further strengthen links with all types of public and private creditors and stakeholders is particularly important.

Second, we support the strengthening of debt transparency, and remaining gaps should be filled for comprehensive oversight. There should be a balance of between the need for transparency and related costs and efficiency considerations so as not to turn away countries from requesting a program, but our current risk-based approach embedded throughout each policy is broadly adequate. Let me underline here that creditors also have an important role in enhancing debt transparency and best practices. The G20 operational guidelines for sustainable financing are critical in this regard, and we need to continue to work on their effective and complete implementation. We encourage all G20 countries to self-assess in 2021.

More generally, I heard Mr. Beaumont's introductory remarks, and I have a lot of sympathy for the approach he described on the work of debt data dissemination and transparency.

Third, we welcome the rapid World Bank and IMF response to address capacity building efforts to face the crisis. We encourage management to scale up these activities, in particular in debt reporting and management, as well as in operationalizing the CF. Given high needs on the effectiveness of the technical assistance will be appreciated. Coordination with the World Bank is crucial, of course, as many, if not all, colleagues have said, and I would appreciate staff views on how we can avoid overlap. In addition, we also encourage management to help plan for adjustment in the long-term to ensure that scarce resources on CD are spent in the most efficient way.

Fourth, we thank staff for strengthening the debt analysis toolkits and policies. I will not list every one of them, but one can count on our strong support in this work program.

Finally, I sometimes find we forget when we concentrate on debt. Debt policy is a necessary means, but the job of our institutions is to help countries through advice, including on fiscal and structural policies to restore debt sustainability and build resilience. The point is not to be back with unsustainable debt levels again in 20 years, and that can only be achieved through sustainable social, environmental, and economic policies.

The Acting Chair (Mr. Okamoto):

Mr. Buisse makes a good point. I tried to make this reference in the opening, that a lot of what we are doing in these policies is dealing with challenges after they have come through. Some of the capacity development is helping build up the ability to evaluate, for example, contingent liabilities and understand good debt management and the rest. Ultimately, we need countries to grow and prosper to be able to afford the debt that they are taking on in order to be able to invest in their economies. Part of this also just goes to good governance generally. Countries do not want to evade transparency measures by hiding debt. Sometimes, it does not get captured in the general procedures of good debt transparency that there is a broader agenda of governance that also needs to take hold in some areas for this to work well.

Mr. Chikada:

We welcome the continued progress on all the pillars of the multipronged approach given the severity of the pandemic shocks and what countries need to structure the debt sustainability sooner or later by implementing debt treatment under the G20 CF to develop holistic reforms supported by the Fund and the Bank.

As we issued a joint gray statement with other ten Directors, we would like to offer a few comments focusing on debt transparency and capacity development, which we see as particularly important. On debt transparency, we fully support the remarks by Mr. Trabinski and would like to stress that it is in their best interests for debtor countries to enhance debt transparency as it will be a prerequisite for smooth and more effective debt restructuring, as well as for better market access.

As for the importance of the creditors' role, the Bank and Fund should encourage creditors, particularly of emerging countries, to ensure sustainable lending and enhance their transparency of debt data. It is also imperative to engage with them to cooperate with the debt data reconciliation. Regarding the DSSI and the CF, it is also indispensable that all creditor countries steadily implement the necessary measures. In this light, we would like to hear staff's plan on how the Fund and Bank will outreach to creditor countries.

On capacity development, given the importance of enhancing debtor countries' capacity to address debt vulnerabilities, we strongly support that capacity development be further strengthened in the area of debt management and debt transparency with strategic integration to lending and surveillance. Japan has supported Data for Decisions (D4D) and Debt Management Facility III (DMF III) and continue to cooperate with the Bank and the Fund to make effective use of the trust funds. We are also ready to further support the Fund's CD activities related to debt issues through the COVID-19 CD initiatives.

Mr. Palotai:

As we issued a detail gray statement, I will only focus on a few points.

First, we positively note the report's focus on the ongoing efforts on enhancing public central debt transparency, which are aiming to target, disclose, and mitigate potential risks stemming from contingent liabilities. We

would, therefore, appreciate staff's comments on the main findings of the public sector balance sheet assessment conducted in several countries.

Second, monitoring debt sustainability in the membership is one of the Fund's core surveillance priorities. Therefore, joining other Directors, we also encourage the Fund to disclose to the Executive Board the amount of debt subject to confidentiality clauses so that Directors can have a better overview of debt-related risks to form their own assessment as part of their oversight duties.

Third, given that fiscal consolidation in the containment and stabilization phases of the current crisis is constrained by the economic as well as political considerations, risks related to rising debt trajectories need to be addressed by well-designed medium-term debt management strategies. We encourage staff to work closely with the authorities on the individual strategies in the surveillance engagement going forward.

Finally, promoting debt relief and effective debt resolution is critical given the rising debt distress in many countries and the Fund's role in helping countries restore debt sustainability. We, therefore, welcome the Fund's ongoing engagement with the G20 in the CF and support its prompt and efficient operationalization.

Mr. von Kleist:

We strongly support to move ahead under the multipronged approach amidst a difficult COVID-19 environment and pressing debt challenges in many countries. It is fitting that we are discussing probably the two issues that will challenge us most in the upcoming years on one day, which is debt and moving forward with dealing with debt issues and climate this afternoon. I think that is very important.

Since we issued a joint gray statement with nine other chairs—a few of them have already spoken—which highlight their priorities like enhancing debt transparency and complementing efforts to improve debt situation through adequate capacity development, I can be quite brief. And just on capacity development, of course, Germany has in the past and will continue to strongly support this also through bilateral contributions.

I would like to raise a point: if the Fund could pursue a more integrated approach on sovereign debt-related issues, including in its surveillance lending and capacity development—others too have made that

point—given the importance in restoring and ensuring debt sustainability for countries' economic resilience. In this context, I strongly support Mr. Buisse's final remark. That is why we are here. That is our job, to make sure that countries can stand on their own feet, and, of course, restoring debt sustainability is an important part of the puzzle, but making sure one has the governance framework, institutional setups, and general resilience going forward.

On IMF policies, we look forward to the upcoming arrears policy reviews. We see these reviews as instrumental to assess the potential for better and earlier debtor-creditor engagement to facilitate timely debt restructuring where needed. While we underscore the Fund's mutual role in debt restructuring cases, the Fund can play an important role as independent and trusted adviser, for instance, in assessing debt sustainability and helping to define a restructuring envelope.

In that context, the G20 and Paris Club endorsement of the CF will be key for facilitating timely and appropriate debt treatments to debtor countries dealing with the principles of broad creditor participation, including the private sector, where there is some scope for further steps there and for burden-sharing, fair burden-sharing, among official bilateral creditors.

We appreciate IMF-World Bank support for G20 official creditor coordination and outreach to non-Paris Club creditors, as well as to the private sector in this context. We also support the Fund's work on further developing the contractual approach, including outreach to relevant stakeholders. We also see merit in further considering the scope for state-contingent debt features in debt and bond contracts and providing advice to client countries on the merits of collective action clauses in debt contracts.

With this, I want to thank staff of the IMF and the World Bank on the work they have done so far and encourage them to redouble their efforts because, again, this issue will be one of the most defining ones for this institution in the coming years.

Mr. Rosen:

Debt transparency and sustainability continue to be significant priorities for this chair, and we welcome management's continued focus on these issues. Improving debt transparency and promoting more sustainable borrowing and lending policies go hand in hand and are key imperatives at the

core of the Fund's mission and policies, as Mr. von Kleist put it very articulately just a moment ago.

We commend the progress made under all four pillars of the multipronged approach, but we agree with staff that significant gaps remain, particularly with respect to debt transparency. Debt transparency is, indeed, a global public good that cuts across all facets of the IMF's work, from lending to surveillance, to capacity development. Complete and transparent public debt data is also a key component of many different IMF policies, and we believe a holistic standalone policy on public debt transparency would allow the Fund to tie together the treatment of debt data and transparency across the many disparate policies to ensure a consistent approach.

We appreciate the comments by Mr. Beaumont on these issues today and options that could be an alternative to a standalone policy, and we look forward to the upcoming paper on debt transparency. We wonder whether this will be a joint paper with the World Bank, and when would staff envision bringing it to the Board?

We also welcome the planned rollout in 2021 of creditor-by-creditor exposure for all countries whose data is reported to the World Bank's International Debt Statistics Database, but in our view, this still does not go far enough. We would like to see this database extend to an institution-by-institution breakdown of public debt by creditor institutions, including policy banks and development finance institutions, and a detailed data on terms and conditions of loans, including whether NDAs are part of those loans, which could further reduce transparency in the complex creditor landscape. While the MPA update clearly outlines the essential role of borrowers in enhancing debt transparency through reporting, we would welcome attention to how the Fund can address the role played by creditors.

What tools can the IMF and World Bank use to discourage creditors from imposing, for example, nondisclosure agreements on borrowers? The update also references debt transparency work undertaken under the DSSI but is not clear how these practices will be continued moving forward. In this way as we look ahead, the membership will rely on the Fund for advice in operationalizing the CF and strengthening the international debt architecture more broadly.

As with Mr. Mouminah, we see a greater role for the Fund and the Bank in supporting implementation of the framework with both institutions working in close coordination. In consent MPA updates, we would like to see

a clear forward-looking agenda that envisions a role for the Fund in implementing timely and orderly debt treatment, in particular for CF-eligible countries. This work should involve strong engagement with the G20, Paris Club, market players, ongoing analytical support, and targeted capacity development to further facilitate debt sustainability.

We would also like to support Ms. Levonian's call for a fifth pillar on the policy advice in the MPA and agree that the role of the Fund in restructuring is critical.

Mr. Hosseini:

We welcome the close collaboration between the Fund and the World Bank and broadly support the work plan. We have issued a detailed gray statement, and here I would like to make a few points briefly.

We support enhancing the disclosure of debt by the broader public sector, including local and state governments, SOEs, and PPPs, and increasing transparency and debt holders' profile. In this regard, I would be particularly interested to know how the IMF is going to deal with the local governments there. We know that the World Bank has provided advisory services or TA for a few of the member countries, and they would get limited experience. I would appreciate staff clarification on the Fund involvement in this critical area.

Another issue that I would like to discuss is the SOEs transparency and efficacy, which has been under question for several years. The point that the report has paid less attention is that for any transparent SOEs' debt management, countries need to establish sound legal and operational platforms to govern their SOEs in a comprehensive and integrated manner. In a significant portion of the EMDEs, countries cannot provide answers for very critical questions on their SOEs. For example, we do not know how many SOEs exist in each country, their share in the total economy, their share in each sector, and how many laborers work for them. In a few countries, a few of the companies may not have been audited for a long time; and even if they are audited, their financial statements are not issued publicly. There is a critical precondition for SOEs' debt management, and it is the establishment of SOEs governance structures, especially in the EMDEs. I would request the staff to share their views.

Finally, we would welcome for the regular Board updates on the topic.

Mr. Poso:

We have issued a comprehensive joint gray statement, so I will focus only on a few points.

Let me begin by highlighting the critical role of public debt transparency to ensure sustainable borrowing and lending. The recent decision to require a creditor breakdown for program countries as part of the Debt Limits Policy was a key step in the right direction. Full transparency depends on a strong commitment of the borrower, for example, through refraining from borrowing under nondisclosure agreements. It is hard to see how the borrowing country and its citizens could gain from such NDAs, and it is important that the Board starts to get information about their magnitude soon.

I agree with Mr. Rosen that we should explore how the Fund can promote debt transparency further. The preliminary report from the G30 Working Group on Sovereign Debt and COVID-19 proposes that sovereign borrowers should include robust disclosure requirements as part of public debt authorizations. This sounds like a promising avenue, and I was happy to hear from Mr. Beaumont that staff is moving this agenda forward. Maybe this can be done also through program conditionality. Like Ms. Levonian and other Directors, we think that a Fund policy on debt transparency would also play an important role here.

On capacity development, I welcome the strong focus on strengthening debt management capacity and debt transparency. I also welcome the ongoing efforts to better align CD with program and surveillance priorities. It is important to tailor CD to country needs and absorptive capacity.

Finally, I am afraid that we will see more countries in need of debt restructurings in not-too-distant future. As regards the CF, I was happy to hear from Ms. Hakura that staff seek an active role in supporting its timely implementation. Maybe, this can be done through technical assistance. Debt restructuring is not something that the authorities are faced with every day and having guidance on where to start and what to look out for would be of great help. Therefore, and referring to what Ms. Mannathoko also said, it would be useful if staff could perhaps produce a note that describes best practices for sovereign restructurings. This could help speed up the process and lead to better outcomes on the road ahead.

Mr. Fanizza:

Much has already been said, and we co-issued a joint paper with other ten chairs, so I will try to be as short as possible.

Let me say that we are very pleased to see the progress that has been achieved on the implementation of the four mutually reinforcing pillars. This is very welcome news. However, we should say, and I could not agree more with Mr. Bevilaqua and Ms. Mannathoko, that actually this is something important, but it is not sufficient because the objective is that to make sure that countries increase access to debt resources in a way that they could afford it. And the only thing that one could do is that one builds program relations and surveillance relations that have traction because the key factor there is the use of the debt, the use of the resources. If one gets into debt and one uses it to improve productivity and place economies in a higher growth path, one will achieve sustainability, and that is the real challenge. That is the important thing. The bulk of the job is creating good program relationship with the authorities that build ownership and create success.

Let me say also that many people have talked about debt transparency. We agree on everything. Also, we would consider the possibility to elevating it to a Fund policy. There, I wanted to reassure that the Italian presidency of the G20 has placed debt transparency, the work on debt transparency, at the top of its priorities, and we will work on it.

Let me say also that we would support the proposal to extend data provision as part of the data provision requirements to the collection of general government, of data on debt of the general government. We think that would be quite important. We also notice that we should make sure that the different databases on the debt become user friendly and we try to streamline that. The paper has a huge description of the valuable databases, which strikes me as being very likely overlapping, so there is a need to streamline work.

Finally, we welcome the proposal of a set of indicators to measure the progress in the multipronged approach. I would like to say something. The proposed indicators are all input based, and we think that we should pay more attention to outcome-based indicators. This is part in general of something that we have said several times, that the Fund seems to be a bit behind the movement to move an evaluation towards the outcome rather than the input.

Mr. Lischinsky:

We have issued a gray statement, so I am going to be brief. We broadly support the four pillars of the approach and the continuation of staff priorities. We understand that implementation on the MPA might not be enough 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 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 goals. The IMF and the World Bank have different lending objectives, which must be considered to adapt lending policies to better address debt risk and resolution of debt crisis. Of course, both institutions should coordinate to address debt risk and crisis resolution. However, as both have different mandates, 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 support Ms. Mannathoko on including creditors in the press release and in her request to thinking out of the box in these issues. Important enough for emerging markets and low-income countries in order to achieve the right balance between development needs and sustainable finance is to improve the debt situation, and for this must have a second arm to complement borrowing at the international sphere. This second arm, to improve development and to pay external debt, is to increase exports to get foreign exchange. Hence, advanced economies should increase the imports from emerging markets and LICs, not only of raw materials and commodities, but also of products with value added, manufactured and industrial goods, which have restrictions to enter in most advanced economies.

In this regard, we propose a sort of flying geese model for the global economy, or the debt problems of emerging markets and LICs will never end. The relation of debt and exports was addressed in the London agreement in the 1950s with regards to the German debt rescheduling. We hope this issue will be included in the multipronged approach.

Ms. Mahasandana:

We welcome the progress on the Bank-Fund multipronged approach. The implementation of the MPA has helped in addressing debt vulnerabilities, especially for low-income and developing countries and emerging markets. Nonetheless, more needs to be done to close the gap while also addressing the debt-related risk posed by the COVID-19 pandemic. We issued a detailed gray statement, so for today I can be brief and focus on two points for emphasis.

First, addressing the remaining debt transparency gaps require concerted efforts supported by appropriately tailored capacity development. It is important to better understand the reasons behind the data gaps so that the solution could be tailored accordingly. Capacity constraints is an important impediment for debt data transparency for many LIDCs, and we welcome the CD activity and other efforts to support borrower countries in this regard.

While borrower countries' commitment and absorptive capacity are critical considerations, like other Directors, we also underscore the importance of creditors' roles, particularly on nondisclosure requirements that hinder data transparency. We also support Ms. Mannathoko in including the private creditors in the press release.

We encourage staff to continue exploring jointly with the World Bank on ways to streamline further data reporting requirements to avoid overburdening already stretched capacity of the LIDCs.

Second, ongoing work to ensure CD and debt analytical tools are effective and robust, particularly in the face of various uncertainty remain important. We echo Mr. Moreno's gray statement that effective CD is essential to debt management of LIDCs against the backdrop of the COVID-19 crisis. Thus, we support staff arrangements in reviewing and improving CD delivery during and post-pandemic period. Like other Directors, including Mr. Bhalla, Mr. Hosseini, Mr. Andrianarivelo, Ms. Riach, and others, we see scope for exploring how the Bank and Fund analytical toolkits can be streamlined further particularly in the area where there are overlaps, while recognizing the two institutions' different mandates.

