

2025 ASIAN REGIONAL PUBLIC DEBT MANAGEMENT FORUM

20 - 22 May 2025 | Siem Reap, Cambodia



**Sharing Experience:
Building Prudent Debt Management for a Sustainable Tomorrow**

Session 8A: Debt Sustainable Analysis

Background

The World Bank Group and the IMF work with low-income countries to produce regular Debt Sustainability Analyses, which are structured examinations of developing country debt based on the Debt Sustainability Framework.

The Debt Sustainability Framework for Low-income Countries (LIC-DSF), approved by IMF and WB in 2017, has been the cornerstone of assessments of risks to debt sustainability in LICs.

Three new factors were included in 2024:

- Consideration of climate change
- Domestic public debt vulnerabilities
- Use in debt restructuring situations

The Sovereign Risk and Debt Sustainability Framework for Market Access Countries (SRDSF) was introduced in 2022 that applies to market access countries (MACs).

DSA for 68 countries have been posted to the World Bank website

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December 2024

CAMBODIA

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

Approved by: Manuela Francisco and Lalita Moorthy (IDA), and Rupa Duttagupta and Peter Dohman (IMF)	Prepared by the staff of the International Development Association (IDA) and the International Monetary Fund (IMF)
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CAMBODIA: JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS	
Risk of external debt distress	Low
Overall risk of debt distress	Low
Granularity in the risk rating	Not applicable
Application of judgment	No

Cambodia remains at low risk of external and overall debt distress under the Low-Income Countries Debt Sustainability Framework (LIC-DSF).¹ The current debt-carrying capacity remains consistent with a medium classification.² The baseline scenario assumes a continued economic recovery, largely driven by a rebound in manufacturing goods and agricultural exports and tourism. The total public and publicly guaranteed (PPG) debt-to-GDP ratio is projected to rise by around 4 percentage points of GDP during the next decade, but its level is expected to remain stable. The debt burden indicators are projected to remain well below their thresholds under the baseline and the shock scenarios. The stress tests shows that debt sustainability is most vulnerable to shocks in contingent liabilities.

¹ This DSA follows the [Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries](#) (imf.org), February 2018 (GN).
² Cambodia's Composite Indicator (CI) index, based on data submitted to the October 2024 WEO and the World Bank's 2023 CPIA, is 3.02, indicating a medium debt-carrying capacity. This is a slight reduction from the index in the 2023 DSA, which was 3.06.

1 >>> WORLD BANK GROUP

LIC-DSF (approved in 2017)

1

Methodology for conducting DSA

- Inform LICs' fiscal policy and borrowing decisions
- Helps to make judgments about possible financing strategies, and their risks
- MDBs use it to inform their lending policies
- WB and IMF staff use the DSF to inform their own macroeconomic analysis and policy advice to government

2

Inputs

- Current stock of public and publicly guaranteed debt
- Macroeconomic projections covering 20 years
- Financing projections for external and public debt

