CHAPTER 3—THE IMF'S ADVICE ON PUBLIC DEBT MANAGEMENT

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EXECUTIVE SUMMARY

This chapter assesses the Fund’s advice regarding public debt management, understood as the strategies and actions aimed at meeting a government’s financing needs and payment obligations at the lowest cost, while minimizing associated risks and supporting policy objectives. It focuses especially on advice to emerging market and middle-income economies (EMMIEs).

The Fund has played a significant role in supporting countries with public debt management challenges through various initiatives—often in collaboration with the World Bank—bilateral and multilateral surveillance, and capacity development (CD). This support has been underpinned by extensive involvement of different departments. The IMF’s approach reflects a broad institutional consensus on the importance of both debt sustainability and sound risk management practices.

Key initiatives include the development of comprehensive guidelines on public debt management, a framework for medium-term debt strategies, and efforts to promote and improve debt transparency and fiscal data reporting. The IMF has also conducted relevant research in the area of public debt management. It has paid attention to emerging issues in public debt management, such as the growing importance of new lenders and climate finance.

The IMF has offered relevant guidance on vulnerabilities related to debt profiles and debt management of EMMIEs through both multilateral and bilateral surveillance. The IMF's flagship publications have consistently raised concerns about fiscal risks in EMMIEs and frontier economies with high debt levels, highlighting the vulnerability to the effects of monetary policy normalization in advanced economies.

In bilateral surveillance the Fund has periodically updated its debt sustainability assessment tools, placing greater emphasis on identifying liquidity risks and vulnerabilities linked to debt composition and contingent liabilities. A review of Article IV reports for 12 EMMIEs indicates that IMF staff regularly focus on such vulnerabilities.

The Fund’s CD activities in the area of debt management have been intense. Available evidence indicates that these activities are valued by member countries, including EMMIES, and generally well-received by national authorities.

Nonetheless, the Fund’s efforts in public debt management are not always fully integrated across its various functions. There is scope to enhance cross-referencing between institutional work (such as the “Guidelines on Public Debt Management” and other analysis conducted by the IMF’s functional departments) into the Fund’s flagship documents and bilateral surveillance reports. Article IV consultations often focus on “above-the-line” fiscal metrics while devoting less attention to financing strategies and debt vulnerabilities. While interaction between technical assistance (TA) and surveillance does occur in practice, systematically integrating TA with surveillance would strengthen the effectiveness of the Fund’s advice on public debt management.

Although the Fund maintains several public debt databases, their coverage, disaggregation, and consistency are inadequate to meet the growing complexity of global debt structures. The rise of nontraditional creditors, novel debt instruments, and opaque bilateral loan agreements poses a serious challenge to the accuracy and utility of current debt data. The Fund could also usefully develop a database with information on Debt Management Offices in member countries.

The IMF and World Bank maintain particularly close coordination on debt-related issues, supported by joint initiatives like the Debt Management Facility and several other joint initiatives. Coordination across IMF departments seems generally effective, supported by a clear division of labor. However, given the many departments involved in Fund's work on debt management, regular assessments of coordination practices would be useful for maintaining consistency and coherence in the Fund's activities in this area.

I. INTRODUCTION

1. **Since the Global Financial Crisis (GFC) and the COVID-19 pandemic, vulnerabilities related to public debt have increased dramatically.** Some Low-Income countries (LICs) and Emerging Markets and Middle-Income economies (EMMIEs) faced sovereign defaults in 2022–23.[1] Higher interest rates have rendered sovereign debt dynamics less favorable (IMF, 2024a). Recent events have pointed up the importance for economic and financial stability of not just the level and trajectory of debt but also its composition (currency denomination, maturity structure, investor base, etc.). They have also highlighted the importance of well-designed institutions for managing these risks.

2. **Vulnerabilities related to debt profile have been on the radar screen of market participants, governments and the IMF since the Mexican and Asian financial crises of the 1990s if not before.**[2] Initiatives have been taken to foster the development of markets in long-term, domestic currency denominated public debt held by a diverse population of institutional investors. Debt sustainability frameworks for market access and low-income countries (LICs) have become a workhorse of IMF surveillance.

3. **The importance of institutionalizing sound practices for debt management has gained particular urgency with the proliferation of financial instruments and additional classes of investors.** The importance of institutions and procedures to ensure debt transparency was lent prominence by the Greek crisis starting in 2009, for example, triggered by revelations of the partial and misleading nature of debt and deficit figures. The participation in debt markets of nontraditional creditors, including official creditors that are not members of the Paris Club, and the advent of liabilities other than standard debt securities, such as loans with covenants featuring nondisclosure clauses, raise further questions about the adequacy of existing statistics on debt flows.

4. **The objective of this chapter is to assess the Fund's advice in the area of public debt management.** This is defined as the strategies and actions to ensure that the government meets its financing needs, payment obligations, and policy objectives at the lowest possible cost, while minimizing risks, including from contingent liabilities.[3] Fund's advice on fiscal policies that affect the size and composition of the overall balance (the so-called "above the line" components of

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[1] Country groupings are consistent with that in other Background Papers to the evaluation (Cohen-Setton and Montiel, 2025; De Lannoy and Lane, 2025; Ocampo and Zoli, 2025). See Appendix to those papers for a full list.

[2] Thus, the Mexican crisis highlighted that relying on nonresident investors and short-term debt indexed to foreign currency exposes a government and country to capital flow reversals (e.g., Frankel and Schmukler, 1996). The Asian crisis then pointed up the risks of foreign currency and short-maturity debt. See Eichengreen and Hausmann (1999) on the first, Chang and Velasco (2000) on the second. The 1990s marked something of a breakpoint for public debt management in emerging markets and, effectively, inaugurated the current era in that it marked a transition from syndicated bank lending to the bond finance characteristic of the present day.

[3] The paper only focuses on the liability side of the public balance sheet; it does not cover the asset side, especially relevant for countries that have sovereign wealth funds.

the fiscal accounts) is not covered here but discussed in Cohen-Setton and Montiel (2025), De Lannoy and Lane (2025), Ocampo and Zoli (2025) for different country groupings. This chapter asks whether the coverage and content of IMF advice on public debt management have been adequate and how these might be improved. The chapter focuses on Fund's advice on debt management in the context of surveillance, though references to capacity development (CD) and program cases are covered when relevant. The chapter asks whether advice regarding public debt management might be better integrated into the Fund's Article IV reports in addition to being provided via technical assistance (TA). It focuses on EMMIEs. Debt issues related to LICs will be fully addressed in future evaluations, although unavoidably they are touched on in this paper. The paper does not cover debt restructuring issues, which are outside the scope of the evaluation (IEO, 2024a).[4]

II. PERSPECTIVES ON PUBLIC DEBT MANAGEMENT

5. **The importance of public debt management issues has long been appreciated inside and outside the IMF, but these issues are now more important than ever.** Debt burdens have soared to unprecedented peacetime heights in the wake of the GFC and COVID-19 pandemic. Figure 1A, based on the IMF's World Economic Outlook data, shows the evolution of general government debt-to-GDP ratios for advanced economies (AEs), EMMIEs, and LICs. Step increases around the time of the GFC and COVID-19 are clear for AEs and EMMIEs, while in LICs debt ratios have increased steadily since 2012. Debt decomposition analysis indicates that the average increase in public debt to GDP ratios was mainly driven by primary deficits in all country groups, whereby the differential between real interest rate and growth has mitigated debt accumulation (Figure 2). In EMMIEs and LICs exchange depreciation and especially other stock-flow adjustments have also been an important driver of debt dynamics.[5]

6. **The residual maturity of debt, the share that is foreign currency denominated, and the share held by external investors show the existence of continuing macro-critical risks in LICs and EMMIEs (Figures 1B, 1C, and 1D).** Distributions within country groups point to significant heterogeneity in this respect, with first and third quartile of EMMIEs' residual maturity of domestic government securities at four and nine years in 2023, respectively (see Appendix I). Shares of foreign currency denominated debt also vary, but were very sizable in some economies, with the third quartile as high as nearly 70 percent and 80 percent for EMMIEs and LICs, respectively.

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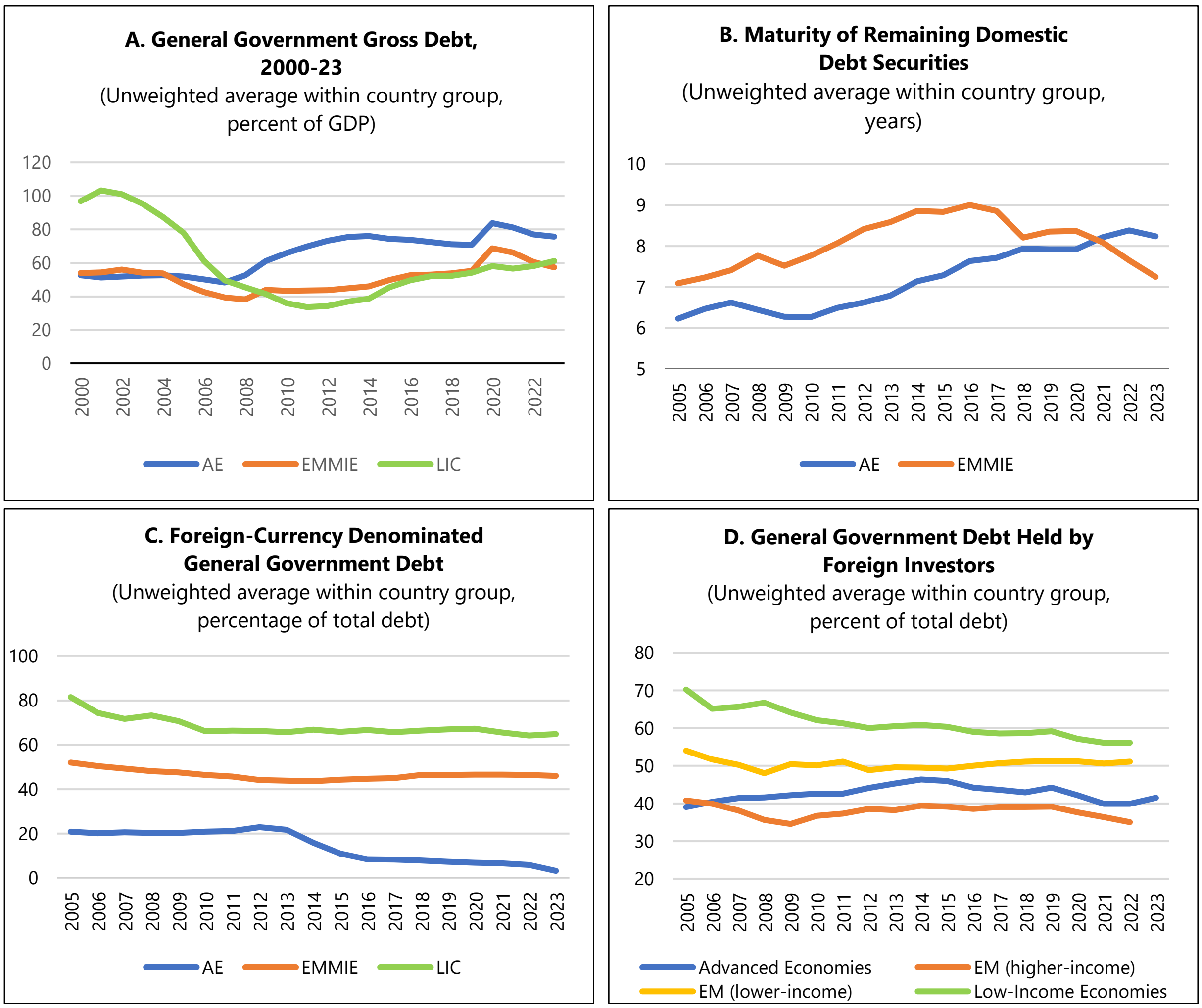
[4] The Fund is involved in various initiatives on debt restructuring, e.g., it co-chairs the Global Sovereign Debt Roundtable aiming to enhance common understanding among stakeholders involved in debt restructuring; it has an important role in Common Framework for debt resolution and was instrumental in the Debt Service Suspension Initiative. The Fund has also produced policy work in this area (e.g., IMF, 2021). Fund's work on debt restructuring will be covered in another ongoing IEO evaluation.

[5] Examples of contingent liabilities that resulted in large fiscal costs in EMMIEs over the evaluation period included Azerbaijan (2010), Hungary (2012), Sebia (2012), and Ukraine (2008–10), Bova and others, (2016). Large government guarantees to SOEs contributed to the increase in public debt in Sri Lanka that ultimately required debt restructuring (See Section VII below, and Annex I).

7. **Management of these debts can be analyzed first through the lens of magnitudes, accompanied by the risks and vulnerabilities they entail.** Observing debt management from this vantage point focuses on the level of debt (which can raise issues of sustainability), its maturity structure (which may give rise to rollover risk), its currency composition (which may be subject to destabilizing exchange rate changes), and the investor base (which may expose debt markets to sudden outflows and associated asset-price changes in instances where that base is dominated by nonresident investors).