Mr. Jin:

We commend staff for their extensive efforts in promoting debt sustainability and welcome the continuous progress made in recent years. We

issued a gray statement and would like to offer the following comments for emphasis.

We fully support a faithful implementation of DSSI, and China has effectively contributed the largest part of debt moratorium under DSSI up until now. Since bilateral official creditors account for roughly one-third of total external debt of low-income countries, it is important for all creditors, including private creditors and multilateral development banks, to join this process. Only with the full participation of all types of creditors and equal transparency requirement on all types of debt, the international debt relief efforts can be truly successful.

On debt transparency we agree with staff that debt transparency is primarily the responsibility of the borrower. Creditors should also be encouraged to disclose as much information as necessary and possible based on the existing multilateral data disclosing standards and individual countries' development banking arrangement, and efforts should also jointly be made and supported by the two institutions to improve and reform the development banking arrangement in individual member countries.

Enhancing debt transparency should include both public debt and private debt, and evenhandedness is important to achieve this goal. Meanwhile, a balance should be struck between debt transparency and the internationally acceptable practice of commercial confidentiality.

On debt analysis tools, we thank staff for their helpful response to our technical questions regarding the similarities and the differences between different DSA frameworks. We also encourage staff to develop a comprehensive framework to integrate the current piecemeal debt policies, such as DSA, Debt Limits Policy, Lending into Arrears Policy, et cetera, so as to form a bigger and comprehensive picture on the Fund's debt policy.

Going forward, it is essential to ensure that the debt analysis framework is growth-friendly, and debt policy should differentiate between debt issued for productive investment and for nonproductive expenses. By saying that, I do not mean that productive debt and nonproductive debt is bad or good, but rather saying that different debt are different in terms of its impact on growth potential as the debt issued for productive investment will form valuable assets of the government or of the country that should not be ignored in DSA. We encourage staff to adopt a balance sheet approach for DSA. This will be a major contribution to the existing framework and will help to fundamentally solve the long-term growth problem facing emerging

markets and low-income countries, help them avoid the constant recurrence of debt crisis, and help to further enhance IMF-World Bank collaboration.

We understand that one difficulty in adopting the balance sheet approach is to measure the returns of project investment. We encourage the Fund to work closely with the Bank in this area as the latter is more specialized in project assessment. Given that the public sector balance sheet database now covers 63 percent of the world economy, we encourage staff to start the balance sheet DSA from those countries as a first step and gradually expand to cover more countries.

Mr. Sylla:

We issued a gray statement, and I would like to emphasize a few points.

At the outset, we welcome the progress made by the multipronged approach, MPA, in addressing debt vulnerabilities so far. At the same time, we understand that policies and analytical tools need to be periodically reviewed and strengthened, especially in the face of rising debt vulnerabilities caused by the COVID-19 crisis. However, as this chair has constantly stressed, the concern of debt vulnerabilities should not overshadow the imperative of ensuring adequate development financing for our members who need it the most to support post-pandemic recovery and a strong and broad-based growth going forward.

I would like to associate myself with Mr. Buisse to say that amid an unprecedented crisis, debt sustainability should not be a goal in itself. I would also like to echo Mr. Jin's point on the productive. In this regard, we take good note of staff response to our question that the issue is at the forefront of the policy debate in multilateral fora and that multilateral development banks are looking at solutions of their resources to mobilize private financing for LIDCs while the IMF is preparing to analyze their external financing needs in the coming year and sustainable financing option. We look forward to outcome of this effort.

Against this background, I would like to add three specific points. First, on debt transparency, we agree that recording and reporting debt information is a prerequisite for countries to start sound debt management and address any vulnerability. As Mr. Poso used to say, public debt should be public. In this regard, we are pleased that an important aspect of the recent reform of the policy on debt limits will now allow borrowers to report in a

more transparent manner their debt information and lenders. At the same time, efforts under the MPA to involve lenders in enhancing transparency will make the approach more comprehensive.

Second, we consider capacity development as a critical element of the MPA. Capacity constraints, indeed, can be an important source of transparency. We, therefore, encourage IMF and World Bank staff to identify these capacity constraints and address them with adequate technical assistance. Special emphasis should be put on emerging source of debt vulnerabilities associated with public-private partnership (PPP) related contingent liabilities and new debt instruments such as Eurobonds, which are increasingly being tapped by frontier markets.

As we mentioned in our gray statement, as important as capacity development is, weak institutions in fragile states with low country policy and institutional (CPI) assessment is a serious problem that should be the center of IMF-World Bank collaboration. Because of this institutional weakness, structures in charge of debt management are often not even aware of some important debt commitment. These commitments are made at the other spheres of power in the countries. On the other hand, even the Ministry of Finance is put in the fait accompli. Under these conditions, what can capacity building achieve? I would like to hear the staff response to this question.

Finally, we mentioned in our gray statement, and Ms. Riach and Ms. Mannathoko have just echoed the point in their intervention, while we welcome progress that has been made with joint effort, we are of the view that there is room for further improvement on this collaboration. We take positive note of the common area of work but still each institution engaged with member countries with its own way of doing business and paralleling sometimes some benchmark, conditionality, and analytical tools for countries. We urge staff of both institutions to continue fine-tuning the collaboration and seek ways of merging policy and tools where possible to save resources, improve efficiencies and the effectiveness on the ground.

Mr. Guerra:

We have a mandate from both the IMFC and the Development Committee to assess debt vulnerabilities.

We fully agree that the four pillars are mutually reinforcing and should continue to guard MPA efforts. In contrast to advanced economies where the increasing debt radius may not call for immediate action, debt vulnerabilities

in low-income countries and many emerging market economies demand a timely response. Our actions and strategy should continue to adapt to the COVID context in order to help our membership, as we will see a broad increase in debt levels and vulnerabilities around the world. We issued a long gray statement with many technical questions; I will be brief in my intervention.

Putting in place the right incentives will be instrumental for an effective strategy to enhance debt transparency. In order to further advance debt transparency practices, the MPA should continue a comprehensive approach that includes CD to increase data provision requirements to play a bigger role in the structural reform agenda and policy objectives, as many Directors have stressed, CD should take preeminence—that is our main point.

Additional data requirements must be measured against the capacity constraints countries may face when trying to provide this data. Our debt data is as good as our capacity to produce it. Debtors and creditors should also work in governance issues that has hampered transparency and refrain from any confidentiality clauses. In this regard, we look forward to the paper that covers transparency and debt data requirements and stress the importance that the role of CD is included in the paper proposals, including the critical role that RTACs can play.

On a more general note, going forward, we believe that the role of the IMF to set international standards for data statistics reporting and dissemination should take more importance in the agenda given its catalytic role in data transparency and data requirements for an effective surveillance. Also, the role of the IMF in the topics related to sustainable, climate, and socially responsible debt issuance should be an instrumental part of our strategy and a unique opportunity for coordination between the IMF and the World Bank that in this regard can help countries develop deep domestic debt markets. We end by thanking and recognizing the G20 presidency's decisive and comprehensive efforts to tackle the issue of debt sustainability in the most vulnerable economies.

Mr. Mozhin:

The biggest surprise to me after looking at the paper was, indeed, the scale of gaps in the debt transparency provision. I was surprised to the extent that I am now asking myself what is it that I have been doing here since the previous century when approving all these Fund programs, while if not in the complete dark, then at least certainly missing the most critical information on

the debt sustainability. So, I cannot welcome more the progress which has already been achieved in improving debt transparency and also the proposal how to move forward on this critical matter.

We have issued a written statement, so I will focus on a few issues, and they will all be on debt transparency requirements because without debt transparency, everything else will remain deficient. We can develop all kind of new tools for Debt Sustainability Analysis. We can increase our capacity development assistance. We can advise on debt management strategies, but everything will remain deficient in the absence of further progress on debt transparency.

Let me begin by asking a question regarding the disclosure agreements. My understanding is that the proposed approach at the moment is that we advise our members to avoid signing these non-disclosure agreements (NDA). The question is what can be done with respect to those disclosure agreements which have already been signed and whether it is possible to encourage creditors, at least in the program context, to accept the repeal or correction of these non-disclosure agreements, and I wonder whether staff would have any comments on this. How can we address the preexisting non-disclosure agreements?

We have also had a very constructive discussion on the Debt Limits Policy. Of course, there is a significant overlap between the type of issues we discussed here on Debt Limits Policy and those we discuss now, so I would just want to reiterate that it is critical in the program context for staff to be able to provide data on public debt repayment schedule, including by category of creditors. This was widely supported, so we are now waiting for the issuance of the guidelines on the implementation of what was agreed during the Debt Limits Policy discussion.

Now on the very important issue of how we reconcile debt sustainability and financing for development. Here again, debt transparency is a very crucial element because any foreign donors or investors would certainly appreciate full understanding on where the country is standing on the debt sustainability side.

On this issue of financing for development, Mr. Lischinsky mentioned the need for advanced markets to open up their markets more for exports from the developing countries, so there are also many other ways how financing for development can be promoted, including non-debt creating options for such financing. Of course, foreign direct investment would be the preferred way to

promote such financing. This is something which the Fund has always paid attention to.

The debt transparency, progress on debt transparency is so critical, in my opinion, that I would want to support the proposal of the eleven chairs which issued a joint gray statement to have another update on this progress in six months rather than later on.

Mr. Huh:

The pandemic has pushed debt levels to unprecedented heights in a short period. It makes debt vulnerability one of the most pressing issues. As I joined ten other colleagues in issuing a gray statement, I will briefly mention three points.

With the advent of the pandemic, the demand of fiscal spending has been rapidly increasing, while the revenue is decreasing. The fiscal gap grows bigger than ever. At the same time, we should also prepare for post-pandemic era for sustainable, strong, and inclusive growth. Against this backdrop, I would like to note that debt sustainability issues not be regarded as just for minimizing debt burdens.

The debt burden of developing countries needs to be mitigated with fair burden-sharing and in the most transparent manner, while we should be also very careful that the needs for necessary investment for the future should not be discouraged. The management of debt vulnerabilities ultimately for fostering sustainable development in the long run.

Second, to incentivize borrowers, as Mr. Bevilaqua mentioned in the gray, it seems to be a good idea that LICs make progress in the management of debt sustainability to tap into adequate concessional finance. More active participation of borrowing countries is necessary to successfully resolve the debt sustainability problems. On the way forward, the Fund must provide sufficient CD to support developing countries.

Third, the different definitions for debt disclosure between the Fund and the Bank should be reconciled to make borrowers easy to comply. This paper is an example of effective collaboration of the two core institutions. We must continue to work together to provide coherent and consistent policy advice to our members.

Mr. Goyal:

We see both the World Bank and IMF as institutions which bring valuable synergies in addressing the issues related to the debt vulnerabilities. We also agree with the overall approach of MPA, as it recognizes the importance of concomitant progress under each pillar as they complement and reinforce each other. We take positive note of efforts undertaken by the staff on each of these four pillars of MPA, particularly during the pandemic when debt vulnerabilities are rising across economies. We have issued a gray statement, so I will be very brief and focus only on two points.

First, it cannot be overemphasized that debt transparency is the most critical among the four pillars of MPA. Credible information on debt stock is a key prerequisite for applying diagnostic tools and arriving at a credible assessment of debt sustainability. We observe that extensive efforts have been devoted towards capacity development to record and report debt statistics and enhance debt transparency; however, the success of these efforts in enhancing debt transparency has remained limited.

Given that accurate reporting is essentially a responsibility of the borrowing country, it is necessary that priorities of the borrowing country align with the priorities of the Fund and the lenders. Probably it is the misalignment between these two that is hampering the expected decrease in debt transparency. The Fund may need to work on this aspect while engaging with the borrowing countries to enhance debt transparency.

A second point relates to the assessment of debt risks. It is our opinion that countries need to distinguish in terms of quality of expenditures while being offered advice on debt issues. If expenditures from borrowed resources are devoted to raise productivity and enhance prospective expectations of adequate returns, the rising vulnerabilities will be much lower. Therefore, policy advice to borrowing countries must recognize these aspects quite explicitly.

Mr. Mohieldin:

This work is very much in the core mandate of the Fund, the priority for the membership, and courtesy of our colleagues from the World Bank, the chief economist of the World Bank reminding us of the critical nature of dealing with debt with her similar work on debt with Mr. Kenneth Rogoff. However, she is saying that this time is truly different by emphasizing the issues related to a possible credit crunch, quoting from a recent piece that she

shared, she said that the financial fallout from the pandemic does not respect differences by region or income status. Financial institutions are facing and will face for some time a market rise in nonperforming loans (NPLs). This reminds us of the nature of the issues that we are facing, as mentioned by different Directors earlier and as reflected in our gray statement.

I was very much pleased to hear several times the encouragement to be holistic, to have an integrated approach, and to be comprehensive, and perhaps a reminder why we are here discussing this. And in relation to what Mr. Mozhin mentioned about finance for development, debt at the end of the day is one of many instruments for financing development. More reliance on it has something to do with the weakness of other sources, including domestic resource mobilization, getting adequate finance from foreign savings, especially recently with the massive decline in foreign direct investment. Issues related to exports and trade have been already mentioned.

Let me just say as well, from this kind of a comprehensive perspective, that we cannot deal with debt without really tackling issues related to financing, growth, and sustainability, including the SDGs, and we cannot deal with debt while there is a major leakage in the system in the form of illicit financial flows, as we have seen recently in a few reports focusing on different cases, including from Africa at large, not just Sub-Saharan Africa, that illicit financial flows exceed FDI, ODA, and all external financing, including debt.

If we deal with illicit financial flows, this will be more than sufficient in covering more than 50 percent of the critical needs for sustainable development, including infrastructure, education, and health. We need to put matters into context. While I appreciate the good focus by the staff on aspects related to debt but matters related to political economy dynamics, other aspects related to debt, and by the corporate sector, and even by the household sector, need to be considered, and issues related on how to finance development.

We very much appreciate the work of the staff and it had been mentioned different ways, including by Chair, among the busiest in the Fund, if not the busiest. So perhaps a relevant question here, whether the staff view that they are adequately resourced to meet the outlined objectives and beyond their good collaboration with the World Bank, and I see as well the ECB here, are they considering further partnerships that could enhance their capacity to do more work, especially at the country level?

The second area, which was mentioned briefly, related to specific technical assistance and capacity-building requirements. While I am happy that countries in Sub-Saharan Africa are top beneficiaries from the Fund and World Bank debt-related capacity development, can I just underscore that the Middle East and North Africa have been the lowest in terms of the share of capacity development despite the recent rise in debt vulnerabilities in many countries in our region, and we positively note staff plan to scale up debt reporting and debt management capacity in their development activities. A simple question here, should we expect then an important quality support in this matter soon in the Middle East and North Africa region and I would say MENA+.

Then I think areas related to transparency have been emphasized by colleagues, and I would just like to say when it comes to transparency touches upon some politically sensitive matters, and perhaps staff could be assisted by reference to recent UN resolutions and decisions related to the basic principles on sovereign debt restructuring processes and refer here in particular to the one issued on the 10th of September 2015 that outline what should be expected from different countries when it comes to transparency, including what they call responsible borrowing and lending principles as part of the transparency.

As mentioned, while the emphasis has been so far on transparency on the part of the borrowers, one cannot undermine at all but emphasize here the importance of transparency on the part of the creditors, not just the sovereigns. Here, I would like to mention the importance of working with the private sector creditors, and here there is a question related to what extent there is a good coordination. I know that there is good coordination with the IIF, but whether there is further coordination with the bondholders association with the likes of SIFMA, and I would say with the rating agencies as well, to enhance our knowledge the creditors' transparency.

One final point is basically about the country work and the importance to be very much specific in our advice. We followed the advice to developed advanced economies that they can borrow especially with the low interest rates environment that they can enjoy, but for countries with low sovereign ratings and exchange rate risk, the advice needs to be more specific to matters related to debt sustainability and debt vulnerabilities. Matters as well need to be taken into consideration when we draw these lines between what is sovereign and what is corporate given the importance of the state-related entities, and then when we think about the household sector, lots of that

borrowing by the household sector may end up in the commercial sector, especially with the informal activities in many of the developing economies.

A final point, but perhaps a post-final point, courtesy of our colleagues from the European Central Bank. One really admires the good work on the recovery initiatives in Europe, including linking the recovery and debt restructuring to sustainability and the many instruments being considered now for debt for climate and debt for digital transformation. And perhaps there are many good lessons that could be learned from such examples, but, again, matters related to capacity and adequacy of knowledge on the part of the developing economies and emerging markets would be enhanced in order to benefit from such innovation in addressing debt vulnerabilities and debt restructuring.

