



December 1, 2021

G20 OPERATIONAL GUIDELINES FOR SUSTAINABLE FINANCING—SECOND SELF-ASSESSMENT SURVEY RESULTS AND POLICY RECOMMENDATIONS

EXECUTIVE SUMMARY

In March 2017, against the backdrop of rising debt vulnerabilities, G20 countries endorsed and committed to promote the G20 Operational Guidelines for Sustainable Financing (henceforth referred to as “the Guidelines”). The aim of these guidelines is to “enhance access to sound financing for development while ensuring that sovereign debt remains on a sustainable path by fostering information-sharing and cooperation among borrowers, creditors and international financial institutions, as well as learning through capacity building”.

In late 2018, G20 members called on the IMF and the World Bank for assistance with a voluntary self-assessment survey of their compliance with the Guidelines. This first self-assessment was concluded in May 2019 with extensive participation, including by non-G20 members. As part of this assessment, the IMF and the World Bank established a set of practices for all the five dimensions defined in the Guidelines that allows bilateral creditors to evaluate their level of compliance with the Guidelines by using a standardized Diagnostic Tool.

The IMF and the World Bank were asked in late 2020 to assist the G20 in a second round of self-assessment using the 2019 Diagnostic Tool. The results were presented at the G20 International Financial Architecture (IFA) Working Group meeting of September 23rd, 2021.

This note, produced jointly by IMF and World Bank staff, follows up on the presentation made at the G20 IFA Working Group meeting of September 23rd. The IMF and the World Bank were tasked to assist in summarizing the responses to help the G20 to gauge progress in their implementation of practices, and to propose policy options to further promote sustainable financing based on the 2019 Diagnostic Tool.

The results of the self-assessment suggest that creditors assess strong and sound implementation of practices, implying progress has been made in some areas. Yet, information sharing, and transparency remain a key area for improvement. Having reflected on these results, the G20 may wish to closely coordinate with IMF and World Bank staff to receive bilateral feedback on the assessment of each practice, so that future work can focus on priority areas for strengthening.

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INTRODUCTION

1. In March 2017, against the backdrop of rising debt vulnerabilities, G20 countries endorsed and committed to promote the G20 Operational Guidelines for Sustainable Financing.¹

- These Guidelines aim to “enhance access to sound financing for development while ensuring that sovereign debt remains on a sustainable path by fostering information, sharing and cooperation among borrowers, creditors and international financial institutions, as well as learning through capacity building.”
- In late 2018, G20 members called on the IMF and the World Bank for assistance with a voluntary self-assessment survey of their compliance with the Guidelines. This first self-assessment was concluded in May 2019 with the extensive participation, including by non- G20 members.
- As part of this assessments, the IMF and the World Bank established a set of practices for all the five dimensions define in the Guidelines that allows bilateral creditors to evaluate their level of compliance with the Guidelines by using a standardized Diagnostic Tool.
- In 2021, the IMF and the World Bank were asked to assist the G20 in a second round of self-assessment using the 2019 Diagnostic Tool.

2. The second self-assessment has benefitted from broadly similar participation by creditors as in the initial survey held in 2019, including by non-G20 members.

- A total of 18 G20 and non-G20 members, responded on behalf of 45 lending agencies.
- Of those that responded, 14 are members of the G20 and cover 37 lending agencies.
- 4 countries are non-G20 member and cover 8 agencies.
- All surveyed countries provide credit to developing countries through several lenders, in general, each pursuing different types of credit activities.

