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# Debt Statistics—Background Document

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# G20 NOTES ON STRENGTHENING PUBLIC DEBT TRANSPARENCY

## HIGHLIGHTS AND WORK AGENDA

1. **Public debt transparency plays a critical role in ensuring effective risk assessment to support sustainable borrowing and lending practices.** Greater debt transparency enables borrowers and lenders to effectively evaluate the sustainability of public debt and monitor emerging risks. Recent cases of hidden debt demonstrate the adverse social, economic, and political consequences borrowers can face. To enhance public debt transparency, particularly in developing countries, the G20 requested that the IMF and the World Bank prepare two notes on: (i) supporting borrower countries' capacity building in public debt recording, monitoring and reporting; and (ii) enhancing the role of the IMF and the World Bank in strengthening public debt transparency, including through debt data collection and dissemination, public debt analysis, and their support for sustainable lending.

2. **Recognizing that the primary responsibility for transparent debt recording, monitoring and reporting lies with the borrower, the first note discusses how the international financial community helps low and lower middle-income countries (LLMICs) build capacity in these areas.**

- The borrower's responsibility is to ensure that comprehensive records of public debt are maintained accurately and on a timely basis, that the debt and borrowing activities of off-budget entities and contingent liabilities are closely monitored, and that public debt reports and data are made regularly available. Information based on the World Bank's Country Policy and Institutional Assessment (CPIA) indicates that the average quality of the debt management policy and institutions in LLMICs falls short of what is considered to be "adequate". Further, the World Bank's Debt Management Performance Assessment (DeMPA), which provides more granular information on debt recording, monitoring, and reporting capacity, points to shortfalls across countries in legal and institutional frameworks, external audits, and internal controls. These shortcomings are compounded by general weak staff capacity in debt management, insufficient incentives to produce reliable data, poor IT infrastructure, and limited public scrutiny.

- The IMF and the World Bank have been collaborating with other stakeholders in actively supporting capacity building through technical assistance (TA) and training. The TA and training provided to date has been focused on strengthening governance frameworks and building analytical capacity for developing policy. Much of this is coordinated through the Debt Management Facility (DMF), a multi-donor supported facility. This work includes diagnostic TA (e.g., DeMPA) to identify weaknesses, TA to develop reform plans and medium-term debt management strategies (MTDSs) and strengthen legal frameworks for public debt and financial management; TA on debt reporting and compliance with international statistical standards, on fiscal risk management, as well as training in debt sustainability analysis (DSA) and MTDS. In addition, the two institutions have made efforts to strengthen debt management capacity in the context of their lending operations. Besides the IMF and the World Bank, TA and training is also provided by COMSEC and UNCTAD with a focus on debt recording system support, and by INTOSAI on strengthening audit functions, among others.

**3. The first note outlines a work agenda to address identified issues in debt management capacity of member countries as well as in the scope and type of TA being provided (see Table 1).**

- Experience in TA and training to date suggests that there is no one-size-fits-all solution, and diagnostic TA work remains critical in developing tailored and targeted action plans for countries. These can be developed with existing tools or specialized diagnostics. For countries where diagnostic assessments have been performed, more targeted TA to support implementation of recommendations is needed. There may be options to supplement MTDS TA with add-on topics, provide stand-alone and focused TA, or selectively deploy in-country or regional resident experts. Additional efforts will be needed in areas where TA is already provided aimed at broadening debt data coverage, promoting stronger governance, building staff capacity, and developing and implementing appropriate tools for debt recording, monitoring, and reporting.

- More efforts are needed to address overarching issues to better support capacity development, by ensuring adequate TA funding, enhancing information sharing among TA providers, and having IMF and World Bank staff reporting on progress on the debt-related work program to their respective Boards, including in the context of regular broader work program discussions.

**4. The second note looks at how the IMF and the World Bank can strengthen public debt transparency, through their role in collecting and disseminating debt data, conducting and publishing public debt analysis, and supporting and promoting sustainable borrowing and lending practices.**

- The IMF and the World Bank collect and disseminate public debt data, as well as develop debt data reporting standards and guidelines. They host several databases with diverse coverage in terms of institutions, instruments, and other debt profile information such as maturity and currency, based on the main objectives of the database. In addition, the IMF and the World Bank collect significant additional information for their operational work and technical assistance, mainly for the preparations of DSA and MTDS.

- More clarity is needed on the data availability and comparability of different IMF and World Bank databases. In this regard, the note flags the scope for improving accessibility and user-friendliness by developing a centralized webpage summarizing debt data information by country and by coverage from the various IMF and World Bank databases. To support this initiative while encouraging countries to improve reporting and their compliance with established statistical standards, links to data standards implementation status and published assessment reports of data standards can be provided on this webpage.

- Information from DSAs and MTDSs are important inputs to supporting sustainable borrowing and lending practices. In this regard, the recent review of the LIC DSF has strengthened the debt coverage and reporting requirements, and now needs firm implementation support, assisted by supplementary guidance (e.g. on broadening debt coverage). Similar coverage and reporting requirements are also being considered for the ongoing MAC DSA review. There is also a potential benefit from improving access to published DSA and MTDS information.

- The IMF and the World Bank also support sustainable lending through their outreach to creditors and their respective debt limits policies. Outreach to the Paris Club is well established, but more can be done to reach out to emerging bilateral and plurilateral creditors in support of transparent and sustainable lending. The agenda going forward includes: consideration of strengthened link between debt transparency and sustainability in the review of the IMF's Debt Limits Policy (DLP) and the IDA's Non-Concessional Borrowing Policy (NCBP); consideration of enhanced commentary on members' debt issues in the IMF's bilateral surveillance and the World Bank's advisory services and analytics; and clearer guidance to creditors on their treatment under the IMF's lending into arrears policies.

5. **Clearly, official bilateral creditors also have a role to play in ensuring sustainable lending.** The G20 took up this challenge and in 2017 articulated the Principles and Operational Guidelines for Sustainable Financing.[1] A creditor self-evaluation of adherence to the Principles and the sharing of best operational practices would be an important step to promote the Principles. The IMF and World Bank staff stand ready to support such an initiative by assisting the G20 in designing an appropriate questionnaire, working with country authorities to thoroughly answer it, and compiling the responses and best practices for all G20 members' benefit.

6. **Finally, private creditors also share the responsibility for ensuring debt transparency and promoting sustainable lending practices**. The case of Mozambique illustrates how an opaque debt transaction can be in no one's interest. Indeed, calls have grown for a voluntary code on transparent lending for private

[1]Available at https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/G20-2016/g20-operational-guidelines-for-sustainable-financing.pdf?__blob=publicationFile&v=2

creditors, or alternatively principles for such lenders to follow. The Institute of International Finance has constituted a Working Group to develop a coordinated and voluntary information sharing platform to improve the sustainability and transparency of private sector financing. It will be important for this group to consult widely and seek the widest possible acceptance of the principles, including amongst lenders in emerging creditor jurisdictions, and amongst new non-bank lenders. The IMF and World Bank staff stand ready to provide support to this initiative.

**Table 1. IMF and World Bank Agenda Going Forward on Strengthening Debt Transparency**

| Areas | Main work areas | Institutions |
|---|---|---|
| **Borrower capacity building in debt recording, monitoring and reporting** | • Develop tailored and targeted action plans with support of diagnostic TA | IMF/WB |
| | • Provide TA to support implementation of needed reforms where diagnostic TA has taken place and weaknesses have been identified | IMF/WB |
| | • Provide support to broaden debt coverage and strengthen legal and governance frameworks, and to support the implementation of appropriate tools for debt recording, monitoring and reporting, with contributions from specialized providers | IMF/WB |
| | • Deliver adequate and effective TA by ensuring sufficient TA funding, including to the DMFIII facility, enhancing information sharing among TA providers, and regularly reporting on progress in the debt-related work program. | IMF/WB |
| | • Strengthen country efforts to build debt management capacity by identifying measures to support in IMF-supported programs and World Bank financing operations | IMF/WB |
| | • Simplify debt recording guidance and standardize data reporting templates to help alleviate capacity constraints | IMF/WB |
| **Collection and dissemination of debt data** | • Implement IMF's "Overarching Strategy on Data Statistics in the Digital Age" to strengthen the collection of the broader institutional and instrument coverage of existing debt databases by integrating IMF-wide work streams | IMF |
| | • Implement and scale up D4D and Financial Sector Stability Fund (statistics module) to close data gaps and strengthen capacity | IMF |
| | • Implement World Bank initiatives to improve private external debt and public domestic debt statistics | WB |
| | • Improve accessibility of various debt databases by providing on an IMF/WB website a summary of information by country; supplemented by links to published implementation status and assessment reports | IMF/WB |

**Table 1. IMF and World Bank Agenda Going Forward on Strengthening Debt Transparency (concluded)**

| Areas | Main work areas | Institutions |
|---|---|---|
| **Public debt analysis (DSA and MTDS)** | • Support implementation of the new LIC DSF including with supplementary guidance on expanding debt coverage and assessing fiscal risks | IMF/WB |
| | • Define options for stronger debt coverage and disclosures in the review of the MAC DSA | IMF |
| | • Facilitate access to published DSA information through: an extended LIC DSA summary table with key debt information (beyond just rating); clearer guidance on sharing of DSA files with country authorities; a webpage listing published MAC DSAs; and a platform for voluntary sharing of DSA files by country authorities | IMF/WB |
| | • Strongly encourage country authorities to publish MTDS to increase transparency | IMF/WB |
| **Sustainable lending (creditor outreach and debt limits)** | • Review of DLP/NCBP with a view to strengthening data provisioning requirement and simplify conditionality framework | IMF/WB |
| | • Consideration of enhanced commentary on member countries' debt issues in the context of IMF surveillance | IMF |
| | • More structured outreach to non-Paris Club and plurilateral creditors | IMF/WB |
| | • Prepare and provide workshops for emerging creditors on: DSA analysis, lending frameworks, internal coordination of lending agencies, and external coordination in debt resolution situations | IMF/WB |
| | • Enhanced information sharing with multilaterals and plurilateral creditors | IMF/WB |
| | • Clarification of perimeter of official and commercial debt, and multilateral and plurilateral debt (for IMF policy purposes) | IMF |
| **Support to creditor initiatives** | • Support G20 self-assessment of sustainable financing principles | IMF/WB |
| | • Support private sector lending disclosure initiative | IMF/WB |

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# G20 NOTE: IMPROVING PUBLIC DEBT RECORDING, MONITORING, AND REPORTING CAPACITY IN LOW AND LOWER MIDDLE-INCOME COUNTRIES

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| ABP | Annual Borrowing Plan |
| BIS | Bank for International Settlements |
| BPM6 | Balance of Payments and International Investment Position Manual, Sixth Edition |
| COMSEC | Commonwealth Secretariat |
| CPIA | Country Policy and Institutional Assessment |
| CS-DRMS | CS-Debt Management and Recording System |
| D4D | Data for Decisions |
| Debt-DQAM | Debt Data Quality Assessment Methodology |
| DeM | Government Debt Management |
| DeMPA | Debt Management Performance Assessment |
| DeMRP | Debt Management Reform Plan |
| DLP | Debt Limit Policy |
| DMF | Debt Management Facility |
| DMFAS | Debt Management and Financial Analysis System |
| DMO | Debt Management Office |
| DRS | Debtor Reporting System |
| DSA | Debt Sustainability Analysis |
| DSMx | Debt Sustainability and Debt Management |
| EBRD | European Bank for Reconstruction and Development |
| EDS | External Debt Statistics |
| EME | Emerging Market Economy |
| FAD | Fiscal Affairs Department |
| FSSF | Financial Sector Stability Fund |
| FSVC | Financial Services Volunteer Corps |
| FTE | Fiscal Transparency Evaluation |
| GBMDP | Government Bond Market Development Program |
| GDDS | General Data Dissemination System |
| GFS | Government Finance Statistics |
| ICD | Institute for Capacity Development |
| IFI | International Financial Institutions |
| IMF | International Monetary Fund |
| IMFC | International Monetary and Financial Committee |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IT | Information Technology |
| LEG | Legal Department |
| LIC | Low-Income Country |
| LIC DSF | Debt Sustainability Framework for Low-Income Countries |
| LMIC | Lower Middle-Income Country |

| | |
|---|---|
| MAC DSA | Debt Sustainability Analysis in Market-Access Countries |
| MCM | Monetary and Capital Markets Department |
| MEFMI | Macroeconomic and Financial Management Institute of Eastern and Southern Africa |
| MOF | Ministry of Finance |
| MTDS | Medium-term Debt Management Strategy |
| NCBP | Non-Concessional Borrowing Policy |
| NSDP | National Summary Data Page |
| OECD | Organization for Economic Co-operation and Development |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PPP | Public Private Partnership |
| PSD | Public Sector Debt |
| PSDS | Public Sector Debt Statistics |
| QEDS | Quarterly External Debt Statistics |
| RAP | Resource Allocation Plan |
| RTAC | Regional Technical Assistance Center |
| SDDS | Special Data Dissemination Standard |
| SDG | Sustainable Development Goal |
| SNA | System of National Accounts |
| SOE | State Owned Enterprise |
| SPR | Strategy, Policy, and Review Department |
| STA | Statistics Department |
| TA | Technical Assistance |
| UNCTAD | United Nations Conference on Trade and Development |
| USAID | United States Agency for International Development |
| WAIFEM | West African Institute for Financial and Economic Management |

# INTRODUCTION

1. **Strengthening public debt recording, monitoring and reporting is critical to debt transparency.** Rising sovereign debt levels, coupled with recent cases where debt monitoring and disclosure has been inadequate, have highlighted the need for greater attention in building capacity in these areas. Lack of accurate information is particularly relevant for: borrowing undertaken (and committed), debt terms and conditions, breadth of coverage of the public sector, and sovereign exposures to contingent liabilities. These issues have become more significant in the context of a changing creditor and instrument landscape, combined with an increase in off-balance sheet transactions (see IMF 2018, World Bank 2018).[1]

2. **The primary responsibility for reporting accurate and comprehensive public debt data lies with the sovereign borrower.** To effectively report upon public debt, reliable and comprehensive data recording and monitoring is necessary. This requires a legal framework with clearly specified instrument and institutional coverage, well-defined organizational structures that ensure segregation of duties and avoid conflicts of interest, internal controls that ensure laws, procedures and policies are followed, and a secure debt recording system. At the same time, adequate capacity is needed at every step to record, monitor, and report public debt data as well as to audit and to conduct internal control functions.[2]

3. **This note identifies gaps in the recording, monitoring, and reporting of reliable and comprehensive public debt data in low-income countries (LICs) and lower middle-income countries (LMICs), examines the factors that contribute to the difficulties, and proposes actions for improvement.** The next section describes the prerequisites for effective debt recording, monitoring, and reporting. The third section takes stock of existing capacity and identifies the main shortcomings, followed by the fourth section which discusses the main drivers of weak capacity. The fifth section highlights key shortcomings behind recent cases of "debt surprises" and the consequences that lack of transparency can have for borrowers. The current technical assistance (TA) aimed at enhancing capacity in this area is discussed in the sixth section. The final section identifies prospective strategies to improve LIC and LMIC borrower capacity in public debt recording, monitoring, and reporting.

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[1] See Annex I for definition of LICs and LMICs.

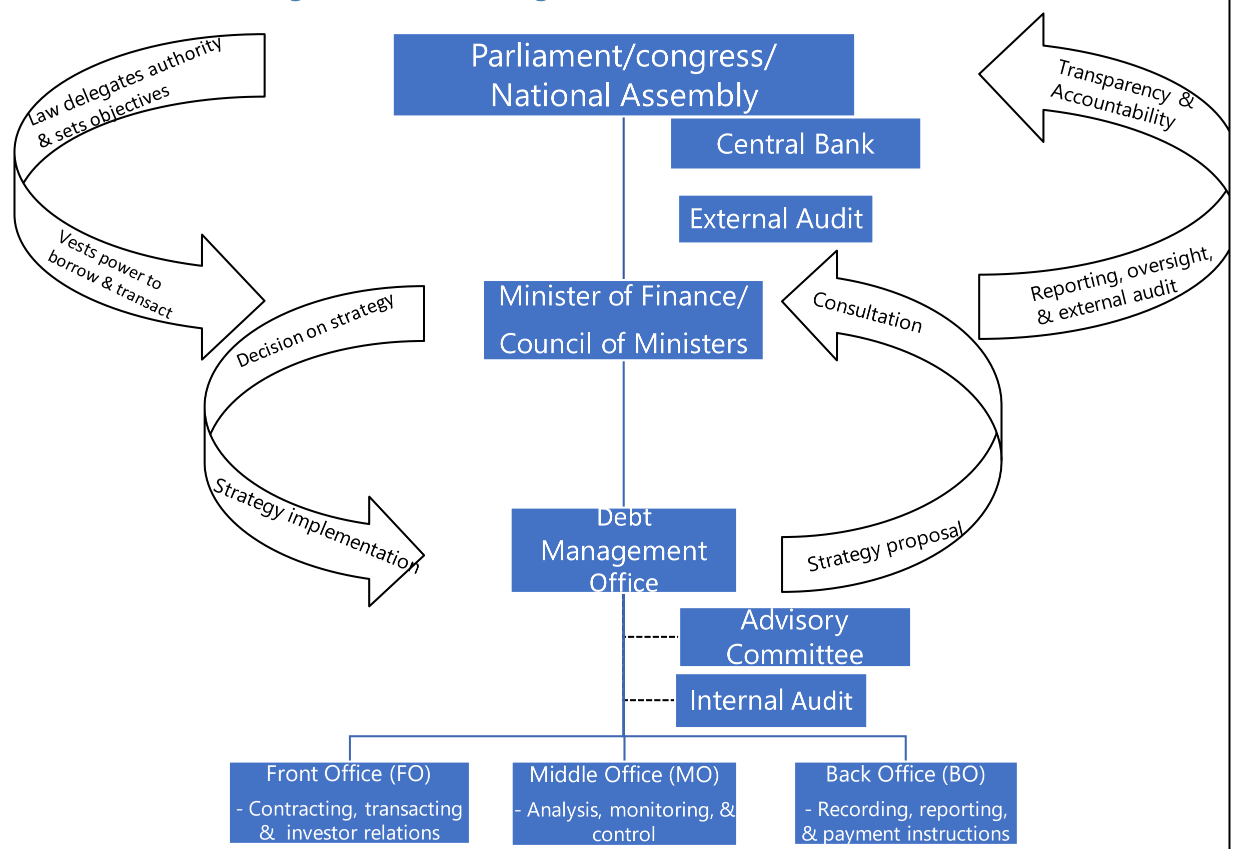
[2] For the purpose of this paper, public debt liabilities include SDR allocations, currency and deposits, debt securities, loans, other accounts payable, insurance, pension and standardized guarantee schemes incurred by government units and other public sector units. They may also include contingent liabilities (such as implicit guarantees) that are not debt from a statistical or legal perspective, but represent a fiscal risk to the government and are thus relevant for analytical purposes.

# PREREQUISITES FOR EFFECTIVE PUBLIC DEBT RECORDING, MONITORING, AND REPORTING

**4. To effectively record, monitor, and report public debt on a consistent basis requires a strong governance framework, effective organizational structure, adequate staff capacity, and a functional recording system.**

- **The governance framework should be underpinned by legislation** setting out the delegation of authority to borrow and issue guarantees on behalf of the State, the public debt management objective, the requirement of a medium-term debt management strategy, the need for regular audits, and for reporting to the legislative body (see Figure 1).[3,4]

**Figure 1. Debt Management Governance Framework**




Source: Fund and World Bank staff.

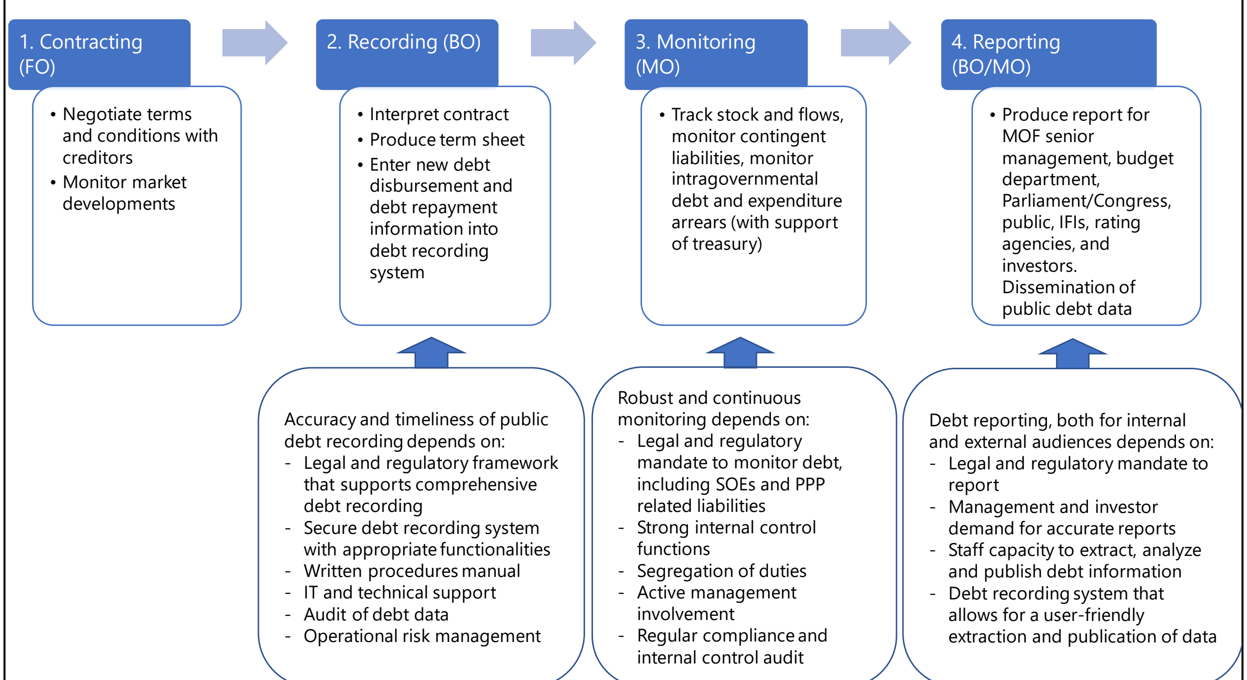
[3]To ensure public debt recording, monitoring, and reporting are adequately mandated by the law, the legal framework should also specify the scope of public debt and the sanctions for violations of the legal framework.

[4]See IMF and World Bank (2014). The location of the debt management office could be set up as an independent agency, or reporting at arm's length to the Minister of Finance and could vary according to country circumstances.

- **The government must also have the authority and institutional capacity to monitor *all* public debt.** In particular, a legal and regulatory mandate to monitor the debt of all public issuers, including state owned enterprises (SOEs, with or without a sovereign guarantee), and other contingent liabilities should be established, and responsibilities for doing so should be clearly delegated to a specific agency. These should also be supported by proper institutional arrangements and policies to contain fiscal risks related to guarantees, SOEs, and public private partnerships (PPPs).[5]

- **Effective organizational arrangement for debt management is crucial.** Consistent with fiscal financing needs and debt management strategy, debt should ideally be negotiated and contracted by a front office, confirmed and recorded by a back office, and monitored and analyzed by a middle office. Regular and timely reporting of the debt data should be produced by the back and/or middle office. Where debt management functions are fragmented across departments and institutions, an effective coordination mechanism that ensures timely information sharing and clear accountability for providing and aggregating information is needed (see Figure 2).

**Figure 2. Process for Contracting, Recording, Monitoring, and Reporting Public Debt**




Source: Fund staff.

**5. Recording, monitoring, and reporting of public debt also depend critically on robust data collection and the use of a secure debt recording system with appropriate functionalities.**

[5]For example, by setting risk exposure ceilings, charging risk-related guarantee fees, ensuring proper risk sharing to minimize moral hazard, transparently assessing, monitoring, reporting and provisioning for any potential fiscal exposure. See IMF (2016a).

