

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 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 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.

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

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	<ul style="list-style-type: none"> Develop tailored and targeted action plans with support of diagnostic TA 	IMF/WB
	<ul style="list-style-type: none"> Provide TA to support implementation of needed reforms where diagnostic TA has taken place and weaknesses have been identified 	IMF/WB
	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> Strengthen country efforts to build debt management capacity by identifying measures to support in IMF-supported programs and World Bank financing operations 	IMF/WB
	<ul style="list-style-type: none"> Simplify debt recording guidance and standardize data reporting templates to help alleviate capacity constraints 	IMF/WB
Collection and dissemination of debt data	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> Implement and scale up D4D and Financial Sector Stability Fund (statistics module) to close data gaps and strengthen capacity 	IMF
	<ul style="list-style-type: none"> Implement World Bank initiatives to improve private external debt and public domestic debt statistics 	WB
	<ul style="list-style-type: none"> 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
Public debt analysis (DSA and MTDS)	<ul style="list-style-type: none"> Support implementation of the new LIC DSF including with supplementary guidance on expanding debt coverage and assessing fiscal risks 	IMF/WB
	<ul style="list-style-type: none"> Define options for stronger debt coverage and disclosures in the review of the MAC DSA 	IMF

	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> Strongly encourage country authorities to publish MTDS to increase transparency 	IMF/WB
Sustainable lending (creditor outreach and debt limits)	<ul style="list-style-type: none"> Review of DLP/NCBP with a view to strengthening data provisioning requirement and simplify conditionality framework 	IMF/WB
	<ul style="list-style-type: none"> Consideration of enhanced commentary on member countries' debt issues in context of IMF surveillance 	IMF
	<ul style="list-style-type: none"> More structured outreach to non-Paris Club and plurilateral creditors 	IMF/WB
	<ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> Enhanced information sharing with multilateral and plurilateral creditors 	IMF/WB
	<ul style="list-style-type: none"> Clarification of perimeter of official and commercial debt, and multilateral and plurilateral debt (for IMF policy purposes) 	IMF
Support to creditor initiatives	<ul style="list-style-type: none"> Support G20 self-assessment of sustainable financing principles 	IMF/WB
	<ul style="list-style-type: none"> Support private sector lending disclosure initiative 	IMF/WB