Figure 1. Government Debt Levels and Composition



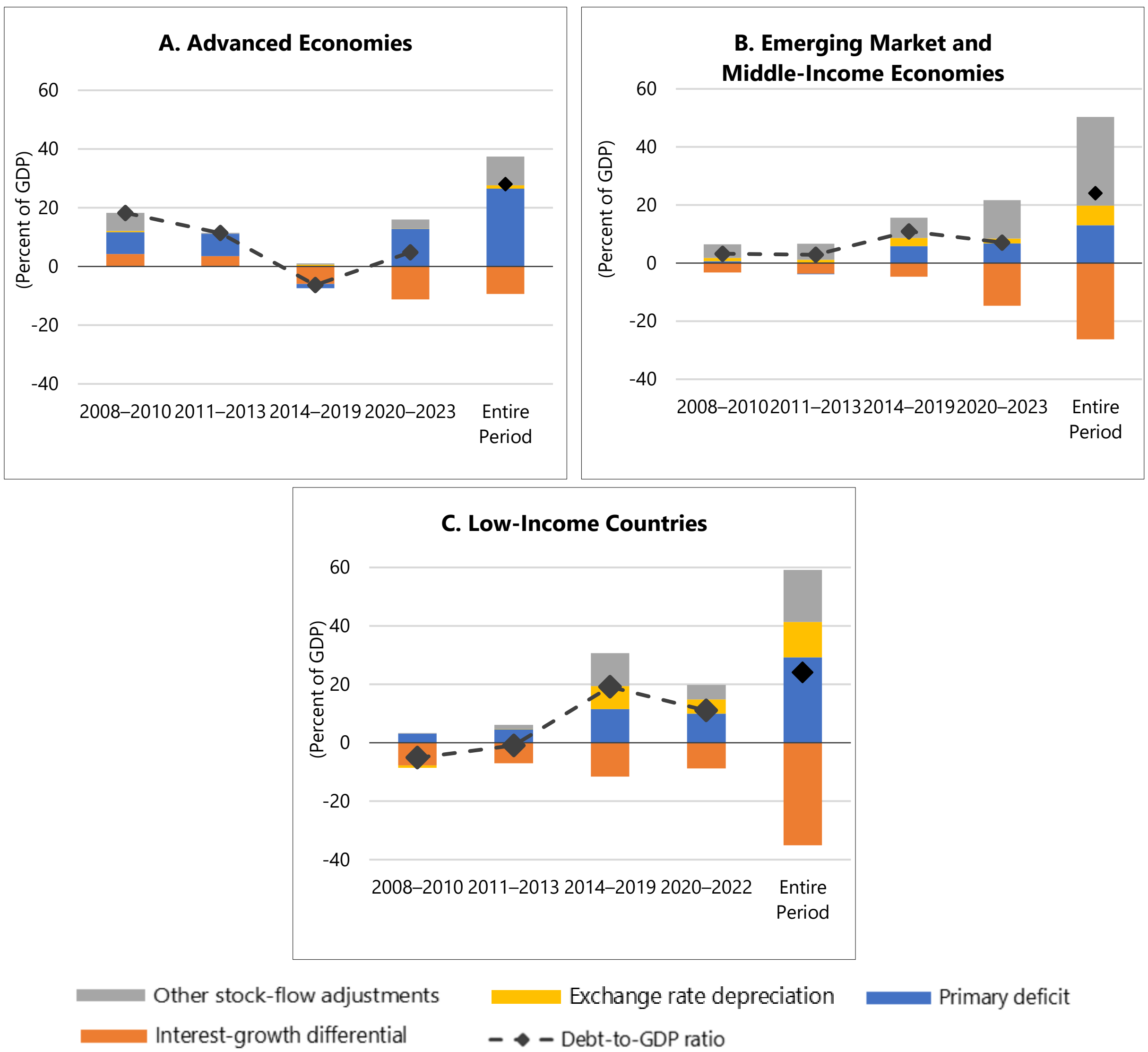
Sources: Arslanalp and Tsuda, 2014; BIS; WEO; IEO staff calculations.
Note: AE = Advanced Economy; EMMIE = Emerging and Middle-Income Economy, LIC = Low-Income Country. Country coverage depends on data availability. Figure 1.B covers 16 AEs and 13 EMMIEs; data for LICs were not available.

8. **Debt management can also be viewed through the lens of institutional arrangements.** This perspective directs attention to where responsibility for debt management is lodged, to the training and expertise of debt managers, and to procedures governing debt management decisions. Issues here include whether there exists a dedicated Debt Management

Office within the finance ministry or central bank or operating independently that is responsible for executing the government's debt management strategy, for assessing the tradeoffs associated with different strategies, and for providing advice to governmental decision makers, or whether these responsibilities are instead spread across different branches and units of government. Issues here also include whether there exist institutional arrangements adequate for assembling a comprehensive picture of the debt (whether the statistical basis for making debt-management decisions is adequate), and whether the resulting picture is transparent (whether statistics are promptly and fully disseminated within government and released to investors and the public).

Figure 2. Decomposition of Public Debt Changes

(Percent of GDP, unweighted average)



Sources: MAC DSA data; IEO staff calculations.

III. FUND'S WORK ON PUBLIC DEBT MANAGEMENT

9. **Fund's work on public debt management has developed in two main directions.** The first is offering guidance for country authorities on how to enhance the institutional framework and practice of debt management as well as on building capacity to conduct debt sustainability analysis; the second involves initiatives to strengthen public debt transparency. The Fund's work in these areas is carried out by multiple departments, often in collaboration with the World Bank, as discussed below.

A. Guidance on How to Enhance the Institutional Framework and Practice of Public Debt Management

10. **The IMF has long collaborated with the World Bank to provide relevant and comprehensive guidelines for public debt management.** These efforts date back to at least 2001, when IMF and World Bank (2001a, b) issued "Guidelines" emphasizing the importance of sound debt management. Issues included coordination with the fiscal and monetary authorities, transparency and accountability, a sound institutional framework, a coherent debt management strategy, a risk management framework, and development of a local market for government securities. An accompanying document (IMF and World Bank, 2003) provided case studies of AEs and EMMIEs focusing on the issue areas highlighted in the main document.

11. **In response to a request from G-20 finance ministers and central bank governors, the two institutions usefully issued revised Guidelines in 2014 (IMF and World Bank, 2014).** The main changes clarified the roles and accountability of debt managers and emphasized their responsibility for providing information to fiscal authorities and communicating with investors. They incorporated the implications of adding collective action clauses to bond contracts, elaborated risk management strategies, attached greater emphasis to stress testing, and highlighted the need to enhance the liquidity of the domestic bond market. The updated Guidelines emphasized that debt managers should operate separately from monetary and fiscal authorities (while coordinating with them). They recommended that debt management functions should be consolidated in a single, clearly identified authority.

12. **At the time of the GFC the IMF and World Bank developed a framework to help country authorities design a medium-term debt management strategy (MTDS).** This framework, created in 2009 and updated in 2019, helps guide government's decisions on the composition of debt (currency of denomination, indexation, maturity) by comparing ex ante and ex post costs of such debt under both baseline and stress scenarios (IMF and World Bank, 2009; 2019a, 2019b).

13. **The Fund produced—again in collaboration with the World Bank—detailed guidelines for developing local currency bond markets (IMF and World Bank, 2016; 2021).** This initiative grew out of recognition that over-reliance on foreign currency borrowing exposed developing countries to higher risk, and that developing local currency markets for public debt would enhance

access to finance for domestic investment. These offer also a useful diagnostic tool to assess the level of market development, discuss challenges faced by EMMIEs and LICs in their market development process, and provide guidance on overcoming them (IMF and World Bank, 2013).

14. **The IMF has also conducted relevant research in the area of public debt management.** In 2010, MCM analyzed the relationship between the management of public debt on the one hand and financial stability on the other, addressing the roles of debt levels, debt composition, the investor base, capital market structure (market liquidity and existence of a well-defined yield curve), and institutional aspects, including coordination with monetary authorities, communication with market participants, adequacy of the legal framework for debt management, and qualifications of staff (Das and others, 2010). Another MCM paper (IMF, 2011a) focused on the implications of financial crises for debt management, considering the adequacy of risk management frameworks and practices and potential negative feedback to the financial and fiscal sectors. It emphasized the importance of liquidity buffers in a crisis-prone environment.

15. **More recently, the Research Department (RES) provided new analysis of the incidence and risks associated with short-term debt in different country groupings (Chen and others, 2019).**[6] The authors found that while the median maturity of government debt is similar across AEs, EMMIEs, and LICs, reliance on short-term debt is greater among EMMIEs and LICs when issuing on local markets. Among these countries, those that have lengthened the maturity of public debt have done so by accepting greater exposure to exchange rate risk, since longer maturity issues tend to be foreign currency denominated. The authors observe that maturities decline in response to crises in all country groupings and recommend building liquidity buffers (reserves of liquid assets). They point to the importance of addressing data gaps regarding debt maturity, specifically in LICS and EMMIEs where financial accounts and flow of funds data are incomplete.

16. **The Fund has worked also on more cutting-edge approaches to debt management, such as the Sovereign Asset and Liability Management (SALM) approach.** This method focuses on the consolidated public sector balance sheet, including contingent liabilities (Udaibir and others, 2012; IMF, 2014a; Amante and others, 2019).[7] It aims at mitigating vulnerabilities related to both assets and debt—through a comprehensive, integrated approach—by measuring how changes in economic and financial indicators—such as exchange rates, interest rates, inflation, and commodity prices—affect sovereign assets and liabilities. Applying this framework presents significant challenges, as it requires clearly defined macroeconomic and SALM objectives, accurate projections of future public revenues, and a comprehensive evaluation of both on- and off-balance sheet liabilities. Furthermore, effective coordination among relevant public entities is essential for its successful implementation.

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[6] This paper was written in response to a request from the IMF Economic Counsellor and Director of the Research Department.

[7] The Fund has also developed the Public Sector Balance Sheet (PSBS) Database, which shows comprehensive estimates of public sector assets and liabilities that formed the basis for the analysis presented in the October 2018 edition of the Fiscal Monitor (IMF, 2018a).

B. Fund's Initiatives to Enhance Public Debt Transparency[8]

17. **The Fund has launched in collaboration with the World Bank initiatives to address cases of sizable hidden debts.** In two joint notes the IMF and World Bank discussed: (i) how TA can assist low and lower-middle-income countries in building capacity in public debt recording, monitoring, and reporting; and (ii) their own role in data collection, dissemination, and analysis, as well as in the formulation of debt data reporting standards and guidelines (IMF and World Bank, 2018a).

18. **The Fund has also developed a Fiscal Transparency Code and conducted Fiscal Transparency Evaluations.** The Code—approved by the IMF Board in 2014—is the international standard for disclosure of information about public finances (IMF, 2014b). A Fiscal Transparency Handbook (IMF, 2018b) provides guidance on the implementation of the Code's principles and practices. Fiscal Transparency Evaluations are assessments of member countries' fiscal transparency practices against the standards set by the Code. They have been published for 36 countries (9 AEs, 20 AEs, and 7 LICs) between 2014 and October 2024.

19. **In 2018 the IMF, jointly with the World Bank, introduced a comprehensive framework to address debt vulnerabilities—the "Multipronged Approach"" (MPA) (IMF, 2020a).** The MPA focuses on: (i) working with members and creditors to produce better debt data; (ii) supporting capacity development in public debt management; (iii) providing tools for analyzing public debt developments and risks, including the IMF's framework for assessing debt sustainability; and (iv) strengthening policies to support transparent and rapid debt resolution. Relevant work in this context includes policy papers on collateralized borrowing (IMF and World Bank, 2020; 2023). Progress under the MPA was assessed in IMF (2023a), which focused on the data-and-transparency aspect of the MPA, somewhat to the neglect of other components. Comparing AEs with EMMIEs and LICs, the report found wider data gaps for the latter, reflecting a larger share of non-marketable debt, greater importance of SOEs, and less developed accounting and reporting practices. On the side of the creditors, the report pointed to the role of confidentiality clause in non-marketable loan contracts as limiting transparency.[9] It concluded that progress had been made under the MPA but that building on achievements would require both institutions to allocate significant additional resources to these initiatives.

20. **The IMF maintains several databases on public debt, but these differ in terms of coverage and reporting methodologies, potentially leading to inconsistencies (IMF, 2023b).** Overall, no single database offers comprehensive public debt data for all countries with the desired disaggregation by instrument, maturity, and creditor classification. Of the 11

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[8] The Fund has also developed tools to analyze and manage fiscal risks, including contingent liabilities, off-balance sheet items, state-owned enterprises, and public-private partnerships (see Cohen-Setton, Montiel, and Zoli, 2025). The Fund also has a debt limit policy requiring disclosure of debt holder profiles for countries under Fund arrangements.