An effective data collection framework and a good recording system would enable comprehensive capturing of debt including: domestic and external public debt, publicly guaranteed-debt, other debt-related transactions, such as central bank debt (if borrowed on behalf of the government or used to finance quasi-fiscal activities), currency and interest swaps, arrears, details on past debt relief and debt restructuring, as well as the tracking of contingent liabilities. The debt recording system should also provide for comprehensive reporting features (see Box 1).

**Box 1. Desirable Elements of a Debt Recording System**

A robust debt recording system should provide for an accurate, up-to-date, consistent and comprehensive database with the ability to generate reports as required by the borrower and to inform debt service transactions. A good debt recording system would readily provide the following:

- Instrument-by-instrument financial terms repository.
- An accurate breakdown of the outstanding debt by various characteristics, including currency composition, creditor category and residency, concessionality, and instrument composition (including by interest rate type).
- Aggregate debt servicing schedules across various categories of debt.
- Basic portfolio indicators, such as average maturity and proportion of foreign currency debt.
- Payment schedules for interest and amortization of individual loans and securities, along with the functionality of generating associated payment notices.

Ideally, the system would also interface with other key systems including (i) the payments system used to make debt servicing payments; (ii) the transaction management system (where relevant);[1] (iii) the auction system (if separate from the transaction management system); (iv) the aid management system, and (v) the government's financial management information and accounting system(s). In addition, the integrity of the system should be ensured by appropriate security controls.

Source: IMF and World Bank staff, adapted from IMF and World Bank (2009b).

[1]For example, if the debt management unit engages directly in financial market transactions.

# TAKING STOCK OF EXISTING CAPACITY ON PUBLIC DEBT RECORDING, MONITORING, AND REPORTING

6. **While there have been improvements in debt management capacity and institutions, available evidence suggests that there are still significant gaps for LICs and LMICs in debt recording, monitoring, and reporting.** The World Bank's Country Policy and Institutional Assessment (CPIA) indicates that the average quality of the debt management policy and institutions are broadly comparable with the overall assessments of policy and institutions, and they both fall short of the 3.5 rating for which countries are considered to have "adequate" capacity (see Figure 3.a).[6] Similarly, according to the 2017 debt recording and monitoring capacity assessment

[6]The CPIA is a diagnostic tool that captures the quality of a country's policies and institutions, with ratings ranging from 1 to 6. Countries that have a rating below 3.5 are considered to have "weak" capacity. Among the sixteen

conducted for the IMF's Debt Limits Policy (DLP) and the World Bank's Non-Concessional Borrowing Policy (NCBP), 32 out of 70 LICs (46 percent) were assessed to have weak capacity.

**7. Results from the World Bank's Debt Management Performance Assessment (DeMPA) provide more granular information on debt recording, monitoring, and reporting capacity.**[7] The analysis is based on assessments between 2015–17 in 17 countries, including 9 LMICs and 8 LICs. Although this is a limited data set, evidence from DeMPAs in a broader set of countries and those conducted prior to 2015 suggests the patterns here may be representative. DeMPA results suggest that only 41 percent of the sample countries meet the minimum requirements in debt recording, measured in terms of completeness and timeliness of general government debt data. With regards to monitoring guarantees, 33 percent meet the minimum requirement. Given the problems with the accuracy, timeliness, coverage and completeness of government debt records, DeMPA results show that for many LICs and LMICs, the production of a comprehensive debt statistical bulletin is a challenge. Only 35 percent of countries in the sample meet the minimum requirements for debt reporting and evaluation (see Figure 3.b–d).[8, 9]

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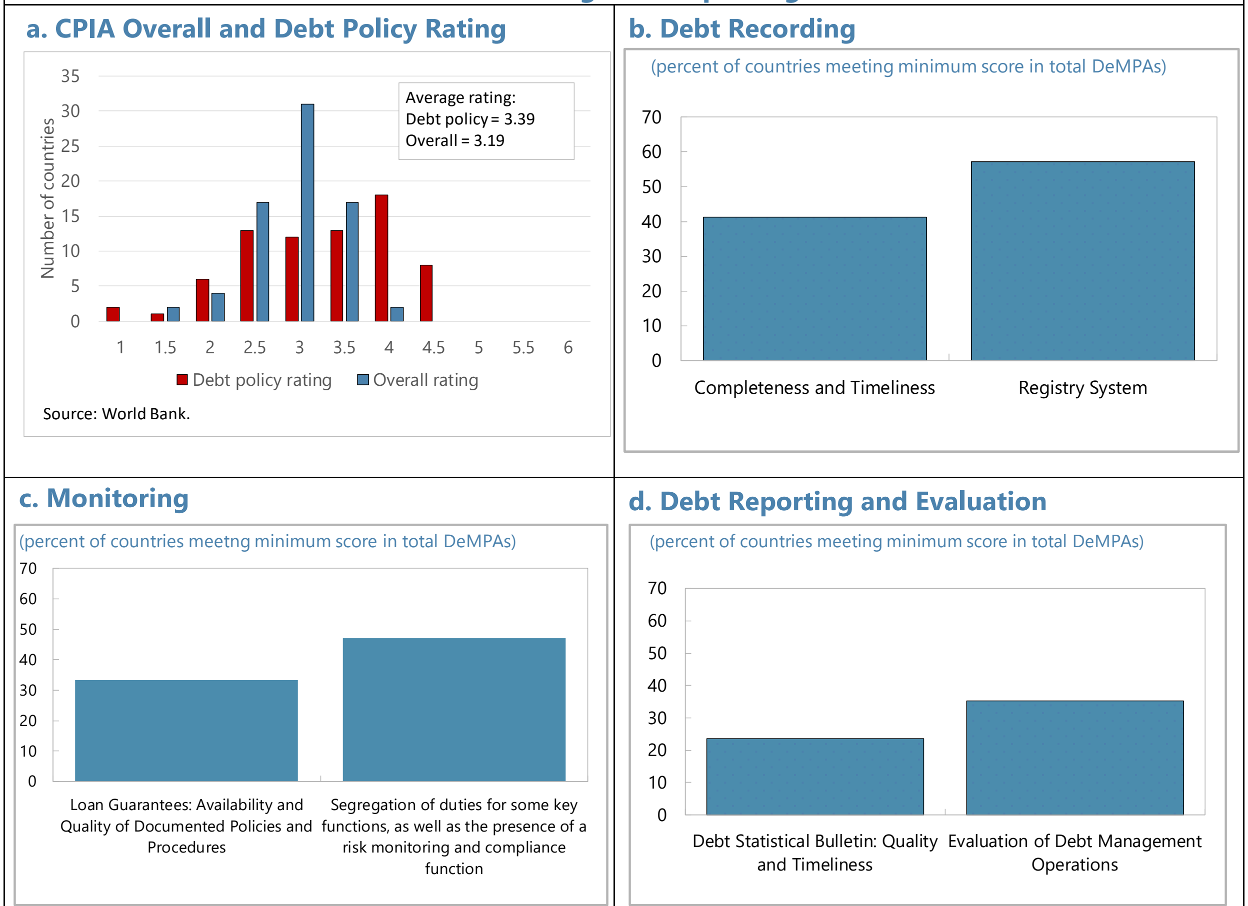
criteria in the CPIA, one indicator assesses the central government's capacity to record reliable and comprehensive public debt data and to produce public debt reports.

[7]The DeMPA tool is a methodology for assessing performance covering the full range of government debt management operations. It is focused on *central government debt and loan guarantees*. See Annex II on a description of the DeMPA and the specific requirements to score a "C" rating to achieve meeting the minimum requirements.

[8]The LMICs in the DeMPA results sample include: Cape Verde, Cote d'Ivoire, Djibouti, Kosovo, Kyrgyz Republic, Mongolia, Papua New Guinea, São Tomé and Príncipe, and Tajikistan. For LICs, they include: Benin, Comoros, Democratic Republic of Congo, Liberia, Madagascar, Mozambique, Rwanda, and Zimbabwe.

[9]See IMF and World Bank (2009a, 2013, 2017) for DeMPA results for a broader set of countries and historical perspective.

**Figure 3. CPIA (2016) and DeMPA (2015-17) Results in LICs and LMICs: Debt Recording, Monitoring, and Reporting**




Source: World Bank.

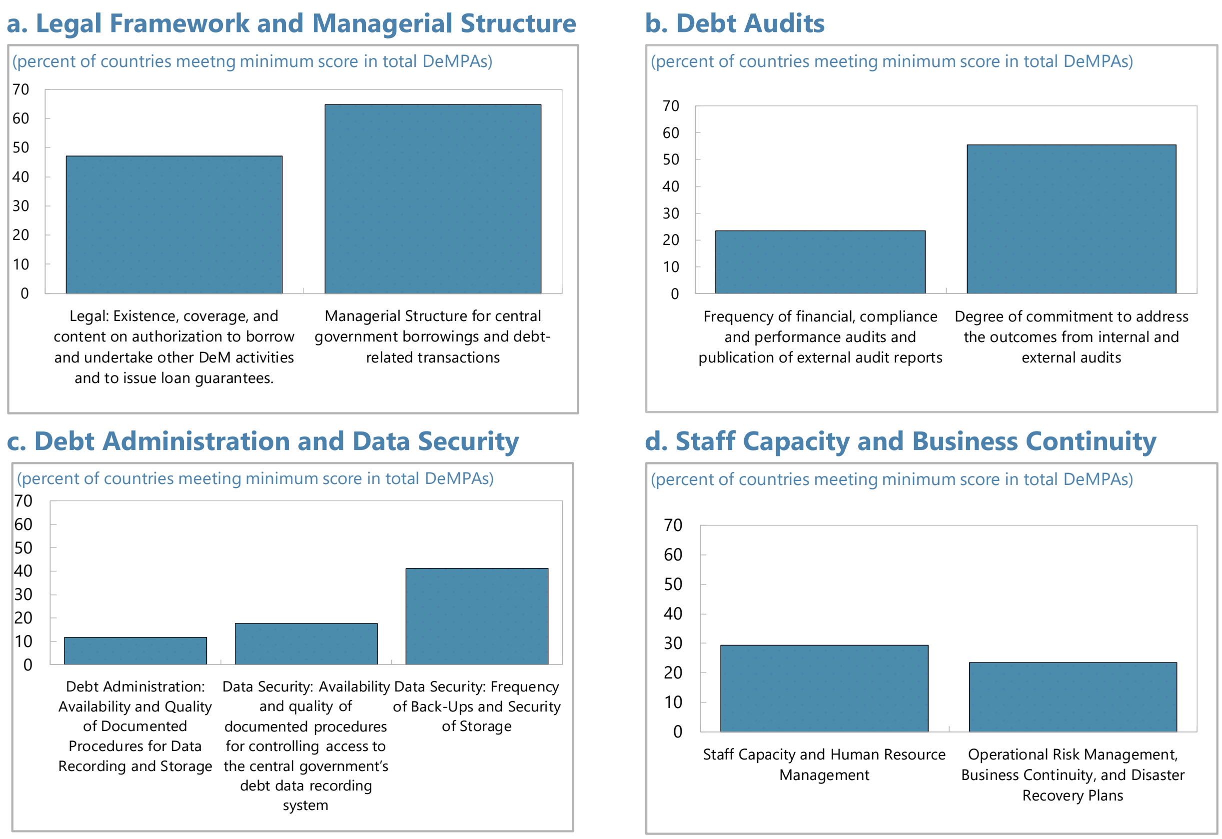
8. **The DeMPA results also highlight broader problems in debt management governance** (see Figure 4).

> **i) Weak legal frameworks:** Only about half of the sample countries have legal frameworks that clearly define the delegation of authority to borrow and undertake debt management activities including the issuance of guarantees.
>
> **ii) Lack of audits:** Few countries (25 percent) undertake external financial audits on an annual basis, or have conducted compliance audits in the past two years; hardly any country has had a debt management performance audit. Where audits are conduced, 56 percent of the countries address the outcomes of the audits.
>
> **iii) Poor data administration and internal control:** Even fewer countries evaluated complied with all the minimum requirements to have procedures (12 percent) and internal controls (18 percent) in place that ensure accurate, timely, and secure processing with

minimal errors of public debt transactions. 18 percent of the countries had adequate data security with documented procedures for controlling access to the data recording system.

**iv) Low staff capacity:** only 44 percent in the sample meet the minimum requirement for staff capacity and human resource management. The countries in the sample score very poorly on operational risk management, business continuity, and disaster recovery planning.

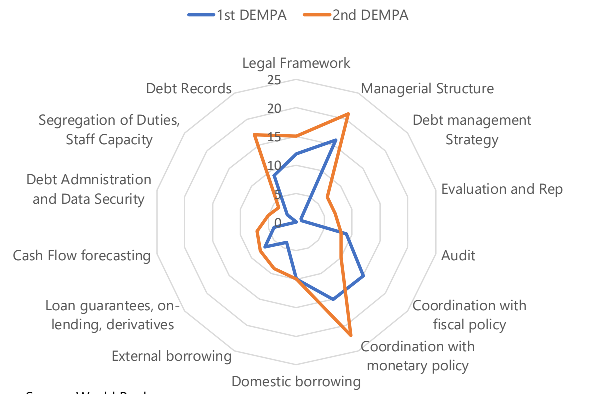
**Figure 4. DeMPA (2015-17) Results in LICs and LMICs: Governance**




Source: World Bank.

**9. DeMPA results in 37 countries that have received at least two assessments over 2008-15 suggests uneven improvements in debt management functions.** Strong improvements have been observed in the areas of coordination with monetary policy, managerial structure, and to some extent, debt records. However, in the areas of audit and coordination with fiscal policy there has been a deterioration in performance, and the results suggest that more needs to be done in the areas of debt administration and data security, operational risk management, and evaluation and reporting (see Figure 5).[10]

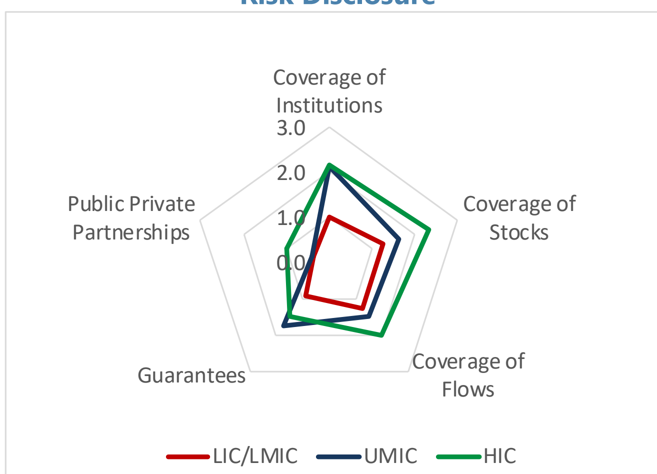
**Figure 5. Improvements in DeMPA Scores**




Source: World Bank.

**10. The IMF's Fiscal Transparency Evaluations (FTEs) confirm weaknesses in debt reporting and reveal a broader deficiency in fiscal reporting and risk disclosure** (Figure 6). In terms of the institutional coverage of fiscal reports, 9 out of the 11 LICs/LMICs publish reports either covering only the central government or a part of it. More than half of the sampled LICs/LMICs are at the basic or below basic level of compliance with the disclosing stocks of assets and liabilities. The coverage of flows in these countries is, likewise, limited to cash payments and receipts with little or no information on accruals. Weaknesses are even more apparent in the disclosure and management of fiscal risks, such as those arising from government guarantees and PPPs.[11]

**Figure 6. Findings from Fiscal Transparency Evaluations: Weaknesses in Fiscal Reporting and Risk Disclosure**




Note: A score of 3 represents compliance with the most advanced practice for that indicator.
Source: IMF.

[10] The DeMPA methodology changed in 2015. The 37 countries covered between 2008-15 are different from the 17 LIC and LMICs discussed above, hence the results are strictly not comparable.

[11] See http://www.imf.org/external/np/fad/trans/index.htm.

**11. The International Organization of Supreme Audit Institutions (INTOSAI) reaches similar conclusions.**[12] INTOSAI's "Audit of Lending Borrowing Frameworks, 2013- 2017" concludes that, where legislation was not clear on the allocated authority, front, middle and back office activities were uncoordinated and spread across a number of entities, creating inefficiencies in the debt management function, and information to departments and auditors was limited. Lack of clear segregation of duties led to lack of transparency in reporting, weak quality control, and a lack of accountability. The auditors also found that record keeping was often not accurate or complete, delays in updating of information led to discrepancies between payment schedules and orders, debt reporting often did not comply with legislative requirements, and there was little integration of debt statistics into policy making decisions. They noted that in some cases, while the data was regularly published, it was not useful for decision makers as it lacked relevant details. They also pointed to significant inconsistencies among different sources.

# MAIN DRIVERS OF WEAK CAPACITY

**12. IMF and World Bank TA provides insights into the main drivers of weaknesses in debt recording, monitoring, and reporting including:**

- ***Weak incentives to produce reliable data, leading to debt data not being recorded or updated accurately or on a consistent basis.*** The weak incentives relate to lack of senior management demand for data, limited public scrutiny, lack of integration with other PFM systems, and the absence of market consequences.

- ***Weak procedures contribute to low quality data and data administration.*** Lack of adequate procedures to reconcile debt service data have led to erroneous debt service payments (e.g., some debtors rely on creditor invoices for external payments, without reconciling these against the information in the debt recording systems). In addition, reporting of bilateral and commercial project loans from line ministries and SOEs to the debt management unit under the ministry of finance, are often delayed or incomplete. In some cases, loan proceeds may not even cross the border of the beneficiary country and are remitted directly from a foreign lender to a foreign supplier without informing the borrower, thereby causing recording issues. Inadequate procedures for data administration impose additional burden to staff in countries with weak capacity and high staff turnover.

- ***Weaknesses in IT infrastructure for debt recording and outdated software.*** Outdated software and delayed maintenance or upgrading of IT systems are common in countries that place low priority on debt management issues in general, and back office functions in particular

[12]Countries included in INTOSAI's publication differ from the coverage in this report and include: Argentina, Bangladesh, Bhutan, Botswana, Brazil, People's Republic of China, Colombia, Georgia, Honduras, India, Kenya, Malaysia, Maldives, Mexico, Mongolia, Nepal, Paraguay, Peru, Philippines, Venezuela, Zambia, and Zimbabwe. The fact that similar findings are reported for upper middle-income countries suggests the identified challenges are difficult to resolve and require extensive support, particularly for low-income countries.

as well as in countries that have limited financial resources.[13] At the same time, it is a challenge for system providers to stay abreast of financial innovation and keep their product and services relevant against increasingly sophisticated debt portfolios and transactions (i.e. securities, liability management transactions, etc.).

- ***Insufficient human resources also contribute to the identified weaknesses.*** Debt management units are often under-resourced and understaffed, with employees (including IT support) often lacking appropriate skills to perform their role and with insufficient opportunities for training. Attracting and retaining skilled staff is difficult given relative levels of compensation in the private sector as well as in other parts of the public sector.

**13. Weaknesses are also driven by broader institutional and governance related issues.** These include:

- ***Fragmented responsibilities and uncoordinated institutional arrangements.*** Disconnections make it difficult to create a comprehensive record of total government debt, because there are multiple institutions overseeing parts of the debt and recording information in different systems, or arrangements for debt data sharing are inadequate. This is particularly prevalent when the legislation does not clearly allocate the authority of debt management functions. Weak coordination between the compilers of government finance statistics (GFS), which include debt statistics, and public debt compilers also contribute to the weak reporting of public debt statistics.

- ***Limited mandate.*** Where the legal framework for the coverage of public debt is narrow, DMOs have an inadequate legal mandate to collect necessary information from SOEs and other relevant public bodies (whose compliance with reporting requirements is often weak), particularly in the case of non-guaranteed debt and guarantees extended by these entities. Moreover, if a country has a centralized debt statistics compilation agency, it may face difficulties in getting source data from all the various levels of the general government or public sector, simply because that agency does not have a mandate to ensure timely and regular reporting of source data by other public entities.

- ***Weak audit capacity.*** Lack of trained internal and external auditors can result in weak audits and lack of follow-up on audit recommendations. Where responses are weak, or recommendations are ignored, audits have limited impact. Lack of publication of external audit reports also contributes to a lack of effectiveness, as there is then no public scrutiny.

**14. TA providers have also observed that the capacity issues are exacerbated by multiple data requests.** In particular, challenges with weak capacity can be compounded by data requests from IFIs, donors, rating agencies, and investors, all demanding different information in different

[13]The Commonwealth Secretariat (COMSEC) and UNCTAD indicate that the *latest versions* of debt management and recording systems (CS-DRMS and DMFAS, respectively) provide for most of the requirements in the *Public Sector Debt Statistics: Guide for Compilers and Users.* Notwithstanding there remain several outstanding issues.

formats throughout the year. This is in addition to requests for information from internal management and the public. Further, existing guidance for the compilation of debt data is complex and difficult to implement where capacity is weak.

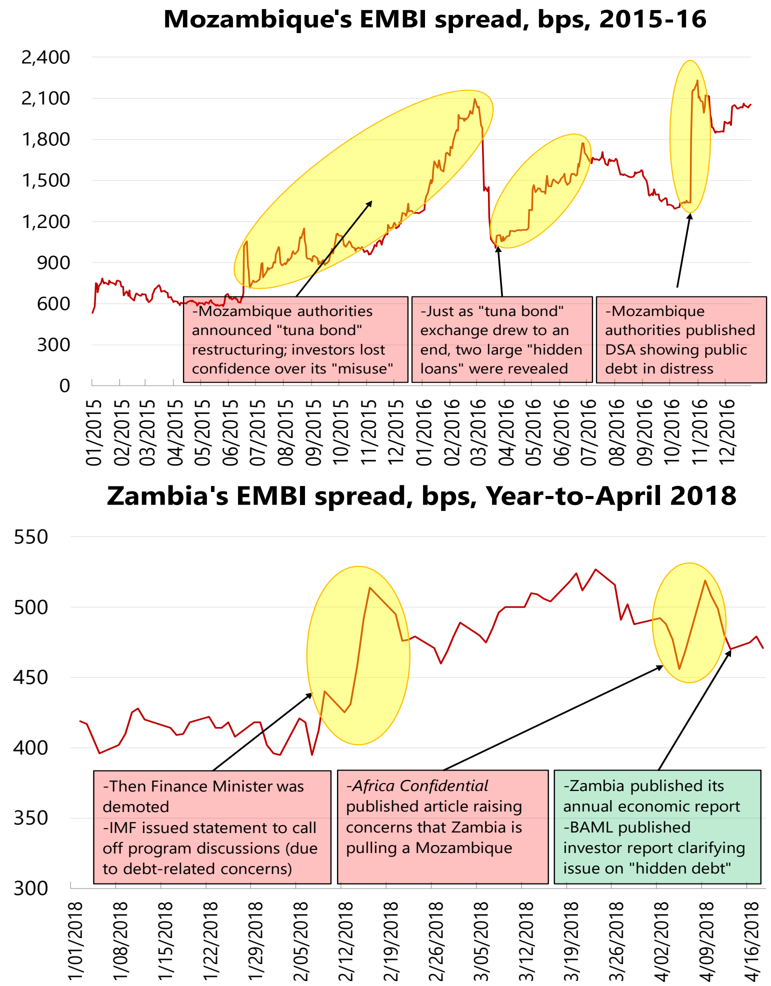
## LESSONS FROM RECENT PUBLIC DEBT SURPRISES

**15. There have been several recent cases of hidden debt:**

- In the Republic of Congo, pre-financing contracts with oil traders were contracted by the oil state-owned enterprise on behalf of the government, but remained undisclosed to the DMO, for over two years, as they were considered to be outside the DMO's mandate.
- In Togo, "the government had pre-financed debt in 2015—a form of de facto government debt which was not reflected in official government debt statistics, amounting to 7 percent of GDP at end-2016" (cited from Togo's May 2017 Article IV Consultation staff report).
- In Ecuador, data was published on other liabilities that are not considered public sector debt under the official debt definition, including advanced oil sales, short-term treasury certificates, which were previously not transparently disclosed. Those liabilities represent about 9 percent of GDP.
- In Mozambique, two state-guarantees issued in 2013 and 2014 by the Minister of Finance to SOEs incorporated as private enterprises were not disclosed to the debt management staff and the public, and broader governance issues appear to have been an issue (see Box 2).

