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INTERNATIONAL MONETARY FUND

**G-20 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.

I. 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),

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

the 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).

²Annex 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

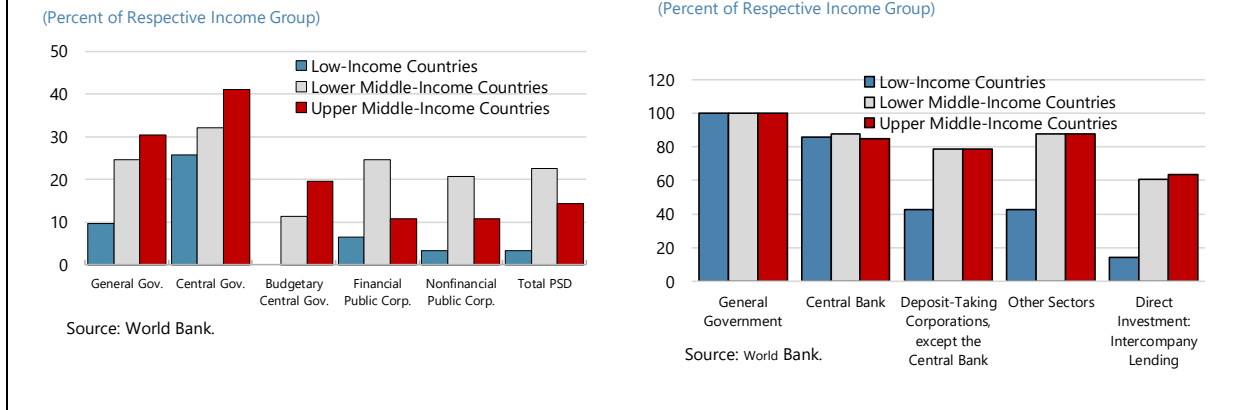
	e-GDDS ^{1/}			SDDS	Non e-GDDS or SDDS ^{3/}
	All	with NSDP	without NSDP		
LICs total, of which reports ^{2/}	63	18	45	3	4
- Central government debt	53	14	39	3	0
- External debt	46	12	34	3	0
- Both	43	11	32	3	0

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).

³E-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.

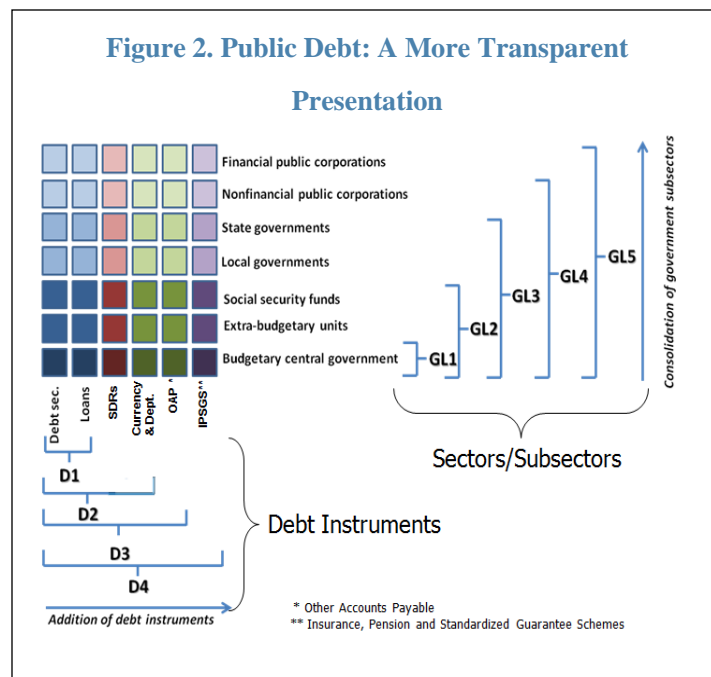
**Figure 1. Public Sector and External Debt Statistics:
Reporting by Sector, by Income Group**



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

⁴Reporting 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.



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 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

⁵Additional 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.

⁶Comparability 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.

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.
- 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

II. 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

⁷<https://dsbb.imf.org/>.

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 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 summarizes 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).

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.

