



# IMF POLICY PAPER

## ELIGIBILITY TO USE THE FUND'S FACILITIES FOR CONCESSIONAL FINANCING, 2020

March 2020

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 19, 2020 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on January 22, 2020 for the Executive Board's consideration on February 19, 2020.

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Discusses “Eligibility to Use the Fund’s Facilities for Concessional Financing”

FOR IMMEDIATE RELEASE

WASHINGTON, DC – March 12, 2020

The Executive Board of the International Monetary Fund (IMF) concluded its review of the framework for determining eligibility of IMF member countries to use concessional financial resources under the Poverty Reduction and Growth Trust (PRGT) and of the current list of PRGT-eligible countries.

### Background

The PRGT eligibility framework, which was introduced in 2010, includes transparent and rules-based criteria to guide decisions on the eligibility of countries to access the Fund’s concessional resources. It is designed to ensure uniformity of treatment among members, alignment of access to concessional resources with PRGT objectives, and consistency with the self-sustainability of the PRGT’s lending capacity over time. The framework is also intended to maintain broad alignment with International Development Association (IDA) practices while allowing scope for some variance given the different mandates of the two institutions. The framework and the list of PRGT-eligible members are normally reviewed on a standard two-year cycle, with the most recent review completed on May 15, 2017.

The framework includes differentiated criteria for entry and graduation. IMF member countries enter onto the list of PRGT-eligible countries when their income per capita is below a specified threshold and they do not have the capacity to access international financial markets on a durable and substantial basis. Countries are expected to graduate from the list when they have achieved income per capita levels that exceed specified thresholds or have established the capacity to access external commercial financing on a durable and substantial basis and they do not face serious short-term vulnerabilities.

### Executive Board Assessment<sup>1</sup>

Executive Directors welcomed the opportunity to review the PRGT eligibility framework and the associated list of PRGT-eligible countries, and to consider staff’s proposals for refining the framework. They emphasized that PRGT eligibility should continue to be guided by a framework that is transparent and rules-based, ensures uniformity of treatment among members, and preserves the Fund’s scarce concessional resources for the use of low-income members that are in most need, while maintaining the self-sustainability of PRGT lending. Directors reiterated that the eligibility framework should remain broadly aligned with International Development Association (IDA) practice, while allowing scope for some differences given the different mandates of the two institutions.

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<sup>1</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country’s authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Directors concurred that the existing framework remains broadly appropriate while generally supporting the proposed refinements to improve the assessment of market access, and the extension of the transition period before graduation decisions become effective. They underscored the importance of a robust communication strategy and early engagement with countries that may be graduation candidates in upcoming reviews, to ensure a smooth transition process.

Directors agreed that for the purpose of assessing past market access borrowing from international financial markets below 2 percent of quota in any given year should not count as market access in evaluating the durability requirement for both graduation from and entry into PRGT eligibility. They also supported the proposed clarifications to the definition of commercial borrowing, which would generally exclude borrowing by public corporations on the basis of their own balance sheets and without sovereign guarantees, and would also exclude borrowing that is guaranteed or subsidized by an official external entity and loans from foreign state-owned banks. In this context, some Directors stressed the importance of debt transparency.

Directors broadly supported the proposed modifications related to database use, confirming that the IDS database will be the primary data source used to assess past market access. They agreed that use of this data source will simplify data sourcing, improve data accuracy, and enhance evenhandedness by ensuring that the same five-year period is used to assess market access in all member countries. Directors welcomed the clarifications with respect to the assessment of whether a country “could have tapped” international markets on a durable and substantial basis, even though the scale or duration of actual borrowing fell short of the specified thresholds for past market access. They emphasized the need to follow the “could have tapped” principle in an evenhanded manner across the membership, taking into account country specificities.

Directors concurred that the proposed modifications for assessing market access in the PRGT eligibility framework should also apply to assessments of past market access under the PRGT’s blending and exceptional access frameworks. These modifications consist of (i) the use of one primary data source to assess past market access, (ii) the exclusion of de minimis borrowing below 2 percent of quota from indicating market access in that year, and (iii) the clarifications to the definition of commercial borrowing.

Directors welcomed the proposed clarifications with respect to how serious short-term vulnerabilities are assessed. They noted the importance of paying attention to risks stemming from climate change, natural disasters, structural weaknesses, and social unrest in making such assessments, giving due consideration to both historical and forward-looking indicators of risk. Directors also considered it important to ensure that the assessment of vulnerabilities yields consistent outcomes to avoid premature graduation.