**16. The case of Mozambique illustrates the consequences of the fallout that hidden debt can have.** The authorities' announcement to restructure the "tuna bonds" and the discovery of potential misuse of the borrowed funds led to the country being cut off from donor funding, and its subsequent default. It also set off a sharp widening of the bond yields since mid-2015. Just as the debt exchange for the "tuna bonds" was concluded in April 2016, two large previously undisclosed external loans were revealed (Box 2), which saw the bond yields spike again in October 2016.

**Figure 7. Market Reactions to Debt Transparency Concerns**




Source: Bloomberg.

**17. Just uncertainty about the debt numbers can have negative consequences.** In Zambia, a weak debt management framework, including reporting lags and uncertainty regarding debt coverage, led to speculation about the level of public debt and also prompted the market's repricing of Zambia's credit risk (as evidenced by the spike in its EMBI spread in April 2018, see Figure 7), which was later reversed after the government finally released its annual economic report that provided some clarity on its debt situation.

**18. These examples point to the role of poor capacity in monitoring contingent liabilities, and governance issues.** In most of these cases, the critical issue appears to be the absence of comprehensive accounting of the debt, coupled with an inadequate governance framework, together weak in the ability to control, enforce compliance, and monitor SOE debt and guarantees.

### Box 2. Mozambique: A Case of Hidden Debt

**Two large previously unreported external loans were revealed to IMF staff in April-June 2016.**[1] The two loans, amounting to US$1.15 billion (9 percent of GDP at end-2015), were contracted in 2013 and 2014 by two SOEs with government guarantees, allegedly for maritime projects. The loans, together with a third loan of US$850 million contracted by another SOE with government guarantee, were examined by an independent external audit, the summary of which was subsequently posted to the Mozambique Attorney General's website.[2,3]

**The independent external audit points to possible inadequacies in the process for granting of these government guarantees.** The audit received no evidence of any assessment of the guarantee requests by the Ministry of Finance (MoF) prior to their approvals and any involvement of Parliament or the Administrative Court in the process of granting these guarantees. These guarantees were also not disclosed to the IMF, leading to the non-observance of the continuous assessment criterion on the ceiling for the contracting or guaranteeing of new non-concessional external borrowing by the Mozambique, as set forth in the PSI program documents.

**The audit also raises concerns about significant deficiencies in the management and oversight of the SOEs involved.** First, information gathered during the audit suggests that the fact that the SOEs were incorporated as private companies may have contributed to less scrutiny by the MoF. Secondly, the SOEs apparently lacked coherent business plans and adequate management capacity, which negatively affected the progress and quality of the projects and in turn their ability to generate revenues to service their debt. Increasing difficulties to meet the debt payments eventually led to the defaults on these loans.

**The audit also suggests a lack of transparency, including critical information gaps regarding the use of the loan proceeds.** Specifically, the audit could not verify the transfer of US$500 million from the "tuna bonds" proceeds to the budget in 2014 in part due to confidentiality of the information. The audit also did not receive adequate information to undertake a reliable valuation of the supply contracts and instead sought to estimate, with the support of an independent expert, possible price discrepancies of the assets and services provided. The fact that most of the loan proceeds were directly transferred to the contractors without entering Mozambique could have also contributed to the difficulty of reporting and monitoring these loans.

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[1]The authorities also disclosed six smaller bilateral loans that were previously unreported (totaling US$334 million), which were not the subject of the independent audit. Three of these loans also gave rise to misreporting cases.

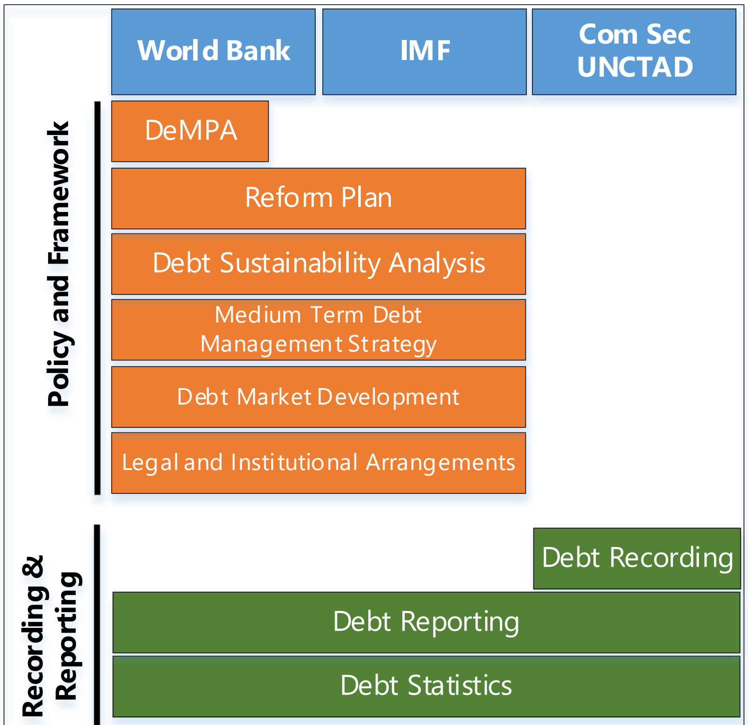
[2]This debt issued by the SOE in bonds (the so-called "tuna bonds") with a government guarantee was subject to a debt exchange with a sovereign Eurobond in April 2016.

[3]http://www.pgr.gov.mz/images/documentos/comunicados/Independent_Audit_Executive_Summary_English_(REDACTED_FOR_PUBLISHING).pdf.

# BUILDING CAPACITY IN PUBLIC DEBT RECORDING, MONITORING, AND REPORTING

**19. The World Bank, the IMF, and other TA providers deliver extensive TA on debt management related issues in LICs and LMICs, from institutional and governance arrangements to the preparation of medium-term debt management strategies (MTDS)** (see Figure 8).

**Figure 8. Main Technical Assistance Provided by the IMF, World Bank, UNCTAD, and Commonwealth Secretariat**




UNCTAD, COMSEC and regional TA providers (i.e. MEFMI, WAIFEM) also join selected DMF-funded missions.

**20. The IMF and World Bank's TA provided to date is focused on governance frameworks and building analytical capacity for developing policy ("upstream activities", see Annex III and IV).** Most, but not all, of this advice is provided through the coordinating umbrella of the Debt Management Facility (DMF)—a multi-donor trust fund supporting debt management capacity building in LICs—as well as country-specific TA (see Box 3).

- In many cases, the content of the TA is driven by DeMPA results, which identify areas of weaknesses. The TA to develop a reform plan establishes priorities, provides diagnostics of the causes of weaknesses, and develops an action plan for reform implementation, with sequencing, timeline, and milestones in accordance with country specific circumstances.

- TA on developing MTDS is often complemented by efforts to strengthen institutions and governance arrangements; introduce new debt management laws; develop operational procedures, policies and manuals; and support the publication of statistical bulletins and annual borrowing plans.

- TA is complemented by training activities, including the DeMPA, DSA, and MTDS. E-learning opportunities of these are also offered on a regular basis.

**Box 3. The Debt Management Facility**

The Debt Management Facility (DMF) is a multi-donor trust fund, launched by the World Bank in 2008 to strengthen debt management capacity in IDA-eligible countries through expert technical assistance. After a positive external evaluation, a second phase of the DMF (DMFII) was launched in 2014 and the IMF joined the DMF as co-chair. The objective of the DMF is to strengthen debt management institutions, processes and capacity to reduce debt related vulnerabilities and costs through the development and implementation of analytical tools, trainings, peer-to-peer learning and tailored technical assistance. Since its inception, the DMF has responded to demands from roughly 80 countries and 15 subnational governments, and trained over 600 client practitioners.

The core DMF activities include Debt Management Performance Assessments (DeMPA), the Medium-Term Debt Management Strategy (MTDS), the development of Reform Plans, the Debt Management Practitioner's Program and the DMF Forum. These activities have been expanded to include domestic debt market development, and subnational debt management, risk management, assistance on international capital market access and training under the under Joint World Bank –IMF Debt Sustainability Framework for low-income countries (LIC DSF).

Besides traditional country missions, the DMF supports training events, on-line training courses, outreach programs, and research and development. Moreover, peer learning and outreach activities include the annual DMF Stakeholders' Forum, The debt Managers' Network, and the Debt Management Practitioners Program, under which debt managers from LICs join the World Bank on a temporary assignment.

**21. TA is also provided outside the DMF umbrella.** The IMF, including through the Regional Technical Assistance Centers (RTACs), and the World Bank deliver TA financed by own and other donor resources on: debt and public financial management laws; development of domestic debt markets and international bond issuance; debt statistics, reporting, and compliance with international standards (including through the IMF's new D4D and FSSF facilities); operational procedures, debt manuals, statistical bulletins, cash management, and management of fiscal risks, including PPPs.[14,15]

**22. Capacity building efforts have been leveraged through the contributions of various partners,** who are well-placed to provide training and advice tailored to regional needs. Regional partners can provide targeted, timely, and cost-effective assistance to their member countries. Specifically, the DMF facility finances "implementing partners" whose staff participate in selected technical assistance missions as well as host training events. The implementing partners' capacity is increasing, particularly in Africa.[16]

[14]See G20 Note on Strengthening Public Debt Transparency——The Role of the IMF and The World Bank, Box 1, IMF and World Bank Initiatives to Improve Data Availability for a further discussion of the D4D and FSSF initiatives.

[15]Donor support also takes place in the beneficiary countries. For example, many donors such as EBRD, USAID and FSVC (funded through USAID) provide TA in areas such as portfolio flows and integration of debt recording system with PFM systems.

[16]For example, Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and West African Institute for Financial and Economic Management (WAIFEM).

**23. There are a few other TA providers with global reach beside the World Bank and the IMF (see Annex V).**

- COMSEC and UNCTAD are the main providers of debt recording software systems in LICs and LMICs (CS-DRMS and DMFAS) and are funded by user countries and donors (see Annex V). Their focus has been on the "downstream" areas including the maintenance of debt databases, debt data validation, debt operations, internal and external debt reporting, debt statistics and basic debt analysis, operational risk management, and building system links between debt management and other financial software. Both COMSEC and UNCTAD report that they face challenges in ensuring that they have sufficient financial resources for meeting the needs of countries for support in these areas.

- The INTOSAI, through its Development Initiative and the Working Group on Public Debt, provides TA and training to its member supreme audit institutions and is in the process of finalizing a Handbook that would help national auditors conduct performance, compliance, and financial audit of public debt management.

**24. Various TA evaluation reports point to strategies for improving the effectiveness of TA.** These will continue to inform the design of TA strategy going forward (e.g., the concept note for DMFIII, now under preparation). The reports suggest:[17]

- ***A more programmatic approach and efforts to sustain capacity development.*** While each TA mission should have its own focal issues to address, it should build on previous TA recommendations to identify and address persistent challenges, and ensure continuity. To ensure that TA continues to be effective, it is important to assess the implementation status of previous TA recommendations, and confirm full commitment from the authorities, especially high-level officials.

- ***Strengthening linkages between debt management TA and macroeconomic management.*** Addressing weaknesses in data issues is critical to this since it affects the quality of key analytical tools, including the DSA and the MTDS, which inform macroeconomic policy. Integration with IMF-supported programs and World Bank development policy financing can also strengthen the linkages with the macroeconomic framework.

- ***Better integrating upstream and downstream TA.*** MTDS-related advice has mostly concentrated on supporting capacity building in the formulation of a strategy. Strengthening capacity to record and monitor public debt where such capacity remains low could prove an important complement to MTDS-related work.

- ***Improving information sharing and increasing publication of TA reports.*** There is ongoing need for TA providers to share diagnostic and coordinate work plans to ensure that new TA

[17] See for example IMF and World Bank (2007, 2009a, 2013, 2017), IMF (2013, 2016b).

builds on and leverages on past experience. Encouraging the authorities to publish TA reports and increasing transparency of TA will also contribute to greater information sharing.

- ***Sustaining funding to deliver and enhance capacity building.*** Among upstream activities, resources for TA on legal and regulatory framework for LICs and LMICs have been scarce (despite their frequent appearance in structural benchmarks in IMF-supported programs), as have TA resources to manage and monitor fiscal risks. Among downstream activities, resources have fallen short where more continuous support is needed in upgrading technical capacity in debt recording, monitoring, and reporting.

**25. IMF-supported programs and the World Bank's Development Policy Financing often involve efforts to enhance debt management capacity.**

- IMF-supported program conditions are generally established only on variables and measures that are of critical importance for achieving program goals or for monitoring the implementation of the program and country authorities will often request technical assistance to help them meet such conditions. Also, the IMF's Debt Limits Policy (IMF 2015) suggests that, where data monitoring and recording capacity is deemed weak, there is a presumption that this capacity will be strengthened during an IMF-supported program. A review of recent debt-related structural benchmarks indicate that adoption of debt management laws has been a frequent benchmark (and is generally considered to be durable reforms even after the end of the programs). However, relatively few programs have benchmarks relating to debt recording and systems issues. Other benchmarks have addressed transparency issues by requiring the publication of statistics, audit results, and debt management strategy (see Table 1).[18]

- The World Bank's Development Policy Financing loans set prior actions on mutually agreed policy and institutional actions that are deemed critical to achieving a country's selected development objectives to be implemented in advance of the Board approval of a loan. A significant share of Development Policy Financing operations required improvements in debt management prior to any disbursements (see Figure 9).

[18]Staff reports are required to explicitly identify key capacity weaknesses, explain how those weaknesses may affect the ultimate design of the program, and highlight the measures under the program to build capacity in those areas. See IMF (2010).

**Table 1. Debt Related Structural Benchmarks in Selected IMF-Supported Programs**

| Benchmark/Country | Start Year of Program | Status |
|---|---|---|
| **Approval of debt management laws** | | |
| Albania | 2006 | Met |
| Burundi | 2012 | Met |
| Central African Republic | 2006 | Not met |
| Grenada | 2014 | Met |
| Haiti | 2010 | Met |
| Honduras | 2014 | Met |
| Moldova | 2006 | Not met |
| Nicaragua | 2002 | Met |
| Sao Tome and Principe | 2009 | Met |
| Tanzania | 2014 | Not met |
| Uganda | 2002 | Met |
| **Introduction or improvement of debt recording systems** | | |
| Central African Republic[1/] | 2006 | Not met |
| Guinea-Bissau[1/] | 2010, 2015 | Not met |
| Grenada | 2010 | Not met |
| Sao Tome and Principe | 2005 | Met |
| Tanzania | 2010 | Met |
| **Publication of debt data or audit results** | | |
| Central African Republic | 2016 | SB[2/] |
| Chad | 2017 | Met |
| Congo | 2004 | Met |
| Grenada | 2014 | Met |
| Senegal | 2007 | Met |
| Tajikistan | 2009 | Met |
| **Publication of debt management strategy** | | |
| Albania | 2006 | Met |
| Ghana | 2012, 2015 | Met |
| Rwanda | 2006 | Met |
| Uganda | 2006 | Met |

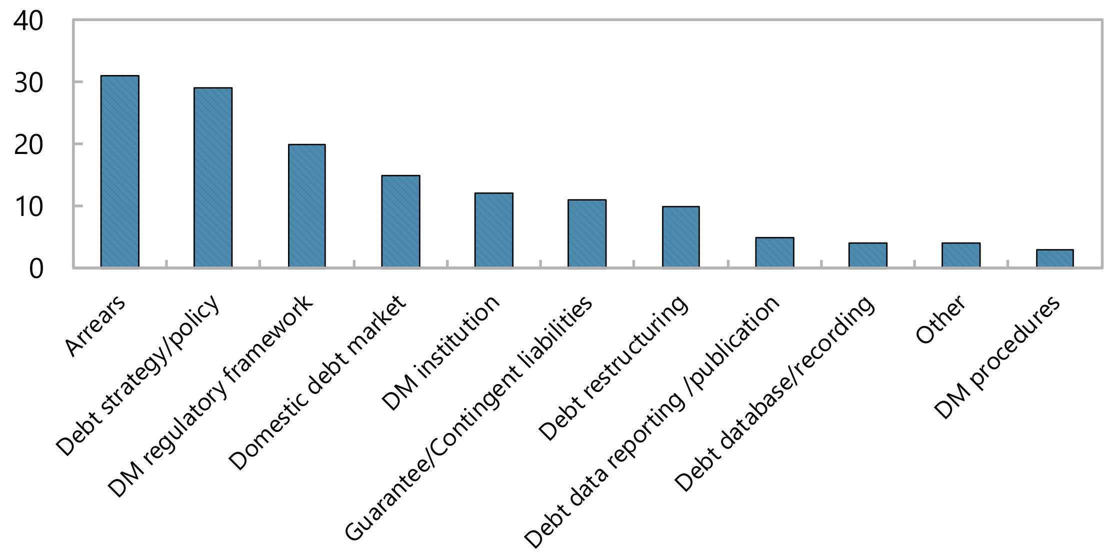
Source: IMF MONA database.

[1/] DEMFAS system was upgraded in the Central African Republic in 2017 and 2018 in Guinea-Bissau.

[2/] It remains a structural benchmark with a test date of end-June 2018.

**Figure 9. Debt Management Prior Actions in the World Bank's Development Policy Financing**

(In percent of Total Prior Actions in Development Policy Financing)




Source: World Bank (includes 144 DPFs between 2007 and 2017).

# AGENDA GOING FORWARD

**26. Many LICs and LMICs have made progress in strengthening debt management capacity and institutions, but there remain significant shortfalls that originate for diverse reasons across countries.** There is a need to develop tailored and targeted plan of action in countries based on a solid understanding of the underlying problems in the various phases in the process of recording, monitoring, and reporting public debt. The action plans could be developed with the assistance of DeMPAs, FTEs, other specialized diagnostics.19 MTDS missions can also be of assistance as they can observe where data issues are problematic. It would be especially important to target these to countries where capacity is understood to be weak (via the annual CPIA analysis), and where such work has not been done before or would need an update (see Table 2).

**27. Where capacity is weak and the problems have already been identified through previous diagnostics, more targeted TA to support the implementation of reforms is needed.** There are options to provide this including with add-on topics for MTDS missions and other stand-alone and focused TA. Assistance in this area may also require hiring additional experts under relevant Trust Funds, including in RTACs, selective deploying in-country resident advisors where cost effective, and greater collaboration with global and regional TA providers could complement the delivery of TA.

[19]The new diagnostic tool being developed by COMSEC and UNCTAD, the Debt Data Quality Assessment Methodology—'Debt-DQAM'—for measuring debt data quality and identifying specific areas for improvement, could be useful in this regard, but it will need to be closely coordinated with IMF and World Bank diagnostic tools.

**Table 2. DeMPA for LICs and LMICs with Weak Capacity[1]**

| Country | Year of last DeMPA |
|---|---|
| Eritrea | ... |
| South Sudan | ... |
| Kiribati | ... |
| Lao PDR | ... |
| Micronesia, Fed. Sts | ... |
| Togo | 2007 |
| Malawi | 2007 |
| Central African Republic | 2008 |
| Guinea-Bissau | 2008 |
| Congo, Rep | 2008 |
| Burundi | 2009 |
| Guinea | 2009 |
| Yemen, Rep. | 2010 |
| Mauritania | 2010 |
| Afghanistan | 2011 |
| Sudan | 2012 |
| Chad | 2013 |
| Gambia, The | 2014 |
| Haiti | 2014 |
| Zimbabwe | 2015 |
| Tajikistan | 2015 |
| Mongolia | 2016 |
| São Tomé and Principe | 2016 |
| Cape Verde | 2016 |
| Comoros | 2016 |
| Mozambique | 2017 |
| Djibouti | 2017 |

Source: World Bank.
[1]Weak capacity is defined as having a CPIA debt policy rating lower than 3.5 in 2016.

**28. There are some common problems across countries that deserve specific attention.** In particular, the recent debt surprises suggest that the most pressing issues are in the area of strengthening coverage and improving governance and legal frameworks.

- *Broadening debt data coverage*: Additional TA may be needed in many countries to revise the legal and regulatory framework to permit the central government to obtain information from sub-central governments and SOEs or provide a central oversight on their borrowing activities, including PPPs. In others, there may be a need to strengthen compliance with existing procedures and policies by building the capacity of internal control functions. More

TA on assessing and managing fiscal risks from contingent liabilities, both implicit and explicit, is critical. This could be facilitated by tools such as fiscal stress testing and the public-private partnerships fiscal risk assessment model.

- *Promoting stronger governance*: The IMF's new framework for enhanced engagement can also be useful to complement the ongoing work of the World Bank Group. These efforts can assist in helping member countries to address governance and corruptions issues, including fiscal governance, domestic resource mobilization, public financial management and related aspects of fiscal transparency.[20] Another important avenue to this is stronger external and internal audit. This would provide for more effective checks and balances and greater transparency and accountability to legislative bodies and the public. Greater international support to TA and trainings organized by INTOSAI's Development Initiative and the Working Group on Public Debt could strengthen local auditors' capacity in conducting debt management performance, compliance, and data audits.

- *Building staff capacity*: High staff turnover particularly in back-office functions points to a need for more frequent training events. To achieve this in a cost-effective manner, e-learning programs could be more effectively used to complement national and regional trainings. Increased international support to TA and training could strengthen local capacity in 'downstream' areas such as debt data recording, monitoring, and reporting. Further, data-related training for debt sustainability and debt management could be enhanced by including tutorials on data sources into the new e-learning course on Debt Sustainability and Debt Management (DSMx), currently under production by the IMF and the World Bank.

- *Developing appropriate tools*: A closer review of countries' need with regard to recording, monitoring and reporting may be warranted, to ensure that the existing mechanism serve their objectives. The forthcoming release of Com Sec's new Meridian software and UNCTAD's DMFAS version 7 is an opportunity to take stock of strength and weaknesses of debt recording systems, in collaboration with the IMF and World Bank.

**29. There are also overarching issues that will need to be addressed:**

- *Funding*: The additional TA proposed in this note to support more focused and expanded assistance to member countries to strengthen capacity will require more resources. Appropriate funding on the ground is also needed to support the authorities to put in place needed systems, staffing, and possibly resident experts to assist in integrating debt management activities into wider public financial management frameworks and processes.

[20] http://www.imf.org/en/News/Articles/2018/04/21/pr18142-imf-board-approves-new-framework-for-enhanced-engagement-on-governance

- *Raising awareness at the highest political level:* TA should be used increasingly to raise awareness of issues related to debt recording and reporting at the highest level of government officials and parliaments.

- *Enhance information sharing*: To enhance information sharing, the IMF and the World Bank could create a catalogue of all relevant TAs delivered on an ongoing basis (containing information such as the subject matter, the TA provider, the beneficiary country, year of delivery, main topics addressed, and where possible, a summary of recommendations). Where the authorities consent to the publication of the TA report, the link to the TA report could be established in the catalogue. This could be shared among TA providers, so that, where TA is being planned, TA providers would have access to a comprehensive reference of past TA reports. In addition, IMF and WB are reviewing ways to increase the dissemination of TA reports.