[9] Scholarly analyses (Gelpern and others, 2022) point to specific creditor countries as a source of these troublesome confidentiality clauses, though IMF (2023a) does not name names.

databases on public debt that the IMF maintains alone or in collaboration with other international financial institutions, some focus on government debt (e.g., the Quarterly Public Sector Debt and the Global Debt Database), or have specific series for government debt (e.g., Government Finance Statistics and International Financial Statistics). Others provide partial information on debt, such as the Coordinated Portfolio Investment Survey (which includes data on bilateral cross-country exposures for portfolio securities but does not cover loans or domestic debt) and the Monetary and Financial Statistics (covering debt held by domestic financial sector).

21. **One of the most comprehensive databases is the IMF's Global Debt Database, though this does not offer a breakdown on government debt composition.** It provides total gross debt of the (private and public) nonfinancial sector for 190 countries, in some cases dating back to 1950. On the side of public debt, it distinguishes central government debt, general government debt, nonfinancial sector public debt, and total public sector debt. However, it does not disaggregate debt by currency, maturity, debt instrument, or creditor class; it does not always capture certain debt instruments, such as guarantee schemes; it also does not include the public sector's assets, which are important for distinguishing net from gross debt. Another fairly comprehensive public debt database is the Quarterly Public Sector Debt Database, jointly developed by the IMF and World Bank, which provides broad debt composition by currency (domestic vs. foreign currency), residence of the creditor (domestic vs. external), maturity (short-term vs. long term), and by main instruments at quarterly frequency. However, this dataset does not include a decomposition by creditor type and coverage of debt instruments is patchy.

22. **Additional data are provided by countries voluntarily subscribing to the Fund's Special Data Dissemination Standard (SDDS) and General Data Dissemination Standard (GDDS).** For example, the SDDS, to which 48 countries subscribe at the time of writing, distinguishes short-term and long-term debt, and breaks these down into securities, loans, financial derivatives and other accounts payable. It distinguishes also non-central government debt guaranteed by the central government.

23. **The accuracy and comprehensiveness of the data reported to and disseminated via these vehicles require continuous critical scrutiny.** For example, the participation in debt markets of nontraditional creditors, including official creditors that are not members of the Paris Club, and the advent of new liabilities other than standard debt securities, such as loans with covenants featuring nondisclosure clauses, raise questions about the adequacy of existing statistics on bilateral official debt flows.

C. Institutional Set-Up for Fund's Work on Public Debt Management

24. **The Fund's debt management work is undertaken by multiple departments:**

(i) **Fiscal Affairs Department (FAD):** Specific aspects of debt management are covered by two Public Financial Management Divisions (FADM1 and FADM2), with different regional responsibilities. They focus on (i) the institutional set up for debt management (organizational setting, legal framework, and procedures surrounding the debt management function); (ii) integration of debt and cash management; (iii) fiscal risk management (identification, analysis, mitigation, and disclosure of risks, including contingent liabilities from SOEs, subnational governments, and public-private partnerships); and (iv) accounting and reporting on public sector debt. They maintain a Fiscal Risk Toolkit and work on fiscal transparency initiatives to identify gaps in the reporting of public sector liabilities. They provide TA to country authorities and support area departments, including by reviewing documents for Fund-supported programs and surveillance consultations.

(ii) **Monetary and Capital Market Department (MCM):** The Debt Capital Markets Division (DM) of MCM provides TA and capacity building support on sovereign debt management and market development. It produces policy and analytical work in these areas (e.g., the Guidelines for Public Debt Management, the MTDS framework and the Sovereign Asset and Liability Management work discussed above) and supports the application of debt management policies in country cases, including by reviewing relevant aspects of documents for Fund-supported programs and surveillance consultations.

(iii) **Strategy, Policy, and Review Department (SPR):** The Debt Policy Division of SPR is responsible for design and implementation of Fund policies related to debt sustainability and debt conditionality. It is responsible for creating and maintaining the Debt Sustainability Analysis (DSA) framework (see Section V) as well as building capacity on performing DSAs, both internally, involving IMF staff, and externally, involving government officials. The Debt Policy Division reviews the DSA of about 140 countries (all program cases, high risk countries, and systemic countries), while the DSA of the remaining member countries is reviewed by other SPR divisions. The division also conducts two internal trainings and 8-10 external training per calendar year, in coordination with ICD and the World Bank (on LIC DSAs).

(iv) **Area Departments (ADs):** County teams carry out bilateral surveillance and are the point of contact for TA requests and help identify TA needs in the area of debt management. They cover debt issues, including the DSA, and related policy advice in surveillance and program documents, which are finalized through the Fund interdepartmental review process. Country teams are responsible for incorporating TA advice in surveillance and program documents, as relevant.

(v) **Legal Department (LEG), Statistical Department (STA):** These departments address legal aspects and data issues related to public debt, respectively.

(vi) **Institute for Capacity Development (ICD):** ICD provides training on some aspects related to debt management.

(vii) **Interdepartmental Working Group:** Finally, there is an interdepartmental working group, which convenes periodically to discuss debt issues with the World Bank.

25. **This, clearly, is a relatively decentralized and multifaceted approach to providing input on debt management issues, one that requires close coordination among stakeholders.** For CD, which is largely financed through the Debt Management Facility (Section VII), coordination is done mainly through regular meetings among representatives from FAD, MCM, SPR, and the World Bank.[10] TA missions in the area of debt management are often joint, with staff from FAD, MCM, and the World Bank. A memorandum of understanding between FAD and MCM defines respective areas of responsibility. For surveillance and programs, coordination among Fund departments on debt management issues is primarily through the review process. The final sign-off—explicit or implicit confirmation that debt-management issues have been adequately addressed—rests with the area department on the receiving end of these reviews and SPR. A question is whether this relatively decentralized approach is ideal, or whether the Fund's focus on debt management issues would be sharpened by the creation of a single division possessing expertise in economic, financial, legal and statistical aspects of debt management that would be a single interlocutor for area departments responsible for surveillance and programs.

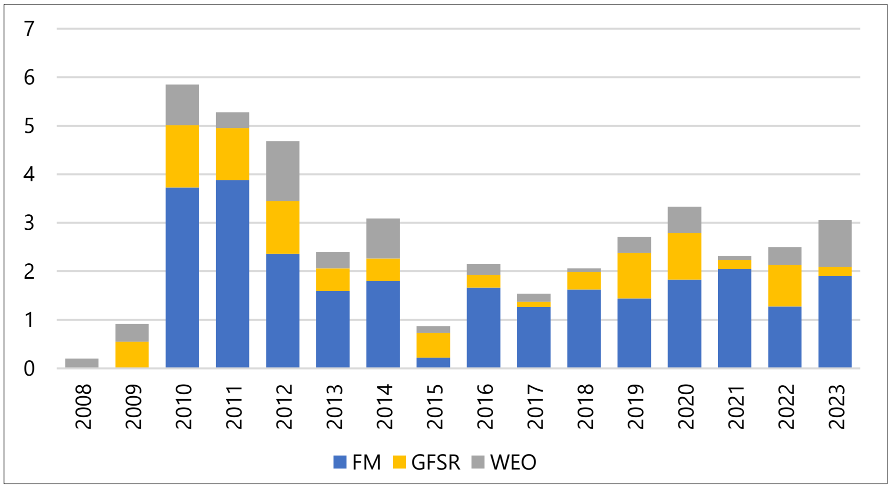
IV. PUBLIC DEBT MANAGEMENT ADVICE IN FUND'S FLAGSHIPS

26. **References to public debt management-related terms are infrequent in Fund's flagship publications (the World Economic Outlook (WEO), the Global Financial Stability Report (GFSR), and the Fiscal Monitor (FM)).** Neither the guidelines documents nor debt management-related working papers appear to be much mentioned, suggesting that the various workstreams remain somewhat disconnected. There was an uptick in discussion and mentions of public debt management in 2010–12 in the FM and to a lesser extent the GFSR, coincident with increases in debt ratios in the wake of the GFC and debt crisis in Greece. This increase was not sustained subsequently, however (Figure 3). There were no references in these documents in the review period to the IMF/World Bank "Guidelines" of which we are aware, aside from one reference in the April 2006 GFSR.

27. **To better assess the attention devoted to debt vulnerabilities and associated debt management advice in the IMF flagship publications, the rest of the section reviews their content over 2008–23, distinguishing three phases**. The review focuses on Fund's analysis of vulnerabilities arising from debt profile, Fund's advice on how to manage the associated risks, and the institutional set up for debt management and deficit financing. This section does not cover Fund's advice of fiscal stance and its implications for debt level, which are typically discussed in the WEO and FM and are reviewed separately in Ocampo and Zoli (2025) and IEO (2025).

[10] Monthly meetings are typically attended by representatives of FAD, ICD, MCM, SPR, and the World Bank to discuss TA needs in the area of debt management to be financed by the Debt Management Facility In addition, annual steering committee meetings are held annually to discuss the operational strategy for the coming year. The World Bank runs an annual conference, the Debt Management Stakeholders' Forum that is attended by IMF, CD recipients and donors. Steering committee meetings are typically attended by the relevant department representatives at the deputy director levels. Monthly meetings are typically attended by representatives at the A15-B3 levels.

Figure 3. References to Public Debt Management, Flagship Reports
(Proportionate to total number of paragraphs within flagship)



Source: IEO staff calculations.
Note: The list of keywords used in text analysis is reported in the Appendix II.

A. The Global Financial Crisis and the European Sovereign Debt Crisis, 2008–12

28. **In the aftermath of the GFC the Fund drew attention to debt management practices that could help mitigate sovereign financing risks.** A 2011 Board paper (IMF, 2011a) reviewed the sovereign debt management response during 2008–10 in AEs and large EMMIEs and discussed the main lessons for country authorities in managing sovereign debt going forward. When sovereign financing risks sharpened in Europe, both the April 2011 FM and GFSR indicated that debt management offices needed to devise credible funding strategies to limit refinancing risk, by lengthening maturities, actively managing cash flows to smooth bond maturities, and developing a sufficiently diversified investor base.[11]

B. Increasing Debt Vulnerabilities before the Pandemic, 2013–19

29. **As the "taper tantrum" episode highlighted the risks of volatile capital flows, the GFSR warned about possible refinancing challenges for EMMIEs from impending monetary policy normalization in AEs and offered advice to mitigate them.[12]** In addition to other policy

[11] The flagships also focused on policies recommendations for debt reduction. An October 2012 WEO chapter reviewed historical episodes of debt reduction in AEs. The September 2011 FM noted that one-third of LICs were in debt distress or facing high sustainability risks due to long-standing fiscal challenges and high commodity prices and advised to implement measures to boost potential growth (see Cohen-Setton and Montiel, 2025; De Lannoy and Lane, 2025; Ocampo and Zoli, 2025).

[12] The "taper tantrum" refers to the period in the spring-summer 2013 when EMMIEs experienced large capital outflows, triggered by the Federal Reserve Chairman's testimony to Congress about the potential reduction of the Fed's bond-buying program. Marker volatility was particularly severe for countries with larger current account deficits and weaker fiscal positions (e.g., Brazil, India, Indonesia, South Africa, and Türkiye—the so-called "fragile five" at that time).

recommendations to address capital outflows, the October 2013 GFSR suggested debt management operations, such as "using cash balances, reducing the supply of long-term debt, and performing switching auctions to temporarily reduce supply on the long-end of yield curves." It emphasized emerging risks from the unwinding of unconventional monetary policies especially for EMMIEs and LICs that in the previous 10 years had issued bonds internationally for the first time or had reentered the market after a long pause. It highlighted that in some instances this hard currency bond issuance represented a significant increase in external indebtedness and stressed that the unwinding of unconventional monetary policies and eventual rise in interest rates could pose refinancing challenges. It recommended that these countries access international markets only in the context of a comprehensive MTDS, which would identify cost and risk implications. It also advised them to deepen local markets to reduce dependence on volatile foreign capital.

30. **The GFSR also proactively flagged that the recent increase in foreign investor participation in EMMIEs' local government bond markets heightened refinancing risks.** The April 2014 GFSR showed that several sovereigns in this country group had shifted from issuing hard currency external debt to larger presence of nonresidents in local markets. Despite the benefits from financial deepening, this shift also created risks from potential instability in debt portfolio flows. Hence, this type of participation needed to be monitored carefully and accompanied by a deepening of the local investor base, in line with IMF and World Bank (2016), as well as sound macroeconomic policies and better institutions. A similar message was reiterated in the April 2015 and October 2018 GFSR.

31. **The IMF became more vocal and candid also about debt vulnerabilities and refining risks in Frontier Markets[13] and LICs with exposure in international debt markets.** The October 2017 and April 2018 GFSR emphasized the increased vulnerability of these countries to AE's monetary policy normalization, stressing that recent changes in the composition of creditors and debt instruments amplified refinancing risk. The GFSR advised them to strengthen the institutional capacity to deal with risks from the issuance of marketable securities, including through the formulation of comprehensive MTDS, and to explore liability management operations to mitigate refinancing risk. The October 2018 GFSR explicitly identified the frontier markets with large hard-currency bond redemptions in the following five years compared with their reserve buffers, namely: Ecuador, Pakistan, Sri Lanka, and Zambia.