The staff representative form the Strategy, Policy, and Review Department (Ms. Hakura):

I will address the question on outreach that is envisaged to creditors. I would like to highlight that this is an ongoing task and is continuously evolving. On the official side, I would highlight as an example that the IMF and World Bank stand ready to support countries that would like to do a second self-assessment of their performance against the G20 operational guidelines for sustainable financing the diagnostic tool, including by providing technical assistance.

With regard to outreach to private creditors, later this week there will be a Paris Club meeting with the IIF which will discuss the implementation of the Common Framework and how it will work. Both the IMF and World Bank staff will be attending this meeting. This will be an opportunity to seek the private sector's views on the CF.

The staff representative from the Monetary and Capital Markets Department (Mr. Cohen):

Firstly, on the Fund-Bank coordination on TA and capacity development: it is an area where the coordination is very good. Overall, the debt management facility provides us a forum and a framework to do this, but beyond that, we are coordinating on TA not just delivered through the DMF, but more broadly. We meet regularly with our colleagues at the Bank. The communication lines are quite strong on this.

Several Directors talked about the question of delivery of TA to low-income countries during COVID, and on a related issue that the use of LTXs. During the COVID crisis, we have seen a shutdown in demand for TA. This is really driven by two things. The first is countries have been dealing with the challenge of unprecedented issuance demands. It is also the case, particularly in LICs, where the infrastructure may not be as good for remote TA delivery. We have pivoted to more targeted just-in-time delivery, but some of those limitations remain, and this is one of the reasons why LTXs stationed in RTACs are very helpful. We found it very effective in LICs as they can deliver integrated TA on many issues, including debt transparency as well as institutional framework and debt management. We do not feel delivery on transparency is crowding out anything else, and so we find this to be very effective, and we look forward to scaling this up more, as is noted in the paper.

Moving to the topic of state-contingent debt instruments, this is something where we released our SDN on this. We continue to engage with the private sector. Certainly, something that is considered in any upcoming restructurings, particularly we think this may be quite appropriate given country conditions. Some of that is discussed in the SDN. It has been noted in our discussions with the private sector and others that it could be catalytical for the acceptance of SCDIs if advanced economies were to lead by example in delivering them.

On the broader question of our role there, it is a place where we do offer assistance to countries as relates to things like financial stability implications of different restructuring proposals, but we note that any advice that we give is not a substitute for that given by private financial and legal advisors.

Lastly on this note, the question of a forthcoming debt restructuring note, we, of course, do have the upcoming Board paper on domestic debt restructuring, which is going to cover best practices in the domestic sphere, and international debt restructuring already has a lot of material written, including in the recent IMF book on sovereign debt.

There was a question about the local currency markets and the role of the Fund versus the Bank. We provide a lot of technical assistance in that area integrated with program and surveillance work, and there is the upcoming local currency bond market note mentioned in the Board paper.

Finally, a note about the types of indicators used, whether they are input- or outcome-based. Of course, we are open to improving indicators over time, but I would like to note that several of these are actually outcomes based focusing on publications by authorities on both the debt and fiscal sides, which we think nicely complements the transparency issue.

The staff representative from the Strategy, Policy, and Review Department (Mr. Beaumont):

Let me cover some questions around the debt transparency paper, the role of policy advice in the MPA, guidance to countries on the Common Framework, and the coexistence of IMF and World Bank frameworks.

On the debt transparency paper, we had envisaged to take this up in the second half of this year. That would benefit from the work that would be done in relation to data provision to the Fund in relation to debt, and most importantly, on the lending into arrears review. That review will include significant engagement with creditors, which could be quite useful to understanding transparency issues and thinking about NDAs. On the NDAs, some work needs to be done to consider the options that the Fund has to effectively discourage these.

In the case of Fund programs, we are not certain that it would be ideal to have some requirement that existing NDAs be repealed. It could be considered tortious interference in a contractual relationship. Of course, the debtor can voluntarily request a modification, and we can encourage the parties to agree to promote transparency during a program.

On the policy advice component of the MPA or the possibility of that, this would be policy advice primarily in relation to fiscal policy but also other policy shaping macroeconomic developments. The MPA has a deliberate division of labor focused on the debt-related policies rather than broader macroeconomic policies, and this has the advantage of keeping it somewhat focused, though already it covers a great deal of issues, and it also facilitates collaboration both within the Fund and with the World Bank by keeping this debt-related focus.

Macro-fiscal policies are, of course, very actively discussed in the process of surveillance and program work, and there is support from multilateral surveillance, so the Fund can adjust its views depending on evolving developments on the appropriate fiscal stance in different groups of countries. There is already a strong framework for the Fund to take into

account debt sustainability issues in the macro-fiscal policy area, so it could be a challenge to fully integrate the debt related and the macro-fiscal advice, but this is something that we can consider going forward.

Turning to the CF, in terms of how we would support countries that are looking to undertake a debt resolution, this would generally be in a program context. In fact, it is required to be in a program context. And in that context we can mobilize a range of support, both from the country team and from experts in the debt policy area, and if needed, we can call on the World Bank support with the provision of funding for legal and financial advisors. So, in a program context, which typically is the case for debt resolution, we have a range of tools to support the country.

As we develop our understanding of how the CF is actually going to be implemented and practiced, we will certainly put together some documentation to further assist countries.

In terms of the coexistence of World Bank and IMF frameworks, I would mention an obvious case which is the Debt Limits Policy and the Sustainable Development Financing Policy. As we discussed in the paper on the Debt Limits Policy, there is a framework for coordination where in principle the Sustainable Development Financing Policy limits defer to those in an IMF program where a program exists, and then when the program ends, there is a process where the SDFP and the program limits would be discussed, and we would seek to ensure a smooth transition out of the program limits and into the SDFP limits. We are discussing specific arrangements for how that would work with our World Bank colleagues. So, even though there may be Bank and Fund frameworks on the same topic, we do have a process for trying to minimize the burden on countries in the transition process.

There was also a question around public debt authorization, and this is certainly a key point that we would take up in that debt transparency paper we have mentioned.

The staff representative from the Fiscal Affairs Department (Ms. Renteria Rodriguez):

I am going to answer two questions on the public sector balance sheet assessment and capacity development for SOEs. Building on the work we have done on the fiscal transparency evaluations, 34 thus far, the public sector balance sheet (PSBS) Fiscal Monitor of 2018, the PSBS database, and the work on fiscal risk, FAD has launched a new and comprehensive toolkit for

understanding and managing fiscal risks, which brings existing and new tools together, and is complemented with analytical work. One of the tools is the public sector balance sheet assessment which compiles and assesses risks to public sector assets and liabilities, helping to identify vulnerabilities and interlinkages throughout the public sector. This provides a deeper understanding of a country's overall public sector balance sheet position, aggregate risk exposures, and asset cross holdings within the government.

Where relevant these tools can help identify whether high-risk contingent liabilities exist and if they are properly reflected in the balance sheet either as a liability or as a contingent liability. We have conducted five public sector balance sheet assessments, and we have more work coming down the road. The public sector balance sheet also allows for stress testing the public sector to assess the resilience of public finances to large macroeconomic shocks, a fiscal stress test can reveal risks that the standard debt and deficit framework miss.

Examples of the stress include exposure to entities outside of the general government perimeter and valuation changes to government assets and contingent liabilities, which will result in the crystallization of fiscal risks. By bringing the SOEs into a public sector balance sheet approach, the fragilities and risk in the state-owned sector, which could potentially result in contingent liabilities, can be identified. As with many exercises, however, it is only as good as the available data. That is why we are working very strongly to improve data from SOEs, and we have also developed two tools to help understand better the finances of SOEs.

The SOE health check tool assesses the state of finances of the SOEs and identifies key fiscal risks including the potential call on the central government budget, while the SOE forecasting stress test tool links SOE finances to macro-fiscal forecasts and identifies future calls on the government under both baseline and stress scenarios.

As has been mentioned today, there are complementarities between debt transparency, debt recording, and the work on fiscal risk and contingent liabilities capacity development is being delivered, and demand is strong and growing.

The Acting Chair (Mr. Okamoto):

We received a lot of useful input on each of the four pillars. This is going to be quite helpful as the Fund and the World Bank staff move forward

with this broad and comprehensive work agenda. Many Directors have emphasized the importance of collaboration with the World Bank and the relevant fora. I would like to assure the Board that we will continue to work very closely with the World Bank, and we are equally closely collaborating with the G20 and the Paris Club. A lot of that is ongoing this week and in the immediate future, which will continue given how important this all is to us and the membership.

Some Directors have called for an earlier update to the Board on the MPA. As I indicated earlier, this is probably the busiest team in the IMF. They are going to be quite busy actually helping deliver updates on the elements of the MPA in the coming months, so we will brief the Board in early 2021 on the implementation of the DSSI extension, as well as the CF beyond DSSI. They will also be working to prepare a revision to the MAC-DSA, as well as the lending into arrears policies, as well as data provision to the Fund. The Board is going to be kept informed in the coming months about the rollout of the reformed Debt Limits Policy. There is going to be a lot of work ongoing in the next few months.

It is in that context that I am going to ask that we continue to stick with the timeline of providing a broader update on this work for 12 months. Each one of these presentations and updates requires a few weeks of intensive staff engagement and coordination, and I really would like to keep them focused on the more specific deliverables that the Board has asked for in the coming months and utilize their time in that manner. Of course, we will provide a fulsome update to both Boards of the IMF and the World Bank in about 12 months, and that discussion will benefit from the discussions that we will continue to have on these specific issues occurring over the next few months.

The Chair adjourned the discussion.

ANNEX

- Gray Statements
- Staff's Responses to Executive Director's Technical Questions
- Constituency Codes

GRAY/20/3505

December 2, 2020

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 20/116
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.*

GRAY/20/3510

December 3, 2020

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 20/116
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.

GRAY/20/3511

December 3, 2020

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

We welcome the update on the Joint IMF-WB multipronged approach to address debt vulnerabilities. The uncertainty brought by the ongoing pandemic and the changing global financing landscape further highlight the need to address debt vulnerabilities. We thank staff for their extensive efforts in promoting debt sustainability and welcome the continuous progress made in recent years. We find the thrust of the proposal generally balanced and going in the right direction, and would like to offer the following comments for emphasis.

On debt transparency, we welcome the progress made with respect to debt transparency, including broadening debt coverage, improving debt data collection and supporting creditors efforts to implement sustainable financing. Enhancing debt transparency should include both public debt and private debt, and even-handedness should be required in dealing with public debt transparency and private debt transparency. We agree that debt transparency is primarily the responsibility of the borrower. Creditors could be encouraged to disclose as much information as possible based on a voluntary rather than a compulsory basis, especially given that the IIF Principles for Debt Transparency for private lenders are also voluntary. Meanwhile, a balance should be struck between data transparency and commercial confidentiality of the debtor country. In addition, there is no one-size-fit-all debt transparency policy, and countries under the Fund/Bank's program should be subject to different transparency criteria than non-program countries.

On capacity development, we welcome the rising amount and variety of CD delivered in recent years to address the gaps in debt management. We encourage staff to develop a quantitative framework to score the debt management capacity of each country so that the effectiveness of CD could be assessed and enhanced in a more professional and objective manner. In this regard, the Debt Management Performance Assessment (DeMPA) is a right

step forward, yet more needs to be done and coverage should also be expanded to cover developed countries as well, especially given that the debt management capacity is time-varying with the changing political economy.

On debt analysis tools, we take positive note that the IMF and WB are continuing to strengthen their toolkit to support debt analytical work, including the new LIC DSF that was launched in July 2018 and the ongoing MAC DSA. *Could staff elaborate on the similarities and differences between different DSA frameworks from a bigger perspective?* Meanwhile, as DSA analysis depends on some key volatile variables and thus can be time-varying, caution should be exerted in interpreting the result of DSA especially in the context of the heightened uncertainties brought by the pandemic.

Going forward, it is essential to ensure that the debt analysis framework is growth-friendly. The core to achieve this goal is to carefully analyze the growth potential brought by the debt and to adopt a balance sheet approach when conducting DSA. Based on the previous communication with staff, we understand that one difficulty in adopting the balance sheet approach is to measure the returns of project investment. While we understand the potential lack of in-house expertise in measuring project returns within the Fund, the balance-sheet approach in DSA is not a minor issue that can be avoided. Given that the public sector balance sheet (PSBS) database now covers 63 percent of the world economy, we encourage staff to start the balance sheet approach DSA from those countries as a first step and gradually expand to cover more countries. It is also one important aspect of CD to help the debtor country to effectively measure the return of the investment and to ensure that the government could share part of the returns, including not only the financial returns but also the economic returns generated by the public good. We encourage the Fund to work closely with the Bank in this area as the latter is more specialized in project assessment. The introduction of the balance sheet approach into DSA will be a major contribution to the existing framework and will help to fundamentally solve the long-term growth problem facing emerging markets, help them avoid the constant recurrence of debt crisis and help to further enhance IMF-WB collaboration.

On debt policy, debt policy needs to be both prudent and growth-oriented. It is important to strike the balance between containing the accumulation of debt and building up growth capacities. Debt policy should differentiate between debt issued for productive investment and for non-productive expenses. It is crucial to avoid unduly constraining a country's ability to use external debt to finance productive investments. Meanwhile, the debt policy needs to reflect each country's circumstances, including economic development and debt management capacity. It is also important to ensure even-handedness across the membership in the design and application of the debt policy.

GRAY/20/3512

December 3, 2020

Statement by Ms. Mannathoko, Mr. Nakunyada, Mr. Ekeocha, Mr. Sitima-wina, Mr. Abdullahi, and Mr. Cham on Update to the Joint WB-IMF Multipronged Approach for Addressing Debt Vulnerabilities
(Preliminary)
Executive Board Meeting 20/116
December 7, 2020

1. There has been significant progress on the MPA agenda in our constituency with strong ownership of reforms, as assisted countries continue to advance towards targeted systems and processes. Pressures arising from repeated shocks highlight the importance of the agenda, with recent developments having exacerbated an already challenging debt landscape. This update, therefore, comes at a critical juncture when debt vulnerabilities in many countries at varying income levels have risen, exacerbated by the COVID-19 pandemic. In particular, the number of low-income and developing countries assessed to be at high risk of debt distress or in debt distress is rising and could worsen further depending on the path and duration of the pandemic. Faced with sharp declines in fiscal revenues and export receipts due the crisis, and in the absence of fiscal space, policymakers now face very difficult policy choices, and the MPA establishes systems that help navigate this difficult path.

2. **Debt vulnerabilities and exogenous shocks:** As noted by staff, the MPA helps address debt vulnerabilities that relate to institutional weaknesses, but it may not be sufficient to address debt vulnerabilities and risks from global economic developments. Consequently, a strategy to deal with the latter is needed. Repeated exogenous shocks are doing significant harm to the SSA region. As seen from recent WEO data and reflected in the October 2018 World Bank report, *Debt Vulnerabilities in IDA Countries* (Box 1), SSA's export to GDP ratio, which was on an upward trend for almost 4 decades until the global financial crisis, has been declining since 2008. This disconcerting trend was exacerbated most recently by the Euro Area crisis which curbed FDI flows to the region, followed by climate shocks in 2019 and now by COVID-19. The ongoing sequence of demand, commodity price, health and climate shocks faced by countries in the SSA region since 2008, has depleted fiscal space and buffers as exports, growth and associated revenues suffered repeatedly. This is part of what has fueled current vulnerabilities as countries had to respond to ongoing shocks, while efforts to expand infrastructure to boost growth also added to the debt burden. *We welcome staff views on what the Fund can do to help SSA revert to a sustainable upward export trend, this being the one solution that will curb the current reversal of past gains in development, SDGs and poverty reduction. The correlation*

between the risk of external debt distress and the export to GDP ratio also points to the importance of improving this ratio to help address the region's debt vulnerabilities. We encourage staff to think about how the design of programs, as well as the design of global collective action and surveillance, can help address this issue. Staff views are welcome.

3. **Debt reporting and transparency:** Debt coverage in DSAs has broadened for at least 11 LICs over the past year, and debt transparency and reporting via international statistical databases has increased. There is a growing recognition that enhanced transparency facilitates access to IFI resources. Furthermore, debt transparency remains critical in facilitating swift debt reprofiling. Full disclosure of public and publicly guaranteed debt stocks, terms and conditions is therefore beneficial. Similarly, staff should seek ways to motivate private (alongside official) creditors to enhance access to their public sector debt data; and to refrain from confidentiality clauses and allow borrowers to publish detailed information. Reaching out to all creditors including private and non-G20 official creditors, in order to make more public sector debt data available is important. Provision of guidance related to databases and G20 proposals, to both borrowers and creditors would be helpful. Official creditors should be encouraged to publish results from self-diagnostic tools that evaluate their practices in the implementation of the Operational Guidelines for Sustainable Financing. *As debt transparency is a shared responsibility of both borrowers and lenders, we ask staff to update us on progress with OECD publication of Institute of International Finance (IIF) creditors' sovereign lending data, and on the extent of the private sector implementation of the Voluntary Principles for Debt Transparency*.