- *Reporting to the international community.* The Communiques of the IMFC and the Development Committee called on the IMF and the World Bank to work together on a multi-pronged work program to enhance debt transparency and sustainability and address LIC public debt vulnerabilities. In this regard, the IMF and World Bank staff will keep their respective Boards updated on the progress of their work, including in the context of regular broader work program discussions.

**30. There is further scope for IMF-supported programs and World Bank development policy operations to support country's efforts to improve debt data transparency.** Where institutional or capacity weaknesses are seen as a major risk factor, and/or there are significant concerns about the potential materialization of contingent liabilities leading to heightened risks of debt distress in DSAs, structural conditionality on debt-related reforms would be warranted. This would be done with a view to more explicitly link debt sustainability with weaknesses in debt recording, monitoring, and reporting capacity. The existing capacity assessment done annually to inform the IMF's DLP and World Bank's NCBP offers a means through which to communicate possible corrective measures to teams covering countries where capacity has been found to be weak.

**31. Finally, existing debt recording guidance could be significantly simplified and reporting templates standardized to help ease capacity challenges.** For example, simpler guidance on debt recording (i.e. in the Public Sector Debt Statistics PSDS Guide) could be produced. Moreover, a comprehensive debt reporting template could be agreed amongst IFIs and other stake holders to help reduce the burden on the borrowers' debt management unit and reduce potential errors. This would need to be designed to be automatically produced and exported to Excel in the debt recording systems, and should be consistent with the PSDS Guide.

# Annex I. List of Low-Income and Lower Middle-Income Countries

(per World Bank classification)

| Low-income countries (LICs) | Lower middle-income countries (LMICs) | |
|---|---|---|
| Afghanistan | Angola | Myanmar |
| Benin | Armenia | Nicaragua |
| Burkina Faso | Bangladesh | Nigeria |
| Burundi | Bhutan | Pakistan |
| Central African Republic | Bolivia | Papua New Guinea |
| Chad | Cabo Verde | Philippines |
| Comoros | Cambodia | São Tomé and Principe |
| Congo, Dem. Rep. | Cameroon | Solomon Islands |
| Eritrea | Congo, Rep. | Sri Lanka |
| Ethiopia | Côte d'Ivoire | Sudan |
| Gambia, The | Djibouti | Swaziland |
| Guinea | Egypt, Arab Rep. | Syrian Arab Republic |
| Guinea-Bissau | El Salvador | Tajikistan |
| Haiti | Georgia | Timor-Leste |
| Korea, Dem. People's Rep. | Ghana | Tunisia |
| Liberia | Guatemala | Ukraine |
| Madagascar | Honduras | Uzbekistan |
| Malawi | India | Vanuatu |
| Mali | Indonesia | Vietnam |
| Mozambique | Jordan | West Bank and Gaza |
| Nepal | Kenya | Yemen, Rep. |
| Niger | Kiribati | Zambia |
| Rwanda | Kosovo | |
| Senegal | Kyrgyz Republic | |
| Sierra Leone | Lao PDR | |
| Somalia | Lesotho | |
| South Sudan | Mauritania | |
| Tanzania | Micronesia, Fed. Sts. | |
| Togo | Moldova | |
| Uganda | Mongolia | |
| Zimbabwe | Morocco | |

Source: World Bank.

# Annex II. DeMPA

**Since its inception in 2008, the Debt Management Performance Assessment (DeMPA) has been a cornerstone of the World Bank's technical assistance to help developing countries improve debt management.** The DeMPA tool is a methodology for assessing performance through a comprehensive set of performance indicators covering the full range of government debt management (DeM) operations. While performance assessment facilitates the tailoring of plans to strengthen DeM capacity and institutions, the DeM performance report itself does not contain specific recommendations for reforms or action plans. The DeMPA also allows for the monitoring of progress over time in achieving government DeM objectives consistent with international best practices.

**The scope of the DeMPA is central government DeM activities and its functions.** This includes activities such as the contracting and guaranteeing loans, on-lending, and debt recording and reporting. The DeMPA does not assess the ability to manage the wider public debt, such as debt of state-owned enterprises that is not guaranteed by the central government.

**The DeMPA performance indicators (DPI) is composed of 14 indicators.** These aim to measure government DeM performance and capture the elements that are critical to achieving sound DeM practices, ranging from legal framework to debt recording. A score of A, B, or C is assigned to each of 14 key DeM area based on the specific criteria, and a score of D would be assigned when the minimum requirements set out in C are not met.

The minimum requirements for each of key areas relevant for debt recording, monitoring, and recording (see Table AII.1) are summarized in the table below:

**Table AII.1 Minimum Requirements of Selected DeMPA Performance Indicators**

| Debt Management Area | Minimum Requirements (for "C" rating) |
|---|---|
| Legal framework | The legislation (primary and secondary) provides clear authorization to borrow and to issue new debt, to undertake debt-related transactions (where applicable), and to issue loan guarantees (where applicable), all on behalf of the central government. In addition, the primary legislation specifies the purposes for which the executive branch of government can borrow. |
| Debt reporting and Evaluation | 1. A debt statistical bulletin (or its equivalent), with the main categories listed in the "Rationale and background" section of this debt management performance indicator (DPI) (with the exception of the basic risk measures of the debt portfolio), is published annually, with debt data that are not more than six months old at the date of publication.<br><br>2. A report (or section of a wider report) providing details of outstanding government debt and DeM operations is submitted annually to the parliament or congress and is also made publicly available. |

**Table AII.1 Minimum Requirements of Selected DeMPA Performance Indicators (concluded)**

| Debt Management Area | Minimum Requirements (for "C" rating) |
|---|---|
| Audit | 1. An external financial audit of DeM transactions is undertaken annually. External compliance audits have been conducted in the past two years. Audit reports are publicly available within six months of completion of the audit.<br><br>2. The relevant decision makers produce a management response to address the outcomes of the internal and external audits of government DeM activities. |
| Monitoring of guarantees | 1. There are adequate and readily accessible internal documented procedures for the approval, issuance, and monitoring of loan guarantees. |
| Debt administration and data security | 1. There is an adequate and readily accessible procedures manual for the processing of debt service payments.<br><br>2. There are adequate and readily accessible procedures manuals for debt data recording and validation, as well as for storage of agreements and debt administration records.<br><br>3. There are adequate and readily accessible documented procedures for controlling access to the central government's debt recording and management system.<br><br>4. Debt recording and management system backups are made at least once per month, and the backups are stored in a separate, secure location where they are protected from incidents such as theft, fire, flood, or other incidents that may damage or destroy any of these backups. |
| Segmentation of duties, staff capacity, and business continuity | 1. There is clear separation between staff responsible for loan negotiation and preliminary contract data entry and those responsible for (a) confirmation of contract information and finalization of records in the system, and (b) initiating and processing payments.<br><br>2. There are sufficient and adequately trained staff members with formal job descriptions reflecting their current tasks.<br><br>3. There is a written business continuity plan and DRP, which has been tested in the past three years. |
| Debt and debt-related records | 1. There are complete records within a three-month lag for central government domestic, external, and guaranteed debt, as well as all debt-related transactions, including past debt relief and debt restructuring.<br><br>2. Government securities are dematerialized and kept in a central registry that has up-to-date and secure records of all holders of government debt. It is subject to an audit of internal controls and management of operation risk every two years. |

# Annex III. The IMF's TA and Training in the Debt Recording and Monitoring Area[1]

The IMF's **Monetary and Capital Markets (MCM) Department** provides TA in debt management through bilateral missions, training events, and long-term resident experts.[2] This TA is mainly focused on enhancing the analytical capacity of debt managers, including in the analysis of debt data; building strong institutional arrangements for debt management, for example, in terms of linkages with macro policy and the preparation and implementation of medium-term debt strategies; and supporting the development of domestic debt markets and international bond issuance. Much of this analytical capacity building makes use of the Medium-Term Debt Management Strategy (MTDS) framework and associated analytic tool (which was developed with the World Bank; usually MTDS missions are joint with the World Bank). MCM training on debt data reporting is usually alongside capacity building related to the MTDS framework. MCM does offer additional support to Fund members in building capacity to monitor and manage debt data, including on debt reporting training, organization of the debt management office, and strengthening the back office and debt recording.

The IMF's **Fiscal Affairs Department** provides TA emphasizing integration of debt management operations with other public financial management functions. The focus is on: (i) institutional arrangements for debt management (including the organizational setting, the legal framework, and the procedures and processes surrounding the debt management function); (ii) integration of debt and cash management (including consolidation of government cash balances, cash planning, and active management of the government's cash position); (iii) fiscal risk management (including advice on identification, analysis, quantification, mitigation, and disclosure of risks surrounding the debt portfolio, and guidance on direct and contingent liabilities stemming from sources such as SOEs, subnational governments, and public-private partnerships); (iv) accounting and reporting on public sector debt (including advising on recognition, accounting and reporting of debt and other financial liabilities in line with international standards, including on the institutional coverage of reports); and (v) the Public-Private Partnerships Fiscal Risks Assessment Model (PFRAM) (done jointly with the World Bank, to identify elements of a PPP contract which are critical to determine potential fiscal costs and fiscal risks).

The IMF's **Statistics (STA) Department** provides both TA and training on debt statistics**.** STA provides TA on: Government Finance Statistics the classification of public sector units, and the compilation of government liabilities, financial assets, or full balance sheets for the general government, the wider public sector, and the various subsectors; strengthening of debt statistics (for reporting and compliance with international standards); and in the context of the new Data for Decisions (D4D) Fund, expanding coverage both regarding institutions (currently limited in many

[1]More extensive descriptions of the IMF's technical assistance and training are available at request.

[2]There are two RTAC debt manager experts (in West and Central Africa) and resident experts in the Caribbean and Ethiopia.

countries to budgetary central government) and instruments (often limited to debt securities while omitting accounts payable). STA TA and training provided in the context of the new Financial Section Stability Fund (FSSF), has an emphasis on balance sheet data for the financial, external, and government sectors, including reconciling cross-sectoral differences, and with proper sector and instrument breakdowns for all the relevant components.

STATA also provides multiple one or two-week Public Sector Debt Statistics (PSDS) courses which examine coverage and accounting rules of the PSDS framework, valuation, classification, selected methodological issues, and the sources and methods used for compiling the statistics. These also covers debt data reporting to the IMF and the World Bank. Training in external debt statistics aims at providing participants with a thorough understanding of the conceptual framework for compilation, and with practical guidance on the collection and analysis of these data for both public and private sectors, including the institutional arrangements and international sources. The requirements under the IMF's data dissemination standards, including reporting to the World Bank's quarterly external debt statistics, are covered.

The IMF's **Legal (LEG) Department** provides TA on key elements of sound legal frameworks for public debt management. These include: the definition of public debt; the institutional scope and coverage of debt instruments; the legal basis for public debt management objectives; requirements for preparation and approval process of the Medium-term Debt Strategy (MTDS) and Annual Borrowing Plan (ABP); explicit and clear authority to borrow, and constraints to this authority such as debt ceilings; the indication of borrowing purposes; and an effective sanctioning regime for non-compliance. LEG's TA also covers the institutional arrangements for an effective public debt management legal framework (focusing on the roles, responsibilities and objectives of institutions responsible for debt management, such as the Parliament, the Cabinet, and the central bank in its fiscal agency function, and the various debt management departments and committees). LEG TA is provided in a variety of forms, including desk reviews of legal frameworks, diagnostic missions, preparation or reviews of draft laws, regulations and instruction manuals on public debt. In addition, LEG provides training in the form of courses, seminars, workshops, and hands-on technical guidance in close collaboration with area and technical departments (e.g., MCM, FAD).[3]

[3]The LICs and LMICs supported by LEG's TA between 2012-2018 are Burundi, Côte d'Ivoire, Ghana, Kenya, Kosovo, Lesotho, Nepal, Sierra Leone, Rwanda, Tanzania, Uganda, Ukraine and Zambia.

# Annex IV. The World Bank's TA in the Debt Recording and Monitoring Area

**The WB assists developing countries in strengthening their debt management capacity and institutions.** The WB's TA activities in this area are executed broadly under the umbrella of the Debt Management Facility (DMF) and through country engagements. The DMF supports countries with TA missions, trainings and tools that help countries design institutional reform to improve the effectiveness of their debt management, and plan their future borrowing in a prudent way.

**Specific evaluations of debt recording and monitoring capacity are provided through Debt Management Performance Assessments (DeMPA).** DeMPA evaluations, administered in consultation with DMF partners, help assess strengths and weaknesses of debt management operations and policies through a wide range of indicators, including those on debt recording and debt monitoring. Notably, the completeness and timeliness of central government records on debt, loan guarantees, and debt related transactions, as well as the completeness and secureness of the government's loan registry system, and the existence of documented procedures for debt recording and monitoring are assessed.

**Assistance is also provided through other DMF initiatives, such as the Debt Management Reform Plans (DeMRP).** DeMRPs are based on DeMPAs, and lay out a detailed plan of debt management reforms. In case a DeMPA finds weaknesses in debt recording, data administration or debt reporting, specific recommendations to address them are presented in a subsequent Reform Plan. The DeMRP include expected outputs and outcomes, specific actions, sequencing and milestones, budgeting and resourcing; and they help fostering coordination among donors and TA providers.

**Debt data recording issues are also implicitly addressed through TA on the Medium-Term Debt Management Strategies (MTDS), and the Debt Sustainability Analysis (DSA).** The MTDS aims at designing a cost/risk effective borrowing strategy in the medium term (3/5 years), while the DSA assesses the long-term sustainability of public debt under different macro and market scenarios. A key prerequisite for these analytical exercises is the availability of complete, accurate and timely debt data for the existing debt portfolio. As a result, an extensive validation of the debt database is usually conducted before every MTDS or DSA mission.

**DMF TA is provided on a demand-driven basis to lower-, lower-middle, and few upper-middle income countries.** DMF TA responds to client demand and missions are usually scheduled during a short time-frame, possibly within the period of three months. Over the past 5 years, an average of 10 DeMPAs, 10 MTDS and 5 Reform Plan missions have been delivered during a fiscal year.

**In addition to the DMF activities, TA is provided—upon country's request—on a wide range of debt management activities and policies, which improve the countries' quality of debt recording and monitoring.** These includes: strengthening risk management capacity; supporting the centralization of the public debt management functions in one unit; designing the appropriate legal framework for debt operations; managing contingent liabilities, including those arising from public-private partnership investments and state-owned enterprises; analyzing the impact of debt restructuring plans; improving government cash management.

**Given the recent trend in LICs' debt portfolios, particularly important is the TA on developing debt securities markets, conducted through the WB's Government Bond Market Development Program (GBMDP).** The GBMDP is a critical pillar to support the countries' agenda aiming at mobilizing capital for both governments and the private sector to financing strategic sectors and support economic growth. The team works with debt management offices in Ministries of Finance and Central Banks, and with securities regulators, to design targeted or comprehensive solutions based on clients' needs, and to actively support the implementation of such plans. The team addresses core needs in areas such as money markets, primary markets, clearing & settlement, regulatory framework, secondary markets and the investor base.

**The World Bank's PEFA contributes significantly to fiscal transparency. Some 579 PEFA assessments across 150 countries have been undertaken since 2005.** Of these, 379 are publicly available and could provide useful information on fiscal and debt transparency. The PEFA assesses, for example, country performance on i) the recording and reporting of debt and debt guarantees; ii) arrangements for the approval and control of contracting debt and guarantees; and iii) whether the government has prepared a debt management strategy, and whether progress against the strategy is reported to the legislature.

**Finally, WB has extensive expertise also in the compilation of debt statistics and related reporting to international data collection systems, including the World Bank Debtor Reporting System**. In cooperation with its partners (IMF, OECD, BIS), the WB also plays a key role in formulating the related reporting guidelines, methodologies and standards. Technical assistance in this area is mainly conducted through the ongoing dialogue with DRS reporters, participation in relevant seminars and workshops and periodic country-specific requests for support.

# Annex V. TA Provided by the Commonwealth Secretariat (COMSEC) and UNCTAD in Debt Recording/Monitoring

**COMSEC TA**

**The COMSEC provides TA in debt recording and monitoring primarily utilizing the Debt Recording and Management System (CS-DRMS).** CS-DRMS is an integrated system that records various types of flows, covering external and domestic debt, grants, and government lending, for day-to-day administration and management of various debt operations. It has a comprehensive loans module that allows for the recording of a wide range of official and commercial instruments, including short-term debt and private sector debt. The securities module allows for the recording of various types of government securities including Treasury bills, domestic and external bonds (fixed, floating, discount, and indexed instruments), Promissory Note and Commercial Papers.

**CS-DRMS has a fully customizable reporting facility with over 100 standard reports relating to operational, analytical, and statistical functions.** Where additional reports are required, users can create their own reports through a user-friendly reporting wizard and an advanced reporting tool. The system fully complies with the international reporting requirements of the SDDS, GDDS, QEDS, Debtor Reporting System (DRS), and Public Sector Debt (PSD) Statistics Database initiatives under the IMF and World Bank.

**The main types of TA in debt recording/monitoring are as follows:**

(a) *Debt data validation and debt data building on CS-DRMS.* The objective of this TA is to establish a high-quality debt database in the member countries. TA is delivered through an in-country mission.

(b) *Development of an integrated public debt database in CS-DRMS comprising external and domestic debt liabilities*. In some countries, the public debt database is scattered in different Government agencies. The TA helps establish an integrated public debt database on CS-DRMS. It also develops a bridge to facilitate data integration and necessary in-country capacity on the system to create an integrated debt database for the coming periods. TA is delivered through in-country missions.

(c) *Development of a public debt bulletin using CS-DRMS for dissemination of debt statistics to stakeholders*. The TA creates in-country capacity to develop Public Debt Bulletin using CS-DRMS. It presupposes availability of a comprehensive good quality debt database in CS-DRMS. The objective of the TA is to improve transparency and accountability of the government on public debt.

(d) *In-country and regional training to debt managers on the use of CS-DRMS for debt* in debt data coverage, quality and dissemination of debt statistics.

There is significant demand for advisory services in public debt management by member countries, especially in the area of domestic debt management and contingent liabilities, and requests are primarily demand driven. Usually the request is discussed informally with the Debt Management

Unit prior to a formal request to the Deputy Secretary General. The request will outline the areas of technical assistance required and provides an indication of the timeframe that the member country is available to work with COMSEC to deliver the requisite strengthening of debt management capacity.

**UNCTAD TA**

**The UNCTAD's DMFAS Programme offers countries a set of proven solutions for improving capacity to handle the management of public liabilities and the production of reliable debt data for policymaking purposes.** The DMFAS Programme is one of the principal providers of downstream activities, which include the maintenance of debt databases, debt-data validation, day-to-day debt transactions, reporting, debt statistics, operational risk management and basic debt analysis.

**It offers a specialized debt-management software—the DMFAS software—which covers a large range of debt instruments whether this be short-, medium- or long-term debt**, including loans (bilateral, multilateral, private) and debt securities (bills, bonds with fixed or variable coupons, promissory notes, etc.). A separate module is dedicated for the recording and management of sukuk. Additional modules also allow for the recording and management of grants, on-lent loans, private non-guaranteed external debt and short-term external debt. The classification of instruments in DMFAS reflects the current international standards.

**The DMFAS software contains powerful reporting tools for producing a wide range of reports** (standard reports and user-defined reports) for internal and international purposes in line with best practices. Finally, **it provides tools for basic analysis**, including debt ratios, financial indicators and sensitivity analysis. Data can also be extracted in Excel to perform more advanced analysis.

The **DMFAS software can be interfaced with other integrated financial management systems** using web services. This has been already done in 21 countries. The software is currently available in 4 languages (English, French, Spanish and Russian) and can be easily customized in other languages. In addition, the DMFAS Programme delivers its support and training in 6 languages.

**The capacity-building that DMFAS provides as part of UNCTAD's TA are as follows:**

- **Provision of the DMFAS software:** this include technical training in the installation, database administration and maintenance of the system as well as comprehensive functional training (recording, reporting and analysis functionalities).
- **Capacity-building in data validation** aiming at strengthening the capacity of the national debt office to adopt organizational arrangements, including internal procedures, that would guarantee the quality and reliability of debt data on a long-term basis.

- **Capacity-building in debt statistics** aiming at strengthening knowledge on the main debt statistics concepts and promoting the latest international standards with a view to developing a draft debt statistical bulletin.

- **Capacity-building in debt portfolio analysis** aiming at improving the capacity of public debt managers to assess structure, dynamics and risks of sovereign debt portfolios.

- **Capacity-building in operational risk management** (procedures manual) aiming at strengthening the staff capacity to draft and maintain procedures debt recording and related operations.

- **Availability of e-learning and self-learning material** related to debt such as on basics of government securities market and financial calculations, basic debt concepts; debt reorganization, etc. aiming at supporting debt officers to learn about basic debt concepts and strengthening their skills.

- **Advisory services on interfacing DMFAS database to IFMIS** aiming at supporting local IT experts in the design and development of links between DMFAS and local financial system.

**In general, TA is provided through the following methods:**

- Country-specific projects formalized through TA project document;

- Field missions to country debt management offices for needs assessment, installation, advice and training;

- Provision of remote support through a Helpdesk;

- Provision of online manuals, tutorials and training materials through the DMFAS Website;

- Regional workshops, normally in cooperation with partners.

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# G20 NOTE: STRENGTHENING PUBLIC DEBT TRANSPARENCY–THE ROLE OF THE IMF AND THE WORLD BANK

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| BOP | Balance of Payments |
| C&D | Cash and Deposits |
| DAC | Development Assistance Committee |
| DECDG | Development Data Group |
| DGI | Data Gaps Initiative |
| DLP | Debt Limits Policy |
| DMO | Debt Management Office |
| DQAF | Data Quality Assessment Framework |
| DRS | Debtor Reporting System |
| DSA | Debt Sustainability Analysis |
| D4D | Data for Decisions |
| EBG | Extrabudgetary Units |
| ECA | Export Credit Agency |
| ECG | Export Credit and Credit Guarantees |
| e-GDDS | Enhanced General Data Dissemination System |
| FSAP | Financial Sector Assessment Program |
| FSB | Financial Stability Board |
| FTC | Fiscal Transparency Code |
| FTE | Fiscal Transparency Evaluation |
| GDD | Global Debt Database |
| GFS | Government Finance Statistics |
| GFSM | Government Finance Statistics Manual |
| GFSR | Global Financial Stability Report |
| IDA | International Development Association |
| IDS | International Debt Statistics |
| IEO | Independent Evaluation Office |
| IFS | International Financial Statistics |
| IMF | International Monetary Fund |
| IPSGS | Insurance, Pension, and Standardized Guarantee Schemes |
| JEDH | Joint External Debt Hub |
| LG | Local Government |
| LIC | Low-Income Country |
| LIC DSA | Debt Sustainability Analysis for Low-Income Countries |
| LIC DSF | Debt Sustainability Framework for Low-Income Countries |
| LIDC | Low-Income Developing Countries |
| LMIC | Lower Middle-Income Country |
| MAC | Market Access Country |
| MAC DSA | Debt Sustainability Analysis for Market-Access Countries |
| MOF | Ministry of Finance |

| | |
|---|---|
| MTDS | Medium-term Debt Management Strategy |
| NCB | Non-concessional Borrowing |
| NCBP | Non-concessional Borrowing Policy |
| NGO | Non-governmental Organization |
| NSDP | National Summary Data Page |
| OAP | Other Accounts Payable |
| OECD | Organization for Economic Co-operation and Development |
| OP | Operations Policy |
| PPG | Public and Publicly Guaranteed |
| PPP | Public-Private Partnerships |
| PSBS | Public Sector Balance Sheets |
| QEDS | Quarterly External Debt Statistics |
| QPSD | Quarterly Public Sector Debt Statistics |
| ROSC | Reports on the Observance of Standards and Codes |
| SDDS | Special Data Dissemination Standard |
| SDR | Special Drawing Rights |
| SG | State Government |
| SIA | Statistical Issues Appendix |
| SOE | State Owned Enterprise |
| SSF | Social Security Funds |
| TCIRS | Table of Common Indicators Required for Surveillance |

# INTRODUCTION

1. **Accurate and comprehensive debt data are a corner stone in sound borrowing and lending practices.** Policy makers in debtor countries require this information to make informed and appropriate borrowing decisions, in order to safeguard debt sustainability and macroeconomic stability. Creditors, donors, analysts, and rating agencies, require it to make accurate assessment of sovereign financing needs and creditworthiness, and to appropriately price debt instruments. Finally, the public requires this information to hold the government accountable for its fiscal management, and to enable citizens to participate more actively in governance, potentially reducing corruption.