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

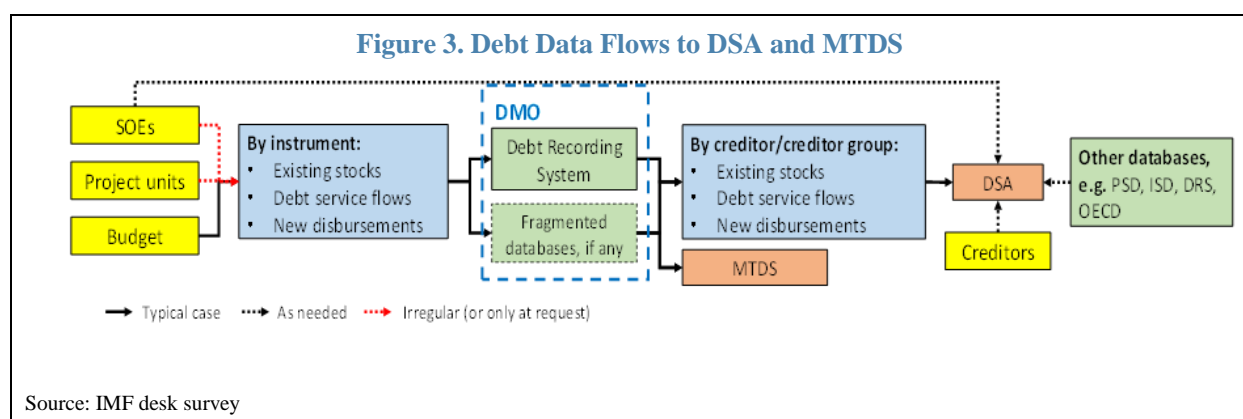
	Key Inputs	Key Outputs
LIC DSF	<p>Macro-fiscal indicators: Real GDP growth GDP deflator inflation Interest rate Exchange rate Public sector revenues Public sector expenditures Current account balance</p> <p>Debt-financing indicators: Existing stock of debt Debt service of existing debt New disbursements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

[†] 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.

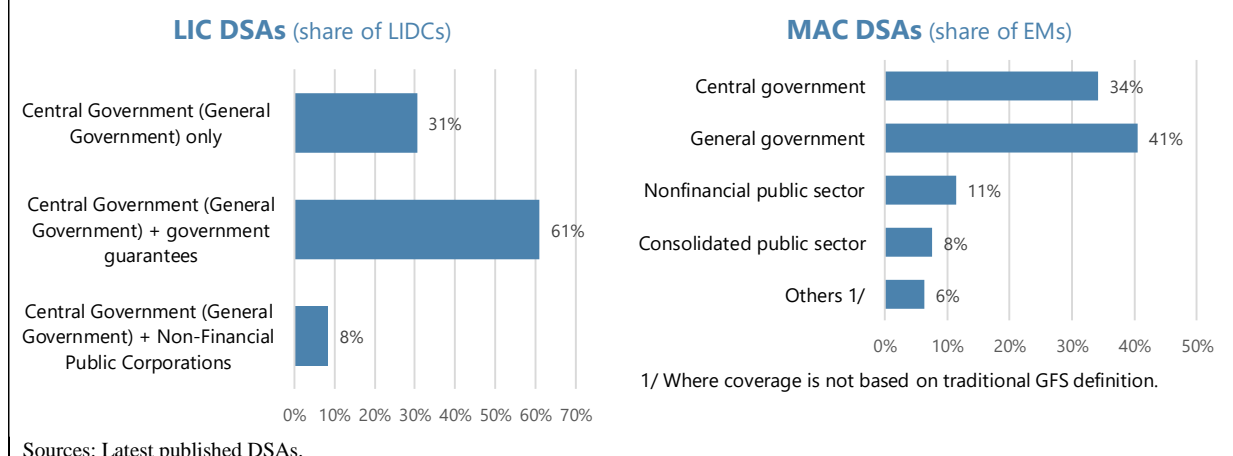
22. Data needs for producing a DSA are large and require comprehensive debt coverage and precise information on debt service flows and commitments in order to produce a sound assessment. To make effective debt projections, the DSA requires reliable data on the existing PPG debt stock and its corresponding 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.



¹²Recent 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



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

¹³For 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>

focus on managing the risk exposure embedded in the debt portfolio, specifically, potential 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

¹⁴IMF and World Bank 2009.