4. The World Bank's debt transparency heat map for IDA countries shows that except for fragile and conflict affected countries where progress is slower, most IDA countries in our constituency show stronger publication of public debt statistics and dissemination practices. We appreciate the guidance and capacity development support that has enabled this. On outstanding areas, countries are working towards the production and publication of debt management strategies and annual borrowing plans and would benefit from continued capacity development in these areas, as well as from assistance with reporting contingency liabilities beyond guarantees, if applicable. Sustained efforts are also required to broaden public sector balance-sheet (PSBS) data, and we note the planned expansion of the IDS database to provide further information on stocks and flows by creditor for borrowing countries, and the proposed review of DRS reporting requirements for domestic debt data and broadening of external debt data requirements to include the collateralization features of loans. *Given the complications that can arise with debt restructuring involving some collateralization and negative pledge clauses, could staff update us on the progress of the IMF and WB joint working group on this issue.*

5. **Capacity development** (CD) should focus on addressing the gaps identified in the public debt management function. According to DeMPAs, 65 countries made progress in improving debt management, improving institutional arrangements, and coordination with fiscal policy. While LIDCs have made some progress in improving on many dimensions of debt management and in some cases, in publishing debt management strategies and debt reports, this update also indicates that most countries do not yet meet minimum debt management standards and considerably more needs to be done to match the increasing complexity and volatility of debt flows. We therefore welcome the scaling-up of CD to areas essential for crisis prevention. We note that while capacity development for debt recording and debt management has been scaled up, this has only been for borrowers supported by increased donor financing. There may be a

need to explore closing the gap between available CD and CD requirements beyond targeted beneficiary countries, especially as the Board has called for integration of CD into the surveillance and program work. *Could staff also clarify whether non-IDA and non-PRGT developing countries have ready access to best practice templates of model debt recording and management systems including the ideal IT infrastructure, software, systems capability, mandates for debt management functions, audit capacity, staff capacity and skills, institutional coordination etc.? This could be helpful if available, so that countries that are lagging in debt management capability have a clearer picture of what they should aspire to.*

6. **Debt analysis tools:** Continued efforts by the IMF and WB to strengthen existing tools, including for early warning systems, are essential in view of evolving debt dynamics. While debt sustainability frameworks and the DIG/DIGNAR dynamic general equilibrium models that analyze the debt-investment-growth nexus are very useful, as we noted in our opening paragraph, the challenge of *repeated* shocks still needs further attention in the design of these tools. It would also be helpful to know how effective ECFs have been and whether they in fact allowed adequate time for investment benefits to manifest and were able to successfully accommodate more than one large shock during the course of the program. Analytical tools that help countries reverse the sustained downward trend in export to GDP ratios would be of the most value to policy makers. On debt analysis, the user-friendly debt dynamic tool (DDT) that produces public debt projections which are in-line with the MAC DSA and LIC DSF, is helpful, however we emphasize that familiarity with country specifics is critical in interpreting results and in the application of judgment, given model limitations. On fiscal space, given the fact that fiscal financing risks are self-evident in most LIDCs, we are not convinced that assigning scarce resources to demanding fiscal space assessments would be helpful at this time. It is not a priority.

7. **Lending policies and debt risks:** We welcome the continuous upgrading of IMF and WB policies to support sustainable borrowing and lending. Given the role of declining SSA export to GDP ratios in explaining debt vulnerabilities, the need for additional financing to support recovery and sustainable inclusive growth is self-evident. We expect policy to strike a balance between meeting SDG / development financing needs and managing debt risks; while promoting non-contractionary resolution of debt challenges. Work on the review of the policy on lending into arrears (LIA) and lending into official arrears (LIOA) should also be prioritized. The tension that exists between Fund obligations to members regarding access to emergency financing during the pandemic, and the lending into arrears policy, also needs to be addressed to limit reputational risks to the Fund.

8. As creditor coordination is critical, we appreciate Management and staff efforts at expanded creditor outreach following last year's discussions on debt vulnerabilities, and in particular the support realized through the G20. The DSSI, however, had significant implementation issues which we hope can be avoided in the rollout of the common framework for sovereign debt resolution. Effective and swift implementation of the latter will be critical to provide credible assurances on creditor restructuring commitments to the Fund, in a timely manner. *Given the increased prominence of private sector credit in borrowing by our region, it is important for us that the Fund strategy to incentivize private creditors and official non-G20 creditors to participate in debt service relief proves effective. We seek greater clarity on implementation modalities for the common framework, and its interface with the lending into arrears policy. As time is of the essence for our countries, some of which are already in*

negotiations, could staff also indicate when the guidance required for both mission teams and sovereign borrowers, on how to implement the common framework, will be provided and operationalized? We also look forward to the finalization of the paper on resolution of domestic public debt and anticipate progress on the role of state-contingent debt features in debt instruments and debt restructuring, given the contribution of frequent exogenous shocks to debt vulnerabilities in our region. Staff updates are welcome.

9. **Way forward:** Effective communication on the MPA agenda is important for ownership by members and for traction, however we find that some aspects are not fully explained. For example, the basis of the assessments made is not always clear. Staff could also give consideration to a simplified set of indicators. Finally, in view of rising debt vulnerabilities and urgency of debt resolution amidst uncertainty about the pandemic, we would prefer an update in 6 months rather than 12 months, on progress with the MPA and any adjustments being made in view of the crisis.

GRAY/20/3513

December 3, 2020

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

1. We thank staff for a comprehensive report which provides a detailed account of the achievements of the Joint IMF-WB Multipronged Approach to Address Debt Vulnerabilities (MPA) and lays out priority areas for further progress. This discussion is timely and well complements other efforts from the Fund, including the policy on debt limits (DLP), in the search to maintain debt sustainability. It is important that those policies and approaches are mutually-reinforcing to effectively address debt vulnerabilities that have exacerbated with the pandemic.

2. At the same time, the thinking on debt issues should not miss the other side of the coin, that is ensuring that our members, especially low-income and developing countries (LIDCs), continue to access the resources they need to finance development. It is critical to ensure access to positive and affordable net financing flows for those countries to bolster their capacity to continue responding to the crisis and meet their daunting development needs without adding debt vulnerabilities.

Debt Transparency

3. Any serious assessment of the debt situation is predicated on a comprehensive recording and disclosure of debt information. Both borrowers and lenders have a role to play in enhancing debt transparency. We therefore welcome the two-fold overall strategy developed by the IMF and the World Bank (WB) to support efforts from borrowers and creditors in this regard. There are however, challenges that impede greater reporting of debt data and which require attention.

4. On the borrowers' side, we welcome that significant progress has been made to date on public debt reporting, owing to scaled-up capacity development (CD) by the Fund and the WB. Going forward, addressing some remaining issues could help improve outcomes and reduce transparency gaps. First, confidentiality clauses and similar contractual constraints may be important sources of non-reporting. However, countries in need of financing do not

have the bargaining power to refuse confidentiality clauses that are imposed upon them. Only an action on the creditors' side, including the enforcement of the G20 tools and guidelines, can address such an issue in the MPA.

5. Second, regarding debt owned by SOEs, two situations often pose coverage challenge and cause transparency gaps in LIDCs. The first one has to do with the legal definition of SOEs, which varies from a country to another, thus influencing the coverage of public or publicly guaranteed debt. Absent harmonization, cross-country comparison is rendered challenging. The second situation relates to SOEs which own salable assets or are afforded quasi-tax mobilization power. Such SOEs may borrow commercial resources without government guarantee, but by pledging their "own" resources. Those commitments and obligations which are not publicly guaranteed are not always disclosed to the debt management administration; and are not considered public debt by the authorities, contrary to staff views. *We would appreciate staff comments on these two situations of legal definition of SOEs and SOEs' debt guaranteed by their own assets.*

6. Third, there is a need for granularity regarding debt information not reported by borrowers. A clear distinction between debt data non-reported due to capacity constraints and the reporting gaps due to confidentiality clauses or other reasons, may be helpful to focus efforts in enhancing transparency going forward. *Could staff elaborate on which of these sources of transparency gaps is more prevalent?*

Capacity Development

7. We view capacity development as a critical element of the MPA. The results of scaled-up CD and operational engagements in LIDCs reported by staff are encouraging, including the number of public debt reports and countries publishing a Medium-Term Debt Management Strategy (MTDS) to date. However, capacity constraints remain in most of those countries. We see merit in the proposed stronger focus on areas important for crisis prevention as identified in the report. Two domains of CD intervention can be emphasized for future efforts by the IMF and the WB, that are institution building and training on new debt instruments.

8. Many LIDCs lack the appropriate institutional apparatus for an optimal coordination of public borrowing, and debt reporting and monitoring. Such weaknesses are even more acute in fragile states. IMF and WB's CD in such an environment should help the authorities put in place
a sound legal and institutional framework to centralize public borrowing and build capacity to monitor debt information and make better-informed borrowing decisions. The second area of future efforts is the provision of CD on new debt instruments such as Eurobonds, that dynamic economies among LIDCs and emerging market economies (EMEs) are taping more and more on international capital markets. Those new instruments are complex and their management present challenges for countries just getting used to them. The IMF and the WB should therefore be proactive and provide CD related to all aspects of these sophisticated instruments, with the view to limiting risks to debt sustainability down the road. Likewise, more emphasis should be put on emerging sources of vulnerabilities such as PPP-related contingent liabilities.

9. A few aspects of the delivery of CD need to be improved to enhance its effectiveness. Key training areas should be identified jointly by the IMF and the WB, followed by a fine-tuned division of labor, to avoid fragmentation and overlap of CD programs. On the external side, CD should be better coordinated with country authorities for the selection of training candidates. In this regard, measures should be taken to ensure the adequacy between trainees' responsibilities and training programs; ex-post assessments could be envisaged to this end.

Debt Analysis Tools

10. We agree that debt-related analytical tools and policies developed by the IMF and the WB support the MPA to reduce debt vulnerabilities. They form a comprehensive package, which should help safeguard debt sustainability while ensuring, every step of the way, adequate financing for members in need, especially LIDCs. In the context of scaled-up financing to contain the impact of the COVID-19 crisis, we support providing additional guidance to assess debt sustainability under the LIC DSF. The new guidance should help capture emerging vulnerabilities but be attentive of the exceptional circumstances and the need to avoid undesirable market reactions or financial rating adjustments. We also look forward to finalizing the review of the MAC DSA framework.

IMF and WB's Policies and their Role in the Architecture on Debt Resolution

11. We welcome the proposed focus of IMF's lending into arrears policies on supporting quick, extensive and transparent resolution to reduce debt distress and foster post-COVID-19 recovery. We also concur with staff on the need to roll-out debt policies, such as the SDFP and the DLP, and finalize others that are still in the pipeline. This is paramount to ensure readiness from the IMF and the WB's sides as member countries experience debt issues and seek help in the pandemic era.

12. We welcome the initiatives taken by the IMF and the WB to support sustainable lending. The regular interactions and working relations created with the G20, the Paris Club and other lenders provided the ground for initiatives like the DSSI. By the same token, we look forward to the swift implementation of the G20 Common Framework for Debt Treatments to facilitate comprehensive and timely debt resolution, including comparable relief from private creditors. Outreach to non-Paris Club creditors is also required as the implementation of the DSSI makes evident.

13. We see scope for further improvements in the IMF-WB collaboration on debt issues. The coexistence of similar sets of policies, analytical tools and conditionality may be burdensome for member countries sometimes facing capacity constraints. Going forward, the two institutions should find ways to move to a single framework/policy/tool where possible; the SDFP and DLP could be good candidates in this regard.

Other Considerations and Way Forward

14. The COVID-19 crisis has exacerbated debt vulnerabilities, but it has also severely impacted growth. As the IMF and the WB take steps to support member countries address debt issues, we should not lose sight of the need to help build back strong, diversified and hence resilient economies. The latter objective entails adequate financing, especially in LIDCs. Therefore, the discussion at this juncture should not be "vulnerability-biased", but

rather explore avenues to ensure adequate financing for development. In this regard, the new fora created with relevant stakeholders like the G20, the MDBs and other lenders should be leveraged to discuss forms of financing, including concessional financing in the post-pandemic era, which could help sustain growth and ease the debt burden going forward. *We would appreciate staff views on whether future discussions, including in these fora, will consider financing and growth issues as equally important as debt vulnerabilities.*

15. Finally, we support the setting of indicators to monitor progress in the different areas of the MPA and we look forward to the proposed update in about 12 months. That said, a quicker update could be warranted depending on debt and global growth developments, and IMF and WB staffs should stand ready for such earlier update if needed.

GRAY/20/3515

December 3, 2020

Joint Statement by Mr. Buissé, Mr. Fanizza, Mr. Hilbers, Mr. Huh, Ms. Levonian, Mr. Pösö, Ms. Riach, Mr. Rosen, Mr. Tanaka, Mr. Trabinski, and Mr. von Kleist 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 comprehensive update and welcome continued progress on all pillars of the Joint IMF-World Bank Multipronged Approach to Address Debt Vulnerabilities (MPA) in the difficult COVID-19 environment, particularly given increasing debt vulnerabilities in many countries. We note that while significant progress has been made, many implementation measures have not yet been completed (Appendix I). We thus encourage staff to move forward in a timely manner, particularly on enhancing debt transparency and strengthening debt management capacity. The Board could also be better informed by Progress on the MPA if monitoring indicators were included.

We will now turn to specific comments on each of the four pillars that underpin the MPA.

> **Debt Transparency: The COVID-19 pandemic has exacerbated debt-related risks, making the Fund's work on debt transparency even more critical.** We agree with staff that debt transparency should be enhanced through increased reporting by borrowers to international statistical databases and the wider publication of debt data by the IMF and World Bank. We welcome the planned rollout in 2021 of creditor-by-creditor exposure for all countries whose data is reported to the World Bank's International Debt Statistics Database. We also see merit in considering the further breakdown of debt statistics, including by the terms and conditions of loans and counterparty type, to boost transparency of the complex financing landscape. We agree with the MPA's conclusion that significant debt transparency gaps remain, and more work remains to be done. In our view, key gaps in transparency remain for the disclosure of non-standard debt instruments, including contingent liabilities, collateralized financing, and central bank swaps for balance-of-payments purposes, in addition to subnational government debt, and state-owned enterprise (SOE) debt. In

this regard, we would welcome proposals to extend the minimum data provision obligation under Article VIII, Section 5 in the upcoming review of the Data Provision for Fund Surveillance. We also believe the IMF should continue its analytical work and consult with the Board on other efforts to enhance debt transparency.

Creditors also play an important role in enhancing debt transparency. We agree with staff that official creditors should refrain from using non-disclosure agreements that prevent the publication of information on the amounts of financing and key terms of public debt instruments, and encourage the IMF and World Bank to advise creditors on the importance of refraining from imposing confidentiality clauses on borrowers. We consider that promoting debtor-creditor data reconciliation would also contribute to enhancing debt transparency. We would also support encouraging all G20 countries to self-assess in line with the *G20 Operational Guidelines for Sustainable Financing* and an update on the *IIF Voluntary Principles for Debt Transparency* and related IIF-OECD repository. In line with the recently completed Debt Limits Policy reform, we also encourage the IMF to disclose the amount of debt subject to confidentiality clauses to the Executive Board so that Directors have a complete picture of debt in order to assess sustainability as part of their oversight responsibilities. *Given the cross-cutting nature of debt transparency and debt data, can staff express their views on whether there is a need to address these issues in a standalone policy?*

Capacity Development: We underscore that capacity development remains critical to durably addressing debt vulnerabilities. We welcome the progress many low-income and developing countries (LIDCs) have made in improving debt management but note staff's findings that most countries still do not meet minimum standards. Capacity development (CD) will therefore be foundational to strengthening debt transparency and improving fiscal risks assessments. Debt disclosure requests should consider countries' administrative capacity, with the provision of CD to assist members to address the challenges in the compilation and reporting of debt data. In this regard, the membership will look to IMF and World Bank to help operationalize the Common Framework for Debt Treatments beyond the DSSI, agreed by the G20 and Paris Club. Stressing the importance of strategic integration between CD, lending, and surveillance, we encourage the IMF to scale up CD in the areas of debt management, including public debt reporting and monitoring. CD can be delivered through various modalities, including-long-term resident experts. One possible model for management to consider in CD delivery is embedding long-term resident experts at Regional Technical Assistance Centers to advise on debt issues. *Can staff comment on how CD can and will be used to support implementation of the Common Framework?*

Debt Analysis Tools: We welcome the IMF and World Bank's work in strengthening their toolkits to support debt-related analytical work. The

completion and rollout of the LIC DSF represented a key step forward in enhancing the quality of DSAs for low income countries. Likewise, the conclusion of the MAC-DSA review will help ensure the IMF is producing candid and realistic DSAs to support effective surveillance and program design. We also look forward to another round of DSAs under the LIC DSF with a view to broadening debt coverage by integrating unreported borrowing by the broader public sector (SOEs, PPPs, etc.) and refining contingent liability stress tests for all countries. To this end, we encourage greater integration among the different frameworks on debt management and fiscal risk assessment.