32. **The October 2018 GFSR reiterated that in the EMMIEs with more established financial markets the higher share of foreign nonbank investors in sovereign debt markets made them potentially more vulnerable to external shocks.** It advised policymakers to develop local bond markets and promote a stable local investor base, in line with IMF and World Bank (2016). The GFSR further highlighted vulnerabilities in frontier markets and more

[13] Frontier markets are economies in the in earlier stages of development compared to more established emerging markets. The Fund does not have an official list of frontier economies. The GFSR typically classifies as frontier economies those included in the JPMorgan Next Generation Index and LICs with outstanding Eurobonds.

established emerging markets in a dedicated chapter in October 2019. Both, the October 2019 GFSR and the April 2020 FM, stressed the need to enhance debt transparency in EMMIEs and LICs, encouraging them to publish regular debt reports, broaden the coverage of debt statistics, and provide more detailed disclosure of fiscal spending and guarantees related to SOEs.

C. Pandemic and Post-Pandemic Period, 2020–23

33. **At the onset of the pandemic, the Fund provided quite specific debt management advice to EMMIEs.** The April 2020 GFSR stressed that EMMIEs and especially many frontier market economies were vulnerable to shift in foreign investor sentiment in the context of heightened volatility and higher nonresident participation in debt markets. It alerted sovereign debt managers to prepare for long-term external funding disruptions and emphasized that lowering rollover risks had to "take priority over concerns about containing costs." It recommended to "consider the interactions between the government's financing strategy and other domestic issuers in times of stress to ensure that debt management activities of the government [did] not exacerbate risks." Subsequent GFSR editions continued to highlight risks for EMMIEs and especially frontier market economies with elevated debt vulnerabilities. During the pandemic the Fund also produced a note to advise members on debt management responses (IMF, 2020b), covering not only advice on how to address short-term liquidity and financing needs, but also on monitoring of contingent liabilities.

34. **In the aftermath of the pandemic, the flagships underscored the further rise in refinancing risks and explicitly acknowledged that debt restructuring might become necessary in some cases.** The October 2021 FM highlighted the importance of strengthening the credibility of public finances. The October 2022 GFSR then emphasized that conditions in local currency bond markets had worsened considerably in some EMMIEs and frontier markets, driven by a combination of tightening in global financial conditions, deterioration of fiscal positions since the pandemic, and high exposure to commodity price volatility. It recognized that many frontier markets were facing potential loss of market access and a high probability of sovereign default. It concluded that credible medium-term fiscal consolidation plans were crucial to lower domestic refinancing costs and restore access to international markets. After the sovereign debt default of some frontier markets in 2022, amid tighter global credit conditions, and with a large share of LICs facing high risk of debt distress, the April 2023 GFSR encouraged countries to contain risks associated with their elevated debt vulnerabilities, including through early contact with creditors, multilateral cooperation, and support from the international community. Also, the April 2023 WEO advocated for efforts to address sovereign debt vulnerabilities, including through debt restructuring (IMF, 2023c).[14]

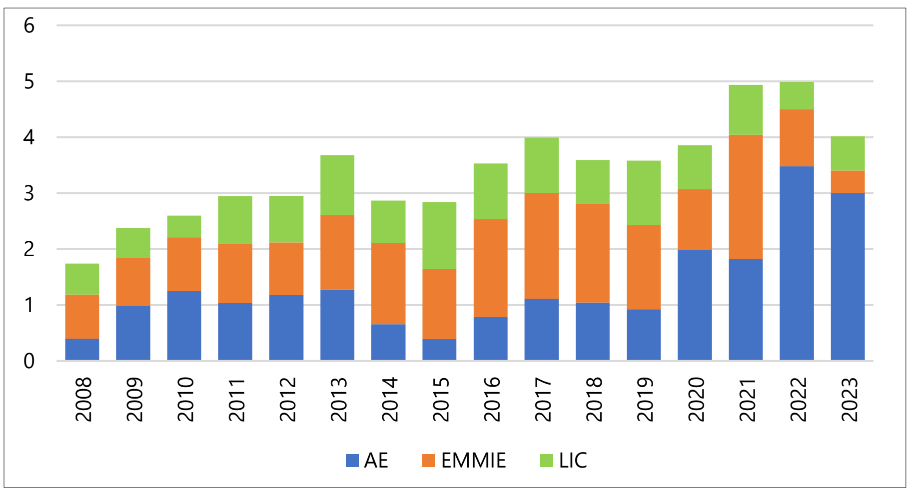
[14] The Fund has also highlighted the growing relevance of private sector debt spillovers and interlinkages with public debt, and the challenges this entails for public debt management (see, for example, Adrian, Qureshi and Tsuruga, 2025).

V. PUBLIC DEBT MANAGEMENT ADVICE IN BILATERAL SURVEILLANCE

35. **A discussion of risks from debt composition or debt management policies is not strictly required in Article IV consultations but should be included when relevant.** The 2022 Guidance Note for Surveillance under Article IV consultations lists the following among the elements that "could be considered, where relevant" for the assessment of public finances: "sovereign assets and liabilities, including identifying and mitigating sovereign risk exposures;" "financing needs and financing sources, and possible economic and financial implications;" and fiscal sustainability (IMF, 2022a).

36. **The frequency of mentions of terms related to public debt management, broadly defined, in Article IV reports is fairly even across AEs and EMMIEs (Figure 4).** On the other hand, there is less reference in Article IV reports on LICs. In particular, in the most recent years (2022–23), references to debt management issues are disproportionately found in AEs Article IVs. This increase is mainly related to adoption of the Fund's Sovereign Risk and Debt Sustainability Framework for Market Access Countries in 2021 (see below).

Figure 4. References to Public Debt Management, Article IV Reports
(Proportionate to total number of paragraphs in Article IV reports for country group)



Source: IEO staff calculations.
Note: The list of keywords used in text analysis is reported in the Appendix II.

37. **In Article IV consultations, discussion of debt related issues is anchored to the framework and results of DSA.**[15] The IMF uses different sustainability analysis frameworks for market access countries (MACs) and for LICs.[16] These frameworks have evolved over time to include different modules (IMF 2022b; IMF and World Bank 2018b, 2024). The following section examines key developments in DSA frameworks that are particularly relevant to this paper's focus—specifically, their treatment of vulnerabilities from debt structure and creditor compositions, rollover risks, and risks arising from contingent liabilities.[17] The following section also evaluates the analysis of these aspects, and the associated debt management related policy recommendations, in a sample of recent Article IV staff reports for EMMIEs.

A. Analysis of Debt Vulnerabilities and Debt Management Advice in Article IV Consultations

The Debt Sustainability Framework for Market Access Countries

38. **The framework has evolved from focusing on only solvency to also taking into account liquidity risks, analyzing debt profile and creditor composition, and better capturing contingent liability**

- **Debt Sustainability Assessment for Market Access Countries (MAC DSA) Framework, 2002–12.**[18] This initial variant was relatively simple and focused on sustainability only. It presented projections of the debt-to-GDP ratio over a five-year horizon under a baseline and alternative shock scenarios. No debt composition nor maturity profile indicators were included (IMF, 2002).

- **MAC DSA Framework, 2013–20 Framework.** With this revision, the Fund introduced a definition of public debt sustainability including both solvency and liquidity requirements (IMF, 2011b; 2013),[19] and moved to a risk-based approach through a distinction between

[15] However, staff reports may cover additional debt related issues and vulnerabilities which are not part of the standard debt sustainability framework when important.

[16] For market access countries, the DSA is produced by the IMF, while for LICs, it is jointly prepared by the IMF and the World Bank. The analysis is conducted annually in the context of the Article IV consultations, and more frequently for countries with IMF supported programs. DSAs are drafted by country teams and then reviewed by SPR. Ultimately, there are two "signoffs," one by SPR and one by the area department. In addition, MCM and FAD review draft Article IV reports and may flag debt management-related problems to the relevant area department. They also provide comments and inputs into Selected Issues Papers attached to those reports.

[17] A comprehensive discussion of the DSA frameworks used by the IMF, including of the tools assessing the realism of debt projections, is presented in Cohen-Setton, Montiel, and Zoli (2025). A discussion of realism of debt projections in EMMIEs is provided another background paper to this evaluation (Ocampo and Zoli, 2025).

[18] The framework, first introduced in 2002, was refined in 2003 and 2005 (IMF, 2002; 2003; 2005).

[19] "In general terms, public debt can be regarded as sustainable when the primary balance needed to at least stabilize debt under both the baseline and realistic shock scenarios is economically and politically feasible, such that the level of debt is consistent with an acceptably low rollover risk and with preserving potential growth at a satisfactory level" (IMF 2013, p. 4).

higher and lower scrutiny countries. Analysis of the former entailed additional requirements, including an analysis of the potential impact of contingent liabilities and risks from the debt profile. These were gauged by comparing a set of indicators (e.g., debt held by nonresidents, debt in foreign currencies) to early warning benchmarks derived from a signal approach.

- **Sovereign Risk and Debt Sustainability Framework for Market Access Countries (MAC-SRDSF) Framework, 2021.** The 2021 review of the MAC DSA led to another substantial overhaul of the framework (IMF, 2021b). The new tool, rolled out in late 2022, comprises several modules (Box 1), including one to assess liquidity risk at a medium-term horizon, focusing on the creditor composition and debt structure.[20] Moreover, a realism of financing terms scrutinizes assumptions on new private borrowing and financing terms. The framework also requires countries with narrow coverage of central government debt to conduct a contingency-liability stress-test to capture omitted risk exposure.[21] The SRDSF marks a significant advance in the analysis of liquidity and solvency, though issues remain, most notably the stability of the logit model used to assess the probability of sovereign distress (Box 1).

Box 1. Sovereign Risk and Debt Sustainability Framework for Market Access Countries

The Sovereign Risk and Debt Sustainability Framework (SRDSF) significantly expanded prior coverage and analysis of the debt outlook and vulnerabilities. Compared to previous frameworks, it provides for broader and more consistent debt coverage, longer projection horizons, analytical methods seeking to account for countries' structural characteristics, and stress tests modeling country specific risks (natural disasters, commodity price shocks, banking stress etc.).

Near-term analysis relies on a multivariate logit model, on whose basis countries are classified into high, low/moderate, or low risk of debt distress.[1] For the medium term, the framework relies on a debt fan chart (under alternative macroeconomic and financial assumptions); a gross financing needs analysis (analyzing how large the demand for additional financing may be under adverse scenarios and whether potential financing sources, typically domestic banks, have the capacity to meet that demand); and stress tests for country-specific vulnerabilities. The longer-term framework accounts for demographic developments, changes in natural resources extraction, large debt amortizations, and the fiscal implications of climate change.

The tool provides multiple outputs: (i) A page or more summarizing the debt situation (the trajectory of the debt, future financing needs, a capsule evaluation of the authorities' debt management strategy, and risks associated with the profile of the debt); (ii) A breakdown of public debt and debt service by creditor; (iii) A summary assessment of the risk of sovereign stress; (iv) Five indicators of the structure of the debt (currency composition, maturity investor base, governing law, marketable vs. nonmarketable); (v) A baseline scenario for the medium-term (5 to 10 year) evolution of the debt, accompanied by a fan chart, stress scenario and bound tests (sensitivity analyses); (vi) A long-term risk analysis that projects total public debt and gross financing needs relative to GDP three to four decades into the future.

[1] The logit model considers five "buckets" of variables: an institutional quality measure (from the Worldwide Governance Indicators project), whether the country has a history of debt distress, a set of cyclical indicators, four measures of the magnitude of the debt, and a measure of global risk appetite (the change in the VIX).

[20] The module analyzes how large the demand for additional financing might be in the event of shocks and whether residual financing sources would have space to increase their government exposure. Results of the analysis are summarized in an index measuring the extent to which gross financing needs can be financed over the medium term. Based on the value of this index, risks are categorized either as high, or moderate, or low (IMF, 2022b).

[21] The contingent liability stress-test is also applied to countries with broader coverage of government debt (e.g., general government debt), in case of fiscal risk exposures beyond the chosen coverage (e.g., when guarantees on other entities' debt, such as SOEs, are relevant).

The Debt Sustainability Framework for LICs (LIC-DSF)[22]

39. **The LIC-DSF is used for LICs as well as for the subset of EMMIEs, classified as Small Developing States, that are eligible for concessional lending.**[23] This framework has been revised periodically since its introduction in 2005 (IMF and World Bank, 2005). The latest major revision was in 2018. Supplemental changes were introduced in August 2024 (IMF and World Bank, 2018b; 2024), and a comprehensive review is currently underway The 2018 framework combines indicative rules and staff judgment to assign risk ratings of external debt distress. Countries are divided into three categories according to the value of a Composite Indicator of debt carrying capacity (Strong, Medium, and Weak), which is a function of macroeconomic and institutional variables. Thresholds for prudent debt and debt service ratios (e.g., external debt to GDP and external debt service to exports) are specified separately for each of the three country categories. The 2024 revision of the LIC-DSF puts more emphasis on domestic public debt vulnerabilities and the consistency of the domestic public borrowing plan with maintaining macroeconomic and financial stability. Scenarios are subjected to standard stress tests and in some cases tailored stress tests, including realization of contingent liabilities from SOEs, and market-financing shocks where market access exists. Coverage of the relevant magnitudes is comprehensive, but there are also gaps in data coverage and analysis, for example regarding the identity of external private creditors (e.g., whether these are hedge funds or institutional investors) and the identity of external official creditors (whether they are members of the Paris Club or not).

