

The International Financial Institutions' debt governance framework for developing countries: What is new and what is missing?

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abstract

The International Financial Institutions' (IFIs') debt governance framework assumes a central role in the global debt governance (GDG)-system. This framework covers more specified tools to ensure debt sustainability for developing countries and it mainly includes two types of instruments: (i) joint IMF and World Bank instruments for the analysis and monitoring of a country's external and internal debt burden including the Debt Sustainability Framework, the Debt Sustainability Analysis, the Debt Management Facility, Public Expenditure and Financial Accountability and (ii) policy instruments for implementing debt ceilings on a country's debt including the International Monetary Fund's Debt Limit Policy and the International Development Association's (IDA's) Non-Concessional Borrowing Policy. This paper provides a critical assessment of the current IFIs' debt governance system including their current reforms. To date neither a comprehensive analysis of the IFIs' debt governance framework exists nor has this framework been put in the context of the whole GDG-system. While there were established important reforms in the previous decade including the most recent reform of the IMF's Debt Limit Policy and the IDA's Non-Concessional Borrowing Policy deficiencies of the IFIs' debt governance system exist. One main problem of the current IFIs' debt governance-system is the incomprehensiveness of its instruments to ensure debt sustainability. To increase the effectiveness of the IFIs' global debt governance framework the IFIs should align their debt monitoring and assessment frameworks.