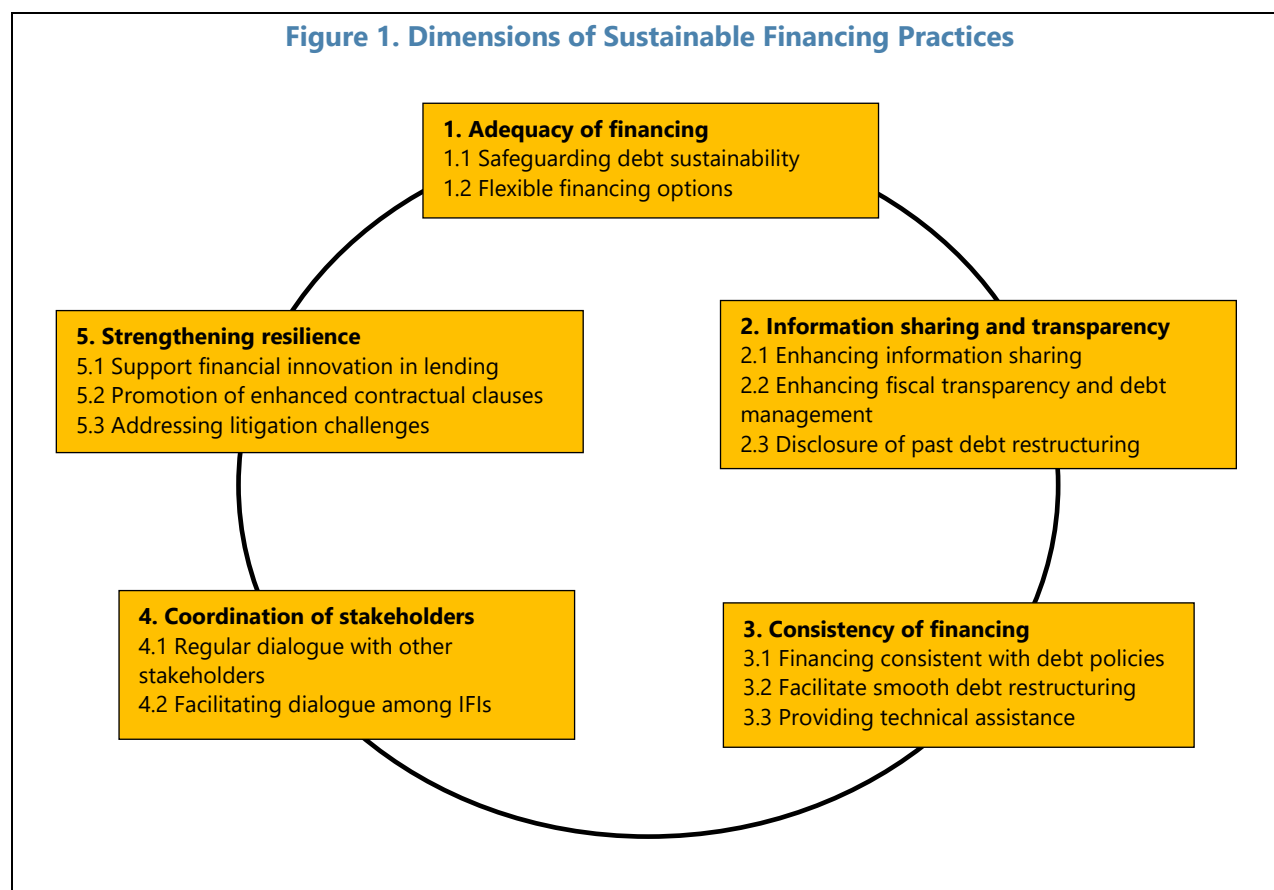
3. Based on G20 members’ responses, the presentation made at the G20 IFA Working Group meeting of September 23rd, 2021, summarized:

- Key aspects of the methodology and the approach taken in the second self-assessment.
- The main results of the second self- assessment and priority areas for strengthening.

¹See [Print Document \(bundesfinanzministerium.de\)](https://www.bundesfinanzministerium.de).

DIAGNOSTIC TOOL

4. **The Diagnostic Tool facilitated the self-assessment because it converted the five key dimensions of the Guidelines into a set of 17 granular practices.**² The Diagnostic Tool included methodological descriptions on all 17 practices. This helped guide the respondents to present a broader range of information, which was also more focused on relevant issues, than was seen the first survey for which the Diagnostic tool was not available.



5. **Respondents highlighted the usefulness of the Self- Diagnostic Tool. Yet some information gaps remained in the responses provided.** Staff followed up with 14 countries with clarifying questions related to the responses provided in the Diagnostic Tool.

6. **Close coordination between IMF and World Bank staff with country authorities** helped to refine their assessments in some cases.