Analysis of Debt Vulnerabilities and Advice on Debt Management in a Sample of Article IV Staff Reports

40. **To assess the discussion of debt vulnerabilities from debt profile and the advice on debt management in bilateral surveillance, we reviewed the staff reports of 12 Article IV consultations in EMMIEs, conducted in 2022 or 2023.**[24] The sample covers countries with a government debt to GDP ratio above 70 percent as we sought to ascertain whether a discussion of debt vulnerabilities and debt management policies was present for countries with elevated debt obligations.

41. **In 10 of the 12 staff reports, the annex on debt sustainability clearly discussed implications for debt risks of debt profiles and gross financing needs.** The write-ups highlighted factors, such as investor base, maturity structure, currency composition of debt, as well as other elements (e.g. contingent liabilities, arrears), that exacerbated or mitigated risks. There was some variability in how results from the DSA annex were referenced in the main text of

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[22] A more detailed analysis of the LIC DSF is von Luckner (2024), and Cohen-Setton, Montiel, and Zoli (2025).

[23] Of the 97 countries categorized as EMMIEs, 11 use the LIC-DSF framework.

[24] The sample comprised the following staff reports for the Article IV consultations: Angola (2023), Antigua and Barbuda (2023), Bahamas (2023), Bolivia (2022), Brazil (2023), Dominica (2023), El Salvador (2023), Jamaica (2022), India (2023), South Africa (2023), St. Lucia (2023), St Vincent and the Grenadines (2022). None of these economies were under a Fund program arrangement at the time of the Article IV consultation.

the staff report. Overall, however, the Article IV documents reviewed indicate that the DSA frameworks direct the attention of desk economists to vulnerabilities stemming from debt structure and contingent liabilities.

42. **In terms of policy recommendations, in five of eight countries flagged by the DSA as at high risk of sovereign stress or debt distress, the staff report included substantive discussion and advice on debt management.** In two of these five cases, it also provided an annex on specific aspects of debt management. Some reference to debt management policies was included in an additional two of the eight staff reports on countries at high risk of sovereign stress or debt distress, but these discussions were not always fully developed. A fair conclusion is that issues related to debt management tend to be addressed in Article IV consultations of EMMIEs with elevated debt vulnerabilities, although there is some variability about the depth of the advice.

43. **Overall, however, Article IV reports tended to focus more heavily on "above-the-line" assumptions—e.g., sustainability of a given deficit under different scenarios—and less on "below-the-line" aspects.** Assumptions on how the deficit and maturing debt would be financed were typically not discussed in staff reports. Fund staff interviewed for this evaluation noted that country desks tend to pay more attention to above the line assumptions, partly due to their training as macroeconomists, and suggested that developing greater expertise and focus on financing aspects would be beneficial. Data availability was also mentioned by Fund staff as constraining their ability to comprehensively report or analyze these issues.

B. Other Aspects of Debt Management Advice in Article IV Staff Reports

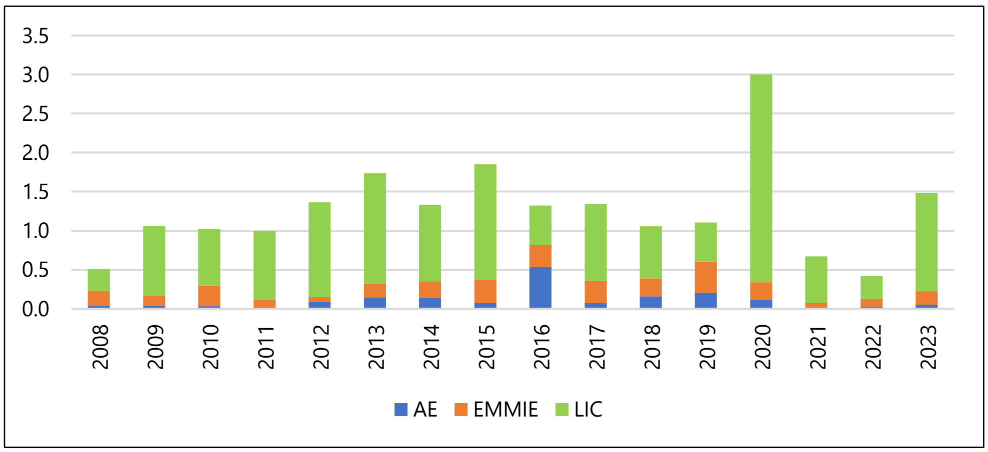
44. **An area of debt management that receives little discussion in Article IV reports is the operation of Debt Management Offices and related institutions and agencies of public debt management.** This is despite the considerable emphasis placed on these arrangements by the IMF and World Bank Guidelines. This parallels scant mention of the Guidelines and associated institutional aspects in the Fund's flagship reports. In terms of institutional arrangements, one academic study (Sadeh and Rubinson, 2017) has asked whether involvement with the IMF has encouraged members to create autonomous Debt Management Offices. The authors assemble a country-year database of national debt management legislation for 75 countries spanning the period 1950–2013. They capture IMF involvement by a variable measuring debt owed to the Fund (scaled by GDP or government consumption). They find little evidence that IMF involvement in a country encourages establishment of an autonomous Debt Management Office. However, there is some evidence of increased centralization of debt management functions in the finance ministry.[25]

[25] The IMF provides TA regarding institutional arrangements such as self-standing Debt Management Offices. The extent of such TA might be an alternative measure of IMF involvement. However, this could potentially introduce an endogeneity issue, given that TA is demand-driven and often reflects a country's existing intent to establish a DMO. It would also be interesting to extend the empirical analysis to a more recent period to assess whether the results of Sadeh and Rubinson (2017) still hold.

45. **A relevant question is whether Article IV reports draw timely attention to new issues and changing circumstances posing challenges for public debt management.** We focused specifically on the following two aspects:

- ***The emergence of new classes of creditors who may not yet participate in international public debt forums and for whom information on lending may be incomplete.*** As an example, we searched Article IV reports for the period 2008–23 and picked up 1,158 paragraphs referring to borrowing from China.[26] Figure 5 shows growing attention to borrowing from China in 2013 and 2015 and then two other spikes in 2020 and 2023, most heavily in Article IV reports on LICs.[27]

Figure 5. Coverage of Bilateral Borrowing from China in Article IV Reports
(Proportionate to total number of paragraphs in Article IV reports for country group)



Source: IEO staff calculations using FDET data.

- ***The attention paid to the relatively new issue of climate-related risks for the management of debt.*** Here the MAC SRDSF explicitly mandates the analysis of climate-related risks to the public finances, where appropriate. The LIC-DSF does not make the same provision although it does mandate the analysis of natural disasters in tailored stress tests (where the incidence of disasters may in some cases be climate related) for a small

[26] Bilateral lending from China has received significant attention by analysts, think tanks, and academics in recent years (e.g., Horn, Reinhart, and Trebesch, 2021; Gelpern and others, 2022; Moses, Springer and Gallagher, 2023). A rich database on Chinese lending activities is the China's Overseas Development Financed Database, managed by the Boston University Global Development Policy Center https://www.bu.edu/gdp/chinas-overseas-development-finance. While China is not a Paris Club lender, it has participated in the G-20 Common Framework for Debt Treatment (e.g., in the case of Zambia).

[27] Spot checks by IEO staff and consultants suggest that these are in fact references to lending by China to the countries in question—though it is important to bear in mind the limitations of tabulations of keywords in texts. Note that Figure 5 depicts mentions by year of publication of the Article IV report, not the year of consultation where these differ.

subset of countries. Moreover, the recently issued Supplement to the 2018 Guidance Note on the Debt Sustainability Framework for LICs (LIC-DSF) provides additional guidance and examples on how to account for risks stemming from climate change (IMF and World Bank, 2024). The IMF has already started work on the implications of climate finance for debt management (e.g., IMF 2022c; Ando and others, 2022; Chamon and others, 2022; Lindner and Chung, 2023).[28] Further discussion on how the Fund analyzes the impact of climate issues on debt sustainability and risks is deferred to the ongoing IEO evaluation on the IMF and climate.

VI. CAPACITY DEVELOPMENT ON PUBLIC DEBT MANAGEMENT

46. **CD activities are a critical channel for the Fund's bilateral engagement on public debt management.** As part of these activities, the IMF provides in-country TA and training, using staff based at Headquarters as well as regional debt managers and advisors stationed across seven regional technical assistance centers (IMF, 2024b; c). As an example of the intensity of the activity in this area, in recent years MCM (often jointly with other IMF departments and/or the World Bank) provided bilateral TA on debt management to 119 economies, including 60 EMMIEs. Often countries received multiple missions over a given period.[29]

47. **CD on debt management is financed by the Debt Management Facility (DMF), a multi-donor trust fund, as well as bilateral donors.** First introduced in 2008 by the World Bank, the DMF has been co-managed with Fund since 2014. Its primary mission is to strengthen debt management and sustainability analysis practices to mitigate debt-related risks and enhance transparency. This is achieved through TA, analytical studies, and training sessions. The DMF also fosters collaboration among TA providers and promotes dialogue on debt issues. As of June 30, 2024, 88 countries were eligible for the DMF, 31 of which were EMMIEs.[30] The DMF's Steering Committee is jointly chaired by the IMF and the World Bank. The committee offers strategic direction for the DMF establishing policies, approving the annual operational strategy, and evaluating performance.

48. **Available evidence points to a positive assessment of the effectiveness and usefulness of Fund's CD activities in the area of debt management.** In the context of a 2017 assessment of CD in country development of the MTDS, questionnaire responses from national officials indicated

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[28] IMF (2022c) discusses challenges and opportunities for climate finance in LICs and EMMIEs as well as new instruments that have been developed to mobilize resources to finance adaptation and mitigation investments. Chamon and others (2022) discuss debt for climate swaps. Ando and others (2022) analyze green and catastrophe bond markets. Lindner and Chung (2023) provide guidance to issuers of sovereign ESG bonds, with a focus on Emerging Market and Developing Economies.

[29] A notable example of TA is the effort led by ICD to strengthen public debt projections and analysis of member countries, including through the recent creation of the Public Debt Dynamics Tool (Acosta-Ormaechea and Martinez, 2021; Cohen-Setton, Montiel, and Zoli, 2025).

[30] The latest list of eligible countries is available at https://www.dmfacility.org/sites/default/files/FY_2025.pdf .

that TA helped them to introduce a structured and coherent approach to designing a debt management strategy (IMF, 2017a).[31] Countries also appreciated advice on institutional and governance reforms and integrating debt management into macroeconomic policy formulation and implementation. Quantitative evidence on the effectiveness of Fund's TA on MTDS development is limited, in that it is available for a nonrandom sample of countries requesting Debt Management Performance Assessment (DeMPA) interventions and receiving Country Policy and Institutional Assessment (CPIA scores) as IDA eligible countries (IMF, 2017).[32] Other—though indirect—evidence on the effectiveness of Fund's CD on debt management is provided by two independent external evaluations of DMF performance, undertaken in 2013 and 2018, which found that the DMF has been relevant to the debt management capacity-building needs of DMF-eligible countries and effective in supporting capacity building (Universalia, 2013; 2018).[33]

49. **The review of Fund's TA reports on debt management suggests a shift over time from a focus on liability management to greater attention to institutional aspects.** For example, a 2008 TA report on public debt management in the Philippines (IMF, 2008) focused principally on the currency composition of government debt and exposure of the public-sector balance sheet to exchange-rate risk, supplemented by brief mentions of coordination of debt management with monetary policy, domestic debt market development, and risks associated with banking sector holdings of government debt. More recent reports, such as El Salvador (IMF, 2020c), Sri Lanka (IMF, 2020d) and Oman (IMF, 2021c). focus more heavily on institutional aspects (in Sri Lanka, fragmentation of debt management responsibilities and desirability of creating an autonomous Public Debt Management Administration or Office; in El Salvador, strengthening the National Directorate for Investment and Public Credit responsible for monitoring and controlling public borrowing, upgrading debt recording and reporting, and improving investor relations; in Oman, how the Debt Management Office might formulate, publish and implement a medium-term debt management strategy).[34]

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[31] Though a response rate of some 50 percent signals the possibility of selectivity in the responses.

[32] DePMA is a methodology for assessing debt management practice by applying a comprehensive set of performance indicators (World Bank, 2015). Country Policy and Institutional Assessment scores are applied annually by the World Bank to IDA-eligible countries; these rate countries on a scale of 1 to 6 for four areas: economic management, structural policies, social inclusion and public-sector management and institutions (World Bank (nd)).

