INTERNATIONAL MONETARY FUND

IMF POLICY PAPER

DECEMBER 2020

UPDATE ON THE JOINT IMF-WB MULTIPRONGED APPROACH TO ADDRESS DEBT VULNERABILITIES

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its December 7, 2020 consideration of the staff report.
- The **Staff Report**, prepared jointly by IMF and World Bank staff and completed on November 12, 2020 for the Executive Board's consideration on December 7, 2020.

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International Monetary Fund
Washington, D.C.

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

FOR IMMEDIATE RELEASE

Washington, DC – December 14, 2020: The Executive Board of the International Monetary Fund (IMF) discussed on December 7, 2020 the joint IMF-World Bank (WB) staff paper "Update on the Joint IMF-WB Multipronged Approach to Address Debt Vulnerabilities".

Amid rising debt risks in low-income and developing countries and emerging markets, the IMF and World Bank have been implementing, since 2018, a multi-pronged approach (MPA) to address these countries' debt vulnerabilities. With the COVID-19 pandemic exacerbating debt burdens, implementing the MPA has become even more urgent.

The MPA is organized around four mutually reinforcing pillars. It seeks to (i) strengthen debt transparency, by working with borrowing countries and creditors to produce better public sector debt data available; (ii) support capacity development in public debt management to mitigate debt vulnerabilities; (iii) provide suitable tools to analyze debt developments and risks; and, (iv) adapt the IMF's and World Bank's surveillance and lending policies to better address debt risks and promote efficient resolution of debt crises.

New initiatives under the MPA umbrella, launched in the context of this report, aim to build on the progress made since the MPA was first articulated in 2018, taking into account the COVID-19 pandemic and countries' capacity constraints. In particular, efforts are focused on enhancing debt transparency through greater debtor and creditor reporting; scaling up of capacity development in crisis prevention areas, including through new delivery platforms; improving the framework to assess debt sustainability in market access countries; and strengthening the IMF's lending policies to support transparent and rapid debt resolution.

To strengthen creditor engagement and help ensure equitable burden sharing, the IMF and the World Bank will support coordination efforts of G20 creditors, including operationalizing the recently approved Common Framework for debt resolution for the poorest countries and implementing the extension of the Debt Service Suspension Initiative, while continuing proactive engagement and outreach with private creditors.

To assess progress in implementing the MPA, the paper sets out a monitoring framework with selected benchmarks for the next few years.

Executive Board Assessment[1]

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

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[1]An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

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.

INTERNATIONAL MONETARY FUND

November 12, 2020

UPDATE ON THE JOINT IMF-WB MULTIPRONGED APPROACH TO ADDRESS DEBT VULNERABILITIES

EXECUTIVE SUMMARY

Amid rising debt risks in low-income developing countries and emerging markets, the IMF and the WB have been implementing a multipronged approach (MPA) to address debt vulnerabilities. Amplification of debt risks owing to COVID-19 has upped the urgency to implement the MPA and highlights the importance of debt sustainability and transparency for long-term financing for development. At the same time, it should be noted that countries have limited capacities which are further stretched by COVID-19 and that implementation of the MPA by itself may not be sufficient to address debt vulnerabilities and risks from global economic shocks.

The MPA is organized around four mutually-reinforcing pillars. It seeks to (i) strengthen debt transparency by helping borrowing countries, and by reaching out to creditors, to make better public sector debt data available; (ii) support capacity development in public debt management to avert and mitigate debt vulnerabilities; (iii) provide suitable tools to analyze debt developments and risks; and (iv) explore adapting the IMF's and World Bank's lending policies to better address debt risks and promote efficient resolution of debt crises.

Since the MPA was first articulated to the Development Committee and the IMF and WB Boards in late 2018, important progress has been achieved notwithstanding rising debt vulnerabilities. This includes: (i) broader debt coverage in LIC Debt Sustainability Analysis (DSAs) of 11 countries, enhanced debt transparency from increased reporting by borrowers to the international statistical databases, and wider publishing of debt data by the IMF and the World Bank; (ii) scaled-up debt recording and debt management capacity development activities for borrowers that have been supported by increased donor financing; (iii) expanded creditor outreach, in particular with the G20; (iv) the near completion of the revision of debt sustainability analysis frameworks; and (v) the near completion of a full redesign of the IMF and WB policies in relation to responsible borrowing and lending.

Looking forward, the MPA aims to make further progress in each of these areas while adjusting to a post-COVID world.

- Efforts to enhance **debt transparency** will focus on greater reporting by borrowers and creditors, improving reporting to and data dissemination by IFI databases, and providing analytical guidance to both borrowers and creditors. Clearer guidance will be provided on when and how to seek debt data in IMF-supported programs. The forthcoming review of the Data Provision for Fund Surveillance will consider what data the Fund requires for the exercise of its functions, including debt-related data. The WB's Sustainable Development Financing Policy will include performance and policy actions on enhancing debt reporting;

- **Capacity development** will be scaled-up and reallocated to areas important for crisis prevention, with the modalities adapted to a virtual format where possible in order to support urgent needs in light of the pandemic;
- **Debt analysis tools** will face increased demands to provide a timely handle on emerging debt problems. To this end, a revised MAC DSA framework is being proposed and new guidance on using such new framework and on implementing the LIC Debt Sustainability Framework (DSF) will be prepared;
- As some countries debt may become unsustainable amid the pandemic, the work to review the IMF's lending into arrears **policies** will focus on supporting rapid, comprehensive, and transparent resolution to limit distress and facilitate recovery. The work to implement the reform options in the G20 note prepared by the IMF staff on the international architecture for resolving sovereign debt held by private creditors is underway in collaboration with relevant stakeholders; and
- With regard to **creditors**, who play a key role to support borrowers in each of the pillars of the MPA, given the current juncture of debt vulnerabilities that have been exacerbated by the pandemic, the focus of IMF and WB creditor engagement will need to be on supporting the coordination of G20 official creditors. These include the Debt Service Suspension Initiative (DSSI) and the common framework for sovereign debt resolution that was recently agreed in principle, as well as continuing creditor outreach.

To monitor implementation of the MPA going forward, the IMF and WB staffs have set out several indicators against which progress can be assessed and propose that a short update on progress be prepared in about 12 months. Indicators will be adapted over time as appropriate to evolving needs and challenges.

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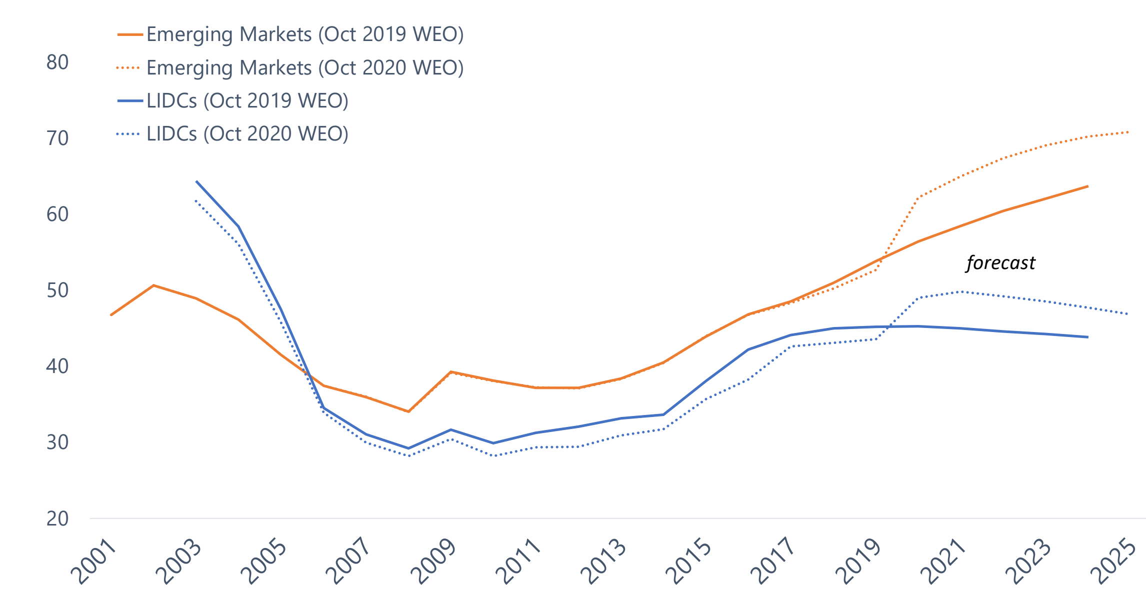
INTRODUCTION

1. **Over the last decade, debt vulnerabilities in low-income developing countries (LIDCs) and emerging markets (EMs) have risen, reflecting both the level and composition of public debt.**[1] The rising level of debt has been a cause for concern and debt trajectories have deteriorated further owing to the COVID-19 crisis (Figure 1). The composition of debt, and the related debt servicing, has also changed over the past decade. While multilateral disbursements, as a share of GDP, have been relatively stable, there has been a pronounced increase in borrowing from commercial sources and non-Paris Club creditors (Figure 2). While these shifts allowed LIDCs to tap additional sources of funding, they have also significantly increased borrowing costs and raised the exposure of countries to changes in investor behavior. Higher public debt levels and borrowing from more expensive sources has led to a rapid increase in interest-to-revenue ratios (Figure 3) of LIDCs that has adversely affected their fiscal space. There is also evidence of increased use of collateral not directly related to the use of borrowed proceeds and increased borrowing supported by explicit or implicit guarantees.

Figure 1. General Government Debt–October 2019-20 WEO
(Simple average in percent of GDP)

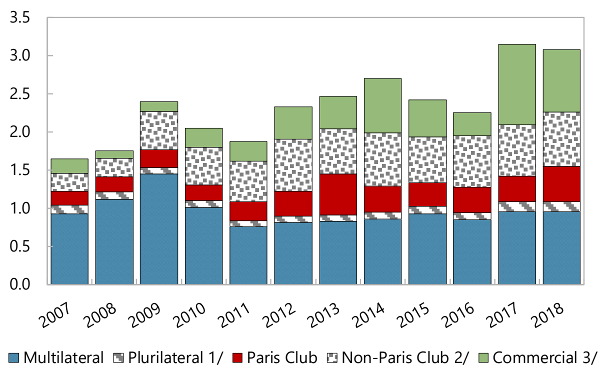


Source IMF WEO

[1]For a fuller discussion see IMF and WB 2020. Following IMF and WB 2018b, the paper's analysis uses LIDCs and EMs that are distinguished by their access to international capital markets. However, the MPA applies to all developing countries.

2. **The COVID-19 crisis is adding to public sector debt vulnerabilities.** The COVID-19 health crisis has turned into a major global economic crisis with a severe decline in economic activity. Public revenues fell at a time when countries face additional public spending, driving up public borrowing needs. In addition, various measures implemented by governments to mitigate the economic and social impacts of the crisis, even if they helped to limit short- and medium-term growth impacts of the crisis, will add to fiscal risk exposures and public sector debt vulnerabilities. At end-September, almost half of LIDCs were assessed at high risk of debt distress or in debt distress. And since the onset of the pandemic, a number of countries have announced their intention to seek debt reprofiling or restructuring (e.g., Zambia). Accordingly, the IMF and the WB are supporting the implementation of the G20 debt service suspension initiative (DSSI)—which defers debt service for International Development Association (IDA) countries and Angola due on official bilateral debt in 2020 and has been extended through June 2021—as a supplement to the large expansion in emergency financing from both institutions. Nonetheless, some countries' debt levels may become unsustainable given the depth of the current crisis, such that restoration of debt sustainability, including through restructuring may be needed.

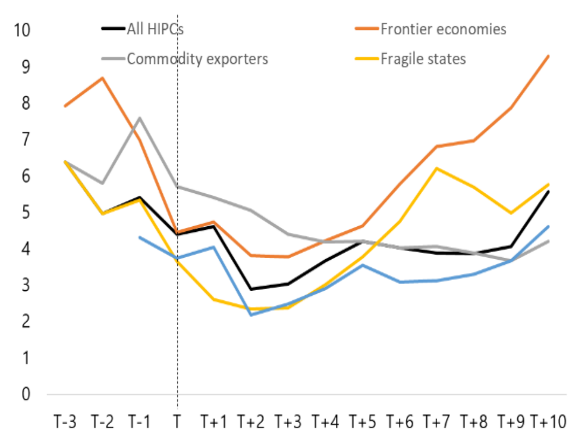
Figure 2. Disbursed Debt by Creditor Type
(All LIDCs, weighted average in percent of GDP)



Source: DRS Database
1/ See Appendix III of IMF (2018)
2/ Includes disbursements from China
3/ Includes disbursements from bonds and other instruments

Note: calculated as the sum of disbursements divided by GDP. This highlights the change in the supply of credit to LIDCs.

Figure 3. Interest-to-Revenue Ratio in LIDCs
(Median in percent)



Source: LIC DSA database; staff calculations.
Note: T is set at the year when a country reached HIPC Completion Point or MDRI, whichever came later (HIPC/MDRI completion point). The number of countries in the sample shrinks over time as actual data are available only through 2018." Completion Point" rather than "Decision Point" is used to determine "T" given a comprehensive stock-based debt relief was provided at the completion point. As a result, the effect of debt relief may be underestimated since some debt relief may have already occurred prior to completion point.