²For a detailed description of the practices, see IMF and World Bank (2019), G20 Operational Guidelines for Sustainable Financing—Diagnostic tool. [G-20 Operational Guidelines for Sustainable Financing--Diagnostic Tool, November 15, 2019 \(imf.org\)](https://www.imf.org/en/Publications/G20-Operational-Guidelines-for-Sustainable-Financing-Diagnostic-Tool/November-15-2019)

MAIN FINDINGS

7. Creditors assess sound and strong implementation of practices, implying progress has been made in some areas.

G20 creditors assess themselves as doing well in terms of:

- **Adequacy of financing:** generally, creditors report having internal frameworks for debt sustainability assessments, informed by private sector or IFIs existing frameworks, which guides borrowing volumes or terms, and provide flexible financing options.
- **Coordination of stakeholders:** creditors assess strong or sound implementation. Strong practices have improved further (e.g., with the G20 DSSI and Common Framework initiatives that were also endorsed by the Paris Club and involve IMF/WB support and coordination).

G20 creditors assess progress has been made in terms of:

- **Information sharing and transparency:** creditors report making progress on data collection and publication of information on new loans and existing lending portfolio.
- **Strengthen resilience:** creditors indicate that they are promoting enhanced contractual clauses (modified pari passu and enhanced collective action clauses) in future bond issuances and are participating in various initiatives to support innovative financing solutions.

8. While the majority of creditors assess themselves as strong/sound in the key areas of collateralized debt, sharing information on lending, contractual clauses, and consistency with IMF/WB debt policies, others have room for improvement.

9. Information sharing and transparency remains key area for improvement:

- Most creditors report comprehensive data on claims on third countries to the IMF and the World Bank, but disclosure in line with strong practices on a single government website could be further improved.
- Room for greater use of publicly available templates for financing agreements.
- More efforts could be made by creditors in encouraging debtors' fiscal transparency and improving public debt management.
- Significant room to upgrade post-restructuring data reconciliation.

10. Based on these preliminary results, the G20 may wish to:

- Closely coordinate with IMF and World Bank staff to receive bilateral feedback on their assessments, so that future work can focus on priority areas for strengthening.

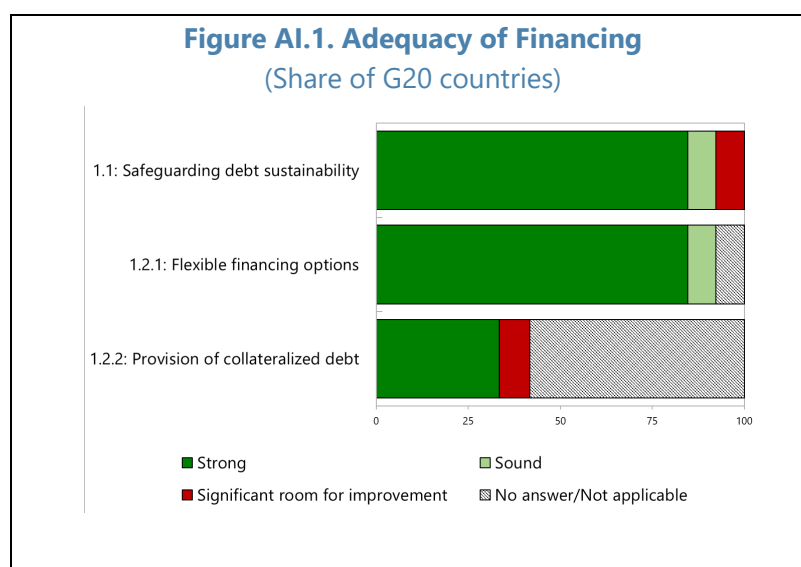
11. In all, staff concludes that the exercise has been an important facilitator by:

- Providing a useful snapshot of progress with advancing the sustainable financing agenda.
- Pointing to areas with room for improvement for the implementation of the sustainable lending principles.
- Members' strong practices may serve as examples to other creditors, promoting adoption of policy options for improvement.