2. **While country authorities have the primary responsibility to report transparently their debt data, IFIs also have a role to play in supporting transparency and sustainable lending practices.** The IMF and the World Bank collect and disseminate debt statistics that are used by a wide range of stakeholders; produce published analyses of public debt data via debt sustainability analyses (DSAs); support countries' efforts to produce medium-term debt management strategies (MTDSs); publish information on countries' borrowing capacity; and directly liaise with multilateral, bilateral, and private creditors. All of these efforts provide important support to borrowers and lenders in their decision making.

3. **This note details the IMF and World Bank role, and is structured as follows:** the next section discusses the two institutions' efforts in collecting and disseminating debt statistics. The third section examines the debt analyses carried out by the two institutions through DSAs and MTDSs and the fourth section looks at the two institutions' support for sustainable lending practices. Each section concludes with a forward-looking agenda.

# COLLECTION AND DISSEMINATION OF PUBLIC DEBT STATISTICS BY THE IMF AND THE WORLD BANK

4. **The IMF and the World Bank disseminate debt data collected from member countries, and promote data dissemination by members.** This is consistent with the IMF's mandate to promote international economic cooperation and the stability of international monetary system, and the World Bank's mandate to promote economic development.[1]

## A. Official Databases

5. **Several debt databases have been developed and expanded over time reflecting evolving needs for debt data and debt data transparency**. These are accessible through the respective or joint data web sites. These include the Quarterly External Debt Statistics (QEDS), the

[1]See Annex I, on the legal mandate of the IMF and the World Bank for collecting and disseminating data.

Quarterly Public Sector Debt (QPSD) Statistics, the annual Government Finance Statistics (GFS), the International Financial Statistics (IFS), the Global Debt Database (GDD), the Joint External Debt Hub (JEDH), and the International Debt Statistics (IDS).[2]

**6. Institutional coverage varies across the databases.** The different institutional coverage and scope reflect the different purposes of the databases. For example, the QEDS provides quarterly external debt positions by sector, consistent with the balance of payments implications of the sectoral external borrowings. The QPSD and the GFS on the other hand, aim to disseminate greater details on institutional coverage in order to better understand the origins of the public sector debt. The debt databases also provide information on the debt terms, such as maturity, currency, residency of the debt holders, and the instrument composition. The IDS, which is managed by the World Bank, collects from country authorities loan by loan external debt data annually through its Debtor Reporting System (DRS). The DRS is the only database that collects creditor information, but the country coverage is limited to low and middle-income countries (see Table 1).

[2]Annex II discusses the historical evolution of debt databases and analytical tools in response to past financial crises. Annex III provides more detailed information about each of these databases and how they interrelate.

## Table 1. Data Coverage of the Main Debt Databases Maintained by the IMF and the World Bank

| Database | Coverage | IDS | JEDH | QEDS | QPSD | GFS | IFS | GDD |
|---|---|---|---|---|---|---|---|---|
| **Administered by** | | World Bank | World Bank | World Bank | World Bank | IMF | IMF | IMF |
| **Country coverage** | Number reporting | ~123 | ~200 | ~123 | ~83 | ~80 | ~40 | ~190 |
| | Country groups | Low & middle income | All countries | All countries | All countries | All countries | All countries | All countries |
| **Source** | | 1/ | 2/ | Country authorities | Country authorities | Country authorities | Country authorities | 3/ |
| **Frequency** | | Annual | Quarterly | Quarterly | Quarterly | Annual | Monthly / quarterly | Annual |
| **Year earliest data available** | | 1951 | 1990 | | 1995 | | | 1950s |
| **Validation Processes** | | Medium | | Medium | Medium | High | Low | High |
| **Institutional sector coverage** | Budgetary Central Government | | | | ✓ | ✓ | ✓ | |
| | Central | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| | General Government | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| | NonFinancial Public | | | | ✓ | | | ✓ |
| | Financial Public Corporations | | | | ✓ | | | ✓ |
| | Public Sector | ✓ | | ✓ | ✓ | | | ✓ |
| | Other | PPG | PPG | PPG | | EBG, SSF, SG, LG | | |
| **Instrument coverage** | Dom/Ext | Ext | Ext | Ext | Dom&Ext | Dom&Ext | Dom&Ext | Dom&Ext |
| | Securities | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Loans | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| | Other | | ✓ | ✓ | SDR,C&D, IPSGS,OAP | ✓ | ✓ | SDR,C&D, IPSGS,OAP |
| **Analytical coverage** | Original maturity | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Remaining maturity | | | ✓ | ✓ | ✓ | | |
| | Currency of denomination | | | ✓ | ✓ | ✓ | | |
| | Residency of creditor | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| | Counterparty sector | ✓ | ✓ | | | ✓ | | |

EBG = Extrabudgetary units, SSF = social security funds, SG = State Governments, LG = Local Governments, PPG = Public and Publicly Guaranteed, SDR = Special Drawing Rights, C&D = Cash and Deposits, IPSGS = Insurance, pension, and standardized guarantee, schemes, OAP = Other Accounts Payable.

1/ Country authorities (long term debt), BIS and country authorities (Short term debt), IMF Treasurers Department, staff estimates.

2/ QEDS, BIS, IMF, OECD, and World Bank.

3/ Country authorities, international institutions, and academic researchers.

**7. To promote availability of comparable data across countries, the IMF has introduced data dissemination standards.** The IMF's Data Standards Initiatives include three tiers: Enhanced General Data Dissemination System (e-GDDS), Special Data Dissemination Standard (SDDS), and Special Data Dissemination Standard Plus (SDDS Plus). Each tier includes reporting objectives for public debt on sectoral coverage, periodicity, and timeliness. The standards also include objectives for the dissemination of external debt reporting for public and publicly guaranteed debt. The latest data indicate that while all the three LICs that adhere to SDDS, and slightly more than 75 percent of LICs under the e-GDDS fully report both central government debt and external debt data, the recommendation for timeliness is not necessarily met for the LICs that do not publish through a National Summary Data Page (NSDP) (see Table 2).[3]

**Table 2. LICs that Meet the Requirements for Data Dissemination Standards**

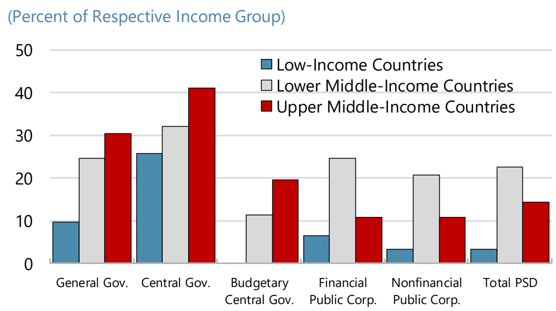
| | e-GDDS[1/] | | | SDDS | Non e-GDDS or SDDS[3/] |
|---|---|---|---|---|---|
| | All | with NSDP | without NSDP | | |
| LICs total, of which reports[2/] | 63 | 18 | 45 | 3 | 4 |
| - Central government debt | 53 | 14 | 39 | 3 | 0 |
| - External debt | 46 | 12 | 34 | 3 | 0 |
| - Both | 43 | 11 | 32 | 3 | 0 |

Source: Fund staff.
1/ National summary data page (NSDP), indicating that countries publish the data on their summary page. Reporting for LICs without a NSDP is based on the published metadata, not timeliness.
2/ No LIC adheres to the SDDS Plus, which is intended for countries with systematically important financial sectors and are integral to the working of the international monetary system.
3/ Four LICs do not participating in either e-GDDS nor SDDS: South Sudan, Somalia, Lao PDR, and Eritrea.

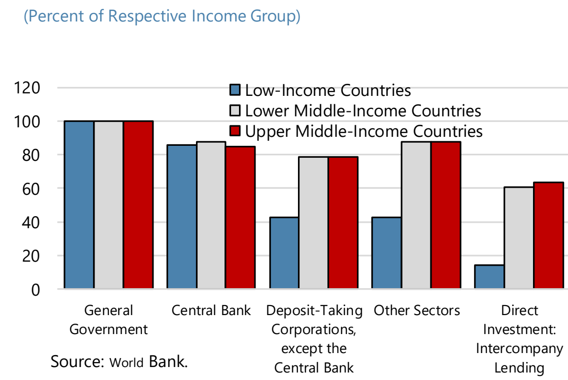
**8. Reporting by countries to the IMF and World Bank's debt databases is uneven.** Evidence suggests that generally the broader the institutional and instrument coverage of the debt, the fewer the countries reporting. There is also evidence that the higher the income group, the better the institutional coverage and instrument coverage, and the higher the submission frequency (see Figure 1 and IEO 2016b).

[3]E-GDDS recommends the dissemination of quarterly central government debt data and encourages a broad institutional coverage; SDDS subscribers are prescribed to disseminate annual general government operations, monthly central government operations and quarterly central government debt; and adherence to SDDS Plus includes dissemination of both quarterly central and general government debt.

**Figure 1. Public Sector and External Debt Statistics: Reporting by Sector, by Income Group**




Source: World Bank.



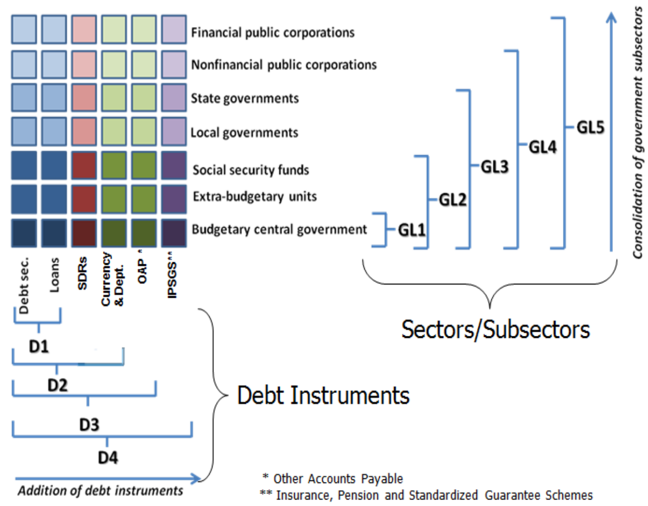

Source: World Bank.

**9. Progress has been made in recent years in improving the collection of data on public and publicly guaranteed external debt.** The World Bank is the main agent responsible for external debt data collection and has put in place assessment processes to improve data quality by: (i) validating external debt reported with other sources; (ii) expanding reporting requirements to increase the coverage of external debt; and (iii) rigorously following up instances of under-reporting or double-counting when the validation process indicates a problem. However, progress with reporting of private sector external borrowing is lagging, with reporting quality depending on a country's capacity to report this information. Many LICs do not collate this information or do not make it public. For example, only one third of the 59 International Development Association (IDA)-only countries report private non-guaranteed external debt.[4]

[4]Reporting on private non-guaranteed external debt is required by the World Bank's Operations Manual 14.10 (see Annex I). LICs often struggle to monitor the external obligations of their private sector (in most cases, they rely on non-legally binding questionnaires. Data on external private debt are required inputs for the DSA to assess overall external vulnerabilities and informs the formulation of debt management strategies. The WB's Development Data Group (DECDG) compiles private non-guaranteed external debt for 70 percent of reporting countries. About 50 percent of these countries provide data. For the other countries, DECDG estimates aggregate external statistics from other data sources.

**10. Progress on reporting on domestic borrowing has been slower.** The challenging aspects of the data compilation is related to the methodological issues. Many LICs do not have the capacity to categorize and report instruments beyond the narrow definition of debt including only debt securities and loans, and value the debt in a manner consistent with the Public Sector Debt Statistics Guide for Compilers and Users (PSDSG) and Government Finance Statistics Manual (GFSM). To facilitate a more transparent presentation of the public debt, the IMF has developed a "cascading" approach showing various levels of instrument (D1-D4) and institutional sector coverage (GL1-GL5) (Figure 2). The approach is currently being used in the QPSD data disseminated by the World Bank.

**Figure 2. Public Debt: A More Transparent Presentation**




**11. The IMF and World Bank both have initiatives underway to further improve debt data availability** (Box 1). For the IMF a critical new initiative is the Data for Decisions (D4D) Fund, just launched, which will aim to address data gaps and weaknesses and help countries to improve institutional and instrument coverage. The World Bank has an initiative on private debt, and importantly, a pilot on collecting domestic debt data on an instrument-by-instrument basis.

### Box 1. IMF and World Bank Initiatives to Improve Data Availability

**The IMF is adopting a new approach based on the "Overarching Strategy on Data and Statistics in the Digital Age: Conclusions of the Task Force".** It will integrate IMF-wide work streams on data provision to the IMF for surveillance purposes, international statistical standards, capacity development, and data management under a common institutional objective. The strategy seeks seamless access and sharing of data within the IMF, enabling cloud-based data dissemination to support data provision by member countries, closing data gaps with new sources including big data, and improving assessments of data adequacy to better prioritize capacity development.

**The IMF's D4D Fund**, launched in June 2018, aims to place more and better data into the hands of decision-makers to enhance evidence-based macroeconomic policies. Its core focus will be to enhance the quality, frequency and timeliness of fiscal and debt reporting and increase data comparability across countries. In addition to TA missions, the trust fund will offer workshops and training to sustain the impact of the capacity building and also finance the development of online learning modules on government finance statistics and public sector debt statistics.

**The statistics module under the IMF's Financial Sector Stability Fund (FSSF)**, launched in November 2017, aims to support countries in developing and using consistent sources of balance sheet data on financial, external, and government sectors. As such, this cross-sectoral work will allow beneficiary countries to produce balance sheet matrices. Depending on a country's capacity and ownership, the capacity building could result in new data on cross-sectoral holdings of assets and liabilities, including (i) breakdowns on instrument coverage, as well as counterparty, currency and maturity information on government balance sheets; and (ii) sectoral and instrument, currency and residual maturity breakdowns for the international investment positions.

**The World Bank is improving its private non-guaranteed external debt statistics**. Steps are taken to compile short-term external debt statistics to complement the long-term external debt data via the Debt Reporting Statistics (DRS). Data sources for short term external debt include the Balance of Payments, quarterly external debt submissions, data from the BIS data on short term debt instruments, and other market sources. In addition, the Bank has implemented a reporting form for short-term debt to be submitted by the IBRD/IDA countries on a voluntary basis.

**The World Bank is working on two fronts to improve the public domestic debt statistics it compiles**. First, it is ramping up efforts to ensure all countries report central government domestic debt for all loans and debt securities. Second, the World Bank will conduct a pilot program, in about 6 countries, to assess the feasibility to collect public domestic debt on a instrument-by-instrument basis building on its long experience of capturing and compiling external debt loan-by-loan.

## B. Other Data

12. **The IMF and the World Bank staff also collect a significant amount of additional debt data to support operational work.**[5] In the context of the IMF's surveillance and the World Bank's advisory services and analytics (ASA), and their financial programs/operations, the IMF and the World Bank aim to have a more comprehensive coverage of PPG debt. To the extent possible, they also collect debt of state/local governments, pension and extrabudgetary funds, as well as non-guaranteed debt of state-owned enterprises. Efforts are also made to collect information on the

[5]Additional debt data may be required under an IMF-supported program compared to bilateral surveillance, as critical inputs for establishing debt limits. Generally, program countries provide more comprehensive and timebound information because of the existence of the Technical Memorandum of Understanding in the case of the IMF and its equivalent for the World Bank, that specify in detail the data reporting requirements, including frequency and lags.

amount of debt contracted (but undisbursed), the composition (domestic vs. external, maturity structure, residency, etc.) and the terms and conditions of public debt.

**13. A persistent issue is the lack of comparability among some of the databases and the country-specific information used for operational purposes (IEO, 2016a).**[6] The lack of comparability of data collected centrally by the IMF's Statistics Department or the World Bank's Data Group, and decentralized collection by country teams in Area Departments is due to different collection mechanisms whereby the former follows uniform methodology and validation rules, while the latter collect data based on their needs and requirements. Country desks or economists may have access to more updated debt data than what are reported to centrally collected databases, or they may make adjustments for SOE debt and other public sector liabilities that may not be reported centrally.

## C. Agenda Going Forward

**14. Several initiatives have recently been launched and some other options can be considered to improve debt data collection and dissemination to assist lenders and others who assess debt-related risks.**

**15. On data collection:**

- Implementation of the IMF's "Overarching Strategy on Data Statistics in the Digital Age". Through this work, the IMF, in collaboration with the World Bank, will strengthen the collection of the broader institutional and instrument coverage of existing debt databases by integrating IMF-wide work streams (i.e. on data provision to the IMF for surveillance purposes, international statistical standards, capacity development, and data management) under a common institutional objective. It will also facilitate collection by users by providing links to sources on available data on PPP and SOE liabilities, and to country authorities' own publication of debt statistical bulletins.

- Full implementation and scaling up of the IMF's D4D and Financial Sector Stability Fund (statistics module). Successful implementation would help fill important data gaps, while also improving capacity of country authorities to sustain a higher level of reporting in the future. As these initiatives scale up they will need further funding, and support and pledges from donors will be important.

- Implementation of World Bank initiatives to improve private external debt and public domestic debt statistics. Successfully completing the pilot on new detailed domestic debt data collections efforts would set the stage for a wider roll out to countries.

[6]Comparability of data reported by IMF and World Bank staff may also differ compared to country authorities. For example, the IMF and World Bank's DSA may base their debt based on the GFSM concept, whereas the authorities may have a different concept of debt.

- Improving the data exchange of debt statistics collected in operational work with IMF and WB centralized sources by strengthening collaboration between the two institutions, and in particular, promoting more systematic use of information loan-by-loan information in the DRS for input and cross checking information used in the DSA.

**16. On dissemination, debt data and related information could be centralized on an IMF and World Bank website.** A web page could provide comprehensive debt data by country from the various IMF and WB operational and central databases. This would include links, with a summary of information similar to that presented in Table 1, updated on a continuous basis. There would also be linked to the IMF's Data Standards Bulletin Board (DSBB), which provides the implementation status on e-GDSS, SDDS, and SDDS Plus, including links to data sources on debt and metadata as well as links to assessment reports of data standards, including those in the Statistical Annex of Article IV Consultation reports, the Fiscal Transparency Evaluations, and Public Expenditure and Financial Accountability (PEFA) reports.[7]

# PUBLIC DEBT ANALYSES

**17. The IMF and the World Bank produce and disseminate analyses using the debt data collected.** The two principal forms of debt analysis supported by the IMF and the World Bank are the Debt Sustainability Analysis (DSA) and the Medium-Term Debt Management Strategy (MTDS). They both serve to guide borrowers and lenders toward sustainable practices and to help mitigate debt risks.

## A. DSA

**18. The DSA is the main instrument for assessing the sustainability of a member country's fiscal and financing plans and its debt vulnerabilities.** It is produced by the IMF for market-access countries (MACs, under the Debt Sustainability Analysis for Market-Access Countries) and jointly by the IMF and the World Bank for LICs (under the Debt Sustainability Framework for Low-Income Countries).[8] The accuracy and reliability of DSA outputs depend on a comprehensive debt coverage and good quality of the debt data used.

**19. DSAs are produced frequently and are generally published.** The DSA for a member country is produced annually in the context of the IMF Article IV consultation, and more frequently for countries with IMF-supported programs (as part of the program request and reviews). For the World Bank, an annually produced DSA is required when determining the IDA credit-grant mix. LIC DSAs are often produced as standalone documents while MAC DSAs are often published as part of a country document, in the context of an IMF Article IV consultation, or IMF-supported program

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[7] https://dsbb.imf.org/.

[8] For the purposes of IDA allocations, the Debt Sustainability Framework for Low-Income countries is also used for middle-income countries with limited market access and small states.

reports.[9] The vast majority of LIC DSAs have been published (668 out of 725 produced since the introduction of the framework in 2005), and in addition, the IMF and the World Bank regularly update a list of the most recent published DSA ratings for all LIC DSF countries.[10] The World Bank also publishes fiscal sustainability analysis as part of its ASAs, such as Public Expenditure Reviews, or in operational documents.[11]

**20. DSAs make available a wealth of debt information.** Published DSA reports include information on the historical and projected trajectories of key macro and debt indicators in the format of both tables and charts, along with a write-up that summaries the key macro/financial assumptions, baseline projections, risks and vulnerabilities (see Table 3). However, not all debt information can be made publicly available. For instance, the detailed DSA files, which host disaggregate debt data and financing assumptions, are often only available to IMF and World Bank staff (i.e. because of the market sensitivity of this information). Sharing of information with other stakeholders of the underlying debt data would require the consent of the country authorities and has been done on a case-by-case basis (mostly in the context of debt restructuring negotiations).

[9]The IMF's Transparency Policy mandates the publication of all country Article IV documents unless the authorities object, and requires the publication of all program documents. The World Bank's Access to Information Policy is based on the principle that the World Bank will disclose any information in its possession that is not on its list of exceptions. As a result, information about projects under preparation, projects under implementation, analytic and advisory services, and Board proceedings is made accessible to the public.

[10] DSAs include an assessment of the risk of external debt distress based on four categories: low risk; moderate risk; high risk; and in debt distress.

[11]LIC DSF (http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf) and MAC DSA (http://www.imf.org/external/np/pp/eng/2013/050913.pdf) guidance notes provide more details on when a DSA is needed. For World Bank, see http://www.worldbank.org/en/topic/debt/brief/dsf.

**Table 3. Key DSA Inputs and Outputs**

| | Key Inputs | Key Outputs |
|---|---|---|
| **LIC DSF** | **Macro-fiscal indicators:** | **Evolution of debt burden indicators (under baseline and shock scenarios):** |
| | Real GDP growth | PV of PPG external debt levels |
| | GDP deflator inflation | PPG external debt service |
| | Interest rate | PV of public debt levels |
| | Exchange rate | Public debt service |
| | Public sector revenues | Gross financing needs |
| | Public sector expenditures | **Debt dynamics analysis** |
| | Current account balance | **DSA write-up to discuss:** |
| | **Debt-financing indicators:** | Public debt coverage† |
| | Existing stock of debt | Key trends in debt development (levels, composition, etc.) |
| | Debt service of existing debt | Realism of macro-fiscal forecasts† |
| | New disbursements and their financing terms | Country classification and determination of scenario stress tests† |
| | **Debt profile indicators:†** | Macro-fiscal risks and contingent liabilities |
| | Composition of public debt by maturity/currency | Moderate-risk tool and market financing module, where relevant† |
| | Non-resident holdings of public debt | External debt distress risk rating |
| | | Overall debt distress risk rating† |
| | | Application of judgment† |
| | | Authorities' views† |
| **MAC DSA** | **Macro-fiscal indicators:** | **Evolution of debt burden indicators (under baseline and shock scenarios):** |
| | Real GDP growth | Nominal public debt levels |
| | GDP deflator inflation | Gross financing needs |
| | Interest rate | **Debt dynamics analysis** |
| | Exchange rate | **A heat map summarizing macro-fiscal and debt profile risks*** |
| | Public sector revenues | **DSA write-up to discuss:*** |
| | Public sector expenditures | Realism of macro-fiscal forecasts (based on realism tools and fan charts) |
| | Current account balance | Macro-fiscal risks and contingent liabilities |
| | **Debt-financing indicators:** | Debt profile risks |
| | Existing stock of debt | |
| | Debt service of existing debt | |
| | New disbursements and their financing terms | |
| | **Debt profile indicators:** | |
| | Composition of public debt by maturity/currency | |
| | Change in short-term debt | |
| | Non-resident holdings of public debt | |

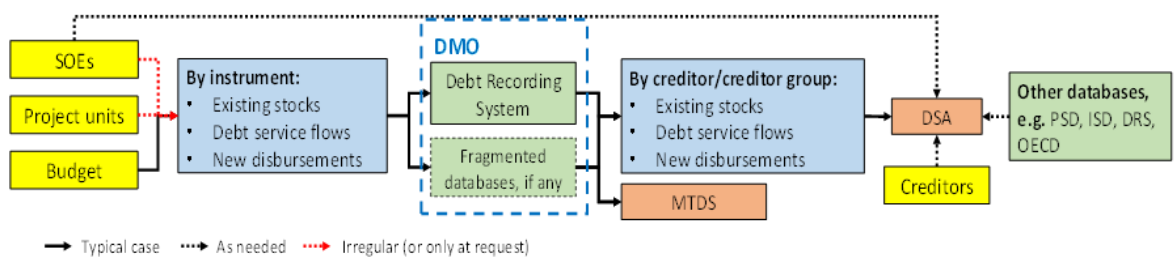
† Introduced or strengthened under the new DSF.
* Required for higher scrutiny countries but optional for lower scrutiny countries.