[33] The 2018 evaluation found that DMF-supported activities were highly relevant and valued for their expertise. The DMF excelled in developing and disseminating debt management capacity-building tools, aiding countries in adopting new methodologies and creating institutional structures. Significant progress was noted in countries preparing and approving MTDSs and conducting debt sustainability analyses. The DMF was less effective in areas like implementing debt management reforms, developing debt markets, accessing international capital markets, and conducting portfolio risk assessments. Recommendations included better coordination between upstream and downstream support, introducing client readiness assessments, and enhancing collaboration between debt management and public financial management providers at the country level.

[34] The diagnostic for El Salvador also devotes some attention to how the mix of external and domestic market financing might be adjusted to achieve the government's objective of reducing interest costs and reducing risks.

VII. COUNTRY CASES

50. **For a deeper analysis of Fund's bilateral advice on debt management, this section reviews three country cases, Jamaica, Sri Lanka, and Ecuador.** The Jamaica case is chosen to ascertain interactions between TA and surveillance in the area of debt management. Sri Lanka and Ecuador recently experienced a sovereign default and stress in the sovereign market, respectively, and their cases are chosen to assess whether the Fund preemptively warned the authorities about risks associated with their public debt and provided timely advice on managing these risks.

A. Jamaica

51. **Jamaica offers a case study of IMF advice on public debt management delivered through TA and Article IV surveillance.** Faced with an incipient debt crisis, in 2010 the Government of Jamaica completed a debt exchange, put in place a Fiscal Responsibility Framework, and entered a Stand-By Arrangement with the Fund. There was then a second debt exchange in 2013 and a revised Fiscal Responsibility Framework in March 2014 to include a fiscal rule limiting the debt/GDP ratio to no more than 60 percent by 2025/6 (a rule that was later amended to account for the impact of the Covid-19 pandemic).

52. **The Government was supported by TA missions from the IMF, World Bank and Inter-American Development Bank (IDB).** A TA mission from FAD visited Kingston in February/March 2010. It reviewed the Government's fiscal responsibility legislation, recommending clarification of key terms, principles and targets. It was critical of including a date for achieving fiscal targets so far in the future as to exceed the term of the current government. A second mission, mounted jointly by the IMF, World Bank and IDB next visited in May 2010 to assess the institutional and technical capacity of the Government's Debt Management Unit and lay the foundation for a medium-term debt management strategy. This mission focused on the debt exchange and its implications for interest-rate risk. It noted that Jamaica had issued an annual debt management strategy since 2000 but that this would benefit from more comprehensive analysis and clearer definition of objectives. It criticized debt management for focusing on short-term cost reduction at the expense of developing a medium-term framework for fiscal and debt sustainability. It recommended investing in stronger in-house technical capacity and establishing a high-level Debt Management Committee to develop debt management strategies. It concluded with an action plan, distinguishing tasks for the short and medium terms, and designating one of the three participating multilaterals as the principal source of assistance for each aspect.

53. **While the IMF and collaborators provided extensive TA at a critical time, this did not consistently and comprehensively feed through into bilateral surveillance.** The staff report for the 2009 Article IV consultation (approved in January 2010) anticipated the need for a comprehensive MTDS but did not elaborate. The staff report for the 2011 Article IV (May 2012) treated debt management in one paragraph. It recommended early improvement of the new public debt law, steps to improve the debt profile and reduce the interest bill, strengthening the

Debt Management Unit, enhanced cash management by public sector agencies, increased use of auctions, and improved communication with investors. The staff report for the 2014 Article IV (June 2014) did not touch on public debt management.

54. **Jamaica's authorities interviewed for this evaluation expressed positive views of the quality and usefulness on Fund's TA on debt management.** They underscored that Fund TA continued to provide critical advice in 2014–16, helping in setting up an auction system, creating an agreement between the fiscal agency and the Bank of Jamaica to avoid duplication of efforts and costs. TA also helped to enhance the MTDS and mitigate portfolio risks. Overall, TA during that period was regarded as adequately tailored and key in supporting very significant reforms. The authorities also pointed out that consultation with MCM in the context of the Article IV were critical for identifying Jamaica's TA needs.

B. Sri Lanka

55. **This section examines the Fund's public management advice in the years leading up to Sri Lanka's 2022 sovereign default to assess whether the Fund issued early warnings about debt risks and offered timely guidance on addressing them.[35]** Fund engagement with Sri Lanka was intense between 2016 and 2019, as the country implemented an adjustment program, supported under the Extended Fund Facility (EFF), envisaging fiscal consolidation. The IMF, together with the World Bank also provided TA to support authorities' effort to formulate a MTDS, create an independent public debt management agency, and enhance the government security market (IMF and World Bank, 2017; IMF, 2020d).

56. **Program implementation was disrupted by a combination of major unforeseen shocks and domestic policy choices.** They included a drought in 2017, political turmoil in 2018, and a severe domestic terrorist attack in 2019, as well as the reversal in fiscal adjustment in late 2019, against Fund's advice. As the Covid-19 pandemic erupted, Sri Lanka's EMBI spread rose sharply and its sovereign credit ratings were downgraded. Access to international capital markets was lost in the spring of 2020 and the large deficit was financed by the central bank. Public debt reached over 114 percent of GDP in 2021, also because of guarantees to cover SOE losses.

57. **The 2021 Article IV staff report was very explicit in warning about rollover risks going forward and recommended measures to mitigate them.** It advocated a comprehensive adjustment, and also indicated that "in staff view, fiscal consolidation and macroeconomic policy adjustments alone could not restore Sri Lanka's debt sustainability," implicitly hinting to the potential need for debt reprofiling (IMF, 2021d). The authorities acknowledged the magnitude of the challenges but viewed the outlook presented by staff as overly pessimistic and believed that ongoing challenges could be addressed by a roadmap they had announced. The eruption of the war in Ukraine in early 2022 deepened Sri Lanka's challenges further, and the country formally defaulted on their international sovereign bonds in May 2022.

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[35] More background on this case is presented in the Annex.

58. **Sri Lanka's authorities interviewed for this evaluation indicated that Fund's advice during the 2016–19 program was sound, but that public support for the program was lacking.** The tax cuts introduced by the new administration, which resulted in widening deficits, as well as subsequent policy choices were key factors contributing to the sovereign default. The authorities indicated that a bunching of maturities in 2018 created problems for debt management but did not confirm that the Fund helped them anticipate these challenges (that bunching of maturities was not mentioned in the 2018 Article IV report). In 2020, the DSA indicated that Sri Lanka's debt had become unsustainable, but the authorities did not agree with Fund's assessment. After the 2022 default, the government undertook a restructuring and negotiated a new program with the Fund. The authorities also indicated that Fund's TA had provided advice on the institutional set up for the debt management function. (We would note that the desirability of these institutional reforms was highlighted in the 2018 Article IV report.) A Public Debt Management Act was approved by Parliament in 2024, and a Public Debt Management Office is expected to become operative next year.

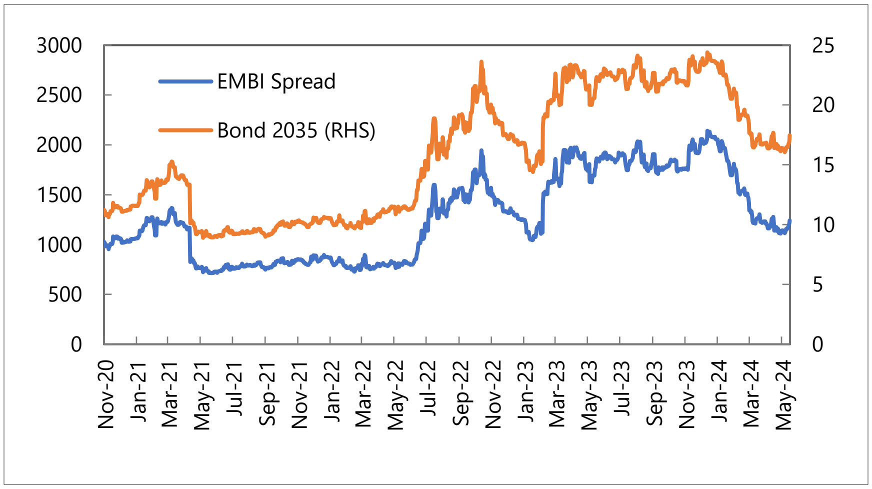
C. Ecuador

59. **As Ecuador experienced significant sovereign stress in 2022–23, after a successful conclusion of a Fund program, this case is analyzed to evaluate whether the Fund timely highlighted debt risks and provided advice to help address them.[36]** The country had implemented a Fund supported program in 2020–22, which helped to mitigate the impact of the Covid-19 pandemic, put public finances on a more sustainable path and strengthen domestic institutions and policy frameworks (including through a landmark reform in fiscal governance, which also introduced a new debt limit). Fund TA supported the launch of a MTDS in February 2021, the publication of more transparent and timely debt statistics, and introduction of a new fiscal rule.[37] The program was regarded as good example of successfully integrating capacity development and program design in the ex post evaluation (IMF, 2023d). Despite these achievements, Ecuador's sovereign yields and spreads increased sharply in the summer of 2022, reflecting investor concerns about protracted domestic protests, worsening of the domestic security situation, and tighter financing conditions for EMMIEs (Figure 6). Higher borrowing costs forced the authorities to postpone market access.

[36] In 2020 Ecuador completed a debt restructuring operation necessary for debt sustainability before the Fund could proceed with an arrangement. During the restructuring process, the Fund provided guidance and technical support, helped the stakeholders understand the complexities of the debt structure, and explained the benefits of the operation while staying outside of the negotiations. Overall, the 2020 debt restructuring was seen as a success (Alfaro and de Las Casas, 2024).

[37] The IMF has provided intensive TA support on debt management to Ecuador over 2018–2020. An IMF mission gave training on the MTDS and Annual Borrowing Plan in September 2022.

Figure 6. Ecuador: EMBI Spread and Bond Yield
(In daily basis points and percent)



Source: IMF (2024d).

60. **At the time of the final review of the Fund program in December 2022, the SRDSF assessment was fairly benign.** It assessed the overall risk of sovereign stress as low, due to "a moderate level of vulnerability in the medium-term mitigated by the credibility of the ongoing fiscal consolidation underpinned by the IMF program."[38] The SRDSF pointed out risks to downside risks in the event of fiscal policy slippages, faltering recovery, and lower oil prices, but also highlighted low debt service and long maturities as mitigating factors.

61. **Yet, sovereign spreads and yields soared in 2023, amid an unanticipated political crisis and unforeseen shocks.** Sudden political turmoil and unexpected general and presidential elections prevented further progress with the fiscal and institutional reform plan (IMF, 2024d). Ecuador's fiscal position deteriorated due to a sharp drop in oil revenues, a substantial rise in external debt interest payments driven by global monetary tightening, and policy slippages. Fund engagement with Ecuador was limited in 2023, as the country was undergoing l elections. With the country out of international capital markets, also because of the worsening domestic security crisis, treasury deposits and foreign exchange reserves plunged. Ecuador requested a 48-month Fund arrangement in 2024. Unexpected political and external shocks, policy slippages, and the domestic security crisis all contributed to Ecuador's sovereign stress; yet, the disconnect between a fairly benign SRDSF and the large increase in gross financing needs that led to a significant decline in government liquidity buffers is somewhat puzzling.[39] It indicates that perhaps debt

[38] In September 2022, the government of Ecuador had reached an agreement with the Chinese Development Bank and China Exim Bank to reprofile 78 percent of the country's debt to China.

[39] The SRDSF was still in a pilot phase at that stage, with several modules not yet operational.

risks, including from policy reversals and interest rate shocks, were not fully reflected in the Fund assessment at the end of 2022.[40]

62. **Ecuadorian officials interviewed for this evaluation stated that the advice received from the Fund on fiscal risk monitoring and debt management was useful, timely, and practicable.** The Fund provided helpful recommendations on extending debt maturities and enhancing the quality and transparency of debt data. Officials recognized that the Fund's assessment of risk of sovereign stress in 2022 could not anticipate some of the subsequent shocks (e.g., oil production disruptions, political crisis). Nevertheless, the Fund underestimated the risks of policy reversal and political risks, considering Ecuador's high political fragmentation and long history of difficult political transitions. Officials argued that the absence of exchange rate volatility and devaluation risks owing to Ecuador's dollarization might have contributed to the perception of lower sovereign distress risk in Fund's assessment. In that regard they pointed out that deeper analysis and more tailored adaptation of Fund's advice to dollarized economies would be useful.

VIII. ASSESSMENT

Overall

63. **The Fund is providing valuable support to countries with debt management challenges, through dedicated initiatives, capacity development, and regular surveillance** Coordination of TA on debt management, both within the Fund and between the Fund and the Bank, is relatively smooth. These positive results reflect a common understanding across the Fund of the importance of both debt sustainability and sound risk management, the provision of significant staff resources, a reasonably clear delineation of responsibilities, and explicit frameworks for cooperation both within the Fund and between the Fund and other stakeholders.