Debt Policies: We look forward to next year's review of the Arrears policies. The Arrears policies will also be instrumental to assess the potential for earlier and more effective debtor-creditor engagement to facilitate timely debt restructurings, where needed. We call on staff to further clarify the perimeter of official and private claims in the context of these reviews. We would also welcome a consideration of how the Arrears policies could help incentivize enhanced debt disclosure.

Looking ahead, much of the IMF's work will center around helping countries through policy advice, including on fiscal and structural policies to restore debt sustainability and supporting efforts to strengthen the international debt architecture. As part of this, the membership will also look to the IMF and World Bank for advice on operationalizing the Common Framework and strengthening the international debt architecture more broadly. This advice should be coordinated with the G20, Paris Club, market players and other relevant stakeholder groups and encourage broad creditor participation in debt restructurings. As part of this work, we see scope for the use of state-contingent debt clauses for countries that wish to enhance debt resilience in times of stress. *Could staff discuss their views on how the IMF could better implement and monitor work in these areas, including possibly through a 5th pillar focused on policy advice?*

Given the importance of the MPA and the rapidly changing global developments on debt vulnerabilities, we would like to request an interim update for the Board on the MPA in advance of the Spring Meetings to take stock of initial efforts to incorporate these new areas of work, and a full update in six months.

GRAY/20/3517

December 3, 2020

Statement by Ms. Mahasandana, Mr. Mochtar, Mr. Mahyuddin, Mr. Soe, and Ms. Susiandri 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 comprehensive report and continued engagement with the Board on this important work over the last couple of years.

We welcome the update on the joint IMF-World Bank (WB) multipronged approach (MPA) to address debt vulnerabilities and concur with staff that the MPA should be implemented in an immediate fashion given the amplification of debt risks by the COVID-19 pandemic. We view that the four pillars of MPA remain crucial to mitigate debt vulnerabilities and risks especially in low-income developing countries (LIDCs) and emerging markets (EMs), and we commend staff and the Fund for the important progress made since late 2018. We broadly support the staff priorities to move forward and would like to stress the following points regarding the MPA pillars for emphasis.

Enhancing Debt Transparency

Notwithstanding the commendable improvement, strengthening the multi-faceted approach to close the remaining debt transparency gaps is key, particularly in many LIDCs with limited capacity. As debt transparency is a precondition to accurately assess the debt situation and its associated risks to inform surveillance, program design and debt workouts, we support the comprehensive initiative proposed by staff to close the existing gaps. We take note of the concern on the weak public debt disclosure in countries at high risk of debt distress and fragile states, which may suggest that the public sector indebtedness could be substantially larger than publicly reported. In this regard, we support the efforts to focus on rolling out a WB diagnostic framework that identifies key institutional, legal, technical and capacity constraints for debt reporting. Such diagnostic framework can help the Fund to better target and prioritize its effort in implementing the multilayered approach to enhance debt transparency.

While we agree that debt transparency should be primarily the borrower's responsibility, we note that weak capacity on debt monitoring and recording amid the increasingly complex features of debt, limit the progress made by borrower countries. Thus, we share

staff's view that creditors could also play an important role to complement debt disclosure. We commend the progress made by the IMF and WB to enhance debt statistics and voluntary data provisions of both borrowers and creditors. Going forward, we welcome the effort to strengthen debt data collection, including through the upcoming Review of Data Provision to the Fund Surveillance Purposes in 2021. We share staff's view on the expansion of the coverage of public sector borrowing, including data on general government and contingent liabilities, given its potential benefit to accurately reflect fiscal and debt risks. However, we highlight that such requirements should be executed in gradual manner, taking into account countries' capacity constraints. We are looking forward to having further discussion on this issue in the near future.

Strengthening the engagement with emerging creditors, both official and private sector creditors, is key to improving debt transparency. *We welcome the IMF and the WB support to the IIF Voluntary Principles for Debt Transparency working group. Could staff elaborate further on the progress made on private lenders' information disclosure and how it has helped in strengthening debt transparency? We are also wondering how staff deals with data confidentiality. Staff comments are welcome.*

Supporting Capacity Development (CD)

CD paves the way for strengthening debt management capacity of borrowers and sustainable and responsive lending of creditors. In this regard, we see scope for improvement in debt management standards of LIDCs and frontier economies supported by CD. We take note with concern that most LIDCs hardly meet the minimum debt management criteria and frontier economies need to put more effort to meet these requirements. We concur with staff's plan to provide a wide range of CD activities for borrowers, complemented by supporting efforts towards sustainable lending from creditors. Considering the limited resources amid growing CD demand, we view that CD activities should be prioritized to address areas that are critical to reduce public debt vulnerabilities. We agree that CD on debt reporting and monitoring and debt-related contingent liabilities would be the near-term priorities. *Does staff see any resource constraints in fulfilling the anticipated higher CD demand from member countries? Given that most of the CD activities would be conducted virtually in the near term, does staff see any potential challenges and how would staff deal with these?*

Promoting a results-based framework is key to monitoring the progress and the effectiveness of the CD activities. We welcome steps taken to offer a stronger results framework such as through the WB's DMF III and as reflected on the DeMPS results (Figure 6). *Nonetheless, we would also welcome staff's view on the effectiveness of debt-related CD in the backdrop of the Covid-19 crisis.*

Looking ahead, we urge staff to continue their close collaboration with the WB to provide capacity development and technical assistance for countries in need. This has become more pertinent as the Debt Limit Policy (DLP) reforms would be implemented during Q1-Q2 2020 amid countries' already constrained capacity. Enhancing their capacity is critical to ensure that they can reap the benefits from the proposed reforms as well as to avoid any potential delays in the Fund's supported program. *We therefore seek staff's update on CD works, especially to support the DLP reforms implementation.*

Strengthening Debt Analysis Tools

We take note positively that the debt analysis toolkit has played an important role, including through supporting the other MPA pillars, in reducing debt vulnerabilities. We fully support the IMF and WB's work to develop and upgrade the debt analysis tools, such as debt sustainability frameworks, dynamic general equilibrium models, and other tools to facilitate a more comprehensive and consistent debt assessment. On debt sustainability frameworks, we welcome staff's proposal to modernize the current MAC-DSA (Market Access Country – Debt Sustainability Assessment) framework. The performance of the newly proposed tool is encouraging, and we therefore strongly encourage staff to complete the MAC-DSA review without further delay given the importance of a robust DSA in informing debt resolutions and as a broader public good. On future engagement with the Board, we encourage staff to update their preliminary assessment on performance of the new proposed tool in the wake of COVID-19 shock. *Does staff see any potential obstacles that might arise on the implementation of the new proposed MAC-DSA?* Overall, it is important to ensure that the debt analysis toolkit is kept up to date and relevant with the current situation given the rising debt risks. *Could staff elaborate further on the WB's early warning framework and how it could complement the IMF MAC DSA assessment?*

Upgrading Debt Policies

We commend the continuous efforts to upgrade the debt policies of the Fund and the WB to promote sustainable borrowing and lending. To this end, we are encouraged with the implementation of the WB's SDFP revised frameworks in July 2020 as well as the IMF's DLP reforms planned for the first half of 2021. On the latter, the reforms offer a right balance between containing debt vulnerabilities and introducing flexibility to finance development needs, which is appropriate in the current juncture. We are now expecting staff to complete and circulate the operational guidance note to the Board before rolling out the new policies. Moreover, as these two frameworks –SDFP and DLP- are applied in the context of lending arrangements, we encourage staff to closely coordinate and monitor their implementations in order to ensure consistency and avoid any possible mixed signals. We also look forward to the completion of the other work in progress to better facilitate the conduct of the IMF and WB's complementary roles in assisting the membership, including to facilitate the sovereign and private sector debt resolution.

Promoting debt relief and effective debt resolution through the Fund's policies and its convening power is critical given the Fund's role of helping countries to restore debt sustainability. We therefore welcome the Fund's ongoing support on the G20 DSSI and engagement with the G20 on the common framework for sovereign debt resolution. Advancing the proposed reforms to the international architecture for sovereign debt restructuring to encourage private sector participation is key to a successful debt resolution and fair burden sharing. *Could staff provide more information on the G20 plan and coverage of the common framework for sovereign debt resolution as well as the Fund's role and the progress to date*?

Monitoring implementation of the MPA

We welcome staff's approach to monitor the implementation of the MPA by establishing a set of indicators, including qualitative and quantitative outcomes as laid out in Appendix IV. We also concur with the idea to evaluate the progress in the MPA's implementation regularly on an annual basis. We also see merit in having a clear target and timeline for achieving the indicators to better facilitate staff's evaluation of the progress whether it is on-track or not. For instance,

imposing a specific target on the number of countries to be covered in the IMF and WB debt database for monitoring indicator 1.2.2. *Could staff comment on this?*

GRAY/20/3518

December 3, 2020

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

1. We thank staff and the World Bank colleagues for an update to the Joint WB-IMF Multi-Pronged Approach (MPA) for addressing debt vulnerabilities. Since the inception, the MPA has been an example of productive and mutually beneficial partnership between the Bank and the Fund. The approach worked well before the pandemic amid rising debt risks in low-income developing countries (LIDCs) and emerging markets (EMs), and its relevance has been additionally boosted by the implications of the COVID-19 outbreak.

2. Debt transparency has become even more important for sound policy decision-making and effective risk management in the context of the coronavirus pandemic. Against this background, we underscore the significance of engagement with the creditors, both official and private, yet acknowledging the borrowers' primary responsibility for reporting public debt data. Both official bilateral and commercial creditors have made important steps over the recent years, including the development of the G20 Operational Guidelines for Sustainable Financing (the Guidelines) and the IIF Voluntary Principles for Debt Transparency (the IIF Principals). We look forward to the sustained implementation of the IIF principles given the recent proposal by the OECD to host the data repository and call for monitoring of their effectiveness and coverage. At the same time, the 2019 joint note by the IMF and the World Bank recognized that the implementation practices for all principles defined in the G20 Guidelines were in general strong or sound, although with some areas for further improvements.

3. We praise the scaled-up WB and IMF efforts to help LIDCs and EMs develop capacity in formulating and implementing debt management strategies. At the same

time, rising debt vulnerabilities point to the need for further strengthening of debt management capacity in many frontier economies. In an environment of limited budget for capacity development (CD), strong coordination between the WB and the IMF will be required to focus on areas important for crisis prevention.

4. We look forward to the fruitful Board discussion of a new MAC DSA in 2021. Establishing general government as the minimum coverage requirement together with the inclusion of various additional metadata will be another step in the direction of improved debt transparency. Introduction of a 10-year projection horizon (instead of the current 5-year one) will close an important gap in the existing MAC DSA, providing scope for analysis of such risks as population aging implications for social security and changes in resource revenues due to the scaling up or down of natural resources. Finally, we welcome the opportunity to incorporate long-term macroeconomic implications of climate change into the MAC DSA. *Could staff, please, elaborate on the key obstacles to bringing closer the first round of the MAC DSA implementation which is currently scheduled for distant 2022?*

GRAY/20/3520

December 3, 2020

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

We thank staffs for their thorough report which is critical for the Board to keep abreast of the Fund's and World Bank's activities to enhance debt transparency in the membership, while boosting the institutions' analytical tools to monitor debt and design policies to promote debt sustainability. We welcome the joint IMF-WB regular updates on their approach to address debt vulnerabilities.

Efforts to improve debt transparency is pivotal to enhance investor confidence as well as to support debt sustainability and hold governments accountable for public spending. While non-standard debt instruments, contingent liabilities stemming from state-owned enterprises, Public-Private Partnerships and broader public sector need to be disclosed and reported to the Fund to monitor the public debt levels, transparent borrowing terms are critical to facilitate debt service management. We therefore welcome the IMF-WB Diagnostic tool on the implementation of the G20 Operational Guidelines on Sustainable Financing, which encourage official bilateral creditors to abide by sound lending practices. We positively note the Fund's role as an international standard setter for debt statistics reporting. Given that borrowers have the most accurate information on their debt profile, they should disclose all relevant debt-related information in line with the Fund's reporting standards. We look forward to the upcoming review of Data Provision for Fund surveillance.

The Medium-Term Debt Management Strategy (MTDS) is a key policy framework for keeping risks related to the authorities' debt profile under control. We positively note that the number of countries which published a MTDS gradually increased over the past years. Country-specific MTDS should facilitate debt management in the current environment of heightened capital flow reversal risks and rising fiscal pressures resulting from elevated COVID-19-related public support schemes. We therefore encourage staff to put more emphasis on MTDS in the Fund's surveillance activities, including in the expected follow-up UCT-quality program arrangements.

Capacity development is critical for boosting borrowers' ability to manage fiscal risks and perform sound debt management strategies. We note that capacity challenges remain

in several areas, including for frontier economies whose risks have increased as a result of greater exposure to international debt markets. In the current restricted travel conditions new modes of capacity development delivery should be explored, including virtually. We take positive note of the emphasis on peer-to-peer learning, which could help leverage on courses already delivered and speed up dissemination of debt management expertise in various Low-Income Countries (LICs) and emerging markets regions.

Creditors should ensure that their lending is transparent and consistent with the authorities' debt sustainability. The Fund's engagement with official creditors on responsible lending and debt transparency is instrumental also to operationalize the Common Framework for Debt Treatments beyond the DSSI and support further work on the international debt architecture The Fund's outreach efforts should aim to develop a shared understanding of sustainable lending practices among a wider group of creditor countries and advise them on refraining from imposing confidentiality clauses on debtors.

Debt analysis tools are critical to inform the Fund's decision on lending and contribute to the design of debt conditionality in program arrangements. The robustness of debt analysis tools is therefore at the core of the Fund's program activities. We welcome the review of the Market Access Countries Debt Sustainability Analysis (MAC DSA) framework aiming to strengthen sovereign risk analysis, improve predictive capacity, as well as improve debt transparency and comparability at the general government level. We also encourage staff to complete another round of Debt Sustainability Frameworks for LICs, and in particular to further broaden the coverage of public sector debt and refine contingent liability stress tests for all countries.

We note positively the Fund's work on upgrading its debt policies to encourage sustainable borrowing and lending. Relying on a comprehensive and complete set of debt-related information is critical for an accurate design of debt conditionality. To this end, we encourage staff to implement the recently completed Debt Limits Policy (DLP) review for LICs and to finalize the respective guidance note. We also look forward to the Fund's paper on the resolution of domestic public debt in Q1 2021.

GRAY/20/3521

December 3, 2020

Statement by Mr. Moreno, Mr. Guerra, Mr. Villar, Ms. Arevalo Arroyo, and Ms. Moral Betere 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 its comprehensive update on the IMF-WB work on the multipronged approach to assess debt vulnerabilities, as called for by the IMFC and the Development Committee.

Significant advances have taken place during the last years in addressing many of the identified gaps. Nevertheless, in the current context of stretched fiscal capacity and challenges to debt sustainability, remaining challenges have taken prominence. In fact, even after the HIPC initiative efforts, prior to the COVID-19 crisis, around half of low-income countries faced serious debt sustainability problems. Given the economic effects of the pandemic, debt vulnerabilities have deteriorated further. In this context, it is crucial to analyze and understand the set of incentives in which debtor countries operate. The way to tackle these vulnerabilities, including how to face COVID-19 related debt issues, are also related to how we plan to change this set of incentives. In this vein, the coordination efforts under the multipronged approach will have to be stepped up to address the increased challenges of the post-pandemic debt vulnerability landscape.

We fully agree that the four pillars are mutually reinforcing and should continue to guide MPA efforts. In contrast to advanced economies, where the increase in debt ratios may not call for immediate action, debt vulnerabilities in low-income countries demand a timely response. Along with the increase in debt ratios, available sources of financing for LICs are expected to be volatile and interest rates differentials may suddenly increase. Structural problems behind debt vulnerabilities, such as low implementation capacity, will restrict available solutions in the short term.

We concur that the implementation of the MPA in itself may not be enough, but welcome its ability to complement the additional emergency finance efforts carried out by the IMF and WB, as well as the initiatives that have been agreed upon by the G20 and Paris Club in 2020: the **DSSI and the Common Framework** for sovereign debt resolution. These initiatives constitute a breakthrough

and provide, not only much needed breathing space for debtors, but also, going forward, a framework for coordinating responsible lending by creditors.

Putting in place the right incentives will be instrumental for an effective strategy to enhance debt transparency. In order to further advance in debt transparency practices, the MPA should continue a comprehensive approach that includes CD to increase data provision requirements to play a bigger role in the structural reform agenda and policy objectives. Debtors and creditors should work in governance issues that hamper transparency and refrain from any confidentiality clauses. We point to the fact that information provision on the volume, terms and conditions of lending by most creditors remain limited. This will be instrumental to allow for the analysis of the adequacy of use of collateralized debt instruments on a case-by-case basis without restricting their use more generally.