**21. Published DSAs are widely accessed and used by various stakeholders in the international financial community.** These include multilateral, bilateral, and commercial creditors, as inputs into their decisions to lend, as well as civil society in assessing the government economic policies. Among multilaterals, the Asian Development Bank, the Inter-American Development Bank, and the International Fund for Agricultural Development all use DSA ratings to help determine the mix between lending and grants, and the terms and conditions of their lending. Also, both the LIC and MAC DSA templates are posted on the IMF website, and the former is also posted on the World Bank website, to allow users to construct their own DSAs.

**22. Data needs for producing a DSA are large and require comprehensive debt coverage and precise information on debt service flows and commitments in order to produce a sound assessment.** To make effective debt projections, the DSA requires reliable data on the existing PPG debt stock and its corresponding debt service cash flows, as well as all planned new disbursements and their financing terms (i.e., interest rate, grace period, and maturity; Table 3). These debt data can be aggregated by creditor group (e.g., multilateral, bilateral, and commercial) for LICs and by currency denomination (local vs. foreign) for MACs.

**23. In practice, public debt data collection is a difficult process.** IMF country teams and World Bank country economists usually rely on the country authorities to provide the debt data needed for the DSA. Notwithstanding the different institutional arrangements in borrower countries, debt data are typically stored and provided by the Ministry of Finance (or the Debt Management Office if one exists) on a creditor-by-creditor basis (Figure 3). Data on domestic debt is often recorded in separate databases; government guarantees, debt of SOEs, and PPP and other contingent liabilities are rarely collected in the central debt recording system, despite being of key importance for the DSA; and cash PFM accounting systems may lead to arrears being missed. As a result, the debt coverage in DSAs is often incomplete (Figure 4). These shortfalls as well as lack of sufficient information on the terms and conditions of public debt (including collateral requirements), may impede reliable debt projections and, in some cases, have led to "debt surprises".[12] As a result, public debt transparency, measured in terms of timeliness, accessibility, and reliability of debt data has in many instances fallen short of that needed for a reliable DSA Annex IV discusses data collections challenges in more detail.

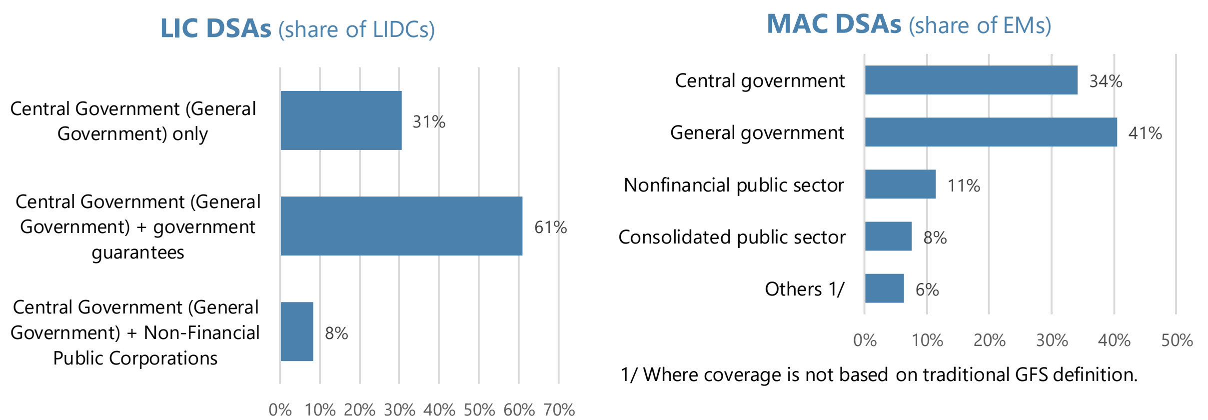
**Figure 3. Debt Data Flows to DSA and MTDS**




Source: IMF desk survey.

[12]Recent analysis (IMF, 2018a) found renewed instances of unexpected debt increases in LIDCs. The drivers for these increases varied, but point to gaps in the data and coverage of LIDCs' official debt statistics as a key contributor in several cases. For example, the revelation of previously unreported debt in Mozambique and the Republic of Congo led to large upward revisions to the official debt figures, with the countries in question subsequently declared in debt distress. In other cases, public liabilities accumulated outside the fiscal perimeter were the major factor contributing to debt increases.

**Figure 4. Public Debt Data Coverage in the Latest DSAs**




Sources: Latest published DSAs.

**24. In support of sustainable borrowing, the IMF and World Bank staff are undertaking steps to strengthen the debt sustainability frameworks for both LICs and MACs:**

- The new LIC DSF (effective in July 2018), apart from having a stronger ability to signal distress while avoiding false alarms, has stronger requirements for debt coverage, and a fuller account of contingent liabilities. A new customized shock scenario is designed to capture the debt risks stemming from a narrow debt coverage. The new LIC DSF guidance note is now available online. It also covers new disclosure requirements including on undisbursed loan commitments and exclusions (e.g. disputed claims). Country teams are also asked to comment on data quality.[13]

- The ongoing MAC DSA review will seek to strengthen the framework's requirements for comprehensive debt coverage (including e.g., public enterprises and central bank swap obligations). Beyond improved coverage, more granular debt information on the maturity/liquidity and investor/holder profile of public debt may also be needed to enhance the framework's ability to better and more timely capture market risks as they arise.

## B. MTDS

**25. An MTDS is a plan that the government intends to implement over the medium term in order to achieve a desired composition of the government debt portfolio.** It operationalizes country authorities' debt management objectives—e.g., ensuring the government's financing needs and payment obligations are met at the lowest possible cost consistent with a prudent degree of risk—and captures their preferences with regard to its cost-risk tradeoff. An MTDS has a strong focus on managing the risk exposure embedded in the debt portfolio, specifically, potential

[13]For IMF: http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf

For World Bank: http://documents.worldbank.org/curated/en/513741518471205237/Guidance-Note-on-the-Bank-Fund-Debt-Sustainability-Framework-for-Low-Income-Countries variations in the cost of debt servicing and their impact on the government budget and sustainability of debt. As such it supports the authorities' ability to take informed decisions on sustainable borrowing.[14,15]

**26. In principle, the MTDS covers total non-financial public sector debt.** This comprises the debt of the central government (budgetary, extra-budgetary and social security funds), the state and local governments, and the debt of non-financial public corporations. In practice, however, the focus is often on central government debt, where generally data are more readily available and the legal authority exists to implement the strategy. The scope of an MTDS is extended as information becomes available and where the legal and institutional arrangements allow for a broader and more comprehensive strategy to be implemented. Where the authority to implement the strategy is defined narrowly, debt outside this perimeter is treated as contingent liabilities with potential risk of materialization.

**27. The debt data requirement of the MTDS is detailed, with loan-by-loan information taken as a starting point.** Because the MTDS has a specialized focus on debt composition and financing strategies, the level of detail needed to accurately capture the financial risks of the existing debt and new financing is critical. In principle, the MTDS analysis faces the same data constraint as DSAs, but because of the additional resources provided for the gathering of debt data, more data scrutiny tends to take place when conducting the analysis.[16] Often, the MTDS analysis precedes and supports the DSA, which is a broader framework that assesses the debt vulnerabilities arising from fiscal policies as well as its financing strategy.

**28. The MTDS documents contain a comprehensive set of information about a country's debt.** The MTDS document typically describes in detail the coverage and composition of the existing public debt. These include, among other, the currency and interest rate (fixed or floating) composition, redemption profile, and creditor composition. With a good understanding of the cost and risk characteristics of the existing debt, a goal is determined for the desired debt composition to be achieved over the medium term, taking into account the assumptions on macroeconomic projections and market conditions. Alternative realistic financing assumptions are discussed with a different mix of domestic and external financing, and a different external creditor mix with different financial terms. The alternative financing strategies will over the medium term alter the debt composition and thereby the risk characteristics of the public debt portfolio. The robustness of the alternative financing strategies to shocks are also examined and discussed.

**29. An MTDS should be produced at least annually on a rolling 3- to 5- year basis.** When financing conditions change significantly, an in-year update may be needed. Generally, the MTDS is produced alongside medium-term fiscal framework which would also normally be updated on a

[14] IMF and World Bank 2009.

[15] http://www.worldbank.org/en/topic/debt/brief/mtds

[16] An MTDS mission generally consist of an expert or two who focus full time for several days on debt data issues alone.

rolling annual basis. Under best practices, the legal framework requires the government to produce and publish the MTDS on an annual basis, and report back to the legislative branch on how the government has implemented its financing operations to comply with the debt management strategy. In practice, when governments do not follow the law or the law does not mandate the production of an MTDS, it often ends up being a one-off exercise that is not sustained.

**30. MTDSs are published by country authorities.** Unlike the DSA, the MTDS analysis is not conducted by IMF and World Bank staff. The IMF and World Bank staff assists members in developing the debt management strategy through TA. The authorities, in turn, update this analysis after internal and external consultations, and finalize the debt management strategy, which is a government decision. While only a few of the TA reports are published, more countries have published their final MTDS document which is read and referenced by credit rating agencies and market researchers. For policy makers, it is a financing roadmap, and for the general, public it is an accountability document.

## C. Agenda Going Forward

**31. The IMF and World Bank staff intend to further strengthen the effectiveness and dissemination of Bank-Fund debt analyses by:**

- **Broadening DSA debt data coverage:**
    - ***To effectively implement the new LIC DSF, support to IMF and World Bank country teams and country officials will be increased.*** Training on the new LIC DSF will continue to be provided to staff and country officials, including to support the implementation of new debt coverage and disclosure requirements. Supplementary guidance on how to expand debt coverage and how to assess PPP and SOE-related fiscal and debt risks using existing analytical tools and databases by the IMF and the World Bank can also be provided.[17]
    - ***To ensure coverage issues are adequately addressed for MICs, the MAC DSA framework will consider options to strengthen debt coverage and reporting requirements.*** Similar disclosure requirements on debt coverage and contingent liabilities under the new LIC DSF can be considered and broadened for the MAC DSA framework to facilitate comprehensive assessment of risks, including market risks.
- **Facilitating access to published DSA information:**
    - ***There is scope to expand published information on DSFs.*** The regularly published list of ratings could include more information from the cover page of the new DSA report, such as debt coverage, overall debt risk rating, and granularity analysis (i.e.,

[17] For example, the World Bank's Private Participation in Infrastructure Database (https://ppi.worldbank.org/) and the IMF's PPP Fiscal Risk Assessment Model (P-FRAM; http://www.imf.org/external/np/fad/publicinvestment/#4).

the results of the moderate risk assessment tool). To provide more timely updates on important debt developments to creditors, particularly when a clear sign of debt distress is emerging and a formal engagement with IMF and World Bank Boards may not be imminent, more frequent DSA updates could be issued to the Executive Boards (which could then allow them to be made available through regular publications).[18]

- ***While IMF and World Bank country teams/economists consult as a matter of practice with country authorities on the DSA analysis, there is scope for further deepening the macro fiscal dialogue.*** This would promote greater transparency in the analysis and encourage more constructive dialogues on formulating sustainable borrowing strategies.[19]

- ***Access by other stakeholders to DSA information can be improved.*** A similar webpage to that for LIC DSAs could be set up for published MAC DSAs (MAC DSAs, unlike LIC DSAs, are not published as standalone documents and need to be extracted from IMF country reports) and other country-specific debt analysis.

- ***A platform could be developed for voluntary sharing of DSA files by country authorities on the IMF and World Bank's websites.*** This would help improve transparency of debt analysis and allow other users/stakeholders to adapt the analysis using their own assumptions and projections.

- ***Strongly encourage authorities to publish their MTDS.*** Beyond the benefits that borrowers would realize (from greater scrutiny), this would also assist creditors in better understanding risks, and better tailoring their lending to safer profiles/terms.

[18]This is particularly relevant in cases where the Articles IVs reports have been delayed and/or there have been longer than expected intervals between program reviews.

[19]In practice, country authorities should already have access to all information included in the DSA file through their bilateral consultation with the IMF and the World Bank.

# PROMOTING SUSTAINABLE LENDING

**32. The IMF and the World Bank also support sustainable lending through direct outreach to creditors and the establishment of debt limits in their lending operations.** Outreach to creditors aims at promoting transparent information sharing to support risk assessment and early prevention of debt problems. Debt limits in IMF-supported programs and World Bank development financing operations are designed to address country specific debt vulnerabilities consistent with their DSA, and also serve to promote sustainable lending.

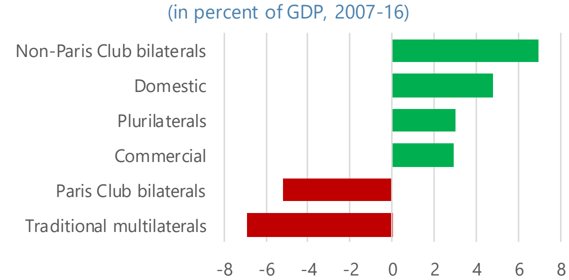
## A. Direct Outreach to Creditors

**33. The IMF and the World Bank staff have cooperated with the Paris Club for several decades.** The IMF and the World Bank staff participate as observers in the Paris Club's "Tour d'Horizon" meetings held bimonthly. They provide the Club with routine updates on the financing needs and prospects of selected countries that face rising debt risks. The two institutions also work closely with the Club when a country needs to restructure its debt.

**34. The engagement of IMF and World Bank staff with nontraditional creditors is less formal and less extensive.** Lending by nontraditional creditors to LICs has increasingly replaced that by traditional multilateral and bilateral creditors (see Figure 5). These nontraditional creditors are usually not part of an established creditor coordination and information sharing group.[20] There has been an increase in the sharing of information on a case-by-case basis (but usually linked to debt distress cases). Outreach to plurilateral creditors has so far been limited (a few have attended the Multilateral Development Bank Forum organized by the World Bank).[21] The number of plurilateral creditors has increased and so has their lending to LICs in recent years (see Figure 5 and Table 4). An important gap is the lack of clarity on how they would be treated under the IMF's arrears policies (the line between official and private

**Figure 5. Change in LIDC Creditor Composition**

(in percent of GDP, 2007-16)




Note: average across 37 countries with continuous data.
Sources: 2017 Survey of IMF country desks; BIS-IMF-OECD-WB Joint External Debt Statistics; WB International Debt Statistics; IMF International Financial Statistics; and IMF Staff Reports.

[20]These creditors do not explicitly subscribe to sustainable lending principles such as OECD's Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Lower Income Countries.

[21]The Multilateral Development Bank Forum is organized annually to exchange information and discuss debt related issues at a technical level. The most recent meeting was held in Brussels on May 31, 2018.

claims, as well as between multilateral and plurilateral claims, has become blurred). Creditors with misperceptions about their protections may lend too much for too long.

**Table 4. Multilateral and Plurilateral Lending Institutions**

| Institution | Global/Regional Remit | Member Countries (inc. indirectly represented) | Non-regional Members (inc. indirectly represented) |
|---|---|---|---|
| International Monetary Fund | Global | 189 | n/a |
| World Bank Group | Global | 189 | n/a |
| International Fund for Agricultural Development | Global | 179 | n/a |
| African Development Bank | Regional | 80 | 26 |
| European Bank for Reconstruction and Development | Intermediate (mostly regional) | 65 | n/a |
| Asian Development Bank | Regional | 67 | 19 |
| Inter-American Development Bank | Regional | 48 | 20 |
| European Investment Bank | Intermediate (mostly regional) | 28 | 0 |
| EU BoP assistance facility | Regional | 28 | 0 |
| EU EFSM | Regional | 28 | 0 |
| Council of Europe Development Bank | Regional | 41 | 0 |
| Caribbean Development Bank | Regional | 28 | 5 |
| Asian Infrastructure Investment Bank | Regional | 57 | 20 |
| European Stability Mechanism | Regional | 19 | 0 |
| North American Framework Agreement | Regional | 3 | 0 |
| West African Development Bank | Regional | 14 (94) | 6 (87) |
| Chiang Mai Initiative Multilateralisation | Regional | 13 | 0 |
| New Development Bank | Global | 5 | n/a |
| BRICS Contingent Reserve Arrangement | Intermediate | 5 | n/a |
| Islamic Development Bank | Intermediate | 57 | n/a |
| African Export-Import Bank | Regional | 32 (82) | 2 (28) |
| CAF - Development Bank of Latin America | Regional | 19 | 2 |
| PTA Bank | Regional | 23 | 4 |
| OPEC Fund for International Development | Global | 13 | n/a |
| Arab Monetary Fund | Regional | 22 | 0 |
| Central American Bank for Economic Integration | Regional | 13 | 6 |
| Shelter Afrique | Regional | 44 (82) | 0 (28) |
| Bank of the South | Regional | 7 | 0 |
| South Asian Association for Regional Cooperation | Regional | 8 | 0 |
| Nordic Investment Bank | Regional | 8 | 0 |
| Eurasian Development Bank | Regional | 6 | 0 |
| Eurasian Fund for Stabilisation and Development | Regional | 6 | 0 |
| Nordic Development Fund | Global | 5 | 0 |
| Latin American Reserve Fund | Regional | 8 | 0 |
| Alba Bank | Regional | 8 | 0 |
| East African Development Bank | Regional | 5 (80) | 1 (75) |

Sources: Various websites.

35. **Contacts between IMF and World Bank staff and the private sector and non-government organizations (NGOs) are less structured.** The IMF participates in the quarterly Conference Call of the Principles Consultative Group hosted by the Institute of International Finance (IIF), and provides inputs on topics of interest to market participants (for example, in building consensus on the collective action clause and the ratable *pari passu* clause), and on occasion have commented on country specific issues where clarification was needed. Most recently, the IMF and World Bank have been commenting on private sector disclosure initiatives spearheaded by the IIF to

increase transparency of private sector lending to developing countries governments and SOEs. Both the IMF and the World Bank regularly participate in conferences and seminars organized by NGOs to hear their concerns as well as to discuss recent debt developments and policies.

**36. The IMF and World Bank also maintain a mailbox for official lenders.** This has come to play an important role in the two institutions' liaison with some official bilateral creditors. In 2017, 82 requests were received through the "Lending to LICs" mailbox, out of which 29 questions inquired information on debt limits and remaining space for non-concessional borrowing, 18 requests were technical questions related to how the Fund calculates the grant element of a loan, and information on the debt coverage and clarifications on Fund's policies and definitions, while 35 requests were informing the Fund and Bank on the provision of credit. At present this mailbox is accessed mostly by the OECD Export Credit Agencies (ECAs), while few other creditors have made use of it, despite its open accessibility referenced on the IMF web site.

## B. Debt Limits-Related Support to Sustainable Lending

**37. The IMF and the World Bank use DSA results to generate and disseminate information on debt limits and borrowers' capacity to carry debt.** The IMF's DLP and theIDA's Non-Concessional Borrowing Policy (NCBP) set such limits for IMF-supported programs and World Bank's financial operations depending on country specific debt vulnerabilities. These are set on the stock of debt, contracting of new debt, and/or the level of concessionality (see Annex V). The quantitative specification of the limits depends on several factors, including the debt level, expected trajectory of the debt, terms and maturity profile, as well as the quality and coverage of fiscal statistics. The annual assessment of the authorities' capacity to monitor and record debt is an important organizing criterion in the design of the country specific debt limits (see Tables 5 and 6). For example, where capacity is assessed to be weak and the debt is assessed to be at high risk of debt distress, the performance criterion (PC) on non-concessional borrowing in an IMF program is generally set at zero, with exceptions for high-priority projects, or for debt management purposes (see Table 5).

## Table 5. DLP Debt Conditionality for Countries that Normally Rely on Concessional Financing

| Risk of external debt distress[1] | WEAK quality of debt monitoring[2] | SUFFICIENT quality of debt monitoring | |
|---|---|---|---|
| | | limited financial integration | significant links to international capital markets |
| High | PC on nominal external NCB +<br>Memo item on nominal external CB +<br>Target on domestic borrowing, if needed[3] | PC on nominal external NCB +<br>PC /IT on nominal external CB +<br>Target on domestic borrowing, if needed[3] | PC on nominal foreign currency NCB+<br>PC/IT on nominal foreign currency CB+<br>Target on domestic borrowing, if needed[3] |
| Moderate | PC on Nominal external NCB +<br>Memo item on nominal external CB +<br>Target on domestic borrowing, if needed[3] | PC on PV of new external debt +<br>Target on domestic borrowing, if needed[3] | PC on total nominal public debt |
| Low | The design of debt limits, if needed, would be country specific[4] | | |

1 As assessed under the LIC DSF.

2 Memo items are not program conditionality.

3 An explicit target on domestic borrowing would be required in cases where the overall risk of debt distress indicates significant risks related to domestic public debt, and where these risks are not adequately covered by fiscal conditionality.

4 No limits on external debt are required. Debt conditionality may be warranted when the quality and/or coverage of the fiscal conditionality favors 'below-the-line' measures. An explicit target on domestic borrowing would be required in cases where the overall risk of debt distress indicates significant risks related to domestic public debt, and where these risks are not adequately covered by fiscal conditionality.

Source: IMF (2015).

**Table 6. NCBP Adjustments to the Design of Non-Zero Debt Ceilings[22]**

| Risk of debt distress | Capacity | Current approach[1] | Enhanced approach[1] |
|---|---|---|---|
| low risk | inadequate | two options: L by L considerations; or nominal, external non-concessional PPG debt ceiling | no change |
| low risk | adequate | two options: L by L considerations; or nominal, external non-concessional PPG debt ceiling | three options: L by L considerations; ceilings on total external PPG debt iN PV terms; or nominal, external non-concessional PPG debt ceiling |
| moderate risk | inadequate | two options: L by L considerations; or nominal, external non-concessional PPG debt ceiling | no change |
| moderate risk | adequate | two options: L by L considerations; or nominal, external non-concessional PPG debt ceiling | three options: L by L considerations; ceilings on total external PPG debt iN PV terms; or nominal, external non-concessional PPG debt ceiling |
| high risk/debt distress | adequate/ inadequate | L by L considerations | no change |

1/ In the current and enhanced approach, country authorities can choose between the options
Memo: L by L stands for loan by loan; PV stands for present value
Source: IDA Non-Concessional Borrowing Policy: Review and Update, DFIRM, WB, October 2015.