3. **In addition, the crisis has underscored the need for governments to better understand their fiscal risk exposures and public sector debt vulnerabilities and manage these proactively.** Comprehensive analysis and management of fiscal risks can help ensure sound public finances,

macroeconomic stability, and debt sustainability. Policymakers need to have a sound understanding of how changes in macro-financial conditions and crystallization of major contingent liabilities may impact public finances and public debt. Sensitivity of public finances to fluctuations in macroeconomic variables and the size and likelihood of crystallization of major contingent liabilities should be routinely analyzed. Transparency in disclosing fiscal risks also facilitates their monitoring and mitigation and is important for sound debt sustainability analysis.[2]

4. **In this context, debt transparency has become critical to ensure sustainable borrowing and financing.** Debt transparency is necessary for borrowers and creditors to take informed decisions, for citizens to hold their government accountable, and to reduce uncertainty for investors and thereby reduce risk premia.[3] In practice, however, debt transparency remains inadequate in many LIDCs, including from a lack of reliable information on government guarantees, debt of state-owned enterprises (SOE), guarantees extended to Public-Private Partnerships (PPP), collateralized financing, some central bank liabilities including foreign deposits and currency swaps, and on the terms of debt restructuring agreed on a bilateral basis. Insufficient transparency of public sector debt exposures became evident ex-post for several countries that slipped into debt distress following the commodity price shock in 2014−15 (e.g., Chad and Republic of Congo), having accepted terms and conditions on their previous borrowings that exacerbated risks, especially collateral and collateral-like arrangements.

5. **Amid rising debt risks in LIDCs and EMs, the IMF and the WB were asked to develop a strategy to address emerging debt vulnerabilities.** The April and October 2018 communiques of the Development Committee and the International Monetary and Financial Committee called for a multipronged work program to reduce debt vulnerabilities and enhance debt transparency. The joint IMF-WB multipronged approach (MPA) for Addressing Emerging Debt Vulnerabilities was first presented in October 2018.[4] Subsequently, staffs provided detailed presentations to the Boards in November and December 2018, followed by a Board update in May 2019.[5]

6. **While acknowledging that public debt is largely driven by fiscal policy and can be addressed by fiscal consolidation, the MPA focuses strictly on debt-related actions to reduce debt vulnerabilities.** There are many other reforms that are needed to reduce debt vulnerabilities, particularly strengthening of fiscal frameworks (including domestic revenue mobilization efforts, improving the efficiency of public expenditure, strengthening public investment management and growth-enhancing structural reforms, which are not covered under the MPA. Some countries may require debt stock reductions to return to sustainable public debt levels. While demand for CD remains strong despite the COVID-19 crisis, some components of the MPA had to be adapted. For

[2] IMF 2016.

[3] A twin aspect of debt transparency is investment transparency which is not covered under the MPA. See IMF and WB 2018.

[4] See IDA 2018 and IMF-WB 2018b.

[5] Considering the severe impact of the COVID-19 pandemic on LIDC economies, these debt vulnerabilities are evident rather than emerging, hence the change in title for this paper.

example, the crisis affected the delivery modes and focus of some CD programs. Some capacity building engagements will be more challenging to deliver as long as social distancing measures are in place.

7. **The four pillars of the MPA focus on addressing debt-related vulnerabilities.** Debt vulnerabilities point to deeper governance, transparency, and capacity problems in borrowers, and a need to encourage creditors to act more responsibly in these circumstances, even against the backdrop of record low interest rates in advanced economies. The four pillars of the MPA seek to address these issues through different channels: by helping borrowing countries and by reaching out to creditors to make better public sector debt data available (**debt transparency**); by supporting capacity development (CD) to manage public sector debt vulnerabilities (**capacity building**); by providing suitable tools to analyze debt sustainability and risks (**analytical tools**), and by exploring how International Financial Institutions (IFI) lending policies can be adapted to better address debt vulnerabilities (**debt policies**) (Figure 4).

Figure 4. The Four Pillars of the MPA

Enhance Debt Transparency	Strengthen Capacity	Improve Analytical Tools	Review Debt Policies
• Support production and publication of comprehensive and consistent data by borrowers • Improve access to data from borrowers and creditors • Enhance creditor outreach	• Strengthen capacity of borrowers to manage and prevent debt vulnerabilities • Enhance coordination across capacity providers • Develop debt strategies for sustainable development	• Improve debt and fiscal sustainability assessments • Tools to support macro-fiscal-debt analysis	• Role of IFI policies and broader architecture • Incentives in IFI programs to contain debt vulnerabilities • Incentives in debt restructuring situations

8. **The four MPA pillars are designed to be mutually reinforcing.** Debt transparency is an important input for capacity development, the application of analytical tools, and the fine-tuning of IFI policies. Capacity development complements ongoing efforts toward debt transparency, allows use of more sophisticated tools and techniques, and conditions how IFI policy frameworks are set (stronger capacity allows for more flexibility in debt conditionality for example). Analytical tools produced by IFIs can be used to encourage greater transparency (e.g., LIC DSF) requirements and the IMF's Fiscal Transparency Evaluations (FTEs)), support capacity development, and inform the implementation of debt policies (e.g., the link between debt sustainability and IFIs lending). Finally, well-calibrated IFI debt policy frameworks can buttress transparency requirements, incentivize capacity development (e.g., withheld grant and concessional lending allocations under the recently approved World Bank Sustainable Development Finance Policy (SDFP)) and encourage the use by borrowers and lenders of analytical tools (e.g., since the Fund and Bank rely on them for policy decisions).

9. **Implementation of the MPA remains critical.** Debt ratios are projected to ratchet upward, and sources of financing could become more volatile, likely resulting in more countries tipping into debt distress, exacerbating the economic impact of the pandemic. For the countries that escape distress, the safety margins will have shrunk, heightening the importance of responsible borrowing and lending. Accordingly, there is a more urgent need to address debt transparency concerns and apply accurate debt analysis tools and well-designed IFI policies (and international financial architecture) to prevent debt distress situations when possible and encourage a rapid, comprehensive, and transparent debt resolution for those countries that need it. At the same time, efforts to enhance debt transparency for countries already in debt distress where public debt disclosure remains weak should be intensified. Implementation of the MPA can help address debt vulnerabilities that relate to institutional weaknesses and constraints that compound risks of debt crises and jeopardize macroeconomic stability, but it may not be sufficient to address debt vulnerabilities and risks from global economic developments.

10. **The rest of the paper discusses what the MPA has accomplished to date, the priorities going forward, and how progress will be measured.** Appendix I reports the key accomplishments under each of the pillars in FY20. Consistent with the four pillars of the MPA, the paper contains four sections that cover: (i) debt transparency; (ii) strengthening capacity of borrowing countries and enhance creditor coordination; (iii) analytical tools; and (iv) work to update IFI policies. Each section discusses identified gaps, the work in progress to address those gaps, and next steps. The final section of the paper summarizes the key accomplishments under the MPA to date, how priorities for the MPA will be adapted for the period ahead—including to support ongoing and prospective international debt relief initiatives—and proposes a set of indicators to monitor progress going forward.

ENHANCING DEBT TRANSPARENCY

Debt transparency is a prerequisite to accurately assess a country's debt situation and to monitor and manage its debt risks. The IMF and WB have used a multi-faceted approach to enhance transparency. This has entailed supporting borrowers by scaling up CD and supporting reforms to enhance public debt recording, monitoring, and reporting, rolling out the LIC DSF which emphasizes broader debt coverage, improving IFIs debt data collection and disclosure in international databases and supporting creditors efforts to implement sustainable financing practices, including by developing a diagnostic tool. Looking ahead, efforts will be focused on rolling out a WB diagnostic framework that identifies key institutional, legal, technical and capacity constraints for debt reporting that will support targeted reforms and, strengthening IFI policies to collect and disseminate additional debt data.

11. **Debt transparency is critical for sustained development.** Debt transparency comprises the availability of comprehensive, detailed, timely, and consistent public sector debt data, produced

by borrowing countries, including on the terms and conditions of lending.[6] A complete picture of debt-related risks requires data on all public sector debt exposures, including on debt-related contingent liabilities and where lending could increase the risk for the borrower or for other creditors (e.g., use of collateral).[7] To enhance public debt transparency, borrowers and creditors need to improve on a set of key principles: Borrowers need to fully disclose their public and publicly guaranteed (PPG) debt stocks, including the terms and conditions; refrain from borrowing under non-disclosure agreements, and provide collateral in an effective, transparent and prudent manner. Creditors need to refrain from confidentiality clauses and allow borrowers to publish detailed information and contribute to debt transparency by disseminating data on their lending. Both stakeholders need to ensure full transparency around public debt restructurings. The IMF and the WB need debt transparency for monitoring fiscal and debt developments and analyzing risks for surveillance purposes, to assess debt vulnerabilities and sustainability, including for program design and approval, and to determine loan/grant allocations in a manner that appropriately safeguards their resources. Finally, debt transparency is crucial for effective debt workouts.

12. Debt transparency is primarily the responsibility of the borrower.[8] Only the borrower can comprehensively record, monitor, and publish all its commitments and obligations to all lenders effectively. Borrowers can also refrain from engaging in non-disclosure agreements that prevent the publication of information on the amounts of financing and key terms of public debt instruments. However, such comprehensive disclosure is often hampered in LIDCs by governance issues and capacity and contractual constraints (e.g., confidentiality clauses), and weak incentives including form a lack of demand for reliable, timely, and comprehensive data, and limited public scrutiny and integration with other public finance management systems.[9] The IMF and the WB support borrowers in increasing their capacity to record, monitor, and consistently report on public debt, to develop an effective legal framework, to implement institutional and legal reforms, and to disseminate such data to international databases. In addition, both institutions provide borrowers with technical and analytical guidance on how to enhance debt transparency. The IMF and the WBs' outreach activities aim at enhancing awareness of debt transparency and strengthening countries motivation to report public debt data, for example, by highlighting that improved transparency would facilitate creditors' lending decisions by reducing uncertainty.

13. Creditors also play an important role in debt disclosure, which can help overcome capacity problems in debtor countries. While reporting by creditors on their lending cannot substitute borrowers' reporting, it helps in enhancing transparency and reconciling public debt data. The IMF and the WB publish comprehensive and timely data on their financing of LIDCs and

[6] IMF and WB 2018.

[7] For a discussion of how collateral can create risks, see IMF and WB 2020b.

[8] https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report

[9] IMF and WB 2020c.

EMs.[10,11] The G20's *Operational Guidelines on Sustainable Financing* emphasize the need for official bilateral creditors to share information (guideline 2). The IMF-WB Diagnostic Tool on the implementation of the G20 guidelines identifies as a strong practice for transparency to publish loan-by-loan information by creditors, including terms, on a single website, with regular updates. In addition, strong practice requires creditors to use publicly available templates for their financing and refrain from confidentiality clauses. However, information provision on the volume, terms, and conditions of lending by most creditors remains limited. The Tool also emphasizes the need of regular debt data reconciliation (practice 2.1.2).

14. The IMF and the WB disseminate public debt reported by borrowers through their databases to a broader audience. Both institutions have policies in place governing the disclosure of debt data reported to them:

- ***IMF debt data provision requirements.*** The IMF's Articles of Agreement establish an obligation for every IMF member to provide a minimum set of data to the Fund for its activities, as set forth in Article VIII, Section 5 (supplemented in 2004 by a decision of the IMF Executive Board). This is a narrow set of debt data: stocks of gross national external debt, and central government and central government-guaranteed debt,[12] including the currency and maturity composition and, if possible, the extent to which debt is held by residents or nonresidents. Although compliance with these minimum requirements is generally good, there are cases of weak reporting on arrears and contingent liabilities. Data on general government and the broader non-financial sector as well as contingent liabilities are not directly covered in Article VIII, Section 5 but can be potential important sources of fiscal risks. In addition, and while not as a legal obligation under the IMF Articles of Agreement but as a condition for the provision of financing under IMF-supported programs, the IMF can request debt information beyond the above-mentioned minimum set of data requirements if it determines that such information is of critical importance for achieving the goals, or monitoring the implementation, of the member's program (and can decide not to lend if such critical information is not forthcoming). The Debt Limits Policy (DLP) guides the design of debt conditionality in IMF-supported programs and it calls for the provision of information on countries' borrowing plans.[13]Two features of the IMF data provision framework are worth noting. First, members have no obligation to provide information "in such detail that the affairs of individuals or corporations are disclosed" (Article VIII, Section 5(b)). Second, while members have to provide the required data to the Fund, they are under no obligation to publish such data.
- ***WB data provision requirements.*** All WB member countries that receive IDA or International Bank of Reconstruction and Development (IBRD) funding must report volumes and terms of

[10]https://www.imf.org/en/Data/IMF-Finances

[11]https://ebizprd.worldbank.org/

[12]General government is defined as consisting of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments; (2004 IMF Board Decision).

[13]https://www.imf.org/external/np/spr/2015/conc/index.htm

external public and publicly guaranteed (PPG) debt,[14] loan-by-loan, through its Debtor Reporting System (DRS).[15] The aggregate data are published in the public domain in the International Debt Statistics (IDS) Database. The WB has a system in place for improving data quality over time and has improved the coverage and quality of the published debt data, through strengthening internal data collection, assessment, and verification processes, supported by debt management CD to borrowing countries. Looking back, 79 percent of LIDCs have at some point reported information on debt of SOEs and 43 percent on private non-guaranteed external debt.

15. The IMF also sets international standards for debt statistics reporting and dissemination, and both the IMF and the WB publish debt databases. The *Public Sector Debt Statistics: Guide for Compilers and Users*, 2013, which is based on the statistical framework of the *Government Finance Statistics Manual* (GFSM), sets a standard for reporting of debt statistics. Separately, under the IMF's Data Standards Initiatives, which have nearly universal participation of IMF members, countries are required to disseminate timely and comprehensive statistics, including debt data. The IMF and the WB also publish various (aggregated) debt databases e.g., IMF's Historical Public Debt Database (HPDD),[16] drawing on the data reported by member countries. While this framework for compiling and reporting public sector debt is sound, international definitions and concepts are not uniformly and widely applied. In particular, the coverage of instruments, the valuation method, or the debt perimeter can vary substantially across countries, creating issues of comparability. A recent joint IMF-WB report on public sector debt reporting and definitions in LIDCs discusses the reasons for these differences (such as capacity issues and weak legal frameworks) and highlights policy priorities, including the need for more granular reporting on the terms and conditions of loans (e.g., collateralization features) that would facilitate debt service projections.[17] For example, the DRS database is the only database available that collects loan-by-loan information. It does not include collateral features of loans. Moreover, reporting to IMF and WB databases is partial, can suffer from long time lags, and as the databases serve different purposes, coverages, and definitions vary.