Ambitions to report additional data must be measured against the capacity constraints countries may face when trying to provide these data, which have been heightened by the impact of COVID-19. Typically, countries where public debt disclosure remains particularly weak face the highest risk of debt distress, so progress is critical but complex in practice. This is in line with the importance of (and constraints faced by) capacity development activities, mentioned above. We call on the IMF and WB to continue their work on improving data provision requirements in a way that does not overburden domestic institutional capacity during the pandemic emergency. *Could staff comment on the challenges that LICs have encountered during the pandemic with the provision of debt statistics? Have there been delays in data provision? What measures have been taken by the IMF to support limited capacity for data provision during the pandemic?*

In this regard, the **proposal to extend the minimum data provision** obligation under the IMF's Articles of Agreement to include data on general government and the broader non-financial sector, which could shed light on an important source of fiscal risk, is very welcome. However, we wonder if this is feasible given that only 26 percent of LIDCs currently provide data on non-financial corporations and only 40 percent do so on general government debt. *Staff's comments are welcome.*

We concur with the recognition of the important role also played by creditors, despite the primary responsibility of borrowing countries. The use of common templates, publishing of detailed information and, in general, the fulfilment of the ***G20 Operational Guidelines on Sustainable Financing*** must be upheld. The implementation of the **IIF's voluntary principles** (private lenders) must also be supported. In this regard, it is a concern that information provision by some creditors remains limited. All creditors collectively should display a greater effort, beyond the voluntary initiatives mentioned in the paper. There should be a multilateral, collective, and transparent effort to improve sustainable lending and disclosure from the creditor side. This is especially true in the case of non-Paris Club creditor countries, which have increased their share in the creditor landscape, as explained in the paper.

On a more general note, going forward we believe that the role of the IMF to set international standards for debt statistics reporting and dissemination should take more prominence in the

agenda, given its catalytic role in data transparency. The IMF work on data standards and dissemination practices for debt statistics, and the timely evaluation of the adequacy of data provision should be a priority in the post COVID-19 work agenda of the IMF. We should consider this in our discussions regarding budgetary resources. *Furthermore, we believe that the Executive Board should revisit its decisions to limit the scope and comprehensiveness of ROSCs. Could staff comment on what are the principal decisions that currently limit the scope of data evaluation, including those that could potentially affect work on the assessment of the adequacy of fiscal and debt statistics?* We consider that the adequate assessment of debt statistics is a risk mitigation activity for the IMF.

Capacity development is the cornerstone to an effective strategy to reduce debt vulnerabilities in LICs and EMEs. We fully agree with the report that more efforts to address the increased complexity and volatility of debt flows are required. In this context, the potential role that adequate debt management practices can play in reducing debt vulnerabilities has become more imperative. We note with concern staff's assessment that most LICs do not meet minimum debt management standards. **We commend the effective work that the WB and the IMF have made in meeting the increased demand and variety of topics of CD activities in recent years.** CD represents not only an enabling tool for better policy practices, but it is also an instrument for the IMF to get in-depth knowledge of member countries' domestic situation. *In staff's view, what will be the major challenges for CD delivery in the post-COVID context? What measures should be taken to increase RTACs role in the provision of CD?* This is an area where WB and IMF coordination is important. *Could staff comment on what coordination efforts at the country level are being made in order to secure a more effective TA for LICs?* Finally, one area where CD collaboration among the institutions can also play an instrumental role in reducing debt vulnerabilities is the development of domestic debt markets. In this vein, we also concur with the importance of **increasing public investment efficiency and domestic resource mobilization.**

It is also important to bear in mind that IFIs, IMF and WB CD efforts tend to target only public sector civil servants at the national level. However, the **subnational public sector, as well as SOEs, also constitute important sources of vulnerabilities and grey areas of liabilities.** In that sense, some specific initiatives, such as the subnational DEMPA, are especially welcome. We would encourage staff to increase efforts in this direction.

We would also like to understand better the nature of the engagement with non-Paris Club creditors in terms of CD. The report provides little detail regarding this interaction. Since non-Paris Club creditors represent a bigger share of the creditor side, it should also be in their interest to receive training and assistance from the WBG and the IMF staff.

The steps that have already been taken by the WB and the IMF to enhance their debt analysis toolkits will be instrumental to address the challenges in the context of post-COVID. We note that the update highlights several of the work areas that have been taken to upgrade and apply these analytical tools. In this regard, we call for further work to increase coverage of debt related risks through the MAC-DSA and to step up outreach and communication strategies to support the implementation of the new framework. Going forward, we must recognize that the debt analysis

toolkit will have to adapt to changing circumstances in order to ensure that is up to date and remains effective.

We look forward to the Review of Data Provision to the Fund for Surveillance Purposes next year and the possible proposals to increase the minimum on data provision obligation to the IMF. Also, we endorse the institutional agenda to upgrade debt policies to support and encourage sustainable borrowing and lending. In this regard, we look forward to the review of the IMFs DLP to strengthen debt transparency and conditionality. *Could staff update the Board on the functioning of the lending to LIC mailbox?*

While recognising that the MPA focuses strictly on debt-related actions to reduce debt vulnerabilities, it is still crucial to **highlight the importance of maintaining strong fiscal frameworks (**revenue mobilisation, spending efficiency, and growth-enhancing structural reforms.)

Finally, **we agree on the importance of monitoring the implementation of the MPA and welcome the set of indicators as well as the provision for an update in 12 months.** It will be interesting to complete the set of indicators with some more outcome-oriented ones, as progress is made in the foreseen revisions of debt policies and updating the analytical toolkit.

GRAY/20/3522

December 3, 2020

Statement by Mr. Hosseini and Mr. Ahmed 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 a comprehensive report on the progress since the end of 2018 and on deliverables and milestones for 2021 under the joint multipronged approach (MPA) to addressing debt vulnerabilities. We welcome the close collaboration between the Fund and the WB and the progress made so far, and broadly support the work plans.

The COVID-19 crisis has exacerbated debt vulnerabilities or actual debt distress in many countries, and this has heighted the urgency and criticality to implement the MPA. The pandemic has also highlighted the importance of debt sustainability and transparency for long-term financing for development. Having said that, given the constrained policy environment in which most Low Income Countries (LICs) and Emerging Markets (EM) are operating now and in the post-COVID-19 period and their limited capacities, implementation of the MPA by itself may not be sufficient to address debt vulnerabilities and risks from the exogenous shock, a point also recognized by staff.

Focus and prioritization. We emphasize that the MPA must incentivize debt sustainability, while providing space to finance investment for growth and development in a post-COVID context. It would be useful to articulate the way the approach is tied together with development initiatives, such as closing infrastructure gaps, that affect debt levels in developing countries. In this regard, the Fund review of the debt limits policy rightly shed light on containing vulnerabilities while balancing the need to finance development goals.

We underscore the importance of carefully prioritizing initiatives and see scope for streamlining the existing initiatives and instruments to avoid overlapping efforts by the Bank and the Fund. *We would appreciate staff clarification on how the initiatives by the two institutions fit together.* Nonetheless, we would encourage the Fund and the WB staffs to cooperate closely to avoid duplications.

Debt transparency. The quality and coverage of public debt data in LICs indeed have become a concern with regard to SOEs, PPPs, and complex debt instruments. We welcome the focus on debt transparency which has resulted in increased reporting by borrowers to the international statistical databases, wider publishing of debt data by the IMF and the World Bank, and revision of Debt Sustainability Analysis (DSA) framework. However, on debt data collection and dissemination, we would want to ensure that the disclosure would not overburden countries' limited capacity, would not be a departure from the voluntary approach the Fund has adopted in dealing with its members in requesting additional data from countries with limited capacity, and would not entail significant changes in data provision to the Fund.

Debt management capacity. We underscore the important role of capacity development in strengthening debt management. We note with concern that despite rising challenges, progress in improving debt management has been slow and uneven. Most LICs still do not meet minimum debt management standards. Particular weaknesses are observed in: (i) the coverage of public sector debt data; (ii) debt management governance; (iii) the regularity and frequency of debt reports; (iv) cash flow forecasting and management capacity; and (v) the adequacy of staff capacity in debt management offices. The challenges are particularly pressing for countries that normally rely on concessional financing but have recently started accessing international financial markets on a significant scale, where market rollover risks are greater. In this regard, we see scope for increased focus on countries' technical assistance. Capacity building efforts also need to carefully consider country level absorption capacity.

Creditor engagement to address risk. Lately, the Fund's and WB's role in engaging commercial creditors has become prominent. Given the current juncture of debt vulnerabilities, we welcome the focus of IMF and WB creditor engagement on supporting the coordination of G20 official creditors. as well as continuing creditor outreach. We would suggest reaching out to private sector creditors to improve the transparency of lending to PRGT eligible countries.

Debt resolution. We emphasize that improving the ability to perform early restructuring should be considered within the MPA. *We welcome the planned extension of the World Bank's Debt Reduction Facility and would appreciate staff elaboration on the mandate and scope of the facility.*

Finally, we welcome setting out measurable indicators on MPA implementation. *We would appreciate if staff could clarify if these indicators would help to exploring the link between improved debt management capacity and reduced debt vulnerabilities.*

We encourage further regular Board updates on the topic.

GRAY/20/3523

December 3, 2020

Statement by Mr. Mohieldin and Mr. Al-Kohlany 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 informative report and welcome the very timely and relevant update on the joint Multi-Pronged Approach (MPA) to address debt vulnerabilities. This update comes against a backdrop of rising debt levels in emerging markets and low-income countries, exacerbated by the COVID-19 pandemic, with negative implications on debt sustainability. We welcome the progress made in each pillar of the MPA and offer the following comments.

Borrowed resources play an important role in achieving the SDGs and unlocking much-needed financing for development and these resources should be mobilized and used in line with safeguarding debt sustainability. The MPA's debt related actions to reduce debt vulnerabilities are not a substitute for managing fiscal risks and having a solid fiscal framework in order to place debt back on a sustainable trajectory. To this end, we note with concern that about half of the low income and developing countries were assessed recently to be either at high risk of debt distress or in debt distress.

The joint approach should continue to emphasize prevention and mitigation, but the Fund should also be ready to support a timely and orderly debt resolution for members that may face a potential sovereign debt crisis. In dealing with the current COVID crisis, we welcome the good work of the Fund and World Bank to support the implementation of the Debt Service Suspension Initiative (DSSI) and note the World Bank's establishing a debt

management crisis-response framework to provide just-in-time remote debt management support. *We would appreciate additional information on how the Fund plans to adjust its debt related work under the MPA to deal with the post-COVID debt burden and related vulnerabilities?*

The MPA focuses appropriately on countries' public debt obligations to public and private creditors. However, the issue of rising corporate debt distress was highlighted in the October WEO and GFSR in the wake of the pandemic, and the MPA work on public debt needs to be complemented with a similar effort focusing on commercial and household debt. We also encourage staff to prioritize guiding authorities on the appropriate policy response to tackle corporate debt distress, with due considerations to country-specific factors.

The MPA would benefit from improving the coverage and quality of debt data reported by borrowers, as well as creditors, as an important pre-requisite for better debt management policy. To this end, we support stronger efforts to cover data gaps on debt of state-owned enterprises (SOEs), subnational government debt, credit guarantees, and contingent liabilities including from PPPs and other off-balance sheet items. Similarly, improving reporting by creditors would also be helpful in line with the G20 Operational Guidelines on Sustainable Financing which call for creditors to publish loan-by-loan information, including terms, on a single website. We note staff assessment that creditor's provision of information on the volume, terms, and conditions of lending by most creditors remains limited, we therefore welcome the implementation of the IIF's Voluntary Principles for Debt Transparency and look forward to the forthcoming review of the Data Provision for Fund Surveillance. *Have staff evaluated the reasons behind the limited reporting by creditors?*

As most debt data disclosures are voluntary, staff should be mindful not to disincentivize data sharing and greater transparency. Governments should not be penalized for being transparent, as such Fund program conditionality should cover SOE borrowing only when their debt poses a potential liability to the government.

We welcome the recent work to capture emerging trends in debt instruments such as collateralized borrowing and state-contingent debt instruments. Similarly, innovation in addressing debt vulnerabilities need to be supported, such as the UNSG's call for the establishment of debt-for-climate and debt-for-SDG swaps, which are novel ideas that can

contribute to reducing debt vulnerabilities while supporting sustainability and meeting part of development financing needs.

On capacity development, we welcome that countries in sub-Saharan Africa are top beneficiaries from the Fund and World Bank debt-related capacity development, however, we are concerned that the Middle East and North Africa have the lowest share of the capacity development despite the recent rise in debt vulnerabilities in many countries in our region. We positively note Staff plan to scale up debt recording and debt management capacity development activities.

Finally, we consider the issue of debt sustainability a priority for the membership and a core mandate for the fund, and we underscore the need for allocating sufficient resources, including human resources, to this important function. In the context of the planned work under the MPA to enhance debt data coverage and transparency, scale up capacity development, and update the analytical toolkit, *does Staff view that they are adequality resourced to meet the outlined objectives?*

GRAY/20/3525

December 3, 2020

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

1. We thank Staff for a comprehensive update on the Joint IMF-WB multipronged approach (MPA) to address debt vulnerabilities.

2. We see both institutions bring valuable synergies in addressing the issues related to debt vulnerabilities. We also agree with the overall approach as it recognizes the importance of concomitant progress under each pillar as they complement and reinforce each other. For instance, capacity development supports ongoing efforts towards debt transparency and the latter in turn imparts credibility to the assessment of debt risk.

3. We welcome continued efforts by the Staff on each of the four pillars of MPA. We take positive note of efforts underway towards capacity development to better manage public sector debt, and to enhance ability to efficiently record and report debt statistics. Both institutions are piloting training programs on debt management, debt reporting, and investor relations available on several training centers. Further, we also welcome proposed work on evolving tools for contingent liability analysis. There is an increase in the number of countries publishing Medium-Term Debt Management Strategy reports. Since rolling out of revised debt sustainability framework for low income countries (LIC DSF), the two institutions have together conducted 122 debt sustainability assessments (DSA).

4. There is further scope for tapping valuable synergies of the two institutions. The Report could have been more focused in identifying areas and programs where efforts need to be coordinated. There is a range of instruments, which are being used; how are these instruments being dovetailed with each other? Further, in many aspects, two institutions seem to be working in parallel. For example, the IMF undertakes Fiscal Transparency Evaluations which focus on fiscal risks, and the World Bank conducts Fiscal Risk assessments. Similarly, there appears to be an overlap in the case of the

IMF's Debt Limits Policy (DLP) and WB's Sustainable Development Finance Policy (SDFP). It would be helpful if Staff further elaborates how the activities of the two institutions are integrated and streamlined.

5. The work on debt transparency, debt sustainability framework, lending policies, and debt analysis tools has sharpened the policy advice to member countries. Efforts towards capacity development to enhance debt transparency have been most critical and noteworthy. Efficient recording, monitoring, and accurate reporting are key prerequisites for applying diagnostic tools and arriving at the credible assessment of debt sustainability. A credible debt sustainability assessment provides borrowers the right perspective about the needed policy stance to impart stability and sustainability to its economy and, by reducing uncertainty, facilitates lending decisions by the creditors.

6. Notwithstanding Staff's active engagement with the borrowing countries to provide technical and analytical guidance with scaled-up `capacity development,' success with regard to debt transparency has been relatively limited, and data gaps, particularly in vulnerable economies, have remained significant. *To what extent can it be attributed to a lack of adequate ability to appropriately record and report debt statistics? Staff may like to comment.*

7. As acknowledged in the Staff paper (paragraph 6), MPA is focused on debt-related activities rather than underlying fiscal drivers of debt accumulation. We believe debt sustainability, in a way, is just a matter of balancing sources and uses of funds. Given that sustainability is a forward-looking concept, quality of expenditure may be the most critical factor in whether debt would or not be on the desired trajectory going forward. If expenditures from borrowed resources are devoted to raise productivity and enhance capacity with expectations of adequate returns, the rise in vulnerabilities may be much lower. We believe countries need to be distinguished in terms of quality of expenditures while offering advice on debt issues. Though we observe Debt-Investment-Growth (DIG) model under debt analytical tools that consider this aspect, it perhaps needs more elaboration for integration with mainstream assessment tools.

GRAY/20/3527

December 4, 2020

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.

Update to the Joint WB-IMF Multipronged Approach for Addressing Debt Vulnerabilities

Responses to Technical Questions Posed by Executive Directors in Advance of EBM/20/116—December 7, 2020

Staff's responses to technical questions are below. Broader policy questions in the areas of debt transparency, common framework for debt resolution, and DSSI implementation will be addressed in staff's intervention at the Board meeting.

General Issues

1. 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.

- As more experience is gained with the indicators, additional presentation could be considered. We note that most milestones related to debt management capacity development are focused on implementation, and hence rely on country authorities to complete. The delivery of TA in multi-year sustained engagements could also be measured, noting that shortfalls in this area are also typically due to lack of engagement with the authorities rather than delivery constraints.