¹⁵<http://www.worldbank.org/en/topic/debt/brief/mtds>

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

a 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

¹⁷For 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>).

new DSA report, such as debt coverage, overall debt risk rating, and granularity analysis (i.e., 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.

¹⁸This 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.

¹⁹In 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.

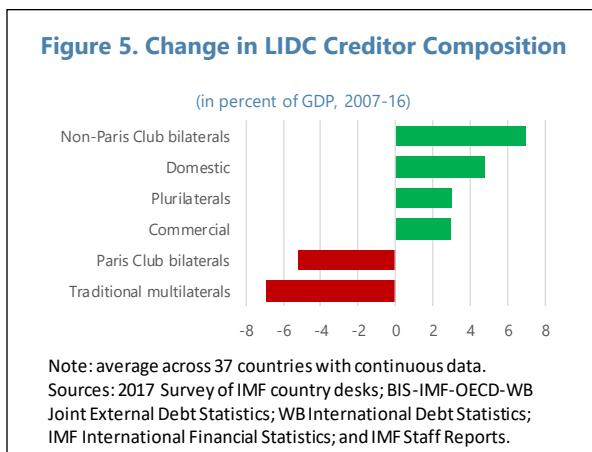
III. PROMOTING SUSTAINABLE LENDING

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 claims, as well as between



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.

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 the IDA'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 + Memo item on nominal external CB + Target on domestic borrowing, if needed ³		PC on nominal external NCB + PC /IT on nominal external CB + Target on domestic borrowing, if needed ³	PC on nominal foreign currency NCB+ PC/IT on nominal foreign currency CB+ Target on domestic borrowing, if needed ³
Moderate	PC on Nominal external NCB + Memo item on nominal external CB + Target on domestic borrowing, if needed ³		PC on PV of new external debt + 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 Ceilings²²

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.

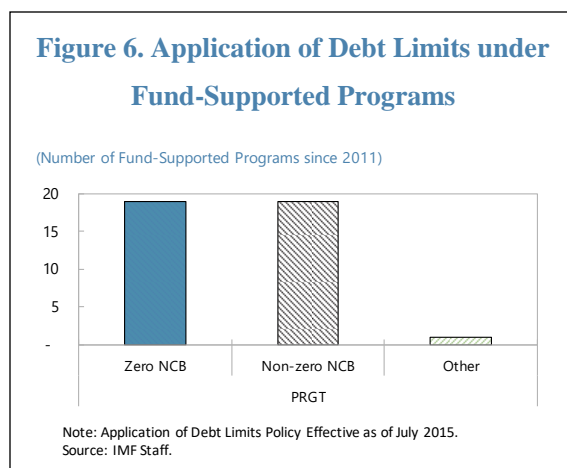
Memo: L by L stands for loan by loan; PV stands for present value

Source: IDA Non-Concessional Borrowing Policy: Review and Update, DFIRM, WB, October 2015.

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.

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 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.

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

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

Development Assistance Committee (DAC), to ensure that the official development assistance is provided consistently with the IMF's DLP and the IDA'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