16. The World Bank promotes the adoption and implementation of accrual based IPSAS accounting standards in the public sector. Implementation of these standards facilitates the consolidation of whole of government financial statements; valuation of loans at fair value; and full accounting for "complex debt creating arrangements" (i.e. guarantees, PPPs, SOEs, Employee Pensions). A recent World Bank study identified 89 current donor-led technical assistance and

[14]PPG debt under the DRS includes all financial and non-financial public corporations and mixed enterprises in which the public sector has more than 50 percent share, irrespective of whether such borrowing has a guarantee of the sovereign government.

[15]https://datahelpdesk.worldbank.org/knowledgebase/articles/381934-what-is-the-external-debt-reporting-system-drs#:~:text=The%20World%20Bank%20Debtor%20Reporting,and%20Private%20Debt%20Publicly%20Guaranteed.

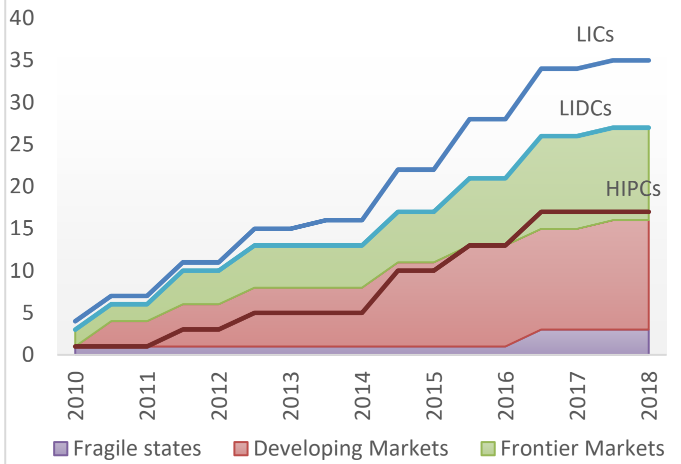
[16]The HPDD contains data on Gross Government Debt and the Debt-to-GDP Ratio for 187 countries.

[17]IMF and WB 2020c.

investment projects that have a public sector accounting or financial reporting component, 27 of which are delivered through the World Bank.

17. Against this backdrop, the IMF and the WB have recently worked along several dimensions to support greater debt transparency:

Figure 5. Number of Countries Publishing Debt Management Strategies



Source: World Bank Staff.

Strengthening borrowers' debt reporting.

- The IMF and the WB have scaled up CD and operational engagements to enhance public debt reporting in borrowing countries. As a result of the increased focus the number of LIDCs with public debt reports peaked at 47 in June 2020; however, only 9 countries had full instrument and sectoral coverage.[18] By end-2019, more than 35 countries (from under 30 in 2016) had published a Medium-Term Debt Management Strategy (MTDS) (Figure 5).[19]
- In early 2020, the IMF piloted a new training course on debt management, debt reporting and investor relations, which it plans to deliver at a range of training centers, and in due course develop as an online training course.[20] The World Bank piloted training on debt reporting and investor relations in 10 LIDCs and EMs and published a comprehensive debt transparency heatmap for all IDA Countries that allows to easily track progress with respect to debt reporting.[21]
- The revised LIC DSF has been successfully rolled out since mid-2018. The IMF and the WB conducted 122 DSAs under the framework for 70 countries of which 11 countries have broadened their debt coverage. DSAs for all countries have further analyzed risks stemming from contingent liabilities, better pinpointing their size and source (using the new tailored tool).

[18]Full debt coverage contains debt obligations of the entire public sector.

[19]The MTDS provides aggregate information on a country's central government debt level, as well as details on the cost and risk characteristics of the central government portfolio and future borrowing.

[20]The IMF also has two forthcoming working papers focused on the topics of debt transparency and sovereign investor relations: Knight, J and B. Northfield, B. 2020; and Roy, A. 2020.

[21]https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report.

- The IMF and World Bank have regularly published papers that monitor debt vulnerabilities in a large number of countries.[22]
- The World Bank also finalized several analytical papers in support of enhanced debt transparency, including the methodological framework for a debt reporting heatmap, a White paper on debt transparency and a framework for assessing the debt sustainability impact of BRI financing with incomplete information.

Supporting Creditors in Enhancing Debt Transparency.

- The IMF and the WB have supported G20 creditors in the implementation of the sustainable financing principles through the publication of the Diagnostic Tool,[23] which established sound practices related to the disclosure of creditor data and loan contracts.
- Both institutions assist the G20 in enhancing debt transparency under the DSSI.
- The IMF and the WB provided analytical guidance to borrowers and creditors, including a framework to assess collateralized borrowing,[24] and a note on public sector debt definitions and reporting in LIDCs, which suggests practical steps to enhance transparency and coverage of public sector debt data by LIDCs.[25]

Strengthening IFI Policies and Debt Data Collection/Dissemination. Both institutions enhanced their data dissemination and provided borrowers and creditors with analytical and technical guidance.

- The number of countries reporting to the IMF Quarterly Public Sector Debt Statistics database has been rising gradually aided by CD through the Data for Decisions (D4D) fund. The IMF has also worked to generate broader public sector balance-sheet data. The Public Sector Balance Sheet (PSBS) database provides a comprehensive view of the public sector wealth of 38 countries, and a narrower picture for a further 37 countries. The PSBS is instrumental in revealing the full scale and nature of public assets and liabilities, increasing transparency and accountability of public resources and allowing more effective identification of debt vulnerabilities.[26]

[22] IMF and World Bank. 2020. The Fall 2020 Development Committee Communique also requested the WBG and the IMF to review the debt challenges of low-income and middle-income countries.

[23] http://documents1.worldbank.org/curated/en/123921574699529934/pdf/G20-Operational-Guidelines-for-Sustainable-Financing-Diagnostic-Tool.pdf

[24] https://documents.worldbank.org/en/publication/documents-reports/documentdetail/689561580497778132/collateralized-transactions-key-considerations-for-public-lenders-and-borrowers.

[25] IMF and WB 2020c.

[26] For more details on PSBS compilation see Alves, M.A. and others. 2020.

- In June 2020, the WB published detailed external debt stock and service data for 68 IDA eligible countries in the IDS database, including a previously unavailable breakdown by creditor.[27] The WB has improved the coverage and quality of published debt data, by strengthening internal data collection, assessment and verification processes, in close coordination with debt management CD. The WB also collects information on PPPs.

18. Despite this progress, significant debt transparency gaps remain. The availability of comprehensive, timely and consistent public sector debt data produced by borrowing countries needs to improve, especially for (i) non-standard debt instruments; (ii) debt contracted by public sector entities other than the central government; (iii) limited information on terms and conditions of some debt instruments; and (iv) information on the terms of official bilateral debt restructuring. Public debt disclosure remains particularly weak in countries at high risk of debt distress and fragile states. Against this background, there is a risk that public sector indebtedness is substantially larger in several LIDCs and EMs than publicly reported.[28]

19. In this context, the following next steps are important to enhance debt transparency while taking into consideration that capacity in many countries is limited and is further stretched by the impact of COVID-19:

Strengthening Borrowers' Debt Reporting.

- The WB is rolling out a diagnostic framework that identifies key institutional, legal, technical and capacity constraints for debt reporting, systematically identifying key constraints to debt reporting to support targeted reforms. Additional components of the debt reporting heatmap, the transparency of domestic debt issuance procedures and debt management legal frameworks, will be released by end-2020 and early 2021, respectively, CD will be scaled-up significantly under the WB's SDFP, with many IDA countries enhancing debt transparency. In addition, the IMF and the WB are working with many borrowing countries to improve reporting of SOE debt.
- The WB is preparing two flagship reports to be completed in FY2021. A report on debt transparency will provide detailed analysis and guidance on institutional and capacity issues around debt transparency; a report on infrastructure, growth and debt in Africa will provide a methodology to analyze public borrowing and spending for infrastructure.
- The Development Committee asked the IMF and WB in its Fall 2020 Communique to continue supporting the DSSI implementation, including on strengthening the quality and consistency of debt data and improve debt disclosure. The G20 DSSI requires a one-off disclosure of information on public sector debt. Data collected can be used to enhance debt data in DSAs and in the DRS.

[27] http://datatopics.worldbank.org/debt/ids/

[28] For a more detailed discussion see Horn, Reinhart, Trebesch 2019; and Horn, Reinhart, Trebesch 2020.

Supporting Creditors in Enhancing Transparency.

- As part of a working group, the IMF and the WB are supporting the implementation of the Institute of International Finance (IIF) Voluntary Principles for Debt Transparency which provides a framework for private lenders to disclose information about lending to sovereigns.[29] The proposal by the Organization for Economic Cooperation and Development (OECD) to host the data repository is welcome.

Strengthening IFI Policies and Debt Data Collection/Dissemination.

- The upcoming Review of Data Provision to the Fund for Surveillance Purposes in 2021 could consider proposals to extend the minimum data provision obligation under Article VIII, Section 5 of the IMF's Articles of Agreement to include data on general government debt and the broader non-financial public sector in order to enhance the Fund's capacity to assess fiscal space and analyze debt risks. Indeed, countries have made important progress in compiling general government debt and SOE debt data (Table 1). The Review of the IMF's debt limits policy spells out stronger guidance on when and how to seek debt data in the context of IMF-supported programs and proposes the inclusion of a table on the holders of public debt in staff reports for IMF-supported programs.

Table 1. Data Availability: General Government and Nonfinancial Public Corporations Debt
(as of end-2019)

	All	AEs	EMs	LIDCs
	(number of countries)			
General Government	107	35	45	27
Non-Financial Public Corporatio	81	29	34	18
	(percent of membership)			
General Government	56.6	100	52.9	39.1
Non-Financial Public Corporatio	42.9	82.9	40	26.1

Sources: Eurostat, IMF/WB QPSD database, IMF GFS database, Article IV reports/DSAs, and national sources.

- ***Expanding the IDS Database and DRS.*** In Q2 of FY2021, the WB's IDS database will provide further information on stocks and flows by creditor for each borrowing country. The WB is also examining DRS reporting requirements for domestic debt data—launching a survey on domestic debt reporting, with pilots from November 2020—and broadening external debt data requirements, e.g., the collateralization features of loans.
- ***Expanding the PSBS Database.*** Efforts are underway to (i) update the IMF's PSBS database with the latest data on assets and liabilities of the public sector and subsectors, (ii) expand the coverage of the countries included in the database, (iii) expand and improve coverage of

[29] https://www.iif.com/Publications/ID/3387/Voluntary-Principles-For-Debt-Transparency

sub-sectors and debt instruments of the public sector for countries already in the database; and (iv) enhance support for compilation of balance sheet data of the general government through the Financial Sector Stability Trust Fund.

- ***Data for Decisions (D4D).*** The IMF's D4D submodule on fiscal and debt reporting supports countries in addressing gaps in the compilation and dissemination of public sector debt statistics. In the next 18 months there will be a broad-based effort to ensure close engagement with countries to address the most pressing gaps, as well as emerging needs, e.g., monitoring additional public sector debt from the COVID-19 pandemic and SOEs data. Webinars and on-demand country specific remote TA have been introduced to address immediate and specific debt reporting issues, including compilation of SOE data using a tool that allows compilation of integrated stocks and flows data. More than 30 Public Sector Debt Statistics (PSDS) CD missions are planned to follow up on needs identified in regional workshops and discussions with IMF country teams.

CAPACITY DEVELOPMENT

With support from CD, LIDCs have made progress in improving on most dimensions of debt management and publishing debt management strategies and debt reports. Nevertheless, most countries do not meet minimum debt management standards and considerably more needs to be done to match the increasing complexity and volatility of debt flows, particularly in frontier economies that have tapped international debt markets. In addition to adapting CD to strengthen debt management, in light of the heightened risks from the pandemic, the IMF and WB have been collaborating to support countries to implement the G20 debt service suspension initiative (DSSI) and are engaged in the dialogue with the G20 on the way forward.

A. Strengthening Debt Management Capacity in Borrowers

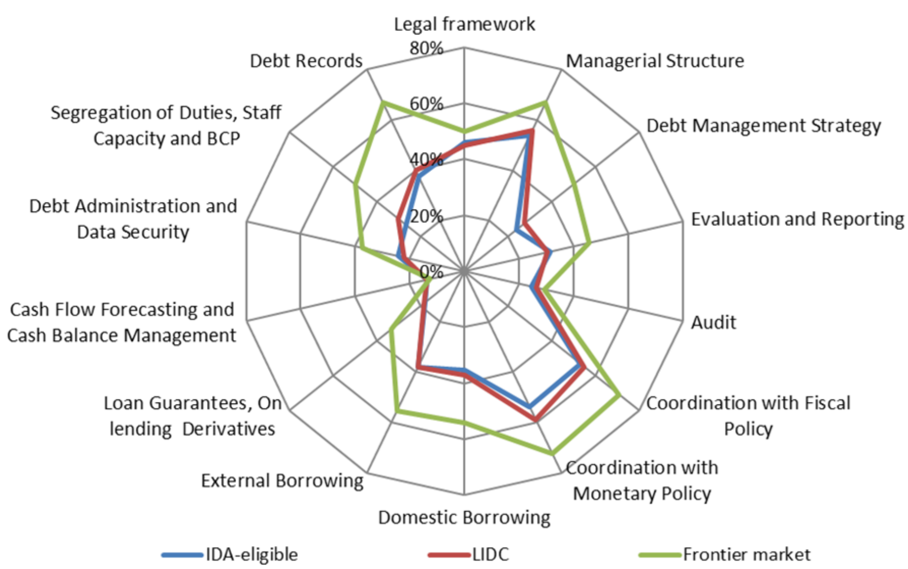
20. Although fiscal policy is a key driver of public debt levels, debt management plays an important role in managing and addressing debt vulnerabilities. Debt managers are tasked with meeting a country's financing need at the lowest cost subject to an acceptable degree of risk over the medium to long term through establishing and executing a debt management strategy, and identifying and monitoring debt-related fiscal risks, arising for example from the currency composition of debt or guarantees to SOEs. Sound debt management can support continuous access to financing and sustainable financial sector development and reduce economic and financial volatility. Ineffective debt management can generate significant fiscal costs, expose countries to changing market conditions, and propagate crises.