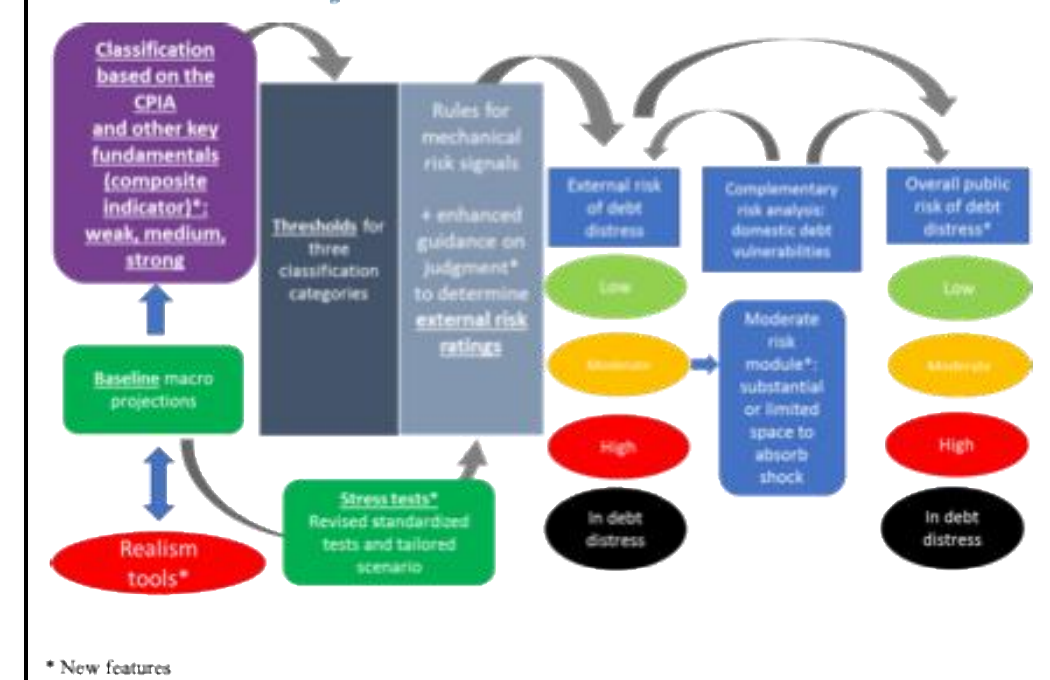
3

Outputs

- CLASSIFIES countries based on their assessed debt-carrying capacity
- ESTIMATES threshold levels for selected debt burden indicators
- EVALUATES baseline projections and stress test scenarios relative to these thresholds
- COMBINES indicative rules and judgements to assign ratings for risk of debt distress



Figure 1. Structure of the Reformed LIC DSF



The LIC DSF was reformed in 2017 as shown in the diagram above - it introduced 4 realism tools to examine the realism of the medium-term macroeconomic projections under the baseline scenario

LIC-DSF Toolkit

1

The LIC DSF template, **an Excel-based tool**, that analyzes scenarios based on user inputs

2

The LIC DSF template automatically applies the historical scenario and the following standardized stress test scenarios to both external and public DSAs:

- Real GDP growth shock
- Depreciation shock
- A combination of all shocks scenario

3

Tailored stress tests are applied if relevant and likely:

- Contingent liabilities
- Natural disasters
- Volatility of commodity exports
- Market-financing shocks



Risk Rating

Low, Moderate, or High Rating

- A final rating of the risk of external debt distress: low, moderate, or high.
- A final rating of the overall risk of public debt distress: low, moderate, or high.
- A full discussion of the main risks to this assessment, including factors such as data coverage, macroeconomic uncertainty, policy implementation risks, and other global factors.

In Debt Distress

- When the debt sustainability analysis indicates a significant and sustained breach, or a high probability of a future debt distress event.

LIC-DSF Outputs

- Debt burden thresholds:
- Thresholds depend on countries’ debt carrying capacity
 - Countries with stronger capacity benefit from higher thresholds
 - Three categories: weak, medium, strong

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23
TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

Interactive Guide:
<https://www.worldbank.org/content/dam/LIC%20DSF/Site%20File/station1.html>

SRDSF

Sovereign Risk and Debt Sustainability Framework

for Market Access Countries

Readme: This is the new Sovereign Risk and Debt Sustainability Framework's public version template. It implements the tools for the near and medium-term risk assessments.

Worksheet descriptions:

Questions	Users should start on this sheet. It contains the questionnaire for users to fill in that determines major settings for the data inputs, the information needed to fill in the debt data disclosures, and will eventually contain the switches to activate the customizations for the various tools. <u>Before proceeding to other questions, please be sure to select a country name from the dropdown country list in cell C4 on this sheet.</u>
Macrofw	After completing the questionnaire on Questions, users should go to this sheet, which contains the data input for the template, and fill in the data.
NewMacrofw	This sheet processes the data on the Macrofw sheet. It illustrates what observations are needed for the tools to run.
IdentFin	This sheet projects financing assumptions from Macrofw, users just need to check that they are reflected in this worksheet.
ResidFin	This worksheet handles the debt issuance to cover residual financing needs. Users may adjust/customize the terms and conditions of debt issued in residual financing instrument(s).
Signals	This sheet summarizes the results of the tools. Before finalizing the SRDSA, users should go to this sheet and set any final assessments where they wish to use judgment. They may also activate/de-activate certain stress tests.
Output	This worksheet has the output charts and tables.
BaseDB	This worksheet prepares the data obtained from BaseDB, performs a number of transformations and calculations on the data, and warehouses most information about the baseline scenario. No user interaction is required on this worksheet, though users may find it useful to look up key results.
LOGIT	This worksheet runs the logit model for the risk of sovereign stress (near-term assessment). No user interaction is needed, but users may wish to observe how the results are calculated.
FAN	This worksheet contains all the material needed to run the debt fanchart. To update the fanchart, click the button on the worksheet after uploading the data/projections into the template.
GFN	This worksheet implements the GFN financeability module. To update it, click the button on this worksheet.
STDesign	Handles calibration of the shocks for the stress tests.
STOps	Operation of the stress tests.
Triangles	Debt calculations for the GFN module stress scenario.
Config	This worksheet maintains all the key parameters for the worksheet. <u>Users should not edit this worksheet.</u>