64. **The IMF together with the World Bank has periodically invested in the development of comprehensive and valuable "Guidelines" for debt management, which adopt both quantitative and institutional perspectives.** Again, in collaboration with the World Bank, the Fund has developed a framework to help country authorities design a medium-term debt management strategy. It has launched initiatives to strengthen public debt transparency through capacity building in the area of debt recording and data reporting. It has developed a Fiscal Transparency Code and conducted Fiscal Transparency Evaluations.

65. **The Fund has provided relevant advice on vulnerabilities from debt profile and debt management through multilateral and bilateral surveillance.** The Fund has periodically revised the tools to assess debt sustainability, with the MAC framework having an increased focus on identifying liquidity risks and vulnerabilities stemming from debt composition and

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[40] According to a recent IEO evaluation, authorities and experts interviewed with reference to Ecuador's 2020–22 Fund program, expressed the view that markets "were always wary of Ecuador's political volatility and institutional weakness," despite recognizing the authorities' goodwill (Alfaro and de Las Casas, 2024b).

contingent liabilities. Our review of a sample of Article IV reports for 12 EMMIEs indicates that desk economists have paid attention to vulnerabilities arising from debt structure and contingent liabilities, and have often provided specific policy recommendations on debt management for countries with elevated debt. In addition, Article IV reports paid attention to emerging issues and changing circumstances in the area of public debt management, such as increasing bilateral borrowing from China and climate finance.

66. **The Fund has mounted useful bilateral TA missions addressing aspects of debt management at the request of the government of the country concerned.** These activities have been frequent, have covered a wide range of topics and member countries. Based on available evidence, including interviews with country officials conducted for this evaluation, TA in this area is valued by national authorities and considered helpful in fostering their ability to manage public debt.

67. **That said, there is room for further improvements.** These include: (i) enhanced coordination across surveillance activities and TA; (ii) maintain close coordination across departments and with the World Bank; (iii) updating of DSA frameworks; and (iv) enhancing data on debt and on institutional aspects of debt management, especially in light of the emergence of new creditor classes and new instruments.

(i) Enhanced Coordination Across Multilateral and Bilateral Policy Advice

68. **Systematic integration of institutional and TA advice in bilateral surveillance would enhance the effectiveness of the Fund's advice on public debt management.** The Fund's initiatives in the area of debt management, though, are not always well coordinated with one another or with the Fund's other activities. The "Guidelines" and other analysis conducted by the IMF's functional departments are not much mentioned in the Fund's flagship reports. Institutional aspects of debt management emphasized in the Guidelines that are the subject of TA are mentioned only briefly, if they are mentioned at all, in Article IV reports. IMF staff report the existence of interaction between TA and Article IV reviews: sometimes issues flagged during TA are followed up in Article IV reviews. Other times issues turned up during Article IV reviews lead to requests for TA. To better integrate TA and surveillance, there may be a case for institutionalizing a systematic feedback loop from debt vulnerability assessments to TA on debt management. While TA is demand driven, if surveillance (through Article IV consultations or other methods, such as the IMF-FSB Early Warning Exercise) detects specific vulnerabilities early enough, area departments could suggest TA to the authorities while alerting the functional departments to direct resources accordingly. The importance of further strengthening the integration of CD with the Fund's surveillance more generally was recently reaffirmed by the 2024 review of the CD strategy, even as it recognized the significant advances made since the 2018 Strategy Review (IMF, 2024e).

69. **More attention to below-the-line aspects of deficit finance in warranted**. Article IV reports have a heavy focus on "above-the-line assumptions" (how large a deficit is sustainable); less attention to devoted to below-the-line aspects (how that deficit—and inherited debt—

should be financed). A more holistic view would place more emphasis on this "financeability" aspect. This is obviously the case in the context of a program, where the IMF's mandate requires it to confirm that programs are fully financed.[41] To do this credibly in the context of surveillance, the Fund would need additional resources to fully analyze the risk of sovereign debt portfolios.

(ii) Maintaining Close Coordination Across Departments and the World Bank

70. **Coordination across departments seems generally good, with a clear division of labor.** Reviews of Article IV reports by functional departments focus on different aspects of debt management. Thus, whereas FAD is more concerned with the "above the line" portion of the fiscal accounts (budget planning and execution, medium-term fiscal framework, fiscal transparency), MCMDM focuses on the "below the line" aspects (how the resulting debt is financed and managed, market development etc.), although FAD also supports capacity development in cash management and government cash flow forecasting. Country teams in area departments play a central role in shaping debt-related advice by gathering information from the authorities, developing the macroeconomic framework, and integrating inputs from functional departments. Debt sustainability analysis comes under the purview of SPR, although it is often prepared by country teams. Where institutional changes have legislative or statutory prerequisites, there may also be interaction with the Legal Department. The review process fosters dialog between functional and area departments.

71. **These different departments naturally focus on different aspects of debt management, so close coordination is essential.** Some departmental analyses emphasize the minimization of debt service costs, through inter alia choice of currency-denomination and maturity structure of the debt, and by improving investor relations. Others emphasize steps to limit crisis risk. Still others highlight the need for institutional initiatives, to inter alia improve the transparency, comprehensiveness and accuracy of debt statistics. These different emphases are not always aligned with one another. Ensuring close coordination across departments as well as within the different divisions within departments is therefore crucial to maximize the quality, timeliness, and comprehensiveness of Fund advice to members. In this respect, departments should regularly assess and review their coordination procedures to identify areas for improvement and in order to keep procedures agile and responsive to changing circumstances and priorities.

72. **Coordination with the World Bank seems close, perhaps closer than in any other issue area.** The two institutions coordinated in producing two iterations of the "Guidelines," as noted above. They regularly coordinate the provision of TA on debt-related issues such as local market development. Much of this work is supported by the Debt Management Facility, a multi-donor trust fund jointly managed by the Fund and Bank since 2014. Its management involves a monthly coordination meeting at which information about specific countries is discussed. The

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[41] The August 15, 2024 Supplement Guidance Note on LICs, which puts more emphasis on the assessment of overall debt vulnerabilities, is an improvement. Supplement to 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries (imf.org) (note that it lies outside the review period).

existence of this facility thus ensures that IMF and World Bank staff concerned with debt management remain in regular contact. This collaboration limits the risk of conflicting recommendations between the two institutions. Moreover, the institutions collaborate on other key initiatives, such as the MPA, the MTDS framework and the local currency bond market framework. The ongoing evaluation on debt issues in LICs will evaluate the coordination between the Fund and the World Bank more closely.

(iii) Updating of DSA Frameworks

73. **The debt sustainability frameworks for MACs and LICs may have been revised repeatedly, but they nonetheless warrant revisiting.** The framework for MACs utilizes a logit model to classify countries as at High or Medium/Low risk of debt distress. The stability over time of this model is not clear. Crisis-prediction models have a checkered history. At a minimum, such models should be regularly re-estimated as additional data become available. Similarly, the thresholds for prudent debt levels used in the analysis of LICs appear arbitrary. Whether they are unchanged over time should be analyzed, not assumed. The thresholds specified could be better justified. The ongoing comprehensive review of the LIC-DSF provides a not-to-be-missed opportunity to address limitations of the current framework.

74. **It is crucial for the Fund to be ahead of the curve on raising issues and new challenges for debt management, including the development of new debt instruments.** It is encouraging that the IMF has already started work on the implications of climate finance for debt management. The Fund's activities in this area will be explored further in the ongoing evaluation on the IMF and Climate Change. The Fund also needs to stay abreast with evolving country practices in public debt management and reflect them in its advice. In this respect, the Fund could consider whether a further revision of the 2014 debt management guidelines is warranted within the next few years. An aspect on which the Fund could intensify its advice on the Sovereign Asset and Liability Management (SALM) approach, which can have significant advantages over separate management of assets and liabilities, and on which the Fund has already done analytical work. Other challenges and opportunities for public debt management are posed by the rise in digital finance, Fintech and artificial intelligence.

(iv) Enhanced Data on Debt and Debt Management

75. **Although the IMF maintains several databases, often in collaboration with other IFIs, these do not fully provide the desired coverage and disaggregation.** The Global Debt Database and the Quarterly Public Sector Debt comprehensive in particular seem to include a fairly detailed data breakdown. Nevertheless, the accuracy and completeness of the data reported to and disseminated through these platforms warrant close examination. For instance, the involvement of nontraditional creditors—such as official lenders outside the Paris Club—and the emergence of new types of liabilities, including loan contracts with extensive confidentiality clauses that prevent borrowers from disclosing their terms or even their existence, raise concerns about the adequacy of current statistics on bilateral official debt stocks and flows.

76. **A one-stop shop for data on public debt by currency, maturity, creditor etc. is missing.** Some of this information is available for the subset of IMF members subscribing to the General Data Dissemination and Special Data Dissemination Standards, but participation is voluntary. Moreover, differences in coverage and reporting methodologies among the various databases may lead to inconsistencies. There may be a reluctance to invest in construction and maintenance of this kind of comprehensive dataset on the grounds that important data gaps (on, inter alia, bilateral official lending) would undermine reliability. To be sure, the costs of expanding and updating such a database would be considerable. But the benefits would also be significant. Against this background, the 2024 Review of Data Provision to the Fund has proposed a substantial update to the overall envelope of data requirements in the areas of public sector (IMF, 2024f). The cooperation and commitment of all IMF member countries to improving the transparency of their debt statistics is critical for enhancing the quality of current and future databases.[42]

77. **One approach to addressing this issue would be even closer coordination with the World Bank on debt data.** For instance, the Bank maintains an additional database, International Debt Statistics, which provides itemized data on external debt, distinguishing long-term and short-term debt, and debt owed to official creditors, bilateral creditors and multilateral creditors and private creditors (where the last category distinguishes bonds and debt owed to banks). The Bank is presumably more concerned with the ability of governments to finance projects and general development needs, whereas the Fund is more concerned with crisis risk. Further collaboration between the two institutions would facilitate the development of a database suited to both aspects. On domestic public debt, which is often underreported compared to external debt, the Fund is working with the World Bank to expand the scope of the World Bank's Debt Reporting System to include public domestic debt on a voluntary basis, which would represent a significant step towards transparency.[43]

78. **The Fund could usefully develop a database with information on Debt Management Offices in member countries.** As noted earlier, debt management issues can be approached from two perspectives: numerical statistics on debt aggregates, and institutional aspects of debt management issues. While FAD maintains databases on other debt- and deficit-related institutions (i.e., presence or absence of independent fiscal councils), the Fund does not maintain a database on the presence or absence of Debt Management Offices and whether a government consolidates responsibility for debt management in a single ministry. Systematic data on this aspect would be a useful resource for desk economists and encourage peer-to-peer learning on the part of members. Building such a database would require additional resources.

[42] See IMF (2023a) for a discussion of legal and operational challenges to the disclosure and reconciliation of high granularity public debt.

[43] Currently, the Debt Reporting System mandates only the reporting of detailed external debt data for countries receiving International Bank or Development Assistance loans.

ANNEX I. FUND'S ADVICE ON PUBLIC MANAGEMENT IN THE YEARS PRECEDING A SOVEREIGN DEFAULT—THE CASE OF SRI LANKA

Sri Lanka defaulted on its external government debt in 2022, triggering social unrest and political instability This section reviews Fund's engagement with the country and advice on public management in the years preceding the sovereign default.

Fund engagement with Sri Lanka was intense between 2016 and 2019. In 2016 the country embarked on an adjustment program, supported under the Extended Fund Facility (EFF), to address macroeconomic imbalances and vulnerabilities, including a central government debt at 75 percent of GDP.[1] The IMF program envisaged fiscal consolidation and reform measures, including revenue mobilization, public financial management reform, and state enterprise reforms. Initially, important progress was achieved through fiscal adjustment, other prudent macroeconomic policies, and key reforms, such as a new income tax law and automatic fuel prices adjustments to support profitability in the state-owned enterprises (SOE) sector.

At the same time, the IMF, together with the World Bank, provided technical assistance (TA). It supported authorities' effort to formulate a MTDS, create an independent public debt management agency, and enhance the government security market (IMF, 2020b; IMF and WB, 2017).[2] The strategy to manage sovereign bond maturities for 2019–22 was approved by cabinet in January 2018; a Liability Management Act was enacted in March 2018; the MTDS for 2019–23 was launched in April 2019; and a plan to establish a public debt management agency was approved by the cabinet in October 2019. The Fund also provided TA to improve public sector debt statistics (IMF, 2019c). Advice from TA was also reflected in staff reports for program reviews.

However, program implementation was challenged by large unexpected shocks, including a drought in 2017, political turmoil in 2018, and a severe domestic terrorist attack in 2019. Public debt, including publicly guaranteed debt and Fund credit outstanding, increased to 91 percent of GDP at end-2018, reflecting weaker economic performance and the sizable currency depreciation. Moreover, following the Presidential and Parliamentary elections in late 2019, fiscal adjustment was reversed. The income tax and VAT were reduced; mechanisms in place to mitigate fiscal risks from SOEs were discontinued and plans to upgrade legislation relating to the fiscal rules were suspended. The IMF program stalled, and the arrangement expired in June 2020. Sri Lanka entered the COVID-19 pandemic with high debt level and low reserves. The 2019 tax cuts as well as the impact of the pandemic on revenues and spending

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[1] According to the debt sustainability analysis included in the Staff Report for the 2016 Article IV Consultation and Request for a Three-Year Extended Arrangement under the Extended Fund Facility, the debt profile indicated moderate degree of vulnerabilities related to external financing requirements, debt held by non-residents, and debt denominated in foreign currency (IMF, 2016c).