21. Effective debt management requires good governance and adequate capacity. This includes a sound legal and institutional framework; appropriate human resources and information technology; capacity for strategic planning and financial literacy; good fiscal and monetary policy coordination and effective cash management; capacity to identify and monitor risks (which can be frequent and costly);[30] capacity to engage in market outreach with external stakeholders; and human capacity and infrastructure to support market development. The Revised Guidelines for Public Debt Management provide a detailed framework for debt management reforms, with the *Debt Management Performance Assessment* (DeMPA) building on them to highlight sound practices across each area of debt management.[31] The key debt management functions can also draw on tools developed by the IMF and the WB for debt analysis (Pillar 3).

22. Despite improvements, significant gaps in LIDC debt management capacity remain. Analyzing repeated DeMPAs in 65 countries shows that these countries have made progress in improving debt management, improving institutional arrangements, and coordination with fiscal policy. However, significant gaps remain.[32] At most half of countries displayed satisfactory practices under any of the 14 DeMPA performance indicators (Figure 6). Key weaknesses found are inadequate debt recording, weak cash management practices, limited staff capacity, and governance shortcomings. Results in the subgroup of frontier economies, where risks have increased from greater exposure to international debt markets, have been mixed. While they have improved staff capacity, debt recording, and external borrowing practices, they face shortcomings in implementing audits and cash flow management. While debt strategy formulation has improved, it is not clear if this translates into implementation, i.e., having a visible impact on borrowing decisions.

Figure 6. DeMPA Results[1]

(In percent of countries that meet minimum score)



Source: World Bank's DeMPA results as of end-December 2018. The sample includes 65 DMF-eligible countries.
[1]DeMPA assesses 14 debt management dimensions against established benchmarks. Meeting the benchmark is rated C, while not meeting the benchmark is rated D. Score A indicates best practices.

[30]Bova, E., and others. 2016.

[31]IMF and WB 2014.

[32]IMF and WB 2020.

23. The IMF and the WB are using a range of CD modalities to address these gaps in debt management. Modalities include: the development and use of debt management and assessment tools, such as the DeMPA or the MTDS frameworks and analytical tool; in person and virtual CD missions; resident (and regional) advisors; peer-to-peer learning networks; in-country and regional training workshops; and on-line training activities (including massive open online courses, and interactive guidance tools). Important debt related aspects were also incorporated into other tools such as the IMF's Fiscal Transparency Code (FTC) or the PEFA.[33,34] In the context of COVID-19, both the IMF and WB offer immediate CD as an effective crisis-response, and have continued delivering remote missions.[35,36] While these modalities are often demand driven and at the request of member countries, CD is tightly integrated into the surveillance and program work/operational engagements of both institutions. The IMF has also been expanding its use of long-term experts to deliver CD regionally.[37] Regional training courses, complemented by improved online resources, have been instrumental in supporting CD. In addition, there has been an enhanced focus on peer-to-peer learning. The IMF and the World Bank are closely coordination with regional and global debt management CD provides, including COMSEC and UNCTAD.

24. Strong demand has been met by a rise in the amount and variety of CD delivered in recent years, supported by increased donor resources (Figure 7). All regions have benefited from capacity building, with over 40 percent of CD delivered to Africa, and a quarter to the Caribbean and Latin America. Capacity building has been anchored – in addition to debt transparency - in key pillars in debt management (see Appendix III), with a focus on institutional reforms, debt management strategy design and implementation and market development, but also includes new areas such as legal aspects of debt management, asset-liability management, investor relations and management of government guarantees and cash. CD activities (including those of the IMF's regional technical assistance centers (RTACs)) also focused on debt-related fiscal risks, improving cash forecasting, and institutional frameworks for cash and debt management (including cash and debt management coordination, organizational structure, debt management legal frameworks and debt recording).

[33]https://www.imf.org/external/np/fad/trans/index.htm.

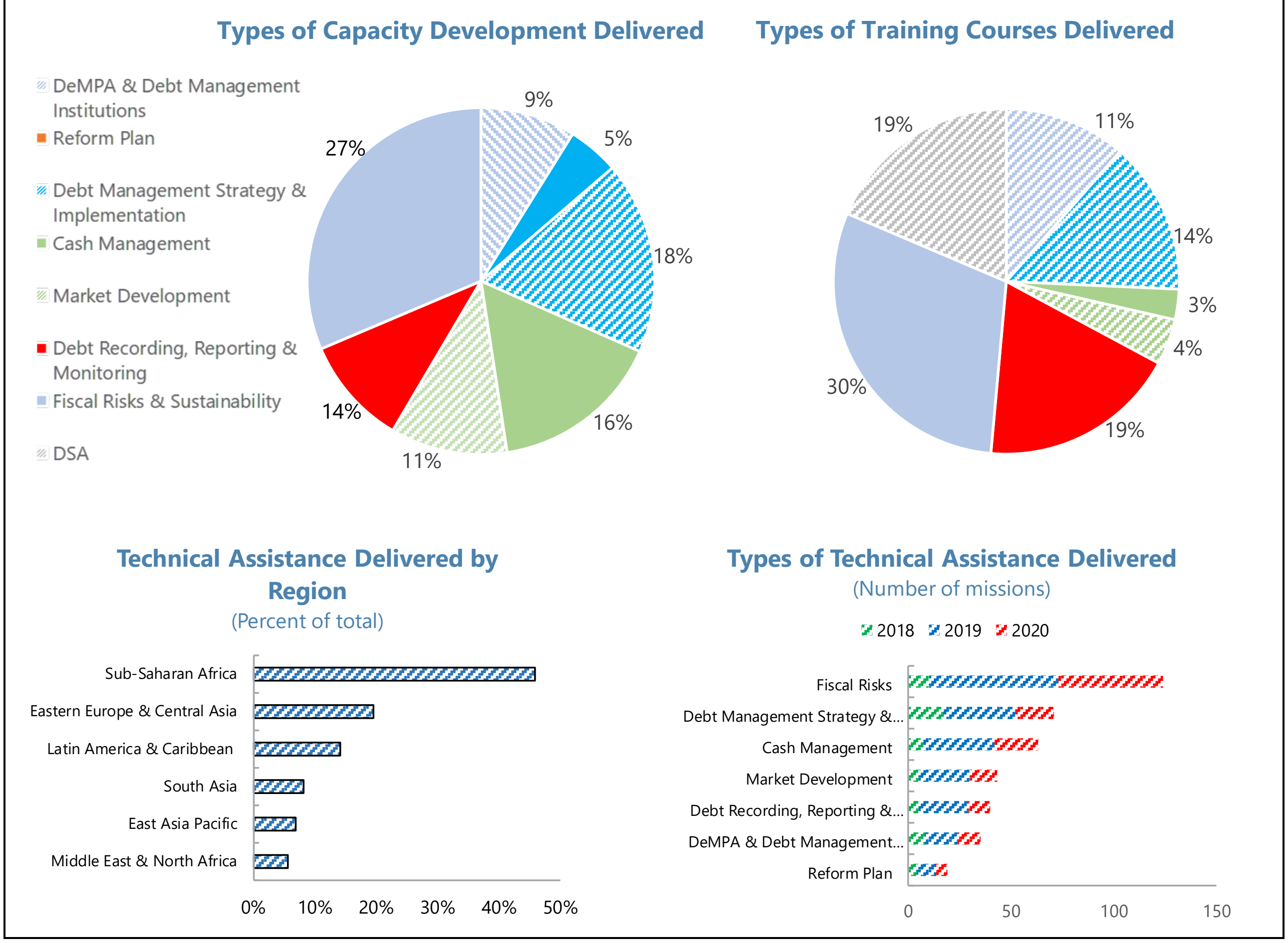
[34]https://www.pefa.org/.

[35]The IMF has launched on-demand CD, with the WB offering just-in-time support.

[36]http://pubdocs.worldbank.org/en/154651591215488206/COVID-19-Debt-Management-Response-060320.pdf.

[37]To date, there have been two experts based in West and Central Africa, covering several fragile and conflict-affected states, and two new long-term experts are to be hired for the Pacific and Caribbean regions, with an emphasis on debt management issues in small states and mitigating climate-related debt vulnerabilities.

Figure 7. IMF and WB Debt Management Capacity Building Delivery 2018–20



25. The IMF and WB CD efforts are funded both internally and externally. A significant amount of capacity building takes place in the context of program implementation/operational engagements or in the context of the implementation of debt policies, such as the SDFP and the DLP. Key sources of external funds include:

- ***The Debt Management Facility*** (for low- and middle-income countries) which is implemented jointly.[38] The third phase (DMF III) was launched in 2019, builds on a 10-year track record of results, and scales-up CD substantially.[39] DMF III introduces capacity building in improving debt transparency (such as in debt reporting and monitoring), and in managing contingent liabilities and other relevant fiscal risks. Furthermore, DMF III enhances CD and training offerings related to debt management institutions (institutional set-up, legal frameworks, operational

[38]"Eligible Countries" are all IDA-eligible countries, including those that were IDA-eligible countries in 2008 when the DMF I was launched even if they may have graduated and any additional IDA-eligible countries added over time, which at all times includes all of the countries eligible for the IMF's assistance under the Poverty Reduction and Growth Trust (PRGT).

[39]https://www.dmfacility.org/sites/dmf/files/DMFRetrospective2020.pdf

arrangements), developing debt markets, reform implementation, and training on debt sustainability analyses. Overall, DMF III places a larger focus on debt transparency and fiscal risk assessments, and offers a stronger results framework.

- ***The WB's Government Debt and Risk Management (GDRM) Program (for MICs).*** Since 2011, the GDRM has provided customized technical advisory services for strengthening public debt and risk management capacity and institutions in MICs.[40] CD covers the full spectrum of debt-related activities as well as fiscal risk management. Results include developments in the domestic markets in Colombia and Peru, the development of a risk management model for government guarantees to SOEs in Indonesia, and approved revised primary legislation in North Macedonia. A detailed account of the outcomes in the program's first phase is available in the Completion Report.[41,42]

- ***Regional and topical financing.*** Various development partners have also supported IMF (including IMF's Regional Technical Assistance Centers (RTACs)) and World Bank CD delivery outside the DMF program. For example, in debt management, single-donor financing has enabled a number of regional projects, including the provision of resident debt management advisors in West Africa, the Pacific and the Caribbean; funding for improving investor relations in ECCU countries; and the development of new knowledge products.

26. The IMF and the WB have an extensive toolkit to support debt management CD which provides an efficient and effective way of providing capacity building to a large number of countries:

- ***The Debt Management Performance Assessment* (DeMPA).** Developed and implemented by the WB, the DeMPA is the key tool for the assessment of sound government debt management practices, institutions, and processes.[43] It has been applied from low-income countries to emerging market economies at the national and subnational level. With a comprehensive set of indicators, it provides a comprehensive assessment of debt management functions and institutions, several of which are pre-requisites for enhancing debt transparency. It facilitates the identification of reform priorities and can provide information on the status and results of reform implementation. A revised user-friendly DeMPA is in preparation and will be rolled out in FY21. The revision will allow for more efficient tracking of progress and will place enhanced focus on debt transparency. To strengthen transparency, the WB has made considerable efforts for countries to publish their DeMPAs regularly. By early-2020, DeMPAs for 30 different DMF-eligible countries had been made publicly available.

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[40] https://www.worldbank.org/en/topic/debt/brief/government-debt-and-risk-management-program. Current GDRM supported countries: Albania, Azerbaijan, Colombia, Egypt, Ghana, Indonesia, Morocco, North Macedonia, Peru, Serbia, South Africa, Ukraine, Tunisia, and Vietnam.

[41] http://pubdocs.worldbank.org/en/563071558040035288/GDRM-Program-Phase-I-Completion-Report-2019.pdf.

[42] GDRM impact stories and videos also document many of the achievements.

[43] https://www.worldbank.org/en/programs/debt-toolkit/dempa.

- ***The Medium-term Debt Management Strategy (MTDS) methodology and analytical tool (AT).*** Developed jointly by Bank and Fund staff, the MTDS provides a framework to formulate and implement a debt management strategy based on a comprehensive analysis of costs and risks, considering a country's macroeconomic situation and market environment. A revised analytical tool was published in February 2019 (following a Board discussion in 2017), together with an updated guidance note, user guide, and data preparation manual. Links to those MTDS that are published by countries are now available on the IMF and WB websites.[44,45]
- ***Guidance Note on Local Currency Bond Market development.*** Recognizing that domestic market deepening can reduce debt vulnerabilities, the IMF and the WB have developed a new framework to enhance TA and guide authorities in local currency bond market development. The framework, which will be disseminated shortly, builds on the 2013 Local Currency Debt Market Diagnostic Framework and will enable countries to benchmark their current state of development and identify appropriate steps to improve their domestic currency bond market.
- **The WB has developed a debt management crisis-response framework to provide LIDCs with fast and effective guidance and support on addressing immediate challenges.[46]** The framework offers just-in time and remote debt management support on issues related to: (i) safeguarding business continuity; (ii) scrutinizing government funding needs; (iii) ensuring sufficient and timely government funding; and (iv) supporting domestic market functioning in the context of the current crisis.