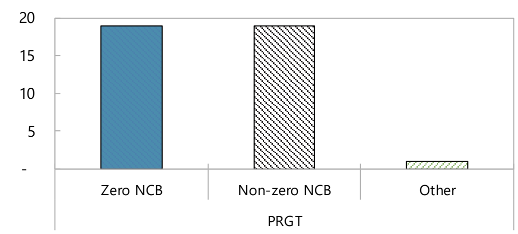
**38. The IDA's NCBP ceiling may apply in cases where there is no IMF program.** The NCBP is utilized for any lending with less than 35 percent grant element by eligible country. Debt limits (nominal or PV terms) under the IDA's NCBP can be set at the request of the country based on the

[22]These adjustments to the design of non-zero debt ceilings apply in principle when there is no IMF program in place. When there is an IMF program in place, the Bank will seek to harmonize with the programmatic IMF approach.

county's debt vulnerabilities (as per the LIC DSF) and the authorities' capacity to record and monitor external public and publicly guaranteed debt in a timely manner.

**Figure 6. Application of Debt Limits under Fund-Supported Programs**

(Number of Fund-Supported Programs since 2011)




Note: Application of Debt Limits Policy Effective as of July 2015.
Source: IMF Staff.

**39. Information on debt limits in IMF-supported program countries and countries subject to IDA's NCBP is published regularly in a table (see Table 7).**[23] The table is organized by whether there is a zero or non-zero non-concessional borrowing limit, and other debt limits. Information on the test date and the amount of the limit are also provided. The table is updated monthly. Country information is based on the latest published program document, and thus cannot capture up-to-the-minute information on the usage of the borrowing space under the debt limit. Over the past 7 years, approximately half of the IMF-supported program countries had zero and the other half non-zero non-concessional debt limits (see Figure 6). Very few countries rated at high risk of debt distress have used non-concessional borrowing on an exceptional basis (e.g., Cameroon, Ghana, and Mauritania). Since 2010, IDA received 27 NCBP cases from 17 countries. Among these countries, IDA provided waivers for 16 countries and applied remedies measures in 5 countries (including multiple and combinations of responses for some countries).

**40. Official creditors have used the DLP and the NCBP to inform their lending.** For example, the OECD has drawn on the DLP and the NCBP to inform its principles and guidelines to promote sustainable lending for OECD member country ECAs (see Annex VI), explicitly requiring ECAs to consider the prevailing limits on public sector non-concessional borrowing when lending to these countries. Similar arrangements are now being considered by the OECD Development Assistance Committee (DAC), to ensure that the official development assistance is provided consistently with the IMF's DLP and theIDA's NCBP. OECD creditors with questions generally contact the IMF and World Bank staff through the "Lending to LICs" mailbox.

**41. The debt limits only apply in the context of an IMF-supported program while the World Bank's NCBP applies to countries eligible for IDA grants and to IDA-only recipients of assistance under the Multilateral Debt Relief Initiative (MDRI)**. While there is no explicit requirement in IMF policy to discuss borrowing capacity in the context of surveillance, increasing attention has been paid of late to clarifying fiscal space (a closely related concept). Fiscal space assessment is also informed by DSA results (alongside other considerations).[24]

[23] http://www.imf.org/external/np/spr/2015/conc/index.htm.

http://ida.worldbank.org/sites/default/files/pdfs/oecd_dlp_and_ncbp_table_03_21_2018_table.pdf

[24] See IMF (2018b) and Kose, Ayhan et. al. (2017).

# Table 7. List of IDA-only and PRGT-eligible Countries Subject to IMF/World Bank Group Debt Limits Conditionality 1/ 2/

## Last update: May 21, 2018 (unless otherwise indicated)

**I. Zero-NCB Limit Countries**

| Country | Guiding debt limit policy | Other limits (test date) 3/ | | Utilized (as of date) 4/ | |
|---|---|---|---|---|---|
| Afghanistan | IMF & WBG | CB limit: zero*<br>CB limit: zero* | (Dec-17)<br>(Jun-18) | zero | (Sep-17) |
| Central African Rep. | IMF & WBG | CB limit: CFAF 8.8B*<br>CB limit: CFAF 9B* | (Dec-17)<br>(Jun-18) | CFAF 8.8B | (Sep-17) |
| Chad | IMF & WBG | CB limit: US$ 70M*<br>CB limit: US$ 193M* | (Jun-18)<br>(Dec-18) | | |
| Gambia, The | IMF & WBG | | | | |
| Guinea-Bissau | IMF & WBG | CB limit: US$ 10.9M*<br>CB limit: US$ 3.4M* | (Dec-17)<br>(Mar-18) | US$ 6M | (Jun-17) |
| Malawi | IMF & WBG | CB limit: US$ 166M* †<br>CB limit: US$ 70M* † | (Jun-18)<br>(Dec-18) | | |
| Niger | IMF & WBG | CB limit: CFAF 350B*<br>CB limit: CFAF 350B* | (Jun-18)<br>(Dec-18) | | |
| São Tomé & Príncipe | IMF & WBG | CB limit: US$ 17M*<br>CB limit: US$ 17M* | (Jun-18)<br>(Dec-18) | | |
| Togo | IMF & WBG | CB limit: CFAF 138B*<br>CB limit: CFAF 52.7B* | (Dec-17)<br>(Jun-18) | CFAF 14.6B | (Jun-17) |
| Burundi | WBG | | | | |
| Haiti | WBG | | | | |
| Kiribati | WBG | | | | |
| Kyrgyz Republic | WBG | | | | |
| Maldives | WBG | | | | |
| Marshall Islands | WBG | | | | |
| Micronesia | WBG | | | | |
| Mozambique | WBG | | | | |
| Samoa | WBG | | | | |
| South Sudan | WBG | | | | |
| Tajikistan | WBG | | | | |
| Tonga | WBG | | | | |
| Tuvalu | WBG | | | | |
| Yemen, Republic of | WBG | | | | |

**II. Non-zero NCB Limit Countries**

| Country | Guiding debt limit policy | Type of debt limit (test date) 3/ | | Utilized (as of date) 4/ | |
|---|---|---|---|---|---|
| Côte d'Ivoire | IMF | PV limit: US$ 1839.5M<br>PV limit: US$ 2400M | (Jun-18)<br>(Dec-18) | | |
| Benin | IMF & WBG | PV limit: CFAF 402.8B ‡<br>PV limit: CFAF 402.8B ‡ | (Jun-18)<br>(Dec-18) | | |
| Burkina Faso | IMF & WBG | NCB limit: CFAF 200B<br>CB limit: CFAF 550M* | (Jun-18) | | |
| | | NCB limit: CFAF 200B<br>CB limit: CFAF 550M* | (Dec-18) | | |
| Guinea | IMF & WBG | NCB limit: US$ 650M ‡<br>CB limit: US$ 365M* ‡ | (Jun-18) | | |
| | | NCB limit: US$ 650M ‡<br>CB limit: US$ 365M* ‡ | (Dec-18) | | |
| Madagascar | IMF & WBG | NCB limit: US$ 383M ‡<br>CB US$ 1647M* ‡ | (Jun-18) | NCB: US$ 65M<br>CB: US$ 975M | (Sep-17) |
| | | NCB limit: US$ 383M ‡<br>CB US$ 2125M* ‡ | (Dec-18) | | |
| Mali | IMF & WBG | PV limit: CFAF 426B ‡<br>PV limit: CFAF 426B ‡ | (Jun-17)<br>(Dec-17) | CFAF 246B (PV) | (Dec-16) |
| Sierra Leone | IMF & WBG | PV limit: US$ 140M | (Dec-17) | | |
| Ethiopia | WBG | NCB limit: US$ 400M | | | |
| *Non-zero NCB limit on exceptional basis 5/ (high risk of debt distress countries)* | | | | | |
| Cameroon | IMF | NCB limit: CFAF 436B<br>CB limit: CFAF 100B* | (Jun-18) | | |
| | | NCB limit: CFAF 436B<br>CB limit: CFAF 152B* | (Dec-18) | | |
| Ghana | IMF | Debt mngt: US$ 1750M<br>Projects: US$ 3500M ‡<br>GNPC: US$ 350M<br>CB: US$ 500M | (Jun-18) | Debt mngt: zero<br>Projects: US$ 1822M<br>GNPC: US$ 100M<br>CB: zero | (Dec-17) |
| | | Debt mngt: US$ 1750M<br>Projects: US$ 3500M ‡<br>GNPC: US$ 350M<br>CB: US$ 500M | (Dec-18) | | |
| Mauritania | IMF & WBG | NCB limit: US$ 108M<br>CB limit: US$ 100M | (Jun-18) | | |
| | | NCB limit: US$ 108M<br>CB limit: US$ 200M | (Dec-18) | | |
| **Non-zero limit 7/** | | | | | |
| Comoros | WBG | Loan-by-loan exception | | | |
| Congo, Dem. Rep. | WBG | Loan-by-loan exception | | | |
| Liberia | WBG | Loan-by-loan exception | | | |
| Solomon Islands | WBG | Loan-by-loan exception | | | |
| Vanuatu | WBG | Loan-by-loan exception | | | |

**III. Other Debt Limits (No debt limits/Targeted debt limits) 6/**

| Country | Guiding debt limit policy | Limits (test date) 3/ | | Utilized (as of date) 4/ | |
|---|---|---|---|---|---|
| **A) No debt limits** | | | | | |
| Kenya | IMF | no limits | | n/a | |
| Moldova | IMF | no limits | | n/a | |
| Senegal | IMF & WBG | no limits | | n/a | |
| **B) Targeted debt limits** | | | | | |
| Rwanda | IMF & WBG | Issuance of external debt by SOEs: US$ 500M ‡ | (Jun-18) | US$ 418M | (Dec-16) |
| Uganda | IMF & WBG | Zero-limit on issuance of government guarantees † | (Mar-17) | UGX 92B | (Mar-17) |
| **C) Option to request ceiling** | | | | | |
| Tanzania | WBG | If no ceiling requested, loan-by-loan exception applies | | | |

***Notes: International***

1/ Data are as indicated at the most recent published review.

2/ IDA-only countries exclude countries in nonaccrual status (Eritrea, Somalia, Sudan, and Syria).

3/ Debt limits under IMF-supported programs are those applicable at the next test dates **(including the year-end if available)** or the last test date for programs that have no future test dates.

4/ Utilized amounts are as of the dates indicated and may be preliminary. Numbers reported are not necessarily available borrowing space, as country authorities may already have entered into commitments, or the available space may already have been earmarked under the program for a specific project loan. WBG's ceiling utilization is monitored annually. Country authorities should be consulted for more precise information.

5/ A non-zero NCB limit may be granted under exceptional circumstances (see IMF Debt Limits Policy guidance note, Section IV: http://www.imf.org/external/pp/longres.aspx?id=4960). This limit does not represent open room for borrowing in non-concessional terms as such limit is typically pre-committed for a debt management operation or a specific project(s).

6/ This section refers to countries for which, in line with the DLP guidelines, no limits on external debt are required. However, targeted debt limits may be warranted where risks are not adequately covered by fiscal conditionality (see DLP guidance note, Section IV: http://www.imf.org/external/pp/longres.aspx?id=4960).

7/ Countries have the option to request NCB ceiling depending on their capacity assessment to manage debt; without agreed ceiling , the norm (loan-by-loan exception) will apply.

* The limit on concessional borrowing under the IMF program is not program conditionality; however, it is still a commitment of the authorities under an IMF program and thus it is expected to be fully observed.

† Fiscal year is July 1 to June 30.

‡ Cumulative for the duration of the arrangement.

## C. Agenda Going Forward

**42. To further enhance the IMF and World Bank's efforts to promote sustainable lending, various initiatives are planned:**

- ***Reviewing the DLP and the NCBP.*** Regular reviews are scheduled to start during the second half of 2018, and extensive consultations with stakeholders will take place. a *Review of Conditionality and Design of Fund-Supported Programs* is already underway. Issues covered by these reviews include the determination of fiscal and debt targets in Fund programs and how these targets are handled in the specification of Fund conditionality. The adequacy of data provisioning requirements on all forms of public debt will be assessed; so too will the emphasis that is being given in IMF-supported programs to improving the borrower's capacity in debt recording, monitoring and reporting. IDA's NCBP review will look at strengthening data provisioning requirement particularly for countries approaching high risk of debt distress; reinforcing compliance with the need to improve borrower's capacity in debt recording, monitoring and reporting.

- ***Enhancing the commentary on members' debt issues in IMF's bilateral surveillance work.*** This could be examined in the context of the upcoming Comprehensive Surveillance Review, drawing on the findings of the DLP and NCBP review. In the meantime, a discussion of fiscal space grounded on the DSA could provide a reasonable framework to support responsible lending.

- ***Increasing creditor outreach.*** A more proactive outreach to creditors to enhance direct and indirect creditor coordination could include:

    - ***Outreach to non-Paris Club and plurilateral creditors.*** Through an email list, a regular newsletter could be produced on questions that may arise when interpreting IMF and World Bank debt policies (drawing on sanitized versions of questions submitted through the "Lending to LICs" mailbox). Such a newsletter could also contain the latest table of DLP/NCBP limits, and encourage recourse to the "Lending to LICs" mailbox.

    - ***Enhanced information sharing between the Bank, Fund, multilateral and plurilateral creditors.*** The current Multilateral Development Bank Forum, organized by the World Bank, could be expanded to include some additional plurilateral creditors, and a dedicated segment could be introduced that could discuss topics that support sustainable lending practices, including on recent debt developments in borrower countries.

    - **Prepare and provide workshops** for emerging creditors on: DSA analysis, lending frameworks, internal coordination of lending agencies, and external coordination in debt resolution situations.

- ***Consider clearer guidance on the boundaries between official and commercial loans, and between multilateral and plurilaterals, for IMF and WB policy purposes.*** Creditors should have a clear understanding of their status and thus what risks they are taking when lending.

# Annex I. IMF and World Bank Legal Mandates for Collecting Data

*The IMF and the World Bank have mandates to collect accurate and timely public debt data to facilitate the effective discharge of their duties, and to disseminate the data to the public, discussed below:*

1. **Member countries are obligated to furnish the IMF with certain information under based Article VIII, Section 5 of the Articles of Agreement VIII.** Article VIII Section 5(a) discusses members' obligations on "Furnishing Information": in order for the IMF to carry out its mandate and functions effectively and to act "as a centre for the collection and exchange of information on monetary and financial problems". The procedures for obtaining data from members are founded on a cooperative approach and trust in members to provide the required information accurately. Section 5(a) requires members to provide the IMF with the information "necessary" for its activities; thus, Article VIII, Section 5 applies both in the context of use of IMF resources (from its general resources account) and surveillance. The required minimum of data is listed in Article VIII, Section 5. The list was expanded by Executive Board Decision No. 13183-(04/10), January 4, 2004 on Strengthening the Effectiveness of Article VIII, Section 5.

2. **The obligation to provide information is continuous, not just limited to provision of data for Article IV consultations.** However, the obligation is not absolute, rather, the member must provide the information to the best of its ability. The IMF therefore considers varying abilities of members to provide information and gives the "benefit of any doubt" given to member in assessing its ability to provide information. Moreover, Article VIII, Section 5(b) calls for information to be furnished "in as detailed and accurate a manner as is practicable and, so far as possible, to avoid mere estimates". There is no breach of obligation if failure to provide information/accurate information is due to lack of capacity. Whether a member has capacity is determined on a case-by-case basis. Notwithstanding, members have an ongoing obligation to improve their reporting systems and the accuracy of information provided. A breach of obligations under Article VIII, Section 5 (due to inaccurate reporting or nonprovision of data) by Fund members absent adequate remedial measures could prompt the IMF to take remedial actions, and eventually sanction a member, under the IMF's graduated framework for such cases. A misreporting, if resulting in a noncomplying purchase/disbursement, could trigger a repayment of Fund credit unless the misreporting is deemed de minimis or a waiver is granted.

3. **The IMF assesses the adequacy of a member's data for surveillance in Article IV staff reports, to highlight data weaknesses.** On debt data reporting, the guidance is recommending for external debt data the use of the External Debt Statistics Guide for Compilers and Users, with different granularity requirements depending on the country classification in terms of data provision quality, while for domestic debt reporting, there are no specific requirements other than those envisaged in the Government Finance Statistic Manual (GFSM) for the fiscal accounts. For all countries, Article IV Staff Reports include a Statistical Issues Appendix (SIA) and a Table of Common Indicators Required for Surveillance (TCIRS), in a recommended template, except for countries classified as having adequate data provision for surveillance purposes for which these are optional. The SIA would generally (i) assess data shortcomings; (ii) outline any implications for surveillance;

and (iii) where relevant discuss remedial measures, focusing on the main data deficiencies in areas central to surveillance.

4. **The IMF collects much more data than the minimum requirement, relying on members to voluntarily provide the data.** For the purpose of effectively conducting surveillance, and in the context of IMF-supported programs, the IMF requests considerable additional information to discharge its duties. In the context of IMF-supported programs, information requirements are detailed in the "Technical Memorandum of Understanding" which sets forth the understandings on data provision for program purposes. The IMF also sets debt limits conditionality in line with its Debt Limits Policy. Further, the IMF has kept the mandatory provision of data by member countries under frequent review. This ongoing effort was intended to keep the data available to the institutions aligned with its members' needs. Notwithstanding, problems with data have been recurrent.

5. **The data collection and dissemination mandate of the World Bank is based on Operations Policy (OP) 14.10 of the World Bank's Operations Manual, "External Debt Reporting and Financial Statements".** This was amended in July 2005, and provides the institutional framework for the requirement that a borrowing or guaranteeing member country provide reliable and timely external debt data to the Bank. The Bank's General Conditions require such member country to "furnish to the Bank all such information as the Bank shall reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and external debt". As a condition of Board presentation of loans and credits, the borrowing country must submit a complete report (or an acceptable plan of action for such reporting) on its external debt. The reporting of quarterly external debt and on public sector debt is voluntary and not covered by OP 14.10.

# Annex II. Data Gaps and Financial Crises in Historical Context

*Data surprises are not new in the historical context, and lessons have been drawn from each surprise event which have led to several reforms the IMF (IEO, 2016a).*

1. **The Latin American debt crisis of the early 1980s highlighted the need to collect more extensive data on external debt and debt service obligations.** This prompted the introduction of the external debt sustainability analysis in the context of Article IV consultations.

2. **The Mexican crisis in 1994 (the "Tequila" crisis), was triggered by a refinancing crisis of dollar denominated short-term government debt.** The market was caught by surprise due to lack of timely information on international reserves and the central bank balance sheet. This led to the Executive Board agreement in April 1995, on an *"absolute minimum" of data* that members were expected to provide to the IMF for surveillance purposes.[1] In 1996, the Executive Board approved the *Special Data Dissemination Standard (SDDS)*, followed in 1997 by the less demanding *General Data Dissemination System (GDDS), and* in 2015, the Enhanced GDDS (e-GDDS).

3. **The Asian crisis of the late 1990s (and subsequent balance of payment crisis) gave renewed impetus to strengthen the provision of data on external borrowing, with greater efforts directed towards obtaining** more comprehensive, timely data, including from the private sector. This led to (i) the *Quarterly External Debt Statistics (QEDS)* database by the World Bank and the IMF and (ii) the *Data Quality Assessment Framework (DQAF)*, which provides a structure for assessing the extent to which countries meet the prerequisites of data quality and follow international best practices in regard to the standards espoused by the SDDS. The DQAF became the basis for the data Reports on the Observance of Standards and Codes (ROSC). It also gave renewed impetus to a wider discussion on the early detection of risks, and led to the introduction of the *Financial Sector Assessment Program (FSAP)* in 1999, the *Vulnerability Exercise for Emerging Markets* in 2001, and the *Global Financial Stability Report (GFSR)* in 2002.

4. **Finally, the opaque financial innovations involving government debt in some cases was one of many dimensions that led to the global financial crisis**. The G20 called on the IMF and the Financial Stability Board (FSB) to explore and address data gaps revealed by the crisis, giving rise to the *G20 Data Gaps Initiative (DGI)* in 2009, currently at its second phase (2015-21). The IMF in turn launched new initiatives to *strengthen data provision for surveillance*, including intensifying efforts to increase the number of countries reporting the International Investment Position (IIP), foreign exchange reserves and their currency composition, and financial soundness indicators; publishing new or updated codes and manuals in several areas, such as the Fiscal Transparency Code; enhancing the relevance of IIP data through two coordinated surveys on direct and portfolio investment. The IMF also sought to *strengthen data dissemination* through the establishment of the *SDDS Plus*, a higher tier of data standards aimed at systemically important countries.

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[1]Including central bank balance sheet, exchange rates, international reserves, reserve or base money, broad money, interest rates, external current account balance, fiscal balance, and GDP/GNP. Source: IMF (2016).

# Annex III. IMF and World Bank Public Debt Databases

## A. Public Debt Statistics Maintained by the IMF and the World Bank

1. **Between the IMF Statistics Department and the World Bank, there are multiple databases that collect and disseminate public debt data.** They are:

***IMF***

- Government Finance Statistics (annual data) (GFS)
- International Financial Statistics (sub-annual fiscal data) (GFHF)
- Global Debt Database (GDD)
- PPP Database
- Public Sector Balance Sheet Database (PSBS)

***World Bank***

- Quarterly Public Sector Debt Statistics Database (QPSD)
- Quarterly External Debt Statistics Database (QEDS)
- International Debt Statistics (IDS)

2. **Within the IMF, the GFS is the most important database.** This database seeks to collect annual fiscal data including revenues, expenditures (with an economic and functional breakdown) detailed financing, a full balance sheet for general government and its subsectors, counterparty data and aggregate data on other economic flows.

- The database included around 125 countries for 2016, but not all countries report balance sheet data. Balance sheet data is reported for approximately 80 countries, and countries are asked to report data for all financial assets and liabilities, (as defined in the GFSM 2014 and PSDSG 2011), including a full domestic and external creditor split by instrument for all subsectors (though few countries are able to report the full details). Data is also sought on debt by counterpart sector, by currency, maturity and interest, though few countries report this data at the moment.

- Debt data can be reported at face, nominal or market value. Memorandum items are requested on guaranteed debt.

- The data is reported by authorities via a standard questionnaire, and most data comes from either statistical offices (in most advanced economies), or from the Ministry of Finance (most emerging market and low income economies) though data is reported by the Central Bank for a small number of countries.

- Data is processed with a number automated and manual validation checks before publication.

3. **The GFHF data within the International Finance Statistics seeks to collect sub-annual fiscal data.** The database includes around 60 countries, mostly advanced economies and large emerging market countries and around 35 of these include balance sheet data. Data is considerably less detailed than that sought in the GFS. This database collects either monthly or quarterly

summary data on revenue and expenditure (economic breakdown only), summary financing data and a balance sheet (though with only total nonfinancial assets). Data is requested for the budgetary central government or the central government or general government. While its possible for countries to report more than one subsector, most countries just report the highest level of government available. A full breakdown of financial assets and liabilities is requested, but only an aggregate split between external and domestic creditors.  Data is processed with a small number of automated checks before publication.

4. **Global Debt Database (GDD), launched in May 2018, covers the debt of the nonfinancial sector—both private and public—for virtually the entire world (190 countries) dating back to the 1950s.**[1] The GDD takes a multidimensional approach, providing alternative debt series with different coverages. It reports various measures of private debt - from core instruments (such as loans and securities) to total private sector debt liabilities, for both households and nonfinancial corporations. For public debt, it presents various institutional coverages from the narrower central government to the wider public sector. In addition, by including both the sovereign and private sides of borrowing, it offers a global picture of total debt, at the same time accounting for the interlinkages between the public and private sector. By providing consistent data series of debt across countries and time that have undergone an extensive validation process, the GDD can contribute significantly to improving debt transparency.