[2] The TA Report on the Institutional Framework for Public Debt Management (IMF, 2020b) highlighted that the debt portfolio was vulnerable to currency and interest rate shocks, and subject to rollover risks.

widened fiscal deficits to 12.2 percent of GDP in 2020. Sri Lanka's EMBI spread rose sharply that year, peaking at over 2,400 basis points and its sovereign credit ratings were downgraded several times, to CCC in the fall of 2020. Access to international capital markets was lost in the spring of 2020.

Table AI.1. Sri Lanka: Macroeconomic Indicators, 2015–22

	2015	2016	2017	2018	2019	2020	2021	2022
Growth and inflation (in percent)								
Real GDP growth	4.2	5.1	6.5	2.3	-0.2	-4.6	3.5	-7.8
Inflation (end-of-period, in percent)	4.6	4.4	7.1	2.8	4.8	4.2	12.1	54.5
Fiscal Indicators (in percent of GDP)								
Central governemnt balance	-6.6	-5.0	-5.1	-5.0	-7.5	-12.2	-11.7	-10.2
Central government gross financing needs	20.7	17.4	18.3	19.6	21.7	26.1	31.0	34.1
Central governemnt debt	76.3	75.0	72.3	83.6	82.6	96.7	102.7	115.5
Public debt[1]	82.1	84.1	82.7	91.0	89.0	104.0	114.3	126.3
Share of central debt in foreign currency (percent)	46.9	46.7	48.5	56.2	52.6	47.6	43.1	52.7

Sources: WEO; various IMF Country Reports.
1 Comparing central government debt, publicly guaranteed debt, Fund credit outstanding and international currency swap arrangements.

Large fiscal deficits persisted in 2021, at 11.7 percent of GDP. As a result, and because of new guarantees, largely to cover the losses of one SOE, public debt (including guaranteed debt and Fund credit outstanding) reached over 114 percent of GDP in 2021. The loss of access to international capital markets and foreign investors' exit from the local currency debt market created a large budget financing gap. This led to sizable central bank budget financing, contributing to a surge inflation. The 2021 Article IV staff report was very explicit in warning about high debt rollover risks going forward. It stressed that Sri Lanka's debt overhang and persistent fiscal and balance of payments financing shortfalls would constrain growth and jeopardize macroeconomic stability in both the near and medium term.

The authorities had presented a roadmap to tackle the crisis.[3] The 2021 Article IV staff report stressed that the authorities' plan was unlikely to address rollover risks and advocated a comprehensive set of fiscal, monetary, and exchange rate policies to restore macroeconomic stability. It also indicated, "in staff view, fiscal consolidation and macroeconomic policy adjustments alone could not restore Sri Lanka's debt sustainability"—implicitly hinting to the potential need for debt reprofiling. The authorities acknowledged the magnitude of the challenges but viewed the outlook presented by staff as overly pessimistic. They considered the

[3] The authorities announced a 6-month Roadmap in October 2021, envisaging to address near-term FX shortages by raising new financing from government-to-government loans and currency swaps with foreign central banks, expediting state asset sales, and tightening export surrender requirements.

debt and balance of payments challenges as a temporary problem, that could be addressed through the Roadmap they had announced.[4]

The eruption of the war in Ukraine in early 2022 deepened Sri Lanka's challenges further, given the heavy reliance on tourism and energy consumption. Reserves were soon depleted; the authorities suspended external debt service on April 12, 2022, and formally defaulted on their international sovereign bonds (ISBs) on May 18, 2022. Following the authorities' request in April 2022, IMF staff and the authorities reached a staff-level agreement on a 48-month arrangement under the Extended Fund Facility on September 1, 2022. The Sri Lanka's authorities started engaging in a dialogue with official and private creditors to achieve a durable solution to the debt crisis.

Overall, the Sri Lanka case indicates that the country's sovereign default was the result of a combination of a series of severe shocks as well as authorities' policy decisions. The Fund provided TA to support the institutional framework for public debt management and formulate a MTDS. Bilateral surveillance under Article IV highlighted significant rollover risks and stressed the need for a comprehensive adjustment program to restore macroeconomic stability, ahead of the 2022 default. However, because of external shocks and the country policy actions macroeconomic stability was jeopardized.

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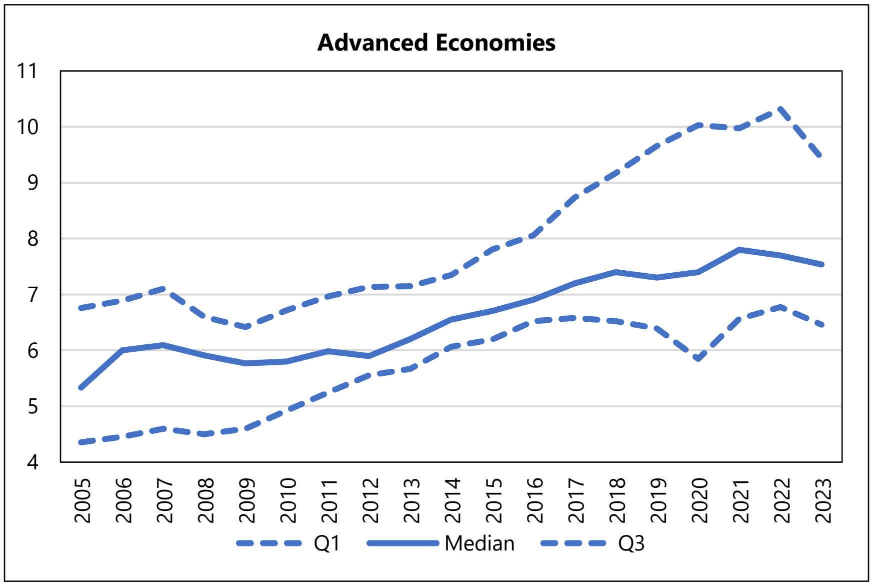
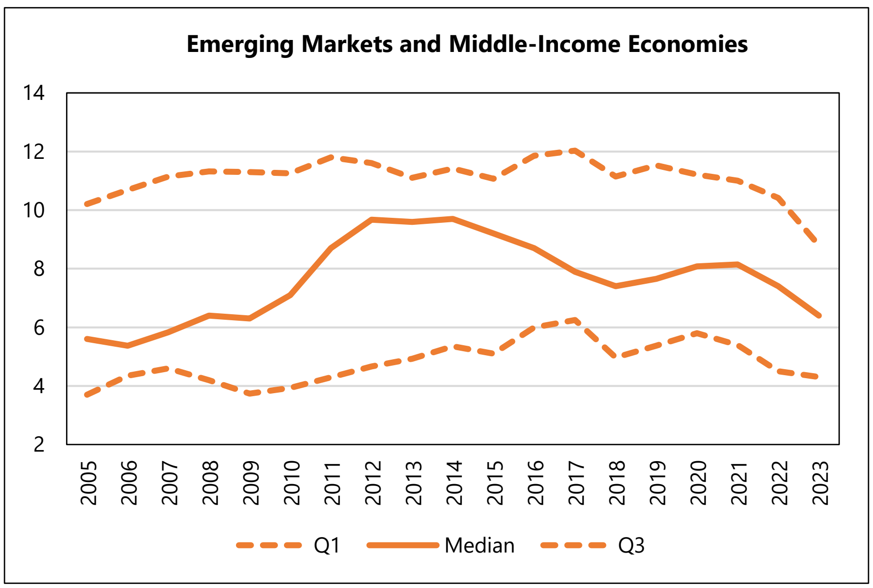
[4] See Authorities' Views section of the 2021 Article IV Staff Report.

APPENDIX I. ADDITIONAL DEBT INDICATORS

Figure AI.1. Maturity of Remaining Domestic Debt Securities
(Median, years)

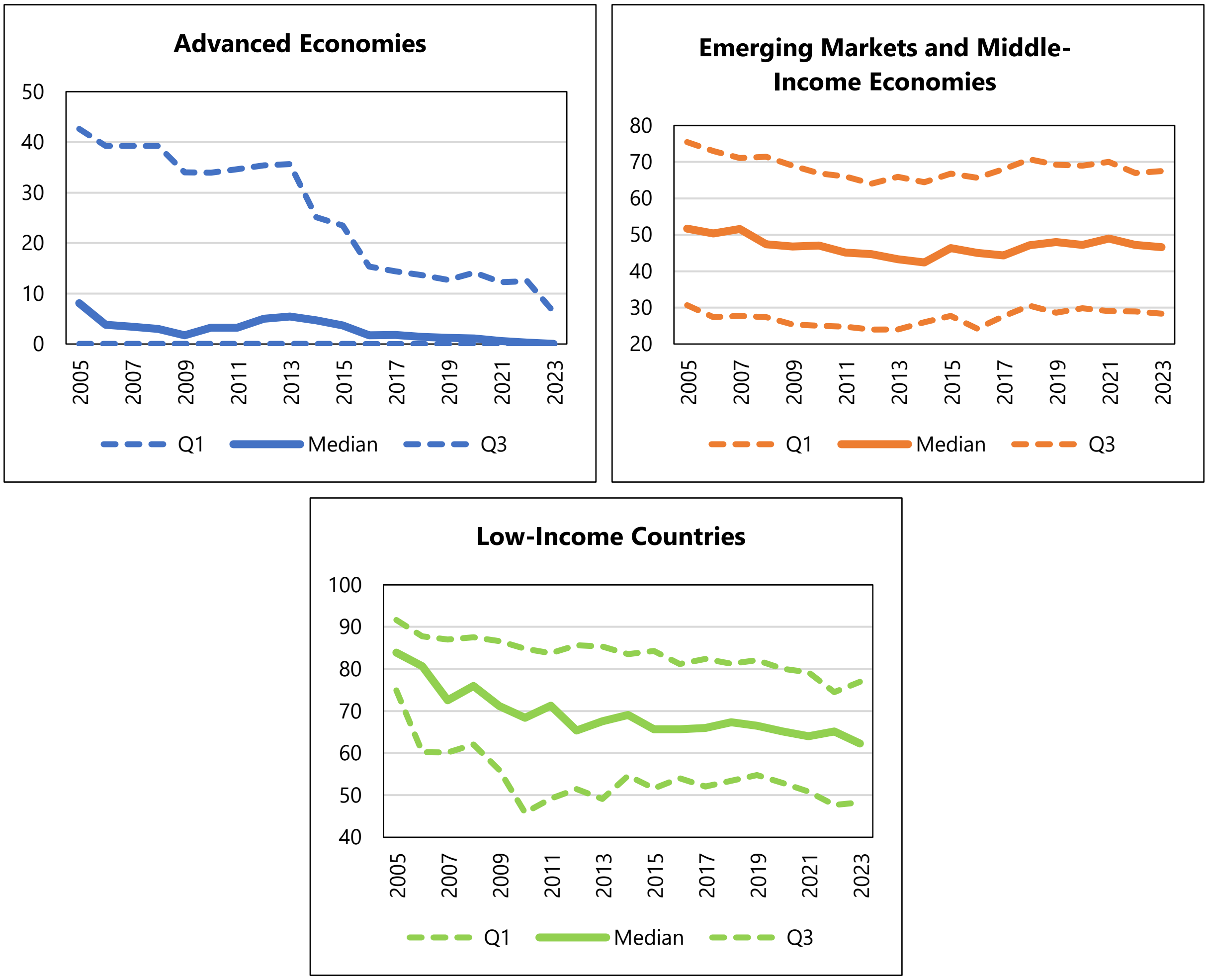




Sources: BIS; IEO staff calculations.

Figure AI.2. Foreign-Currency Denominated Government Debt

(General government, percentage of total debt)



Sources: WEO; IEO staff calculations.

APPENDIX II. LIST OF KEYWORDS USED IN TEXT ANALYSIS IN FIGURES 3 AND 4

Public debt management, government debt management, sovereign debt management, public debt strategy, government debt strategy, sovereign debt strategy, public debt portfolio, government debt portfolio, sovereign debt portfolio, public debt portfolios, government debt portfolios, sovereign debt portfolios, government debt structure, public debt structure, sovereign debt structure, government debt structures, public debt structures, sovereign debt structures, contingent liabilities *and* government *or* public *or* sovereign, contingent liability *and* government *or* public *or* sovereign, public debt *and* maturity *or* maturities *or* currency *or* currencies *or* interest rate *or* interest rates, government debt *and* maturity *or* maturities *or* currency *or* currencies *or* interest rate *or* interest rates, sovereign debt *and* maturity *or* maturities *or* currency *or* currencies *or* interest rate *or* interest rates.

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