Fiscal risk. Both the IMF and the WB have developed various fiscal risk management tools to encourage governments to identify, evaluate, and manage their exposure in view of the significant impact that fiscal risks present to public finances.

- The IMF undertakes Fiscal Transparency Evaluations (FTE) that benchmark country practices on the IMF's Fiscal Transparency Code which considers fiscal risks in the broadest sense possible, and divides them into macroeconomic risks, and specific fiscal risks. 28 FTEs are published on the IMF website. The IMF has conducted 191 CD activities since November 2018 to: (i) assess countries' risk management principles and institutional capabilities; (ii) support the work on fiscal risk analysis to gauge the impact on public finances; (iii) define a set of priorities for improving risk management processes and practice; and (iv) develop fiscal risk statements to disclose the key fiscal risks.
- The WB conducts Fiscal Risk Assessments (FRA) to diagnose the main sources of vulnerability to the budget and maps them into a fiscal risk matrix categorizing the direct/contingent and explicit/implicit liabilities to allow for tailored policies. FRAs were undertaken and embedded in many of the WB's lending operations or analytical products (e.g., in Public Expenditure Reviews) over the years, and in a more focused way since 2018 (recent examples are Cabo Verde,

[44]https://www.imf.org/external/datamapper/CG_DEBT_GDP@GDD/CHN/FRA/DEU/ITA/JPN/GBR/USA

[45]https://documents.worldbank.org/en/publication/documents-reports/documentdetail/300771500775277965/the-medium-term-debt-management-strategy-an-assessment-of-recent-capacity-building

[46]http://pubdocs.worldbank.org/en/154651591215488206/COVID-19-Debt-Management-Response-060320.pdf

Ethiopia, Madagascar, Mongolia, Senegal, Peru, and Serbia - ongoing). The FRAs also support the design of reforms that strengthen debt sustainability analysis and increase debt transparency.

- Both institutions are further developing their fiscal risk toolkits (for a more detailed discussion see Appendix II). The Public-Private Partnerships Fiscal Risk Assessment Model (PFRAM), was recently jointly revised.

27. The WB's SDFP supports the systematic reform implementation in the areas of debt transparency, fiscal policy and debt management across a large number of IDA countries. Under the debt sustainability enhancement program, IDA countries must define performance and policy actions to address debt vulnerabilities in the areas of debt transparency, fiscal policy and debt management. Implementation of these actions is supported through scaled-up CD and operational engagements.

28. The priority going forward is to continue to scale up support to help countries address rising debt vulnerabilities, while adjusting capacity building efforts to a post-COVID world:

- ***Volume.*** The work program remains ambitious as it seeks to meet country needs at a time of crisis, which poses challenges for implementation. While CD is country-driven, high demand is expected given elevated public sector debt vulnerabilities. There will be a focus on scaling up and targeting CD on debt reporting and monitoring, debt-related contingent liabilities, and fiscal risks to support debt transparency outcomes. CD will continue to seek to support countries' efforts in removing constraints to expanding public sector debt coverage.

- ***Types.*** The COVID-19 crisis has required a rapid recalibration of CD: demand for CD has been strong in relation to the revision and implementation of medium-term debt strategies, including domestic and external issuance plans given changing market conditions; improving external communications; cash-flow forecasting and asset and liability management operations; and fiscal risks analysis and management.[47] CD for debt transparency will also go beyond public sector debt reporting to include addressing institutional and legal constraints, e.g., a training course on debt management for parliamentarians has been launched and a new training course on legal debt management issues is currently under preparation.

- ***Modalities.*** Since March 2020, the IMF and the WB have introduced on-demand and just-in-time and remote CD and training. IMF-WB CD has been adapted to a virtual format where possible across debt, cash, and fiscal risk management, by utilizing remote missions to support the member countries' urgent needs to deal with the impact of the COVID-19 pandemic. New Massive Online Open Courses (MOOCs) on the LIC DSF and MTDS are being prepared, which will provide easily accessible learning material to a broad audience on key frameworks for debt management and debt sustainability. The IMF's public finance management Online Course (PFMx) helps government officials increase their capacity on the main topics covered by the

[47]In particular, fiscal risks stemming from standardized guarantee schemes that governments launched to deal with the impact of the COVID-19, state-owned enterprises, and macro-fiscal risks related to the crisis.

MPA paper i.e., the benefits of fiscal transparency, fiscal reporting, cash and debt management coordination, and management of fiscal risks.

B. Lenders: Supporting Efforts Towards Sustainable Lending

29. Lenders have an important role to play in helping to contain debt vulnerabilities. In particular, lenders should carefully assess whether their lending is consistent with a country's debt sustainability, is transparent, and allows borrowers to comply with IMF and WB policies. They should also ensure that the borrowers have a clear understanding of the legal implications of financing, especially when providing financing for complex investment projects. In this context, IMF and WB staff supported the G20 in the implementation of the *Operational Guidelines for Sustainable Financing*, which call on official creditors for: adequate financing, information sharing, consistency of financial support, coordination of stakeholders, and promotion of contractual and new financial instruments to strengthen resilience and minimize litigation issues. Staffs developed detailed financing practices for the five key dimensions of the Guidelines, laying out best implementation practice. The self-diagnostic tools allow official creditors to evaluate their practices and identify key shortcomings in the implementation of the Guidelines.[48] In addition, staffs provided guidance that can build creditors and borrowers capacity to analyze collateralized transactions.

30. The IMF and the WB have extensive interactions with creditors, which enables a continuing dialogue on responsible lending and related issues:

- ***Paris Club***. The IMF and the WB are observers at Paris Club meetings. The Paris Club meets regularly, about 8 to 9 times a year, to review developments in debtor countries, to discuss emerging arrears cases, and to develop a common approach to countries with prolonged arrears to its members. In light of the pandemic, the frequency of meetings has increased to bi-weekly on many occasions. The IMF and the WB staffs provide country specific updates on macroeconomic and debt developments, and relations with the respective institutions, and alert Paris Club members when countries' risk of debt distress change.
- ***G20 International Financial Architecture Working Group (IFA WG)*.** The IMF and the WB are observers. The IFA WG meets 3-4 times per year, with debt issues as a prominent item on the agenda. The IMF and the WB staffs provide inputs in the form of analyses of debt developments and of debt architecture issues, including in the context of the DSSI and its extension to the first half of 2021. As noted above, the G20's *Operational Guidelines for Sustainable Financing* provide guidance to official creditors on key dimensions of responsible lending practices.
- ***OECD export credit group*.** With the recent adoption of the *Recommendation of the Council on Sustainable Lending Practices and Officially Supported Export Credits,* OECD member-country Export Credit Agencies (ECAs) have committed to ensure that the export credits that they are extending are consistent with sustainable lending practices. Thus they should take into account

[48] The UN's *Principles on Promoting Responsible Lending and Borrowing* emphasize the need for lenders to, *inter alia*: recognize borrowers' need to protect the public interest, promote informed decision, ensure due authorization, and take responsible credit decisions.

the results of the most recent IMF/WB country-specific DSAs; and any decision on transactions should be in line with debt limits conditionality under the IMF's DLP or the WB's (IDA).[49] To that end, the IMF/WB post monthly updates on debt limits in IMF programs and under the NCBP at: https://www.imf.org/external/np/spr/2015/conc/jointDLC.xlsx. The IMF and the WB also maintain creditor mailboxes to answer questions from creditors about debt policy issues in the context of IMF and WB programs.

- ***Multilateral Development Banks (MDBs).*** The WB organizes an annual MDB technical meeting on debt. Up to 16 institutions convene to discuss various debt-related topics. The meetings encompass efforts by MDBs in areas including enhancing debt transparency, challenges for borrowers emerging from a changing creditor landscape, the debt sustainability of borrowers and large infrastructure projects, and addressing the fiscal risks arising from climate change.[50] Regular coordination with MDBs also takes place in the context of design and implementation of debt policies.
- ***Support to non-Paris Club lenders.*** The IMF and the WB provide training and extensive outreach to non-Paris Club lenders. The creditor mailboxes are also available but are used infrequently by these creditors.

31. Recent work with creditors has been productive:

- ***DSSI.*** Following a call for action by WB President Malpass and IMF Managing Director Georgieva, the G20 launched the DSSI in May 2020. The IMF and the WB staff are providing technical support to help implement this initiative to provide debt service relief to 73 IDA and UN LDC countries. Country teams are working to inform countries about the initiative and staffs are also supporting the monitoring of commitments by participating countries on debt transparency, fiscal policy responses, and observance of IMF and WB lending policies. Staffs provided several updates to the G20 on the implementation of the DSSI.
- ***G20 Common Framework for Debt Treatments.*** G20 creditors are discussing a common framework for debt treatments beyond the DSSI, with the support of staffs, which seeks to address impediments to sovereign debt resolution owing to major shifts in creditor landscape toward non-Paris Club creditors and private sector creditors. By establishing a framework for the coordination of Paris Club and non-Paris Club creditors this would facilitate timely and comprehensive debt resolution, including comparable relief from private sector creditors.
- ***The G20 creditor self-diagnostic tool.*** Staffs worked with the G20 during 2019 to convert the 5 *Operational Guidelines for Sustainable Financing* into 18 underlying practices, specifying

[49] The WB's (IDA) Non-concessional Borrowing Policy has recently been replaced by the SDFP http://documents.worldbank.org/curated/en/296411555639304820/Debt-Vulnerabilities-in-IDA-Countries-Policy-Options-for-IDA19.

[50] https://www.worldbank.org/en/topic/regional-integration/publication/belt-and-road-economics-opportunities-and-risks-of-transport-corridors; http://documents1.worldbank.org/curated/en/723671560782662349/pdf/A-Framework-to-Assess-Debt-Sustainability-and-Fiscal-Risks-under-the-Belt-and-Road-Initiative.pdf

different levels of practice in each case. They also supported 15 G20 and 5 non-G20 creditors to utilize the self-evaluation tool to identify areas for improvement.

- ***Consultations on sustainable financing.***[51] The WB expanded consultations with MDBs in the context of technical meetings on debt and conducted a series of virtual seminars to further strengthen coordination in the context of the SDFP roll-out, including discussions on the core principles of sustainable financing. The objective was to promote information sharing and coordination among MDBs and other IFIs with respect to the implementation of resource allocation frameworks, selective debt policies, and debt management CD.
- ***Creditor outreach.*** Through these various fora, IMF and WB staffs have had the opportunity to exchange views with official creditors on public sector debt vulnerabilities, present or explain to creditors proposed reforms to analytical tools (collateralized borrowing framework, in pillar 2, MAC DSA, in pillar 3), and to policies (DLP, and SDFP, in pillar 4).

32. Going forward the recurrent work with creditors will continue, with some additions:

- Provide support to G20 creditors that is tailored to meet the evolving needs for debt relief from the COVID-19 pandemic, including through the DSSI and the Common Framework for Debt Treatments beyond the DSSI.
- Several official bilateral creditors have expressed an interest in repeating the creditor self-diagnostic exercise, and the staffs are prepared to support this work.
- Supporting enhanced use of IMF and WB mailboxes by non-Paris Club creditors.

DEBT ANALYSIS TOOLS

The IMF and WB are continuing to strengthen their toolkits to support debt-related analytical work and early warning systems. Most notably, the new LIC DSF, launched in July 2018, assesses key risks, including from contingent liabilities, market financing pressures, and macroeconomic shocks. It also contains new tools to gauge the realism of the macroeconomic and debt baseline projections. The MAC DSA review will propose clearer signals on sovereign risks.

33. The IMF and the WB have developed a suite of tools to support debt analysis, which serve several purposes. The key tools include debt sustainability frameworks, dynamic general equilibrium (DGE) models to analyze debt-investment-growth linkages, and a framework to assess fiscal space (i.e. whether a government can raise spending or lower taxes without endangering market access and debt sustainability) (Box 1). An easy-to-use public debt dynamic tool (DDT) that produces public debt projections consistent with those of the MAC DSA and LIC DSF, and computes

[51] https://ida.worldbank.org/debt/core-principles-sustainable-financing.

adjustment paths consistent with user-defined debt targets, is used for CD and training in low-capacity countries. These tools support the MPA to reduce debt vulnerabilities. More broadly:

- Debt sustainability analyses help to inform the implementation of IMF and WB policies (pillar 4). Decisions about debt sustainability are a critical input into IMF and WB lending, as the IMF may only lend if a member's debt is assessed as sustainable. The sovereign debt risk derived from the frameworks also informs the nature of debt conditionality in program arrangements, along with fiscal and other policies to reduce debt vulnerabilities. And they help guide the use of IMF CD resources, including for potential IMF-supported programs. Debt sustainability assessment determine grant allocations for IDA countries and access to Scale-Up-Facility (SUF) financing. They also inform the identification of priority areas for policy and performance actions under the WB SDFP. WB Development Policy Loans require an adequate macroeconomic framework and, thus, debt sustainability.
- Such tools are a broader public good and are also used by official bilateral creditors and Civil Society Organizations around the world. Official creditors and donors play a central role in providing new development resources to LICs, and many use the results of the framework to provide guidance for their lending and grant-allocation decisions. In April 2019, the Chinese authorities announced the use of a debt sustainability framework that is aligned with the framework used by the WB and the IMF to evaluate debt sustainability for borrowers under the Belt and Road Initiative.[52]
- The publicly available debt analysis tools are designed to be directly used by country authorities in their debt management work (and thus feed into the IMF-WB CD work; pillar 2). Through end-February 2020, the staffs of the IMF and the WB have provided 29 training courses on the LIC DSF to country authorities, which were attended by 589 officials from LIC authorities across the globe. One course was aimed at jointly training officials from both creditor and debtor countries, held at the China-IMF CD Center (CICDC) in February 2019, and in July and December 2020. Since the onset of the pandemic the course was delivered in a virtual format in July 2019 and is planned again for December 2020. An interactive guide has been downloaded by 1,781 users through March 5, 2020. So far, one country (Uganda) has published a DSA with the revised framework that the authorities have produced themselves. Increasingly, training workshops are built around participants using their own country-specific macro and debt data rather than a given case study. The first joint LIC DSF-MTDS workshop was delivered in August 2019, in which country-specific data was used by all participants.