Annex I. Second Self-Assessment Results for G20 Creditors Based on Responses Received

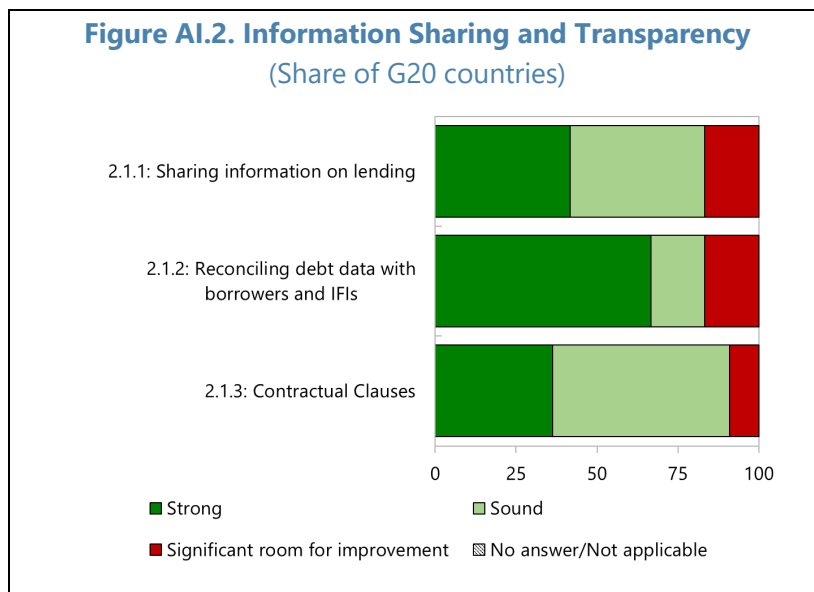
A. Adequacy of Financing: Strong Implementation

- Respondents appear to do well in terms of safeguarding debt sustainability and providing flexible financing options.
- In term of use of collateralized debt, it appears that more than 60 percent of respondents do not use such terms and those that do focus on related assets and revenue streams.

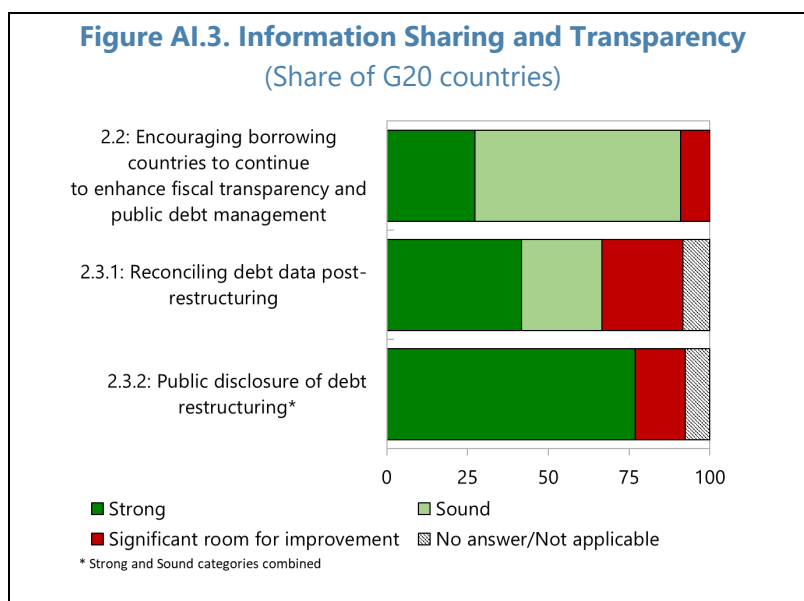


B. Information Sharing and Transparency

- Progress has been made on information sharing on new lending. About 40 percent of respondents report all aspects of terms as per OECD requirements, and information consolidated in one web site, and are assessed to have “strong” practices. Another 40 percent are assessed to have “sound” practices.
- In terms of reconciling debt data with borrowers and IFIs, the share of respondents assessing themselves as “strong” has increased from 50 percent to above 60 percent. However, some respondents assess themselves as doing less well at this practice, with one fifth still at “room for improvement”.
- On contractual clauses, about 90 percent of respondents report that they do not use comprehensive confidentiality clauses, with about one third reporting use of publicly available templates for financing agreements.