Mac-srdsf-template.xlsm

SRDSF provides a standardized approach to conducting analyses of the risk of sovereign debt-related stress and public debt sustainability for market access countries (MACs)

- Replaced MAC-DSA in 2022
- Comprises sovereign risk assessment and debt sustainability assessment
- Consists of 3 modules (logit, Debt Fanchart, & GFN)
- Includes additional modules for specialized analysis

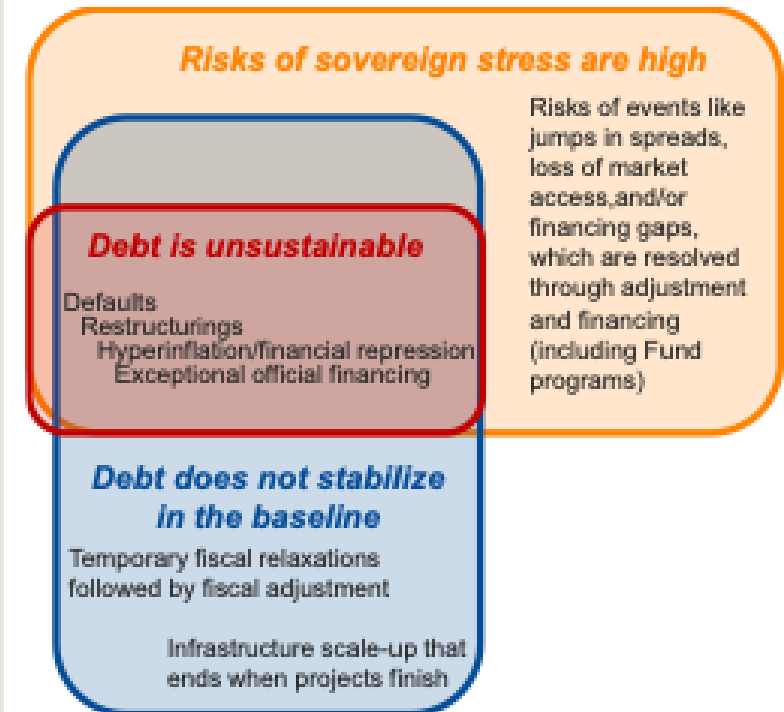
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Figure 1. Debt Concepts: Sovereign Stress, Unsustainable Debt, and Non-Stabilizing Debt



Source: IMF.

Note: Text describes how situations of unsustainable debt, high debt risks (but sustainable debt) and failure of debt to stabilize in the baseline (with low debt risks and sustainable debt) are eventually resolved.

Key Factors to Consider

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1. Personnel should involve multiple departments/divisions
 - Involve Budget, Fiscal Policy, Economic Planning, and Debt Management
 - Include central bank in the exercise
2. Need to ensure capacity of staff to undertake DSA
 - LIC-DSF template is complex so not easy to use
3. Data input requirements can be a challenge as need 20 year projections
 - Macroeconomic indicators including fiscal policy and financing needs
 - Debt service and new borrowing
4. Challenge to set baseline and stress test scenarios
5. Challenge of including contingent liabilities and PPPs

It will be a major effort to undertake DSA

Reference Documents



Public Disclosure Authorized

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL MONETARY FUND

**GUIDANCE NOTE ON THE BANK-FUND DEBT SUSTAINABILITY
FRAMEWORK FOR LOW INCOME COUNTRIES**

December 26, 2017

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INTERNATIONAL MONETARY FUND

July 2024

**SUPPLEMENT TO 2018 GUIDANCE NOTE ON THE
BANK-FUND DEBT SUSTAINABILITY FRAMEWORK
FOR LOW INCOME COUNTRIES**

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The Report prepared by IMF staff and completed on July 18, 2024, has been released.

The report was issued to the Executive Board for information. The report was prepared by IMF staff. The views expressed in this paper are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers are available to the public from <http://www.imf.org/external/pp/ppindex.aspx>

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**STAFF GUIDANCE NOTE ON THE SOVEREIGN RISK
AND DEBT SUSTAINABILITY FRAMEWORK FOR
MARKET ACCESS COUNTRIES**

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The Report prepared by IMF staff and completed on July 19, 2022 has been released.

The staff report was issued to the Executive Board for information. The report was prepared by IMF staff. The views expressed in this paper are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board.

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