[52] http://m.mof.gov.cn/czxw/201904/P020190425513990982189.pdf

Box 1. IMF and WB Debt Analysis Tools

The Low-Income Country Debt Sustainability Framework (LIC DSF). The latest iteration, which took effect in July 2018, assesses a country's debt-carrying capacity, assigns thresholds for various debt indicators (derived from past experience with debt stress events), applies a set of tailored stress tests to further understand risks, and then draws conclusions in the form of a risk rating informed by a mechanical signal and judgement. The framework applies to 70 countries and is jointly implemented by the IMF and the WB.

The Market Access Country Debt Sustainability Framework (MAC DSA). The current version dates to 2013 (with a review currently in progress). The framework assigns distinct thresholds to advanced and emerging economies' various debt indicators. A set of standardized tests further illuminate risks. The user is expected to apply judgment to pull together the range of signals generated by the framework into an overall message on sustainability. The framework applies to 120 countries and is implemented by the IMF.

The IMF's fiscal space assessment framework.[1] The tool draws on the DSF frameworks and macro modeling to assess the room a country has to spend more or tax less, funded by borrowing. Countries are characterized as having: "substantial" space when financing, fiscal sustainability, and credibility considerations suggest no significant constraint to undertaking temporary fiscal measures; "some" fiscal space when there are some concerns about financing, fiscal sustainability or credibility, but meaningful temporary fiscal measures are possible; "fiscal space at risk" where there are clear, but not imminent, risks to sustainability and at most marginal fiscal loosening is possible; and "no fiscal space" when sustainability and market financing are patently in question.

The Debt-Investment-Growth model (DIG model) and its extension for natural-resource abundant countries (DIGNAR). The DIG tools are dynamic general equilibrium models that put together several linkages to analyze debt dynamics in conjunction with the effects of public investment scaling-ups. These linkages include the investment-growth nexus, the fiscal adjustment and the private sector response. These tools are thus complementary to the DSF frameworks and can help inform them.

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[1]See Assessing Fiscal Space - An Initial Consistent Set of Considerations, and Assessing Fiscal Space: An Update and Stocktaking.

34. There has been substantial recent work to upgrade and apply these tools:

- ***LIC DSF implementation.*** Since July 2018, 64 countries out of 70 eligible LICs have conducted a DSA under the revised framework. Ten countries have expanded their public-sector debt coverage so far. DSA writeups include fuller discussions on the baseline realism, contingent liabilities, and other country-specific debt vulnerabilities. The tailored stress tests have been used in 48 countries and have been useful in illuminating risks. A discussion of the realism of the assumptions underlying public debt projections is included in IMF and WB (2020).

- ***MAC DSA Review.*** A review of the MAC DSA over the past two years has identified significant scope for strengthening and modernizing the framework. The predictive capacity of the existing framework is mixed (reflecting large country heterogeneity of the MAC sample); coverage of debt-related risks remains somewhat narrow and uneven across countries; the use of probabilistic methods remains limited; and the framework's signals have proven difficult to summarize and communicate. Staff will propose to address these issues in a horizon-based framework that is more robust, discriminatory on risks, and transparent.

- ***DIG models.*** A recent stock-taking paper by Gurara and others (2018) highlighted lessons from over 65 applications to date. These include: the importance of reforms to increase the efficiency of public investment; the need for gradualism with the pace of public investment scaling-ups (due to debt sustainability and absorptive capacity constraints); and the criticality of domestic resource mobilization (public investment is important for growth, but it does not pay for itself). In 2018–20 the models were also extended along four dimensions to study debt dynamics in conjunction with other important issues, including: the analysis of reforms in the area of governance (IMF, 2018); the effects of natural disasters and adaptation policies (Marto and others, 2018; and Cantelmo and others, 2019); public investment in education (Atolia and others, 2020); and segmented labor markets (Buffie and others, 2020).[53]

- ***The IMF fiscal space framework.*** A total of 38 pilots were implemented during 2017 and early 2018, all of which covered EMs and advanced economies. A Board Paper "Assessing Fiscal Space: An Update and Stocktaking" was discussed by the Board on June 2018, leading to some refinements along with extensions of the framework to low-income economies and commodity producers.[54] The mainstreaming phase covering 2018 and 2019 included 31 new countries, nearly all of which have been concluded.

35. Looking ahead, given the debt landscape and rising debt risks, it is a high priority to ensure the toolkit is up to date and functioning effectively. To this end, there are several priorities for IMF-WB work:

- ***LIC DSF.*** Complete another round of DSFs in the context of surveillance, requests for emergency financing and UCT program requests, which may become more frequent than the pace observed in recent years owing to the pandemic. Use the LIC DSF's debt transparency requirements to continue to broaden coverage and refine contingent liability stress tests for all countries. Based on developments during the current period of debt stress, and lessons learned, the staffs would also articulate supplementary guidance on debt sustainability and fiscal space assessments, such as on how to expand debt coverage in DSAs.
- ***MAC DSA.*** Complete the review (Q4 2020), complete the guidance note and the new template for debt sustainability and fiscal space assessments following Board endorsement (Q2/Q3 2021), and roll out the new framework (Q3/Q4 2021). Provide enhanced support to country teams through a first round of implementation during 2022.
- ***Fiscal space.*** The extension of the fiscal space framework to 69 countries, from the original 38 pilot countries, is complete except for one country. The framework will continue to be applied to these countries, of which 31 have a forthcoming Article IV consultation within the next six months. New countries will be added only after the framework is upgraded in tandem with the roll-out of the new MAC DSA in mid-2021.

[53]Further details on DIG-DIGNAR model usage, outreach, and training see: for DIG model: https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Public-Investment-Growth-and-Debt-Sustainability-Putting-together-the-Pieces-25962;
for DIGNAR model https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Debt-Sustainability-Public-Investment-and-Natural-Resources-in-Developing-Countries-the-41455;
for usage of both models: https://www.imf.org/en/Publications/WP/Issues/2019/03/18/Some-Policy-Lessons-from-Country-Applications-of-the-DIG-and-DIGNAR-Models-46665

[54]https://www.imf.org/~/media/Files/Publications/PP/2018/pp041118assessing-fiscal-space-update-and-stocktaking.ashx

DEBT POLICIES

The IMF and WB are continuously upgrading their debt policies to support and encourage sustainable borrowing and lending. The revised frameworks for the recently approved WB's SDFP and the forthcoming review of the IMF's DLP aim to improve debt coverage and support enhanced debt transparency and strengthen debt conditionality. Going forward, efforts will be focused on rolling out the new policies as well as on strengthening the architecture of sovereign debt resolutions. These should support requests for new IMF-supported programs and debt resolutions amid the pandemic.

36. The IMF and the WB both have debt policies designed to support and encourage sustainable borrowing and lending. Both apply in the context of lending arrangements and build on the other pillars of the MPA. That is, they rely on adequate information about debt, the results from analytical tools (which identify vulnerabilities), and both rely on and incentivize countries to establish sufficiently robust debt management:

- ***The IMF's 2014 DLP.*** The DLP establishes the framework for setting conditionality to address debt vulnerabilities in IMF-supported programs, with the current framework adopted in 2014.[55] Public sector debt conditionality is normally included in IMF-arrangements when a member faces significant debt vulnerabilities as identified by debt sustainability analysis frameworks (the LIC DSF or MAC DSA) or where the quality and coverage of fiscal statistics favors the use of public debt conditionality in place of, or as a complement to, fiscal conditionality. Limits on non-concessional borrowing for PRGT-supported programs have been a longstanding requirement of the policy. The 2014 reforms allowed the use of present-value limits on external borrowing in countries at a moderate-risk of debt distress to provide countries more flexibility in their financing mix, provided they met a certain level of debt management competency. The 2014 reforms also provided that IMF-supported programs for countries at low risk of debt distress need not include limits on the accumulation of external debt.
- ***The WB's SDFP.*** The framework, just introduced on July 1, 2020, rests on two pillars: (i) the Debt Sustainability Enhancement Program (which identifies policy and performance actions for countries with debt vulnerabilities, including on debt management, for them to implement to have access to 100 percent of their IDA country allocations); and (ii) the Program of Creditor Outreach (which aims to promote coordination on sustainable lending practices, and enhanced dialogue and information sharing among creditors). Debt ceilings under the SDFP primarily take the form of nominal limits on non-concessional external PPG debt, and will ensure policy continuity and consistency with the IMF's DLP.[56]

[55]See IMF 2013b.

[56]*Sustainable Development Finance Policy of the International Development Association (English).* Washington, D.C.: World Bank Group.

37. The IMF's policies also encourage early recognition of sovereign debt vulnerabilities and promote timely and orderly resolution of sovereign debt crisis. Hence, the IMF's lending decisions are grounded in the IMF's DSAs, relying on adequate debt-related information. In cases where debt is assessed to be unsustainable, the IMF is precluded from lending unless the member takes steps to restore debt sustainability. The IMF's established practices in support of early debtor-creditor engagement in pre-default cases, and its lending into arrears policies for post-default cases situations, are designed to incentivize early creditor engagement to reach a collaborative restructuring agreement. The IMF also uses its expertise and convening powers, when called on by the international community, to discuss and promote reforms to the international architecture for sovereign debt resolution such as the 2014 endorsement of key features of enhanced collective action clauses (CACs).

38. The World Bank's Debt Reduction Facility (DRF) could also assist with debt resolution of private sector debt and the implementation of legal clauses that would facilitate future debt restructuring. The DRF was established by the Boards of the IBRD and the IDA in 1989. The facility was set up to help IDA-only member countries with a strong reform program and high public sector debt with reducing their external commercial debt as part of a comprehensive debt resolution program. The World Bank is seeking Board approval for an extension of the DRF mandate in the second quarter of FY2021 and an expansion in the scope of DRF-supported activities, including by supporting the provision of legal advisory services on specific areas related to public and publicly guaranteed borrowing from external commercial creditors that are not linked to debt reduction operations. The proposed modifications seek to position the DRF to better meet the needs of IDA countries given the current commercial debt landscape.

39. Substantial progress has been made on updating IMF policies and implementing the WB's new SDFP in recent years:

- ***DLP Review.***[57] The review that was considered by the Board in October 2020 examined recent experience with the DLP, and identified key lessons and reforms, including the need to: (i) enhance debt data disclosure to the IMF and contribute to debt transparency through a table on the profile of debt holders; (ii) better adapt the policy to country-specific circumstances in the case of countries that normally rely on concessional financing but that have started accessing international financial markets on a significant scale; (iii) broaden the deployment of PV limits to more countries that normally rely on concessional financing and are at moderate risk of debt distress; (iv) provide greater clarity on circumstances under which exceptions to non-concessional borrowing (NCB) limits can be accommodated in countries that normally rely on concessional financing and are at high risk of debt distress; and (v) clarify the definition and measurement of concessional debt. Overall, the reforms are designed to contain debt vulnerabilities while allowing more flexibility in practice for investment and debt management operations beneficial to development.

[57]See IMF 2020b.

- ***SDFP implementation.*** Performance and policy actions (PPAs) for each country are being established for FY21. The analytical framework for this work is being informed by DSAs and other relevant tools, such as public expenditure reviews (PERs), DeMPAs and coordinated portfolio investment assessments (CPIAs). Depending on the country context, PPAs will be related to some or all of the following areas: (i) improving the coverage and timeliness of debt reporting; (ii) enhancing fiscal sustainability (e.g., revenue mobilization, public expenditure efficiency, public investment management); and (iii) strengthening debt management.

- ***IMF work on debtor-creditor engagement.*** The IMF has a policy on lending into arrears (LIA) in relation to private holders of sovereign debt, which incentivize debtor and creditor engagement to restructure sovereign debt. The IMF reviewed its lending into official arrears (LIOA) policy in 2015 which enables the IMF to lend to member countries with arrears to official bilateral creditors in narrowly circumscribed circumstances.[58] The IMF will review both arrears policies in the first half of 2021.

- ***IMF work on the international financial architecture.*** On the architecture side, the IMF has been monitoring the uptake of enhanced CACs in international sovereign bonds for the international community.[59] Recently, the IMF staff has completed a paper for the G20 on gaps in the architecture for the resolution of private sovereign debt, which sets out a range of reform option.[60] The IMF staff have also studied the potential role of state-contingent debt features in managing debt distress situations, issuing a paper in 2017 identifying natural disaster and commodity price volatility clauses as promising routes to pursue.[61] A recent staff discussion note further examines this role including options to overcome difficulties that have limited interest to use these instruments in the past.[62]

40. Looking ahead, and with increasing likelihood of more programs and debt distress on the horizon, the work in progress needs to be brought to fruition, and in some cases built upon with further work, to better allow the IMF and the WB to assist member countries:

- ***IMF DLP.*** The strategy, following the completion of the review in October 2020, is to complete the operational guidance note in Q1 2021, and introduce the new framework during Q1-Q2 2021. This will also involve outreach on the reforms to both borrowers and lenders.