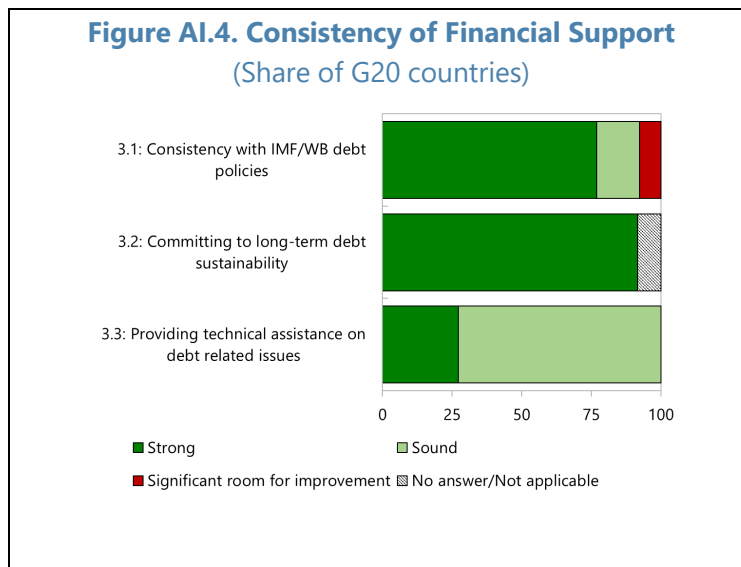


- On enhancing fiscal transparency, about 90 percent of respondents assessed themselves as either sound or strong, but less than one-third report verifying that lending operations are adequately reflected in debt statistics.
- On promoting disclosure of information in debt restructurings, one-fourth of respondents report not undertaking post debt restructuring data reconciliation with borrowers.
- Nevertheless, more than 75 percent indicate they would publicly disclose their participation in a debt restructuring.



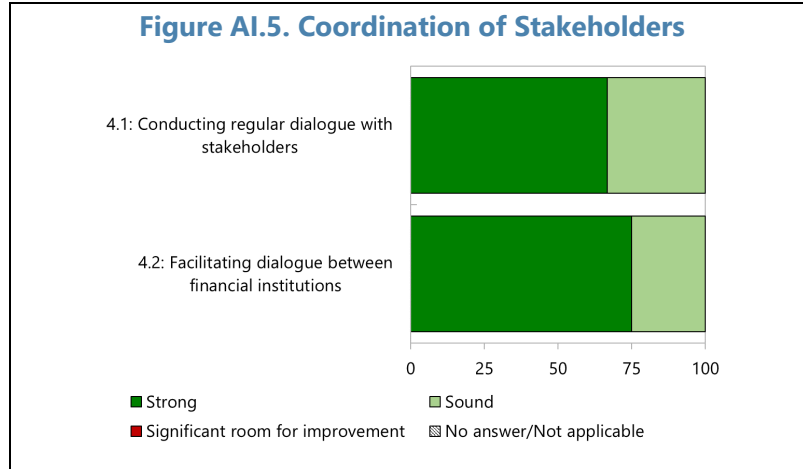
C. Consistency of Financial Support

- About 90 percent respondents indicate they consider and strictly adhere to the IMF and World Bank debt limit policies in their lending operations, but the remaining 10 percent do not seek to ensure compliance with these policies.
- Almost 90 percent of respondents report having a framework in place to facilitate participation in restructurings and participate in collaborative approaches with other creditors.
- All creditors provide support to borrowers on debt related issues, at least in terms of understanding the terms and conditions.



D. Coordination of Stakeholders

- All survey respondents qualify as at least “sound” in terms of conducting regular dialogue with stakeholders, and more than 60 percent as “strong” promoting discussions on specific technical issues.
- Similarly, most respondents indicated actions taken to enhance interaction between IFIs and other financial development institutions, suggesting that about 75 percent of respondents would qualify as “strong” on the second practice.



E. Strengthen Resilience

- Almost all respondents (90 percent) support financial solutions to enhance resilience to shocks, with almost 50 percent offering, when relevant, such instruments.
- Almost 80 percent of respondents indicate that they include enhanced contractual clauses when issuing foreign law bond issuances, where applicable, with 45 percent of respondents supporting and offering technical assistance in this area.
- The engagement in addressing litigating creditors still appears weaker, although this is not applicable for almost half of the respondents.