2. We welcome staff views on what the Fund can do to help SSA revert to a sustainable upward export trend, this being the one solution that will curb the current reversal of past gains in development, SDGs and poverty reduction. The correlation between the risk of external debt distress and the export to GDP ratio also points to the importance of improving this ratio to help address the region's debt vulnerabilities. We encourage staff to think about how the design of programs, as well as the design of global collective action and surveillance, can help address this issue. Staff views are welcome.

- For surveillance, tools such as the DSA can help identify vulnerabilities, such as whether export performance is a key issue. Where relevant, policy discussions can include structural reforms and other measures to strengthen and diversity exports.
- For Fund-supported program, a key objective is to maintain or restore medium-term external viability, while fostering sustainable growth and reducing poverty in low-income countries. To achieve this goal, Fund-supported programs support the authorities to implement policy measures that help improve external competitiveness, facilitate economic diversification, especially in commodity dependent countries, and promote international trade. Also, policies to promote growth will help build a stronger export base as well as stronger domestic economy. The Fund's External Sector Assessment helps to identify competitiveness issues

3. In this regard, the new fora created with relevant stakeholders like the G20, the MDBs and other lenders should be leveraged to discuss forms of financing, including concessional financing in the post-pandemic era, which could help sustain growth and

ease the debt burden going forward. We would appreciate staff views on whether future discussions, including in these fora, will consider financing and growth issues as equally important as debt vulnerabilities.

- Ensuring adequate financing for LIDCs to speed up the recovery from COVID and put growth on a sustainable path is at the forefront of the policy debate in multilateral fora. The MDBs made strong commitments to scale up financing to the poorest countries on concessional terms. In response to the COVID-19 pandemic threatening to reverse progress on the SDGs, MDBs have collectively mobilized a global response package of $230 billion between 2020 and 2021, of which $75 billion will be directed to the world's poorest countries before the end of 2020. They are also looking at innovating solutions to leverage their resources to step up support to LIDCs beyond the immediate pandemic support. These include among others, the deployment of instruments in new ways to mobilize private financing to these countries. Further, in response to a request from the G20, the IMF will analyze external financing needs in low income developing countries in the coming years and sustainable financing options.

4. As part of this, the membership will also look to the IMF and World Bank for advice on operationalizing the Common Framework and strengthening the international debt architecture more broadly. This advice should be coordinated with the G20, Paris Club, market players and other relevant stakeholder groups and encourage broad creditor participation in debt restructurings. As part of this work, we see scope for the use of state-contingent debt clauses for countries that wish to enhance debt resilience in times of stress. Could staff discuss their views on how the IMF could better implement and monitor work in these areas, including possibly through a 5th pillar focused on policy advice?

- To be addressed orally.

5. 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?

- From the IMF side, capacity development will be delivered by multiple departments in the Fund that include MCM, FAD, SPR, and ICD as well as regional capacity development centers and resident advisors. A large share of the funding is through donor funded initiatives with a multi-year horizon such as the Debt Management Facility Trust Fund, bilateral donors, or other initiatives such as Data for Development (D4D) trust fund. While we expect to have adequate funding and staffing resources given projected demand, the full extent of the CD is difficult to quantify at this stage given remaining COVID-related uncertainties. Some scaling up of CD along with more reliance on remote delivery, e.g. Massive Open Online Training, is likely.

6. We would appreciate additional information on how the Fund plans to adjust its debt related work under the MPA to deal with the post-COVID debt burden and related vulnerabilities?

- The MPA work cannot be a substitute for fiscal policies and structural reform policies that are the key drivers of debt dynamics and which are central to managing shocks and supporting debt sustainability. These critical policies are the focus of the Fund's surveillance and program activities. Having said that the MPA aims to make further progress in each pillar while adjusting to a post-COVID-19 world, as below:

- Debt transparency efforts will focus on:
    - Scaling up CD and diagnostic tools to improve public debt monitoring and reporting & collecting more comprehensive data for IMF-WB databases (e.g., expand DRS database to domestic debt)
    - Upgrading debt reporting requirements in the review of the Data Provision to the Fund for Surveillance purposes
    - Enhancing transparency through the WB SDFP performance and policy actions
    - Implementing IMF's revised DLP by mid-2021 requiring a table on debt holder profile
- CD will place greater focus on areas important for crisis prevention, including debt recording and reporting, managing near-term refinancing risks, particularly for international financing, and liquidity management as well as support for countries in debt distress. Continued reliance on virtual modalities as needed.
- Debt analysis tools to provide timely assessments of debt problems:
    - The revised MAC DSA framework will be rolled out following IMF Board endorsement with Board meeting in January 2021.
- Debt policies will focus on reforms to facilitate debt resolution:
    - IMF review of lending into arrears policies planned for completion by Q3 2021.
    - Support the coordination of G20 creditors to operationalize the Common Framework for debt treatment beyond DSSI in the context of requests for IMF-supported programs.

Enhance Debt Transparency

7. Given the complications that can arise with debt restructuring involving some collateralization and negative pledge clauses, could staff update us on the progress of the IMF and WB joint working group on this issue.

- The IMF-WB joint staff working group was temporarily inactive during the initial phase of the crisis. Nonetheless, the group has made significant progress in identifying countries where collateralized debt issues may be present. The group was restarted, having held one meeting already, with a further meeting this week.

8. 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.

9. As debt transparency is a shared responsibility of both borrowers and lenders, we ask staff to update us on progress with OECD publication of Institute of International Finance (IIF) creditors' sovereign lending data, and on the extent of the private sector implementation of the Voluntary Principles for Debt Transparency.

- World Bank and IMF staff have supported the implementation of the *Institute of International Finance (IIF*) Voluntary Principles for Debt Transparency by providing critical inputs through a technical working group on the key aspects in support of the implementation of the

principles and are supporting the continued efforts of the Organization for Economic Cooperation and Development (OECD) and IIF to advance their implementation.

10. We welcome the IMF and the WB support to the IIF Voluntary Principles for Debt Transparency working group. Could staff elaborate further on the progress made on private lenders' information disclosure and how it has helped in strengthening debt transparency? We are also wondering how staff deals with data confidentiality. Staff comments are welcome.

- On the first part of the question, please see the answer to question 8.
- In order to play its role effectively as a confidential advisor to members in carrying out its mandate, the Fund has a fully developed framework for the treatment of confidential information. The underlying principle is that confidential information may not be disclosed without the consent of the information provider. Pursuant to the immunities of the Fund under Article IX of the Fund's Articles of Agreement, information and documents provided by members (or any other party) to Fund staff are inviolable and are immune from judicial process or other search or requisition. Further, under the N Rules, the Staff Code of Conduct, and GAO No. 35, Fund staff is prohibited from making unauthorized disclosures to third parties of confidential information obtained in the course of their service to the Fund. More detailed guidelines to staff on the treatment of confidential information are found in a number of internal policies, which are either set forth in the IMF Staff Handbook or in the IMF Administrative Manual.

11. We note staff assessment that creditor's provision of information on the volume, terms, and conditions of lending by most creditors remains limited, we therefore welcome the implementation of the IIF's Voluntary Principles for Debt Transparency and look forward to the forthcoming review of the Data Provision for Fund Surveillance. Have staff evaluated the reasons behind the limited reporting by creditors?

- To be addressed orally.

12. Could staff update on the use so far by private sector creditors of the G20 common framework for debt treatment?

- The G20 and the Paris Club endorsed the Common Framework for debt treatments in November. The work to operationalize the framework is ongoing. As indicated in Annex I of the Statement by the Extraordinary G20 FMCBGs' meeting, the Common Framework agreement requires comparability of treatment by private creditors. A debtor country that signs an MOU with participating creditors will be required to seek from all its other official creditors a treatment as least as favorable as the one agreed in the MOU. Debtor countries will be required to provide regularly an update to signatories of the MOU updates on the progress of their negotiations with their other creditors, including through face-to-face meetings if needed. Assessment of comparable efforts will be based on changes in nominal debt service, debt stock in net present value terms and duration of the treated claims.

13. Given the increased prominence of private sector credit in borrowing by our region, it is important for us that the Fund strategy to incentivize private creditors and official non-G20 creditors to participate in debt service relief proves effective. We seek greater clarity on implementation modalities for the common framework, and its interface with the lending into arrears policy. As time is of the essence for our countries, some of

which are already in negotiations, could staff also indicate when the guidance required for both mission teams and sovereign borrowers, on how to implement the common framework, will be provided and operationalized?

- To be addressed orally.

14. 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.

- To be addressed orally.

15. Could staff provide more information on the G20 plan and coverage of the common framework for sovereign debt resolution as well as the Fund's role and the progress to date?

- To be addressed orally.

16. Given the cross-cutting nature of debt transparency and debt data, can staff express their views on whether there is a need to address these issues in a standalone policy?

- To be addressed orally.

17. We would appreciate staff comments on these two situations of legal definition of SOEs and SOEs' debt guaranteed by their own assets.

- "State-owned enterprises" (SOEs) is a term that is widely understood to mean non-financial public corporations that are controlled directly or indirectly by central government. Statistically, all debt liabilities of SOEs should be part of public sector debt, even if the debt is guaranteed by the SOEs' own resources (and thus does not entail an explicit contingent liability on the government). Due to statistical capacity constraints, some countries are not yet able to provide comprehensive debt data (including debt guaranteed by SOEs) in line with international statistical standards. Staff are working with country authorities to enhance capacity for compiling and reporting comprehensive public sector debt data, including in the context of Fund-supported programs.

18. A clear distinction between debt data non-reported due to capacity constraints and the reporting gaps due to confidentiality clauses or other reasons, may be helpful to focus efforts in enhancing transparency going forward. Could staff elaborate on which of these sources of transparency gaps is more prevalent?

- Our CD work, including DeMPA diagnostics, shows that capacity constraints are significant. Reporting gaps due to confidentiality clauses or other reasons at this point cannot be identified ex ante, although may be uncovered through Fund surveillance or program engagements. Hence there are not comprehensive data on the relative importance of these two causes, although clearly there have been notable instances of "hidden debt" that transcend capacity issues.
- Non-reported debt due to capacity constraints are quite common and include: (i) the availability only of budgetary central government debt data in most of the LICs, lack of proper IT to support recording and reporting, gaps in accounting and reporting frameworks, and/or

limited human capacity to use these tools and frameworks properly and disclose these data; and (ii) weaknesses in oversight over state-owned enterprises, PPPs and other contingent liabilities, and in general the absence of arrangements for disclosing, analyzing and managing fiscal risks.

- Under the MPA context, the IMF's CD efforts aim at addressing these issues through expanding the coverage of debt reporting beyond budgetary central government, promoting Fiscal Transparency Evaluations (FTEs) and the public sector balance sheet (PSBS) approach to help identify and monitor the financial position and the vulnerabilities of the public sector beyond central government, and further enhancing the IMF's fiscal risk toolkits by: (i) bringing together and updating existing tools; and (ii) developing a range of new tools to help countries obtain a comprehensive understanding of their fiscal risk exposure and debt vulnerabilities.
- The tools developed by the IMF and the World Bank assess countries' exposure to different sources of fiscal risk from contingent liabilities and aim to strengthen countries' capacity to disclose, analyze and mitigate these fiscal risks. In addition, efforts to increase government's accountability and transparency, building on the IMF's 2018 Enhanced Framework for Governance, should result in increased debt transparency.

19. Could staff comment on the challenges that LICs have encountered during the pandemic with the provision of debt statistics? Have there been delays in data provision? What measures have been taken by the IMF to support limited capacity for data provision during the pandemic?

- There have not been systemic delays in debt data provision as part of the official government finance statistics submitted by countries to STA. STA adapted rapidly to changing demands for CD on debt statistics that arose from the pandemic. Demand for STA's CD remains strong, with keen interest in advice on business continuity for sustaining data collection during the crisis. STA has shifted to remote missions, conducted from headquarters and regional capacity development centers. Country authorities have appreciated the guidance posted online on recommended remedial action and workarounds to ensure that survey-intensive high-frequency statistics—such as the Consumer Price Index—can continue to be compiled, as well as through webinars which allowed sharing of experience among peers in confronting the challenges posed by the crisis. In total, STA has published eighteen special series *guidance notes* to address business continuity and methodological issues compilers are facing as a result of COVID-19. As of end-November 2020, they have been downloaded more than 13,000 times.

20. The proposal to extend the minimum data provision obligation under the IMF's Articles of Agreement to include data on general government and the broader non-financial sector, which could shed light on an important source of fiscal risk, is very welcome. However, we wonder if this is feasible given that only 26 percent of LIDCs currently provide data on non-financial corporations and only 40 percent do so on general government debt. Staff's comments are welcome.

- The feasibility of extending the minimum data provision obligation under the IMF's Articles of Agreement to include data on general government and the broader non-financial sector will be considered in the context of the upcoming review of Data Provision to the Fund.

21. Furthermore, we believe that the Executive Board should revisit its decisions to limit the scope and comprehensiveness of ROSCs. Could staff comment on what are the principal decisions that currently limit the scope of data evaluation, including those that could potentially affect work on the assessment of the adequacy of fiscal and debt statistics?

- In endorsing the Overarching Strategy on Data and Statistics in March 2018, the Board approved plans for introducing a more structured and transparent assessment of data adequacy for surveillance. To this end, staff has developed a questionnaire-based assessment of data adequacy for surveillance, which will be presented in the upcoming review of Data Provision to the Fund. The new assessment is designed to facilitate a discussion with the authorities on data weaknesses that hamper surveillance, including for fiscal and debt data, as part of the Article IV consultation.

22. 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?

- The review of the Debt Limits policy will become effective once the Guidance Note has been issued which is targeted for end March 2021.

Strengthen Capacity Development

23. 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.

- The World Bank currently has no plans to replicate it to other regions.

24. 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. Here, we would appreciate further details from staff about any funding gap, given that CD efforts rely, to an extent, on external funds.

- TA provision is responsive to demand, which has in part resulted in lower overall provision in the region. In addition, given the income status of a number of the respective countries, eligibility for external funding for capacity development is limited. CD support could be further expanded in the region through the provision of new targeted resources, which could finance additional outreach, including the possible placement of resident advisors to support countries in implementing reforms in parallel with regional and in-country training. Nevertheless, the IMF recently launched its new debt management, debt reporting and investor relations training in Kuwait for countries in the region and has a pipeline of CD that is expected to incorporate greater regional TA provision.

25. We would appreciate staff's elaboration on why improved debt strategy formulation has not resulted in better implementation for borrowers.

26. Notwithstanding Staff's active engagement with the borrowing countries to provide technical and analytical guidance with scaled-up `capacity development,' success

with regard to debt transparency has been relatively limited, and data gaps, particularly in vulnerable economies, have remained significant. To what extent can it be attributed to a lack of adequate ability to appropriately record and report debt statistics? Staff may like to comment.

- The effectiveness of capacity development effort is closely linked with the degree of support and commitment of CD recipients' policy makers, and retention of skilled staff. Both present and ongoing challenges impede traction on the implementation of sound debt management practices. Strong backing and ownership of the responsibility for the implementation of TA recommendations by decision makers are essential to improve outcomes.
- Statistical capacity development support through the D4D fund is meant to address this issue. Success depends on absorptive capacity (including stability of country officials working on debt data) and coordination across CD providers.
- In the meantime, staff continue to develop and innovate capacity development tools to strengthen implementation. For example, the introduction of an annual borrowing plan tool will assist countries in their implementation of debt management strategy, and the recently launched training course on debt management, debt reporting and investor relations should support debt transparency efforts.

27. Suitably, we wonder if there is scope to consolidate some of the IMF and WB databases, perhaps simplifying data requirements.

28. Also has enough funding to address CD needs in debt data provision and essential debt management skills been secured?

- There is good coordination between the IMF and the World Bank on debt data reporting, although staff continues to explore scope for further improvement. In particular,
    - The Quarterly Public Sector Debt (QPSD) database jointly developed by the IMF and the World Bank brings together detailed quarterly public sector debt data for nearly 100 countries. It aims at timely dissemination of standardized public sector debt data and metadata to facilitate cross-country comparisons.
    - Similarly, the Quarterly External Debt Statistics (QEDS) database jointly developed by the IMF and the World Bank brings together detailed external debt data of subscribers to the IMF's Special Data Dissemination Standard (SDDS) and a selected number of countries that participate in the IMF's enhanced General Data Dissemination System (e-GDDS).
    - For the WB's Debtor Reporting System (DRS) database, countries report detailed information on a loan-by-loan basis for public and publicly guaranteed external debts. The WB releases these in aggregate format in the International Debt Statistics (IDS) on an annual basis. In the latest release, the IDS provided additional granularity showing creditor countries for most of the countries eligible to benefit from the DSSI (http://datatopics.worldbank.org/debt/ids/). On a case by case basis, Fund country teams may seek additional DRS information from WB staff.
- Capacity development (CD) activities have supported progress in the provision of more debt data to the Fund by member countries. These activities have been partly funded by the Data for Decision Fund (D4D), launched in 2018 by the IMF's Statistics Department in a partnership with donors. A key focus of the D4D is expanding the coverage of fiscal and debt

reporting in low- and lower-middle-income countries, including fragile states. DFD-financed CD in the area of debt statistics is complemented by CD activities financed by the IMF's own resources, existing bilateral projects, and the Regional Technical Assistance Centers. Total delivery of CD in the area of debt statistics is estimated to have been approximately $ 1,306,851 in FY20. An important contribution during the pandemic has been the availability of online training on public sector debt statistics (PSDSx), which has been accessed by more than 426 participants since its launch in 2019.