- ***WB SDFP.*** Implementation is under way. Annual screening of all IDA-eligible countries to identify which countries require PPAs was completed in May 2020. The preparation of PPAs is well under way, with all PPAs planned to be finalized around end-October 2020.

[58] IMF 2015.

[59] IMF 2014.

[60] IMF 2020.

[61] IMF 2017.

[62] Abbas, A. and others, 2020.

- ***IMF LIA/LIOA Review.*** The goal is to review the IMF's arrears policies (such as the debtor's creditor engagement in line with "good faith", the pre-default practice, as well as the perimeter of official and private claims) with the aim to complete the review by Q3 2021.
- ***IMF work on the international architecture.*** IMF staff is preparing a paper on the resolution of domestic public debt in Q1 2021. It is also following up on the reform options identified in the international financial architecture paper for the G20.
- ***WB DRF.*** As part of the DRF mandate extension, staff will put forward proposals to adapt the DRF scope to meet current needs of IDA-only member countries while modernizing its implementation arrangements.

SUMMARY AND WAY FORWARD

41. The MPA was first articulated to the Development Committee and the IMF and WB Boards in late 2018. Since then important progress has been achieved, notwithstanding rising debt vulnerabilities:

- Progress with respect to **debt transparency** has been made in several countries and a set of initiatives to tackle debt transparency gaps have been specified and are underway.
- Aided by additional donor support, **CD** activities for borrowers have been scaled up and re-oriented toward areas that are critical for supporting the reduction of public sector debt vulnerabilities. Creditor outreach work has been greatly expanded, particularly in relation to the G20.
- On **debt analysis tools**, the revision of DSA frameworks is nearing completion.
- A full redesign of IFI's responsible **borrowing and lending policies** is also nearing completion.

42. These early initiatives need to be brought to fruition, but the pandemic and rising debt risks call for further adaptations and attention to other aspects of the strategy:

- Efforts to enhance borrower **debt transparency** will focus among other things on scaling up CD and diagnostic tools to improve public debt monitoring and reporting, collecting more comprehensive debt data in the WB's DRS, implementing the October 2020 amendments to the DLP for the regular inclusion of a table on the profile of debt holders in staff reports for IMF-supported programs, upgrading debt reporting requirements in the upcoming Review of Data Provision to the Fund for Surveillance Purposes, strengthening guidance on when and how to seek debt data in IMF-supported programs, and including in the WB SDFP performance and policy actions on enhancing debt reporting;

- **CD** modalities have been adapted to the post-pandemic reality of reduced travel. Going forward, CD will need to have a stronger focus on areas important for crisis prevention, including debt recording and reporting, managing near-term refinancing risks, particularly for international financing, and liquidity management.

- The **debt analysis tools** will need to be used to get a timely assessment on emerging debt problems in countries, and to this end, guidance will be prepared for the new MAC DSA following Board endorsement along with any necessary supplementary guidance to support the implementation of the LIC DSF.
- On **policies**, the IMF will review its lending into arrears policies and follow up on the reform options discussed in the international architecture paper for the G20.
- With regard to creditors who play a key role to support borrowers in each of the pillars of the MPA, given the current juncture of debt vulnerabilities that have been exacerbated by the pandemic, the focus of IMF and WB creditor support will be on supporting the coordination of G20 official creditors such as the DSSI and common framework for sovereign debt resolution as well as highlighting gaps in the architecture for private debt resolution, and outreach to non-Paris Club creditors.

43. To help monitor progress in the period ahead, the staffs have set out several progress indicators (Appendix IV). These include quantitative indicators for progress with debt transparency and CD, along with key milestones for toolkit and policy work. As the latter milestones are completed, quantitative indicators will come available in these areas too (e.g., to measure the uptake of the MAC DSA, DLP, SDFP, and their new features). These indicators are amenable to annual monitoring and can be used to assess the need for course corrections.

The staffs propose that a short update be prepared in about 12 months for the IMF and WB Executive Boards, laying out progress with the MPA, and any adjustments being made.

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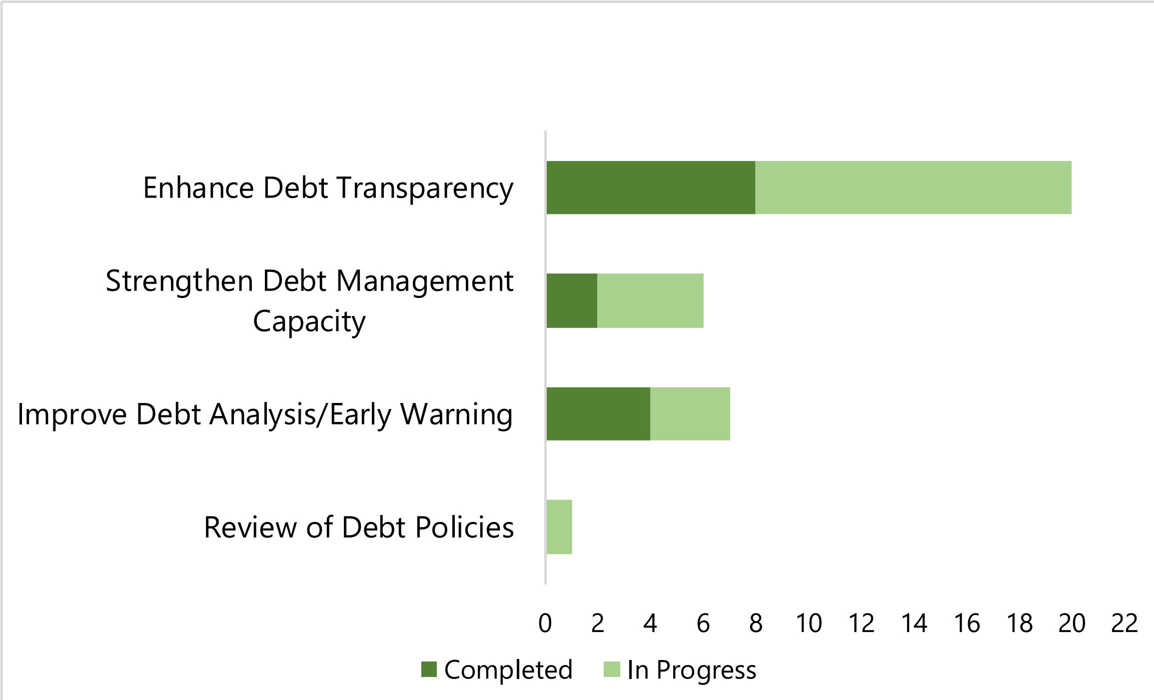
Appendix I. Progress Overview for FY2020

Table AI.1. MPA Implementation Results in FY2020	
Work Plan	**Results**
Improve Debt Analysis/Early Warning	
Implement the revised LIC DSF.	Revised framework applied to more than 90 percent of LIC DSA countries.
Review the IMF MAC DSA.	In progress.
Develop/Implement new tools.	IMF DIG and DIGNAR. MFMOD integration with the LIC DSF in progress.
Update WB fiscal sustainability analysis.	Framework for guarantee assessment completed.
Enhance the WB early warning framework.	DVA piloted and implemented as of FY2021.
Expand IMF debt surveillance toolkit.	Fiscal space, Public sector balance sheet assessments.
Integrate debt more systematically in WB monitoring and operations.	Debt related prior actions and monitoring were enhanced.
Enhance Debt Transparency	
Data dissemination and standards	
Expand IMF data dissemination standards initiatives.	During FY20, 16 countries implemented the e-GDDS and one country subscribed to the SDDS. In addition, six countries advanced from SDDS to SDDS plus.
Expand IMF-STA TA to help.	During FY19-FY21, 28 CD missions were delivered, of which 20 were public sector debt statistics and 8 external debt statistics.
Expand WB Debtor Reporting System.	Domestic debt reporting survey launched. Pilot to start in November 2020.
Strengthen access to debt data and tools	
Enhance public information on LIC DSAs.	WB portal created.
Expand LIC DSA debt coverage.	Debt coverage enhanced in 11 countries.
Facilitate access to MAC DSA information.	In progress.
Strengthen macro-fiscal dialogue with authorities	In progress.
Develop platform for voluntary sharing of LIC DSA templates.	In progress.
Encourage MTDS publication.	MTDS publication increased between end-2018 and August 2020.
Expand access to the WB fiscal risk toolkit.	Revised WB web portal created in FY2020.
Expand public sector balance sheet database.	In progress. Database launched. Data for existing countries are being revised and new country analysis are being added.
Prepare a joint IMF/WB note on debt definitions and reporting requirements.	Completed in FY2020.

Table AI.1. MPA Implementation Results in FY2020 (concluded)	
Enhance Debt Transparency	
Creditor Outreach	
Deliver training to non-PC and expand scope of MDB meeting and workshops.	Completed in FY2020. In progress for FY2021.
Regular newsletter on debt policy issues.	In progress.
Support the G20 IFAWG, and the self-assessment to sustainable financing principles.	Completed in FY2020, In progress for FY2021.
Deliver note on G20 Sustainable Financing Guidelines self-assessment tool.	Completed a self-assessment tool for the implementation of the Guidelines published in FY2020.
Expand the MDB meetings.	MDB meetings enhanced to include additional plurilateral creditors.
Support private sector initiatives.	Support provided to the IIF Sustainable Financing WG and IIFs DSSI engagements.
Capacity Development.	CD on debt transparency and reporting for borrowing countries and creditors scaled-up effectively, including through DMF III.
Integrate debt transparency considerations in WB operations.	Transparency prior actions increasingly included and led to several outcomes, e.g., Cabo Verde and Ethiopia.
Strengthen Debt Management Capacity	
Scale up the DMF	Completed.
Expand WB debt management diagnostic toolkit.	First round of DeMPA review completed in FY2020. Revised framework to be completed by end-2020. Guarantees work published.
Develop online MTDS module.	Completed in FY2020, to be implemented in Q1 FY2021.
Strengthen capacity to manage fiscal risks.	In progress. Fiscal risk CD as a key work stream under IMF's fiscal risk work program, DMF III and WB policies (IDA19 and SDFP). Fiscal Risk Toolkit is being expanded (revised P-FRAM and new SOE forecasting and stress test tool published). CD missions ongoing.
Extend the WB DRF.	In progress, completion in Q1 FY2021.
Explore innovative debt instruments.	Integrated into the G20 sustainable financing principles.
Review of Debt Policies	
Review IDA NCBP, IMF DLP, and LIA/LIOA.	SDFP operational as of July 1, 2020. IMF DLP Review completed in October 2020. Operationalization of approved reforms proposed for March 2021. LIA/LIOA review in the first half of 2021.

Figure AI.1. Summary of Implementation Progress

(number of undertakings under each pillar)



Appendix II. Tools for Contingent Liability Analysis

The IMF and WB are further developing their fiscal risk toolkits by bringing together and updating existing tools and a range of new tools to ensure countries have a comprehensive understanding of their fiscal risk exposure and debt vulnerabilities. The tools developed by the two institutions assess countries' exposure to different sources of fiscal risk from contingent liabilities, and aim to build capacity to implement management, mitigation, and reporting strategies and practices to reduce their sensitivity to major risks and improve fiscal management.

1. The IMF's Fiscal Stress Test tool and WB's Stochastic Fiscal Sustainability Assessment (SFSA) tool assess the resiliency of public finances to large and correlated shocks in an integrated way. The IMF's fiscal stress test examines the impact of both macroeconomic shocks and contingent liability realizations on fiscal flows, assets, and debt and other liabilities, and assesses the implications for fiscal solvency, liquidity, and the government's financing burden. The IMF is building on this by developing a COVID-19 module to enable countries to understand the full impact of the COVID-19 shock under alternative health policy and containment strategies. It has been utilized in CD missions to Angola, Egypt, Malawi, Mozambique, Zambia, and Zimbabwe. In addition, through FTEs and public sector balance sheet assessments, the IMF is working with countries to construct, and assess risks to, public sector balance sheets. This allows for an assessment of shocks on broader measures of financial performance (such as net worth) as well as consideration of long-term fiscal implications. The IMF has conducted public sector balance sheet assessments in Ethiopia, Georgia, Indonesia, Malawi, Zimbabwe. The WB's SFSA tool incorporates the effects of uncertainty (for example the impact of exogenous shocks such as climate-change shocks) into the standard debt sustainability analysis and aggregates the fiscal risks in a probabilistic and endogenous analytical framework. The tool is mostly utilized by WB staff to support in the context of lending operations and analytical studies.

2. The WB has published a guidance note on sound guarantee management framework, and an analytical tool for quantifying the credit risk from guarantees to public corporations, subnational governments, and other beneficiaries. The objective is to present a governance framework to strengthen management of government guarantees and on-lending portfolios through institutional setup, strengthened governance arrangements, and improved reporting. The guidance note illustrates various methods of measuring risks to support management decisions and focuses on a scenario analysis model to be used as a foundation for informed decision making and policy development. The tool was piloted in four countries since 2017 (Kosovo, Maldives, Mozambique, Uganda) and will be deployed in several others through workshops and technical assistance. To complement and present an alternative method, the WB is in the process of finalizing a Credit Rating Tool, drawing on the experience of rating agencies, to assess and quantify credit risk from public entities, particularly public corporations and subnational governments. The tool aims to provide an intuitive way to assess the creditworthiness of the institutions benefitting from guarantees and on-lending and quantifying the risks by calculating parameters such as expected loss by a combination of exposure and probabilities of distress. The output of such analysis, which can be undertaken on individual

institutions as well as at portfolio level would feed into risk management tools such as the guarantee limit, fees, and budget allocations, as well as reporting of risks. The Credit Rating approach has already been used in many countries (Dominican Republic, Ghana, Indonesia, Mauritania, Mozambique, Morocco, North Macedonia, Samoa, South Africa, Tunisia). A workshop and learning notes "Assessing and managing credit risk from contingent liabilities, with a focus on government guarantees" were published in 2018 and widely disseminated.