5. **The Investment and Capital Stock Database 2017 includes estimates on capital stock from public-private partnerships (PPP database).**[2] The database covers a gap since government's direct and contingent exposure from PPPs are typically not properly reported in headline fiscal indicators, notably in countries with cash-based accounting. Even in countries that have adopted accrual accounting, the recognition of PPP-related liabilities is seldom complete and in accordance with international standards. The database provides a comprehensive sample of 170 countries. The PPP data is based on projects commitments taken from the European Investment Bank for European countries (1990–2015) and the World Bank Private Participation in Infrastructure (WB PPI) database for low- and middle-income countries (1984–2015). With all its caveats, the database provides useful information on the magnitude of PPP capital stock in comparison with the public capital stock, and a measure of government exposures from PPPs.

6. **A new database of public sector balance sheets (PSBS) is being developed.** The PSBS, together with a methodology for fiscal analysis using a balance sheet approach, will be presented in the Fall 2018 Fiscal Monitor. The PSBS database will contain detailed time-series estimates spanning the period 2000–16 of 60 countries' central government balance sheets. Estimates of the broader general government balance sheets will be presented for 49 of these countries. For a smaller subset of 30 countries, the dataset will provide estimates of the entire public sector, bringing in public corporations, natural resources and pension liabilities. The PSBSs provide the most comprehensive view of the public finances. It shifts from the traditional fiscal analysis focusing on deficit and debt, mainly central government to a broader scope of analysis that includes all assets and liabilities, as

[1]See Mbaye, S., Moreno-Badia, M., and K. Chae. 2018. "The Global Debt Database: Methodology and Sources." IMF Working Paper 18/111, International Monetary Fund, Washington, DC. Available at http://www.imf.org/en/Publications/WP/Issues/2018/05/14/Global-Debt-Database-Methodology-and-Sources-45838

[2]http://www.imf.org/external/np/fad/publicinvestment/index.htm#5

well as larger coverage including the general government and the public corporations. This increases transparency first by covering all government entities which reduce the incentive of governments to use entities for off-budget fiscal activity, and second, by bringing attention to the entirety of what a state owns and owes, and how it is being managed, rather than focusing solely on income, expenditure, and borrowing. It includes reports on all assets and liabilities and thus providing the broadest picture of the solvency of public finances. It provides a framework to identify, assess and manage fiscal risks across the entirety of the public sector which will help increasing the resilience of public finances.

7. **QPSD was established following the publication of the PSDSG.** The database includes data for around 80 countries. This database seeks to collect quarterly data on public sector debt and the main subsectors. This goes beyond the GFS and GFHF which are both focused on the general government sector only. The database there asks for data on debt of public nonfinancial corporations, public financial corporations, and the total public sector, as well as budgetary central government, central government and general government (though few countries provide data for all subsectors). Data is requested on all debt liabilities at nominal or market value, as well as by currency of denomination, residence of the creditor and by original maturity.

8. **QEDS was established in following the publication of the IMF External Debt Guide.** Data collected includes sectoral breakdown as per BoP/IIP breakdown, general government external debt and central bank external debt public and publicly guaranteed external debt and private sector, the database includes maturity and instrument breakdown.

9. **IDS (the successor to the World Bank's Global Development Finance and World Debt tables) draws on the World Bank's Debt Reporting System (DRS) to provide information on external debt for low and middle-income countries.** DRS was established in 1951 and focusses on reporting of long term external debt, but the database has used other sources and supplemental reporting to also include short term external debt. Data is collected on an individual debt instrument basis on public and publicly guaranteed debt and aggregate basis on private non-guaranteed debt. The World bank publishes those data on aggregate form. The database includes around 123 countries.

10. **The World Bank has a data quality check system in place for the QPSD, QEDS, and IDS data bases, comparing the three statistics as they overlap at general government level.** Data is also validated against data on countries own National Summary Data Pages (NSDP) and the IMF GFS database when available. Most attention is given to low and middle-income countries as they often fail to comply with the reporting requirements.

## Public Debt Statistics: Reported Information by Income Groups

| | General Gov. | | | Central Gov. | | | Budgetary Central Gov. | | | Financial Public Corp. | | | Nonfinancial Public Corp. | | | Total PSD | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **LIC** | **LMC** | **UMC** | **LIC** | **LMC** | **UMC** | **LIC** | **LMC** | **UMC** | **LIC** | **LMC** | **UMC** | **LIC** | **LMC** | **UMC** | **LIC** | **LMC** | **UMC** |
| **Total gross debt** | 3 | 13 | 17 | 8 | 17 | 23 | 0 | 6 | 11 | 2 | 13 | 6 | 1 | 11 | 6 | 3 | 12 | 8 |
| **Gross debt by type of debt instrument** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special drawing rights (SDRs) | 0 | 1 | 2 | 2 | 2 | 4 | 0 | 1 | 3 | 2 | 14 | 2 | 0 | 0 | 0 | 1 | 6 | 3 |
| Currency and deposits | 0 | 1 | 1 | 0 | 2 | 3 | 0 | 0 | 1 | 1 | 6 | 1 | 0 | 0 | 0 | 1 | 4 | 1 |
| Debt securities | 2 | 12 | 17 | 7 | 17 | 23 | 0 | 6 | 11 | 1 | 8 | 3 | 0 | 6 | 4 | 2 | 12 | 8 |
| Loans | 3 | 13 | 17 | 8 | 17 | 23 | 0 | 6 | 11 | 2 | 10 | 5 | 1 | 11 | 6 | 3 | 12 | 8 |
| Insurance, pension, and standardized guarantee schemes | 0 | 0 | 1 | 0 | 1 | 3 | 0 | 0 | 1 | 0 | 3 | 0 | 0 | 0 | 1 | 0 | 1 | 0 |
| Other accounts payable | 0 | 4 | 7 | 0 | 5 | 9 | 0 | 1 | 4 | 1 | 4 | 3 | 0 | 4 | 3 | 1 | 7 | 3 |
| **Gross debt by original maturity** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term, original maturity | 3 | 10 | 14 | 7 | 15 | 20 | 0 | 5 | 8 | 1 | 8 | 5 | 0 | 4 | 5 | 3 | 11 | 7 |
| Long-term, original maturity | 3 | 13 | 17 | 8 | 17 | 23 | 0 | 6 | 11 | 2 | 13 | 6 | 1 | 11 | 6 | 3 | 12 | 8 |
| **Gross debt by remaining maturity** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term, remaining maturity | 2 | 11 | 14 | 7 | 16 | 20 | 0 | 6 | 9 | 0 | 9 | 3 | 0 | 7 | 5 | 2 | 11 | 7 |
| Long-term, remaining maturity | 3 | 13 | 17 | 8 | 17 | 23 | 0 | 6 | 11 | 2 | 12 | 6 | 1 | 11 | 6 | 3 | 12 | 8 |
| **Gross debt by currency of denomination** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic currency denominated | 2 | 12 | 16 | 6 | 17 | 22 | 0 | 6 | 11 | 2 | 7 | 5 | 1 | 6 | 5 | 2 | 12 | 8 |
| Foreign currency denominated | 2 | 13 | 16 | 7 | 17 | 22 | 0 | 6 | 10 | 1 | 12 | 4 | 0 | 10 | 5 | 3 | 12 | 8 |
| **Gross debt by type of interest rate** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fixed-rate instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Variable-rate instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Gross debt by residence of the creditor** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Domestic creditors | 2 | 11 | 14 | 7 | 16 | 19 | 0 | 6 | 9 | 2 | 6 | 4 | 1 | 6 | 4 | 3 | 12 | 6 |
| External creditors | 2 | 13 | 14 | 7 | 17 | 19 | 0 | 6 | 8 | 1 | 12 | 3 | 0 | 10 | 4 | 3 | 12 | 6 |
| **Memorandum items** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt securities at market value | 0 | 1 | 5 | 1 | 1 | 7 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Publicly guaranteed debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arrears | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Source: World Bank

## B. Data Discrepancies Across Databases

11. **It is possible to compare data reported in different databases.** Although the databases contain different sectoral definitions and concepts, one can see to what extent data is well aligned, especially for general government data (which is requested in four of the five databases). However, there is no systematic cross checking of data held in the IMF databases and World Bank databases. The data for some countries, especially EU countries (once adjusted for valuation and instrument coverage) is well aligned (see Table AIII.2), but for others there are notable discrepancies, as shown in table 3 below.

**Table AIII.2. General Government Gross Debt**
(billions of Euros)

| Country | QPSD–Gross debt, GG | GFS–D2 / D3* gross debt at face value |
|---|---|---|
| Ireland | 209.5 | 209.5* |
| Italy | 2,218 | 2,218 |
| Latvia | 11.8 | 11.2 |
| Lithuania | 17.2 | 17.2* |

**Table AIII.3. External Debt (2016 Q4 or end 2016)**

| Country | QEDS–GG External debt | QPSD–GG debt by external creditors | GFS–External liabilities | GFHF–external liabilities |
|---|---|---|---|---|
| Brazil (BRL Billions) | 628,321 | 631,308 | 631,000 | 631,308 |
| Australia (AU$ billions) | 285,809 | 6,832 | NA | NA |
| Indonesia (IDR Trillions) | 2,030 | 2,080 | 1,477 | 1,477 |

12. **Data discrepancies are likely to be present across these databases for a number of different reasons.** The main reasons include:

- Differences in the valuation used for debt (face versus nominal versus market value)
- Different instrument or sectoral coverage
- Different reporters providing data to the different databases
- Different vintages and revisions of data--given QPSD, QEDS and IFS are revised more frequently than the annual GFS

## C. Debt Reporting Requirements in IMF Data Standards

13. **The IMF's Data Standards Initiatives include three tiers:** Enhanced General Data Dissemination System (e-GDDS), Special Data Dissemination Standard (SDDS), and Special Data Dissemination Standard Plus (SDDS Plus). Each tier includes reporting objectives for public debt on sectoral coverage, periodicity, and timeliness. E-GDDS recommends the dissemination of quarterly central government debt data and encourages a broad institutional coverage; SDDS subscribers are prescribed to disseminate annual general government debt, and quarterly central government debt; adherence to SDDS Plus includes dissemination of both quarterly central and general government debt. The standards also include objectives for the dissemination of external public and publicly guaranteed debt. Table AIII.4 provides a summary of the main differences.

**Table AIII.4. IMF Data Dissemination Requirements**

| Data Standard | Number of countries (number of LICs) | Data Coverage for debt data | Periodicity and timeliness | Instrument coverage and debt breakdowns (r = required, e = encouraged / recommended) | Valuation |
|---|---|---|---|---|---|
| e-GDDS | 110 | CG | Quarterly, within 1-2 quarters after the end of the reference quarter | Short term (e)<br>Long term (e)<br>Foreign (e)<br>Domestic (e)<br>By instrument (e) | Face value |
| SDDS | 61 | CG | Quarterly, within 4 months of the reference period (r)<br><br>Monthly (e) | Short term (r)<br>Long term (r)<br>Foreign (r)<br>Domestic (r)<br>By instrument (r) | Nominal value |
| | | GG | Quarterly, within 1 quarter of the reference period (e) | By instrument (e)<br>By currency (e)<br>Foreign (e)<br>Domestic (e) | Nominal value |
| SDDS Plus | 14 (zero) | GG | Quarterly, within 4 months of the reference period | By instrument (r)<br>By currency (r)<br>Foreign (r)<br>Domestic (r) | Nominal Value |

## D. Data Gaps and Reasons for Differential Country Coverage

14. **Across the multiple databases, there are notably different levels of country coverage and reporting.**

- IDS has the strongest data reporting, and is the longest standing database, and has very high coverage of its target country group. This is mostly because countries report public and publicly guaranteed external debt on an instrument by instrument basis in accordance with OP 14.10 through World Bank Debt Reporting System (DRS). The Bank staff compiles the external debt stats for those countries and publishes in aggregate form in the IDS publication.

- QEDS also has good coverage,[1] mostly due to the focus on external debt, which means data is compiled as part of IIP, usually by the Central Bank, and reporting of this data is on a stronger footing – both within the data requirements of the IMF and the data standards and due to the relative strength of the compiling institutions. The compilation of these data are based on international standards encompassed in the EDSG and the sixth edition of the Balance of Payments and International Investment Position Manual.

- For QPSD, GFS and GFHF, while reporting is very good for advanced economies and most larger emerging market economies, coverage drops off sharply for low income countries. One issue is that data reporting for these three databases is on a best effort basis, rather than expected or mandatory. For the IMF databases, these databases also run in parallel with requests from Area Department teams for surveillance data that can and does overlap. Lower income countries often have lower capacity. In addition, unlike in BOP, GFS based data (as requested in all 3 of these databases) is often in addition to national definitions of debt, requiring additional processing and compilation before countries can disseminate the data. Countries must categorize instruments into the relevant classification schemes, and value the debt in a manner consistent with PSDSG and GFSM standards. Thus, many countries lack the capacity or resources to compile fully.

- Despite the issues, the database has been successful in slowly increasing the number of reporting countries and the extent of the database. QPSD has grown to include over 80 countries, accounting for the large proportion of the global economy. There has also been steady progress made in the GFS to increase the number of countries reporting balance sheet data.

15. **STA GFS TA continues to work on compilation of debt and balance sheet data and reporting to GFS, QPSD and over time GFHF.** In this context, STA will liaise with area departments to ensure that their reporting priorities based on surveillance and program needs are supported and reporting templates and channels are increasingly harmonized.

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[1]All SDDS Plus and SDDS economies (except Senegal) and New Zealand submit quarterly data to the World Bank's QEDS. However, there is room for improvement for e-GDDS reporting.

# Annex IV. Debt Data Collection by IMF Country Teams in Practice[1]

1. The data source for conducting a DSA is typically the authorities. Most IMF country teams collect debt-related data directly from the Ministry of Finance (MoF) or Debt Management Office (DMO). A data collection form tends to be customized to DSA templates to obtain efficiently the required information, typically on a creditor-by-creditor basis (not loan-by-loan). Some teams also refer to publicly-available debt databases (e.g., PSD, IDS, and OECD DAC data) mainly for a consistency check. A limited number of teams reach out to creditors to obtain lending terms including through IMF Executive Director offices.

2. Country teams have had to deal with delays and infrequent data recording. About one third of country teams reported a lag in data updates sometimes with significant upward revisions. This was attributed to challenges faced by MoF or DMO to monitor and track disbursements under debt-financed projects in a timely manner, since these projects are under the monitoring of line ministries. In addition to delays in data updates, data revisions are often caused by human errors in data inputs to the debt recording system. Two country teams in the sample reported that the authorities suffer a significant lack of capacity to monitor debt, and rely on invoices issued by creditors rather than being proactively prepared for debt service.

3. Most country teams had difficulty obtaining information on SoEs and PPPs, and most of the country teams consider the data quality associated with SoEs and PPPs inadequate. Most of the MoFs and DMOs do not collect these data, and country teams usually need to reach out to macro-relevant SoEs to obtain information on their debt without government guarantee. Staff noted that it was easier to engage with SoEs when the country is covered by debt limits under a Fund program. Most country teams considered that PPPs were not properly monitored, and thus developing a reliable estimate of exposures and risks associated with PPPs is usually beyond their reach.

4. Most of the MoFs and DMOs do not systemically monitor loan terms and conditions beyond the basic lending terms. Most of the surveyed countries usually do not have a systematic mechanism put in place for collecting and recording non-basic lending terms, including on collateralization and other types of security. Unless specifically asked by country teams, information is not proactively shared beyond basic lending terms. Some countries require their MoFs and DMOs to attend all the external loan negotiation meetings, and therefore they have a comprehensive view of the lending terms.

5. More general and extensive surveys on data collection point to additional issues (IEO, 2016b). They indicate that the most cited deficiencies are related to the limited capacity of country sources, including weak recording and reporting capacity, poor accounting and budgeting rules, followed by the "authorities" unwillingness/refusal to provide certain data, legal restrictions, and confidentiality concerns.

[1] Information in this Annex is based on some 25 responses from IMF economists working for LICs and MICs (around 60 percent of which are currently under a Fund program).

# Annex V. IMF and World Bank Debt Limit Policies

1. The Fund's debt limits policy dates back to the 1960s. The most recent reforms were concluded in 2009 and 2014. The 2014 reform of the policy (Policy on Public Debt Limits in Fund-Supported Programs)—which became effective on June 30, 2015—is based on a set of robust principles guiding the use of public debt conditionality in Fund-supported arrangements across the membership. It applies to all public debt, provides an integrated treatment of concessional and non-concessional external debt, and public debt vulnerabilities to specific public debt conditionality.

2. Public debt conditionality is normally included in Fund arrangements when a member faces significant debt vulnerabilities, or when there are merits to using debt targets instead of, or as a complement to, "above-the line" fiscal conditionality. The appropriate form of debt conditionality differs between countries that normally rely on concessional external financing and those that do not.

***Countries that do not normally rely on concessional external financing***

3. For these cases, judgments on the extent of debt vulnerabilities are informed by a set of tools provided within the debt sustainability framework for market access countries (MAC-DSA).

4. Heat map indicators flash "red", i.e., exceeding their benchmarks under the baseline (either for debt or gross financing needs; in percent of GDP), signal significant debt vulnerabilities. In such circumstances, debt targets would take the form of limits on total public debt or targeted debt limits, depending on the extent and type of vulnerability and taking into account country-specific circumstances.

***Countries that normally rely on official concessional financing***

5. For these countries, the assessment of debt vulnerabilities is informed by the low-income countries debt sustainability framework (LIC-DSF), taking into account the country’s debt management and monitoring capacity. An external risk of debt distress rating of "moderate", "high", or "in debt distress" would signal the presence of significant external public debt vulnerabilities. The extent of debt vulnerabilities related to domestic debt will be determined through the analysis of total public debt and reflected in the overall risk of debt distress. The specific design of external debt limits is a function of the member country's risk of external debt distress (taking into consideration the extent and type of debt vulnerabilities); the quality and timeliness of the financial information produced by the accounting system of a member country's public sector; and other relevant macroeconomic circumstances in the member country.

6. Table AV.1 summarizes guidance on the form that debt conditionality should take to address vulnerabilities related to external debt in countries that normally rely on concessional financing. Special considerations are warranted in certain circumstances, such as when the quality of debt monitoring is weak, or in countries with significant links to international capital markets Additionally, in all cases, conditionality on external or domestic debt may be warranted on account of specific types of debt vulnerabilities or instead of, or as a complement to, "above-the line" fiscal conditionality.

***The World Bank's IDA Lending and Non-Concessional Borrowing Policy***

7. The financing terms of World Bank IDA financing to IDA-only countries are determined by country ratings of the risk of external debt distress. These risk ratings stem from the World Bank-IMF debt sustainability framework (LIC DSF). IDA financing from Core Performance-Based Allocations, and exceptional regimes such as the Risk Mitigation Regime and the Turnaround Facility are all determined by the DSA traffic light system, i,e., countries with high risk of debt distress receive 100 percent grant, moderate risk 50:50 percent grant-credit mix and low risk of debt distress access in 100 percent credit. The additional allocation for Refugee Window is 100 percent grant for high risk countries and 50:50 percent grant credit mix for low and moderate risk of debt distress countries. The risk of debt distress also affects eligibly to some of the IDA windows. For instance, the terms of IDA's core allocations are also mirrored in the terms countries have access the Crisis Response Window and the Regional Window. Countries at high risk of debt distress are precluded from access to the non-concessional the Scale Up Facility (SUF) window. This window is available to blend and IDA-only countries at low or moderate risk of debt distress. While not precluding non-concessional borrowing, the IDA's NCBP allows the Bank to ensure that scarce IDA grant finance is used effectively to pursue debt sustainability and at the same time provides incentives for countries with moderate and high risk of debt distress, or those that have received debt relief under MDRI, to seek concessional financing.

8. World Bank's NCBP applies to countries eligible for IDA grants and to IDA-only recipients of assistance under the Multilateral Debt Relief Initiative (MDRI). For countries implementing Fund-supported programs (including the Policy Support Instrument), the ceilings on non-concessional borrowing allowed under the NCBP have been based on the ceilings on NCB set in the Fund-supported program.

9. Under the IDA NCBP, countries at low risk of debt distress would have the option of voluntary requests for external public borrowing ceilings, including in PV terms, and based on their assessed capacity. Alternatively, considerations based on individual non-concessional loans will be the norm. Compared to the current practice, this group of countries could request debt ceilings in PV terms, if warranted by their capacity.

10. Countries at moderate risk of debt distress with adequate debt monitoring capacity would have the option to request ceilings on external public borrowing in PV terms rather than nominal terms for non-concessional loans. In other words, the PV ceiling would cover concessional and non-concessional debt, and would not be tied to loan-by-loan considerations. This replaces the current practice of requesting ceilings only in nominal terms for non-concessional debt, and help ensure consistency with the revised DLP approach. This said, a careful assessment of disbursement profiles and more broadly the macro framework is key to maintaining debt ratios on a sustainable trajectory.

11. Countries at moderate risk of debt distress with limited capacity could request a nominal ceiling on non-concessional borrowing with a grant element threshold at 35 percent as per current practice. Applying a nominal debt ceiling on non-concessional loans for countries with limited monitoring capacity aligns with the new DLP approach. The latter entails also a memorandum item on concessional borrowing, which is not binding as the performance criterion setting the ceiling on non-concessional external public debt.

12. Countries at high risk/in debt distress would be able to borrow non-concessionally under exceptional circumstances. Merits of the non-concessional borrowing will be assessed on a case-by-case basis. The NCBP implementation record shows that non-concessional borrowing has been feasible under such circumstances based on a loan-by-loan approach, such as, for example, in the event of critical infrastructure projects for which concessional financing was not available. This is consistent with the new DLP approach.

# Annex VI. OECD Principles and Guidelines to Promote Sustainable Lending Practices

**The OECD had developed principles and guidelines to promote sustainable lending practices in the provision of official export credits to lower income countries.**

***Concept definition.*** Sustainable lending practices is understood as lending that supports a borrowing country's economic and social progress without endangering its financial future and long-term development prospects. The practices are meant to ensure that Export Credit and Credit Guarantees (ECG) credit decisions do not contribute to debt distress in the future.

"Decision to provide support should take into account the results of the most recent IMF/WB DSA, and the relevant program or policy documents"

"For transactions involving public obligors or publicly guaranteed obligors in lower-income countries that are subject to debt limits conditionality for non-concessional borrowing under the IMF's Debt Limits Policy (DLP) or the World Bank's Non-Concessional Borrowing Policy (NCBP), the decision to provide support will take into account the prevailing limits on public sector non-concessional borrowing for a specific country as follows:

(i) Support should not be provided for official export credit transactions involving public obligors or publicly-guaranteed obligors in lower-income countries that are subject to a zero limit on non-concessional borrowing under the DLP or the NCBP.

(ii) For official export credit transactions involving public obligors or publicly-guaranteed obligors in lower-income countries that are subject to a non-zero limit on non-concessional borrowing under the DLP or the NCBP with a credit value in excess of SDR 5 million10, Members should, on a best-efforts basis, seek assurances from appropriate government authorities in the debtor country that the project/expenditure is in accordance with the DLP or the NCBP for that country."

"Before the decision to provide support is finalized, Members will, as early as possible, inform the IMF and World Bank via the "Lending-to-LICs" mailbox of their intention to provide support for any official export credit transaction involving a public obligor or guarantor in a lower-income country that is subject to debt limits conditionality for non-concessional borrowing under the DLP or NCBP with a credit value in excess of SDR 5 million, providing the level of detail necessary in order for the project to be identified and for the basic financial terms and conditions to be known."

In terms of transparency, ECG Members will provide data via the OECD Secretariat to the IMF and World Bank on all transactions supported to lower-income countries on an annual basis in order to, inter alia, assess ECG Members' success towards ensuring that official export credits to lower-income countries are not provided for unproductive purposes and are consistent with the aims of the Debt Sustainability Framework for these countries.

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