Debt transparency to the rescue? Possibilities and Limitations

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
THE JOINT IMF-WB MULTIPRONGED APPROACH FOR ADDRESSING EMERGING DEBT VULNERABILITIES

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• In April and October 2018, the communiqués of the Thirty-Seventh and Thirty-Eight Meetings of the IMFC and of the Development Committee called for a multi-pronged work program to reduce public debt vulnerabilities and enhance debt transparency.

• In November/December 2018, a Joint IMF-WB Multipronged Approach for Addressing Emerging Debt Vulnerabilities (MPA) was presented by the IMF and World Banks staffs to their respective Executive Boards.

• The MPA, which covers IFIs’ work, is part of a wider set of initiatives:
  ➢ For borrowers: enhanced technical assistance (e.g. DMFIII)
  ➢ For official lenders: the G-20 Operational Guidelines (+ self-assessment exercise)
  ➢ For private lenders: the IIF’s Voluntary Principles
KEY PILLARS OF THE IMF-WORLD BANK MULTIPRONGED APPROACH

I. Improve debt analysis/early warning systems
   - Assess risks inherent in fiscal and financing plans
   - Identify debt vulnerabilities for policy corrections
   - Examine impact on debt sustainability of alternative policy paths

II. Enhance debt transparency
   - Guide borrowers’ sound macro-fiscal policy frameworks
   - Determine appropriate magnitude, terms and conditions of lending
   - Design effective adjustment programs (crisis prevention) and debt resolution strategy (crisis resolution)

III. Strengthen debt management capacity
   - Monitor, assess, and adequately report debt vulnerabilities and fiscal risks
   - Develop prudent borrowing and risk mitigation strategies
   - Inform borrowing decisions and overall macro policy stance

IV. Review debt policies
   - Better address current and new debt challenges
   - Set incentives for sustainable borrowing and lending

Identified Vulnerabilities
- High debt levels and vulnerabilities (incl. due to weak macro-fiscal frameworks)
- Shift in creditor composition
- Limited debt transparency
- Debt management capacity shortfalls
- Debt resolution challenges

Work Streams and Objectives
Better tailored IMF/WB reform support and advice in both surveillance/monitoring and program/operational contexts
## Improving the quality and coverage of debt statistics

### IMF
- Continue to assist countries to graduate to **SDDS and SDDS+**. Extend SDDS+ in future to capture data by creditor.
  - Supported by TA under the D4D trust fund
- IMF review of Data Provision for the purpose of Fund Surveillance: considering expansion of **AVIII section 5 reporting requirements** to a subset of State enterprises

### World Bank

#### Debtor Reporting System (DRS):
- External PPG Debt: enhanced monitoring of data quality and stronger outreach on reporting obligations
- External Public Non-Guaranteed Debt: outreach to official creditors that lend without guarantee; maximize use of data available on national websites and from market sources
- Domestic debt: expansion of DRS scope to include domestic debt (on a pilot basis)

### Enhanced IFI outreach to lenders and borrowers to support transparency

- **Support to the G-20’s Operational Guidelines self assessment initiative.** Creditor self-diagnostic tool to be available this week on IMF and WB websites. Includes creditor transparency provisions
- **In the pipeline:** a facility for voluntary publication of full country DSAs (stripped of confidential information).
Third Phase of the Debt Management Facility was launched in April 2019.

**Enhanced focus on debt transparency in TA:**
- Angola: support on MTDS and institutional setup leads to first publication of a debt management strategy.
- ECCU: support on investor relations and transparency.
- Ethiopia: Expanded debt coverage and analysis in debt reports.
- Cape Verde: Debt management reform and SOE monitoring.
- Egypt and Georgia (publication of expanded DMS); Jordan (publication of DMS and policies on guarantees).

### DMF-III: New Areas of Emphasis for Debt Management

**Supporting debt transparency:** Bilateral training on debt sustainability analysis, and new line of implementation support focused on enhanced debt reporting and monitoring.

**Monitoring and managing fiscal risks:** Identification of off budget and other unreported direct liabilities, government guarantees, public-private partnerships and fiscal risks from public corporations.

**MTDS implementation:** Increased support for preparation of annual borrowing plan, asset-liability management, and debt-cash management integration TA.

**Improving governance and institutional arrangements:** Increased focus on the legal and governance arrangements, mandate, structure and operational arrangements of debt management institutions.
### IMF and World Bank Implementation of the LIC DSF

**Improving transparency**
- As of November 2019, 55 new LIC DSFs:
  - In all cases, enhanced disclosure requirements (coverage, exclusions, contingent liabilities)
  - In 11 cases debt coverage has been broadened (e.g. Senegal, Mozambique, and Cameroon).

**Training**

### IMF review of the DSA for Market Access Countries

**Improving transparency:**
- Enhanced disclosure requirements: same as LIC DSF
- Same expectation of broader coverage as in LIC DSF
- Using sharper mechanical outputs—to enhance transparency around the exercise of judgment.

- Proposals finalized by mid-2020: implemented early 2021
- Training will also be available
### Review of the IMF Debt Limits Policy (DLP)

- DLP is IMF’s framework for debt-related conditionality (e.g. quantitative limits on non-concessional borrowing)
- Update: to reflect lessons of the last 5 years, and to better align it with the changing borrowing landscape.
- There will be provisions on debt transparency:
  - Expectations on debt data provision (supported by program structural conditions, e.g. prior actions)
  - Will help better orient/focus debt conditions (should complement fiscal conditions)

### IDA’s new Sustainable Development Financing Policy (SDFP)

- Alignment with the IMF DLP has been a key feature of the NCBP and will be preserved under the successor SDFP.
- Potential synergies with DLP on debt transparency:
  - DLP review focuses on sharpening Fund efforts to extract debt information;
  - SDFP would focus on incentivizing structural measures to support stronger debt transparency (debt management)
Thank you!