3. Both institutions have or are in the process of developing frameworks to tailor support for addressing specific fiscal risks. The IMF's SOE Health Check has already been piloted in multiple countries including Tajikistan, Kazakhstan, Malawi, and Odisha State (India), Ethiopia, Serbia and Zimbabwe and SOE Cash Flow Forecasting and Stress Test Tools provide a streamlined approach to monitor the performance of a portfolio of non-financial SOEs under various scenarios and inform early mitigating actions such as flagging the need for government support. The IMF's SOEs fiscal statistics compilation tool piloted in a few countries (Kosovo, Cote d'Ivoire) and used for virtual training (for English and French speaking Sub-Saharan African countries) allows to convert SOEs financial statements into fiscal statistics that integrate stocks and flows. These tools have also been used in some cases to support the IMF's surveillance work. The WB's Integrated State-Owned Enterprises Framework (iSOEF) has the overall objective of providing guidance on assessing the performance of SOEs, by delving into their rationale, their economic implications, factors enabling their operational efficiency, and options for reforming the sector. The iSOEF takes a modular approach, allowing for flexible application according to the specific country context and development needs. The modules cover, among others, the role of SOEs in the market, their fiscal and distributional implications, and corporate governance and accountability mechanisms, including a module on Assessing the Fiscal Implications of SOE Reform. The iSOEF has been conducted in several countries including Angola, Croatia, Honduras, Kyrgyz Republic, Niger, Sri Lanka, and Togo).

4. The IMF is also developing loan and guarantee assessment tools that will allow countries to analyze the fiscal costs and risks of one-off and standardized guarantee schemes on public finances. These tools will be particularly useful in assessing the vulnerabilities created by below-the-line measures deployed by the various countries in response to the COVID-19 crisis. The Fund piloted the tool for standardized small and medium enterprise (SME) loan guarantees (Credit Guarantee Schemes) in Albania, North Macedonia and Serbia.

5. The PPP Fiscal Risk Assessment Model (PFRAM 2.0) jointly developed by the IMF and the WB, assists country' authorities to assess macro-fiscal implications of PPP projects, identify and quantify fiscal risks assumed by government, that eventually could add to public debt, and evaluate potential mitigations measures. Since its first launch in 2016, PFRAM has been used extensively not only in the context of IMF and WB capacity building, but also by country authorities—mainly PPP units in ministries of finance—to better understand the long-term fiscal implications of PPP projects. The PFRAM was updated in 2019 to allow for analysis of a portfolio of PPP projects and an accompanying user guide was published.

Appendix III. Recent IMF and WB Debt Management Activities

Table AIII.1. Debt Management Capacity Development
Engagements November 2018─August 2020

Improving Governance & Institutions	Enhancing Strategy & Policy	Development Debt Markets	Boosting Debt Transparency
DeMPA Cameroon, Georgia, Guyana, Lao PDR, Lesotho, Malawi, Mali, Maldives, Moldova, Mongolia, Papua New Guinea, Solomon Islands, Zambia, Zimbabwe ***Subnational DEMPA*** India (Himachal Pradesh), Nigeria (Kaduna Province), Nigeria (Ogun Province) ***Reform Plan*** Benin, Bosnia & Herzegovina, Comoros, Equatorial Guinea, Kenya, Kosovo, Kyrgyz Rep, Lao PDR, Maldives, Nepal, Tajikistan, Vietnam, Zambia ***Debt Management Institutions*** Azerbaijan, Chad, Dominican Republic, El Salvador, Equatorial Guinea, Ghana, Honduras, Kenya, Niger, North Macedonia, Pakistan, Senegal, Serbia, South Africa, Sri Lanka, Ukraine	***Debt Management Strategy and Implementation*** Albania, Angola, Argentina, Bahrain, Bangladesh, Benin, Bosnia & Herzegovina, Burkina Faso, Cameroon, CAR, Chad, Congo Republic, DRC, Dominican Republic, Ecuador, Ethiopia, El Salvador, Egypt, Gabon, Ghana, Guinea, Guinea-Bissau, India, Ivory Coast, Indonesia, Lao PDR, Malawi, Mauritania, Mongolia, Montenegro, Nepal, Nigeria, North Macedonia, Peru, Sao Tome & Principe, Saudi Arabia, Senegal, Sierra Leone, Sri Lanka, Togo, St. Lucia, SVG, Uzbekistan, Vietnam, Zambia, Zimbabwe ***Cash Management*** Afghanistan, Albania, Bangladesh, Bhutan, Bolivia, Bosnia & Herzegovina, Burkina Faso, Dominican Republic, DRC, Djibouti, Ecuador, Ethiopia, Gabon, Gambia, Ghana, Haiti, Indonesia, Kenya, Lesotho, Liberia, Mali, Montenegro, Nauru, Niger, Nigeria, Samoa Sierra Leone, Sudan, Somalia, Tanzania, Tunisia, Togo, Sri Lanka, Uganda, Vietnam	***Domestic and International Markets*** Albania, Armenia, Azerbaijan, Bangladesh, BEAC, China, Colombia, Curacao, DRC, Ecuador, ECCB, Egypt, Ethiopia, Georgia, Ghana, Honduras, Jamaica, Mauritania, Malawi, Montenegro, North Macedonia, Peru, Serbia, Sierra Leone, Suriname, Ukraine, Zambia	***Debt Recording, Reporting & Monitoring*** Argentina, Burkina Faso, Costa Rica, Dominican Republic, DRC, ECCB, ECCU, Gambia, Ghana, Guinea, Honduras, Indonesia, Kenya, Liberia, Nicaragua, Niger, Nepal, Mali, Pakistan, Peru, Sierra Leone, South Africa, Tunisia, Togo, Zambia ***Contingent Liabilities & Fiscal Risks*** Afghanistan, Albania, Aruba, Barbados, Bosnia & Herzegovina, Brazil, Botswana, Colombia, Cabo Verde, Comoros, Costa Rica, Curacao, Egypt, El Salvador, Ethiopia, Fiji, Gambia, Gabon, Georgia, Ghana, Guatemala, Guinea-Bissau, Honduras, India, Iran, Kazakhstan, Kenya, Kosovo, Lithuania, Lebanon, Malawi, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Niger, Nigeria, North Macedonia, Maldives, Moldova, Morocco, Panama, Peru, Philippines, Russia, Rwanda, Saudi Arabia, Senegal, Serbia, Sierra Leone, South Africa, Sudan, Tajikistan, Ukraine, United Arab Emirates, Uzbekistan, Vietnam, Zambia, Zimbabwe

Appendix IV. Monitoring Indicators

Progress on the implementation of the MPA will be monitored using the following set of evolving indicators. These indicators are structured according to the four pillars of the MPA. The indicators will be adapted as relevant.

The MPA work program remains ambitious to address emerging debt vulnerabilities. The COVID-19 pandemic is already posing additional challenges, albeit to a different degree for the four MPA pillars. Indicators under pillars I, III, and IV are mainly supply driven, with the IMF and World Bank providing guidance, policies, and tools for LIDCs subject to resource constraints. Capacity constraints from COVID could also limit effectiveness. Indicators under pillar II are largely demand-driven, and therefore subject to countries' requests. While strong demand is expected, the current crisis poses challenges, especially for LIDCs and emerging countries where debt management capacity is in greater need of improvement.

A. Enhancing Debt Transparency

Enhancing public debt transparency through (i) publishing timely, consistent, detailed and comprehensive public debt reports; (ii) improving timeliness, consistency and comprehensiveness of existing debt recording and monitoring; and (iii) providing guidance on technical aspects, including statistical and accounting standards, around public debt.

Monitoring Indicators

Outcome 1.1: Enhanced debt data reporting by borrowers

- MI 1.1.1: Improve public debt data coverage in joint IMF/WB LIC DSAs, under (i) the baseline scenario; and (ii) the contingent liability stress test scenario. These will be measured by the changes in debt coverage and assumptions on contingent liabilities that are required to be reported in LIC DSAs.

- MI 1.1.2: Improve public debt reporting in IDA/PRGT-eligible countries measured through the World Bank debt transparency heatmap for IDA countries across two dimensions: (i) publication of quarterly and/or annual public debt reports; (ii) sectorial and/or instrument - terms and conditions - coverage.

Outcome 1.2: Strengthened IFI policies, debt databases, and reporting standards

- MI 1.2.1: Enhance (i) the application of international public sector debt definitions, concepts in debt compilation, and publication of adequate metadata in the quarterly external debt statistics (QEDS) and public sector debt statistics (PSDS) (measured by the number of debt instruments reported by countries in their QEDS and PSDS, and the availability of published metadata); and (ii) apply IMF's FTC requiring that comprehensive, relevant, timely and reliable data on the government's financial position be disseminated, measured by the number of countries publishing high frequency (at least quarterly) data on public assets and liabilities covering at least general government.

- 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.

B. Strengthen Capacity for Sustainable Borrowing and Lending

Continue scaling up support to assist countries in addressing mounting debt vulnerabilities. Delivery of assistance and training will be adapted to a virtual format where possible to ensure continuity despite the pandemic.

Monitoring Indicators

Outcome 2.1: Sustainable borrowing practices in borrowing countries

- MI 2.1.1: Improve debt institutional frameworks:
    - Public disclosure: finalize the DeMPA revision in FY2021 and roll out the new DeMPA framework; track improvements in public disclosure of DeMPA results as measured by the number of published DeMPAs.
    - Quality increase: report improvements in debt institutional frameworks (legal framework and organizational set-up) following delivery of capacity development by IMF or WB, as measured by respective DeMPA indicators and under Reform Plans, including completion of Results-Based Management (RBM) milestones set out in the relevant CD work.
- MI 2.1.2: Improve debt management strategy and policy:
    - Basic debt management strategy: publication of medium-term debt management strategies covering the current fiscal/calendar year. Data collected through the World Bank's debt transparency heatmap.
    - Advanced debt management strategy: publication of an annual borrowing plan in the last 12 months, or a report on debt strategy implementation being captured by a publicly available document. Data collected by the Debt Management Facility.
    - Cash management and its coordination with debt management: report improvements in this area following delivery of capacity development by IMF or WB, as measured by relevant respective DeMPA and PEFA indicators.

  - Domestic sovereign debt market development: Report improvements in this area following delivery of capacity development by IMF or WB, including completion of milestones in the RBM framework for CD.

- MI 2.1.3: Improvements in disclosure and management of fiscal risks;

  - Publication of fiscal risk statements, or disclosure of fiscal risks, preparation of fiscal risk registries measured by the number of publications.

  - Improvements in institutional frameworks for fiscal risks (legal framework and organizational set-up) following CD by the IMF and/or the WB. Report improvements in this area following delivery of capacity development by IMF or WB, measured by completion of milestones in the RBM framework for CD.

- MI 2.1.4: Number of trainings delivered under D4D, DeMPA, DSM, LIC DSA, MAC DSA, and MTDS.

Outcome 2.2: Sustainable lending practices in lending countries

- MI 2.2.1: Number of outreach activities, including training of official bilateral lending agencies and multi- and plurilateral development banks in the use of the LIC DSF and sustainable lending practices.

- M1 2.2.2. Number of inquiries of the Lending-to-LICs mailbox.

C. Analytical Tools

Ensuring that the analytical toolkit is up to date, functions well, and addresses evolving needs, including (i) helping to inform the implementation of IMF and WB policies; (ii) constituting a broad public good to be used by official creditors and civil society organizations; (iii) guaranteeing that the publicly available debt analysis tools are designed to be directly used by country authorities in their debt management work.

Monitoring Indicators

Outcome 3.1: Improve Debt and Fiscal Sustainability Assessments

- MI 3.1.1: Complete the review of the MAC DSA by end-2020 and start rolling out the revised framework starting FY2022. Launch a dedicated new MAC DSA website in FY2021.

Outcome 3.2: Support Macro-Fiscal Debt Analysis

- MI 3.2.1: Apply the IMF DIG and DIGNAR models through: (i) increased uptake by country teams; and (ii) launch of an online module.

- MI 3.2.2: Apply the IMF fiscal space framework through quarterly update of heatmaps that summarize visually the updated fiscal space assessments.
- MI 3.2.3: Apply the World Bank MFMOD through semi-annual updates to monitor key macroeconomic developments in low- and middle-income countries.
- MI 3.2.4: Apply the IMF's PSBS and fiscal risk toolkit (SOE Health Check Tool, SOE cash flow forecasting and stress test tool, and a new COVID-19 module to our Fiscal Stress Test) to support countries in expanding their better analysis, monitoring and manage of macro-fiscal debt situation. This will be measured using the RBM framework for CD and the number of times the PSBS and fiscal risk toolkit is applied.
- MI 3.2.5: Continue to enhance the World Bank fiscal risk toolkit and support countries in publishing fiscal risk assessments through: (i) rolling out the guarantee management framework; and (ii) revising the fiscal risk assessment based on the fiscal risk matrix.

D. Debt Policies

Reviews of debt policies are conducted by the IMF and WB staff on a regular basis and are subject to discussion and approval by the respective Boards.

Monitoring Indicators

Outcome 4.1: Review the IMF Debt Limits Policy

- MI 4.1.1: Begin to implement the IMF DLP approved in October 2020 (Q2 2021). Improving debt transparency with reporting/publication of the creditor composition of public debt as evidenced by staff report documentation.

Outcome 4.2: Implement the World Bank SDFP

MI 4.2.1: Implement the World Bank SDFP through: (i) rolling out the Debt Sustainability Enhancement program by timely defining performance and policy actions (PPAs), and (ii) implementing the outreach program through the Program of Creditor Outreach and publishing updated information on activities developed on the IDA debt website.