29. In the context of the planned work under the MPA to enhance debt data coverage and transparency, scale up capacity development, and update the analytical toolkit, does Staff view that they are adequately resourced to meet the outlined objectives?

- We believe that current resource levels are adequate and will not lead to constraints on our ability to address CD needs. Funding is sufficient for LIEs with the expansion of the Debt Management Facility, D4D and bilateral support from Japan and Canada. As we anticipate a burst of pent-up demand following normalization of delivery in a post-COVID era, staffing will need to be optimized across HQ staff, LTXs, and contractual STXs to meet requests.

30. Promoting a results-based framework is key to monitoring the progress and the effectiveness of the CD activities. We welcome steps taken to offer a stronger results framework such as through the WB's DMF III and as reflected on the DeMPA results (Figure 6). Nonetheless, we would also welcome staff's view on the effectiveness of debt-related CD in the backdrop of the Covid-19 crisis.

- Understandably, the volume of CD delivery has reduced since COVID, as member countries' concentration has shifted to dealing with the impact of COVID, reducing CD demand significantly.
- However, staff has continued to engage with TA recipient countries, providing technical assistance virtually, and training workshops virtually. Following the publication of "Debt Management Responses During the Pandemic", staff held seven regional round-tables (3 SSA, 1 South and Southeast Asia, 1 Central and Eastern Europe, 1 Caribbean, and 1 Asia and Pacific). The roundtable facilitated peer to peer discussions of real-time experience in handling debt management challenges and for staff to engage on practical debt management solutions in the immediate aftermath of COVID.

31. We therefore seek staff's update on CD works, especially to support the DLP reforms implementation.

- Capacity development needs to support DLP reforms, and will depend on a country's specific circumstances. Several of the efforts mentioned in the MPA Update are relevant for supporting DLP implementation. Ongoing work to support enhanced debt transparency will support DLP reforms to better encourage adequate debt data disclosure to the IMF. These include the significant scale up of CD under the WB SDFP (¶19) and CD supported by the D4D Fund (¶17). Ongoing CD on (MTDS) frameworks (¶23) may also prove helpful for countries that could be classified as having significant access to international financial markets giving that demonstrating the capacity to manage market borrowing will be an important prerequisite for consideration in this category.
- As indicated the DLP reform Board paper, capacity constraints will be considered in some of the expectations introduced in the reforms, helping avoid the potential for undue delays in

the negotiation of Fund-supported programs. In particular, if capacity constraints prevent the disclosure of critical debt data upfront, they could be obtained over the course of the program provided that the data gaps do not critically impact program design or near-term performance. Missing elements of the debt holder profile table due to capacity limitations could also be filled in the early stages of the program.

32. Could staff also clarify whether non-IDA and non-PRGT developing countries have ready access to best practice templates of model debt recording and management systems including the ideal IT infrastructure, software, systems capability, mandates for debt management functions, audit capacity, staff capacity and skills, institutional coordination etc.? This could be helpful if available, so that countries that are lagging in debt management capability have a clearer picture of what they should aspire to.

- Production of sound practice guidelines is a priority area in CD. Products include the IMF/WB Public Debt Management Guidelines, guidance notes on debt management strategy, the revised MTDS toolkit, and the DeMPA performance assessment that provide information on sound practices. The Guidelines and DeMPA specifically refers to the high-level framework for organization of back office recording functions, audit and associated institutional arrangements. Additional materials are also available in the form of working paper and online resources, such as a growing area of massive open online courses.
- With regards to the specific issue of debt recording, our implementing partners UNCTAD and COMSEC provide debt recording systems for LIEs. Major new versions—that have begun being rolled out over the past few years—are designed to facilitate better debt recording and reporting across a broader range of asset categories. Implementing partner staff are currently training DMOs on the new systems. A World Bank paper on Public Debt Management Systems provides the essential requirements of a debt management system and its selection criterion for meeting the needs of a debt management office.

33. In staff's view, what will be the major challenges for CD delivery in the post-COVID context? What measures should be taken to increase RTACs role in the provision of CD?

34. Does staff see any resource constraints in fulfilling the anticipated higher CD demand from member countries?

35. Could staff comment on what coordination efforts at the country level are being made in order to secure a more effective TA for LICs?

36. We underscore the importance of carefully prioritizing initiatives and see scope for streamlining the existing initiatives and instruments to avoid overlapping efforts by the Bank and the Fund. We would appreciate staff clarification on how the initiatives by the two institutions fit together.

37. Can staff comment on how CD can and will be used to support implementation of the Common Framework?

- Major challenges to CD delivery in the post-COVID context is likely to include, amongst others: (i) addressing significantly increased CD needs as countries recover from the

pandemic with increased debt and fiscal vulnerabilities, elevated levels of fiscal risks, and a need to reallocate spending towards, for example, health and social spending, public investments and adaptation to climate change; (ii) the need for country authorities to address short-term policy issues, making it more challenging to address institutional capacity building; and (iii) the possibility of continued restrictions, e.g. on travel, making face-to-face engagement with country authorities more difficult.

- During the COVID-19 pandemic, the coordination between HQ and RTACs has increased. RTACs will continue to play a critical role in CD delivery, due to their proximity to member countries and their focus on sustained engagement to help countries implement CD recommendations. Continued close coordination between IMF CD delivery from HQ and RTACs remains critically important and will be further enhanced with the introduction of CD-MAP. The IMF has had long-term resident debt management experts at two RTACs for a number of years: at both AFC and AFW, with a focus on debt management in Francophone African countries, including in a number of fragile and conflict-afflicted states. With additional funding, this model has been expanded to provide additional advisers in the Caribbean at CARTAC and the Pacific in PFTAC. Subject to resources, this successful model can be expanded further to cover other RTACs.
- The launch of the DMF III, with additional support from bilateral donors, has increased the financial envelope for capacity building. In order to deploy those resources and avoid any potential constraints, significant planning will be undertaken to ensure the right balance of staff, short-term and long-term experts deliver technical assistance and training. While virtual TA has been a welcome new modality of CD provision during the Covid crisis, it has created some challenges – including the effective delivery of TA to countries with limited technical infrastructure and capacity. To mitigate these and other challenges, the use of just-in-time virtual TA provision through short-term targeted engagements has become a useful addition to the capacity building toolkit.
- The IMF and WB already coordinate closely on capacity building across countries in order to ensure effective TA delivery and implementation in low income and emerging economies. In the context of debt management, the IMF and the World Bank carry out regular coordination meetings to ensure effective CD, particularly for LIDCs. IMF CD teams also regularly coordinate with the World Bank and other development partners during preparation and delivery of CD missions. More broadly, country-specific formal donor coordination will be important to avoid duplication and ensure complementarity and coordination of CD. IMF resident representatives can play an important role in this context. Some coordination also reflects the joint delivery of CD under IMF-World Bank facilities such as DMF III, non-DMF TA provided by the IMF is also included when coordinating with the Bank on a country-by-country basis to ensure that there is a holistic picture of capacity building in debt management.

38. Given that most of the CD activities would be conducted virtually in the near term, does staff see any potential challenges and how would staff deal with these?

- Increases in demand for CD in debt statistics would be met through the D4D resources in the near term, at least until FY23, with a combination of remote and in person TA missions when travels can safely resume. Additionally, the new online course on public sector debt statistics has provided the flexibility to provide training on a continuing basis covering a larger number of countries and participants.

Improve Debt Analytical Tools

39. Could staff expand on the use in surveillance and program settings of the dynamic general equilibrium model developed to analyze debt-investment growth linkages?

- Over the past eight years, the Debt-Investment-Growth model (DIG model) and its extension for natural-resource abundant countries (DIGNAR) have complemented the IMF-WB LIC debt sustainability framework (LIC DSF) in over 65 country applications. The analysis informed policy discussions in surveillance and program contexts. The main themes analyzed with the models are: the implications of public investment efficiency on growth and debt dynamics; the pace of public investment scale-ups; and the implications for domestic revenue mobilization, aid and government external savings (such as sovereign wealth funds in the case of natural-resource-abundant countries). Staff produced a stock-taking analysis of the model applications collected in Gurara, Melina and Zanna (2019)—IMF Working Paper No. 19/62. As part of the envisaged intensification of CD operations, and leveraging on a forthcoming online IMF course on DIG/DIGNAR models to be rolled out in CY21, TA is expected to be delivered on these models and their variants, contributing further to the integration between CD and Surveillance.

40. 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.

- To be addressed orally.

41. Could staff elaborate on the similarities and differences between different DSA frameworks from a bigger perspective?

- Both the ongoing MAC DSA review and the LIC DSF have several key commonalities:
    - Both frameworks focus on the level and behavior over time of the stock of debt and gross financing needs (or a key component thereof, the debt service). Both frameworks take into account country-specific characteristics that impact debt-carrying capacity and historical exposure to shocks that may impact the stock of debt and gross financing needs in the future.
    - Both frameworks now also include a longer horizon than the 5-years used for macro-frameworks, to account for longer term factors that impact debt sustainability either positively—for example favorable financing terms that allow for a decrease in the debt level and debt service projections over time—or negatively—including population aging or bunching of debt service flows in the outer years.
    - Both frameworks include tools to assess the realism of baseline projections, an important instrument to reduce the optimism bias observed in the past.
- Differences between both frameworks aim to account, among others, for the difference between LICs and MACs in debt structure and domestic debt market development:
    - LICs typically have a much higher proportion of debt in concessional terms than MACs and therefore the stock of debt in the LIC DSF is measured in present value terms rather than in nominal terms;

- The domestic debt market is typically less developed in LICs than in MACs. This leads to two key differences in the debt sustainability frameworks:
- The LIC DSF places a much stronger emphasis on external public and publicly guaranteed debt, in determining the risk of debt distress. The MAC DSA (both the current framework and the ongoing review) focuses much more on the overall public debt and gross financing needs.
- The new MAC DSA focuses significantly on the capacity of the domestic debt market to absorb increases in public gross financing needs that result from shocks on the macroeconomic fundamentals and to the external creditors' roll-over rate. For this purpose, the composition of debt by creditor (at a more granular level than just external versus domestic) is a key determinant of risks to financeability. The LIC-DSF, instead, focuses on the external debt stock and external debt service levels, in conjunction with overall (not just domestic) debt-carrying capacity indicators.

42. Does staff see any potential obstacles that might arise on the implementation of the new proposed MAC-DSA?

- After Board approval of the Review of the MAC DSA, the preparation for the framework's rollout in 2021: Q4 will include the development of a staff-guidance note and a template, together with close collaboration and engagement with country teams and officials. Lessons from early adopters will also inform the preparation of the staff guidance note. This period will allow staff to address issues that may be raised by the authorities or by country teams, including: adapting the tools, when appropriate, to certain country-specific circumstances; addressing issues related to the transition between frameworks; dealing with new data requirements; and detailing the tools to be used for assessing long-term sovereign risks.

43. Could staff elaborate further on the WB's early warning framework and how it could complement the IMF MAC DSA assessment?

- The WB debt vulnerability analysis is an internal exercise for monitoring key debt vulnerability indicators, esp. short-term indicators, which can be used to provide complementary, in-depth information to debt sustainability analysis.

44. Could staff, please, elaborate on the key obstacles to bringing closer the first round of the MAC DSA implementation which is currently scheduled for distant 2022?

- A Board meeting on the Review of the MAC DSA is scheduled for January 14, 2021. During the 6-8 months following the approval of the new framework, staff will need to develop a guidance note—detailing the methodology described in the Board Paper and incorporating some of the lessons obtained from the experience of a set of early adopters—and a new template that minimizes the cost of adopting the new framework by the team. Internal training and engagement with officials would then follow in the fourth quarter of 2021.

Review Debt Policies

45. 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.

- The fiscal space framework (FSF) would be updated to be consistent with the new debt sustainability framework for MACs (SRDSF) and the fiscal space template would be fully integrated into the new SRDSF template. Such update and integration to the new template would need to be sequenced appropriately with the work on the SRDSF, including the development of the SRDSF staff guidance note and template 6 to 8 months after the SRDSF Board approval and the roll-out process thereafter.

46. We also look forward to the finalization of the paper on resolution of domestic public debt and anticipate progress on the role of state-contingent debt features in debt instruments and debt restructuring, given the contribution of frequent exogenous shocks to debt vulnerabilities in our region. Staff updates are welcome.

- The SCDI SDN has been launched and we continue to engage with external public and private sector parties on the feasibility of SCDIs in a restructuring context. The domestic debt restructuring paper is scheduled for Board discussion in May.

47. Could staff update the Board on the functioning of the lending to LIC mailbox?

- The Lending to LICs mailbox continues to be an important resource for creditors on questions related to the DLP and other debt issues. In 2020, the Fund has responded to questions related to 28 loans lenders, including from MDBs, export credit rating agencies and other bilateral creditors.

48. We welcome the planned extension of the World Bank's Debt Reduction Facility and would appreciate staff elaboration on the mandate and scope of the facility.

- As mentioned in the Board paper, despite several requests for support between 2009 and 2014, only one DRF-supported operation (Liberia) was implemented during that period. The main factors preventing the implementation of additional DRF-supported operations included the lack of comprehensiveness of the debt reduction strategies for which countries requested DRF support and weak recipient capacity to implement DRF operations. Furthermore, the DRF faced challenges in forecasting possible calls on DRF resources and providing support in a cost-efficient manner in countries with small volumes of eligible debt. To address these challenges, moving forward, a key element informing the decision to provide DRF support will be strong commitment and ownership by the authorities, but also complementarity with services made available by other providers. In addition, staff will identify possible implementation bottlenecks and possible measures to help address them as part of the preparatory work for each operation. Lastly, analytical work will be undertaken to asses in which cases the DRF can provide a meaningful contribution in terms of creditor participation. This will help address issues related to possible demand of DRF resources and their efficient use.

MPA Implementation

49. We also see merit in having a clear target and timeline for achieving the indicators to better facilitate staff's evaluation of the progress whether it is on-track or not. For instance, imposing a specific target on the number of countries to be covered in the IMF and WB debt database for monitoring indicator 1.2.2. Could staff comment on this?

- As capacity development is fundamentally demand driven, it is challenging to come up with ex ante benchmarks for aggregate improvements across countries.
- At this stage, specific targets on the number of countries covered by the PSBS database[1], relevant for monitoring indicator 1.2.2, may not be feasible, since adding new countries to the database is subject to extensive engagement with the relevant member countries.
- The process on enhancing the DRS with domestic debt data is undertaken in stages. The first stage has currently been concluded and comprised a survey of 122 DRS reporting countries on their legal and institutional practices regarding domestic debt, e.g. debt definitions applied. Based on the results of the survey, pilots will be started, and this stage will include specific targets.

50. We would appreciate if staff could clarify if these indicators would help to exploring the link between improved debt management capacity and reduced debt vulnerabilities.

- In general, it is difficult to establish a causal link between improved debt management capacity and reduced debt vulnerabilities, as there are many other factors at play. For example, sound macroeconomic policy (including fiscal policy) plays a significant role in reducing debt vulnerabilities. But correlations between major debt management milestones (such as the development of MTDS or strengthening the domestic debt market) and related financing vulnerabilities (such as rollover risk) may be more easily trackable going forward.

[1]MI 1.2.2: Refine and expand IMF and World Bank debt databases and reporting through: (i) increasing the number of countries in the PSBS database and enhancing content; (ii) further enhancing PSDS by broadening the coverage of state own enterprises, measured by the number of countries reporting public corporations debt in the quarterly PSDS database; and (iii) further enhancing the World Bank Debtor Reporting System by piloting domestic debt data collection and subsequently developing an action plan to initiate comprehensive domestic debt data collection and to specify granularity of such data.

Constituency Codes

OEDAE
Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

OEDAF
Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

OEDAG
Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

OEDAP
Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

OEDBR
Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

OEDCC
China

OEDCE
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

OEDCO
Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

OEDEC
Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

OEDFF
France

OEDGR
Germany

OEDIN
Bangladesh, Bhutan, India, and Sri Lanka

OEDIT
Albania, Greece, Italy, Malta, Portugal, and San Marino

OEDJA
Japan

OEDMD
Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

OEDMI
Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

OEDNE
Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

OEDNO
Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

OEDRU
Russian Federation and Syrian Arab Republic

OEDSA
Saudi Arabia

OEDST
Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

OEDSZ
Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

OEDUK
United Kingdom

OEDUS
United States