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				II. Non-zero NCB Limit Countries				III. Other Debt Limits (No debt limits/Targeted debt limits) 6/			
Country	Guiding debt limit policy	Other limits (test date) 3/	Utilized (as of date) 4/	Country	Guiding debt limit policy	Type of debt limit (test date) 3/	Utilized (as of date) 4/	Country	Guiding debt limit policy	Limits (test date) 3/	Utilized (as of date) 4/
Afghanistan	IMF & WBG	CB limit: zero* CB limit: zero*	zero (Sep-17)	Côte d'Ivoire	IMF	PV limit: US\$ 1839.5M PV limit: US\$ 2400M					
Central African Rep.	IMF & WBG	CB limit: CFAF 8.8B* CB limit: CFAF 9B*	CFAF 8.8B (Sep-17)	Benin	IMF & WBG	PV limit: CFAF 402.8B + PV limit: CFAF 402.8B +					
Chad	IMF & WBG	CB limit: US\$ 70M* CB limit: US\$ 193M*		Burkina Faso	IMF & WBG	NCB limit: CFAF 200B CB limit: CFAF 550M* NCB limit: CFAF 200B CB limit: CFAF 550M*					
Gambia, The	IMF & WBG			Guinea	IMF & WBG	NCB limit: US\$ 650M + CB limit: US\$ 365M* + NCB limit: US\$ 650M + CB limit: US\$ 365M* +					
Guinea-Bissau	IMF & WBG	CB limit: US\$ 10.9M* CB limit: US\$ 3.4M*	US\$ 6M (Jun-17)	Madagascar	IMF & WBG	NCB limit: US\$ 383M + CB US\$ 1647M* + NCB limit: US\$ 383M + CB US\$ 2125M* +	NCB: US\$ 65M CB: US\$ 975M				
Malawi	IMF & WBG	CB limit: US\$ 166M* + CB limit: US\$ 70M* +		Mali	IMF & WBG	PV limit: CFAF 426B + PV limit: CFAF 426B +	CFAF 246B (PV)				
Niger	IMF & WBG	CB limit: CFAF 350B* CB limit: CFAF 350B*		Sierra Leone	IMF & WBG	PV limit: US\$ 140M					
São Tomé & Príncipe	IMF & WBG	CB limit: US\$ 17M* CB limit: US\$ 17M*		Ethiopia	WBG	NCB limit: US\$ 400M					
Togo	IMF & WBG	CB limit: CFAF 138B* CB limit: CFAF 52.7B*	CFAF 14.6B (Jun-17)	<i>Non-zero NCB limit on exceptional basis 5/ (high risk of debt distress countries)</i>							
Burundi	WBG			Cameroon	IMF	NCB limit: CFAF 436B CB limit: CFAF 100B* NCB limit: CFAF 436B CB limit: CFAF 152B*					
Haiti	WBG			Ghana	IMF	Debt mgmt: US\$ 1750M Projects: US\$ 3500M + CB: US\$ 500M Debt mgmt: US\$ 1750M Projects: US\$ 3500M + GNPC: US\$ 350M CB: US\$ 500M	Debt mgmt: zero Projects: US\$ 1822M GNPC: US\$ 100M CB: zero				
Kiribati	WBG			Mauritania	IMF & WBG	NCB limit: US\$ 108M CB limit: US\$ 100M NCB limit: US\$ 108M CB limit: US\$ 200M					
Kyrgyz Republic	WBG			<i>Non-zero limit 7/</i>							
Maldives	WBG			Comoros	WBG	Loan-by-loan exception					
Marshall Islands	WBG			Congo, Dem. Rep.	WBG	Loan-by-loan exception					
Micronesia	WBG			Liberia	WBG	Loan-by-loan exception					
Mozambique	WBG			Solomon Islands	WBG	Loan-by-loan exception					
Samoa	WBG			Vanuatu	WBG	Loan-by-loan exception					
South Sudan	WBG										
Tajikistan	WBG										
Tonga	WBG										
Tuvalu	WBG										
Yemen, Republic of	WBG										

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.

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).

9. 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.

10. 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).

11. 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.

12. 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*

¹Including 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)

dissemination through the establishment of the *SDDS Plus*, a higher tier of data standards aimed at systemically important countries.

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 it is 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

¹See 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>

includes all assets and liabilities, as 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	3
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	3
Debt securities	2	12	17	7	17	23	0	6	11	1	8	3	0	6	4	2	12	3
Loans	3	13	17	8	17	23	0	6	11	2	10	5	1	11	6	3	12	3
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	3
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	3
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	3
Foreign currency denominated	2	13	16	7	17	22	0	6	10	1	12	4	0	10	5	3	12	3
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	3
External creditors	2	13	14	7	17	19	0	6	8	1	12	3	0	10	4	3	12	3
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.

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) Long term (e) Foreign (e) Domestic (e) By instrument (e)	Face value
SDDS	61	CG	Quarterly, within 4 months of the reference period (r) Monthly (e)	Short term (r) Long term (r) Foreign (r) Domestic (r) By instrument (r)	Nominal value
		GG	Quarterly, within 1 quarter of the reference period (e)	By instrument (e) By currency (e) Foreign (e) Domestic (e)	Nominal value
SDDS Plus	14 (zero)	GG	Quarterly, within 4 months of the reference period	By instrument (r) By currency (r) Foreign (r) Domestic (r)	Nominal Value

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 coverage¹, 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.

¹All 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 Practice¹

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.

¹Information 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 eligibility to some of the IDA windows. For instance, the terms of IDA's core allocations are also mirrored in the terms countries have access to 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 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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