Directors generally agreed with the extension of the transition period for the deferred effectiveness of graduation decisions from three to five months to allow adequate time to conclude any ongoing discussions on and obtain Board approval for PRGT financing or support under the Policy Support Instrument (PSI).

Directors supported the proposed graduation of Guyana from PRGT eligibility, noting that its graduation is a positive and welcome step signaling Guyana's sustained progress in achieving higher levels of income. Directors agreed that other members that currently meet the income and/or market access criteria face serious short-term vulnerabilities that preclude graduation from PRGT eligibility during this review. Directors concurred that no non-eligible members are currently eligible for entry onto the list of PRGT-eligible countries.



January 22, 2020

## ELIGIBILITY TO USE THE FUND'S FACILITIES FOR CONCESSIONAL FINANCING, 2019

### EXECUTIVE SUMMARY

**The review of Poverty Reduction and Growth Trust (PRGT) eligibility, conducted biennially, is guided by a transparent, rules-based and parsimonious framework.**

The framework determines which IMF members can access concessional resources based on an assessment of their level of income per capita, market access, and the severity of short-term vulnerabilities. Application of the framework should be consistent with the self-sustainability of the PRGT's lending capacity over time. The framework, introduced in 2010, has generally achieved its objective of targeting the Fund's scarce concessional resources to poorer and more vulnerable member countries, but work on the 2019 review revealed a number of methodological issues that warranted further analysis.

**This paper concludes that the existing framework remains broadly appropriate, but proposes methodological refinements to improve the assessment of market access, clarifies how serious short-term vulnerabilities are assessed, and proposes a modest extension of the transition period before graduation decisions become effective.**

These include changes with respect to the treatment of *de minimis* market borrowing, data sourcing, and the appropriate five-year period over which to assess past market access. The paper also discusses the requirement of market borrowing in three of the past five years as an indicator of durable market access, the treatment of externally guaranteed or subsidized borrowing, and borrowing from state-owned banks and by state-owned enterprises. Finally, it provides clarification on the assessment of serious short-term vulnerabilities and proposes a short extension in the deferred effectiveness of graduation decisions.

**Guyana is proposed for graduation from the PRGT eligibility list while no countries meet the criteria for entry.** Guyana is proposed for graduation because it meets the income criterion from graduation and does not have serious short-term vulnerabilities.

**The impact of the proposed refinements and the graduation of Guyana on demand for PRGT resources is expected to be small and is in line with maintaining the self-sustaining capacity of the PRGT.**

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## Acronyms and Abbreviations

BEL	Bonds, Equities, and Loans
DSA	Debt Sustainability Analysis
ECF-EFF	Extended Credit Facility-Extended Fund Facility
FCL/PLL	Flexible Credit Line/Precautionary and Liquidity Line
GNI	Gross National Income
GRA	General Resources Account
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDS	International Debt Statistics
LICs	Low-Income Countries
LIC DSF	LIC Debt Sustainability Framework
PPG	Public and Publicly Guaranteed
PRGT	Poverty Reduction and Growth Trust
PSI	Policy Support Instrument
SBA/SCF	Stand-by Arrangement/Stand-by Credit Facility
WAEMU	West African Economic and Monetary Union
WB	World Bank



## INTRODUCTION

**1. The Poverty Reduction and Growth Trust (PRGT) eligibility criteria and the list of members eligible to use PRGT resources are reviewed every two years.** During the 2017 Review, Executive Directors agreed that the eligibility framework in place remained appropriate and that no members were at that time eligible for entry onto or graduation from the PRGT eligibility list. Directors emphasized that eligibility should continue to be guided by a framework that is transparent and rules-based, ensures uniformity of treatment among members, preserves the Fund's scarce concessional resources for the use of low-income countries (LICs) that are most in need, and maintains the self-sustainability of PRGT lending. Directors further noted that the framework should remain broadly aligned with International Development Association (IDA) practices while allowing scope for some differences in graduation criteria between the Fund and the World Bank (WB) given the different mandates of the two institutions.<sup>1</sup>

**2. Content of the paper.** The next two sections of the paper describe the current PRGT eligibility framework and look at the alignment between the framework and IDA practices. This is followed by an assessment of the risk that members that have graduated from the PRGT eligibility list could re-enter it. The next section proposes refinements and provides clarifications to the PRGT eligibility criteria with respect to the market access criterion, assessment of serious short-term vulnerabilities, and transitional provisions for countries graduating from PRGT eligibility. Following this, the paper assesses whether any members meet the criteria for graduation from or entry onto the PRGT eligibility list. The last section considers the potential impact of the current review on the self-sustained capacity of the PRGT. The decisions to adopt the proposed modifications to the framework and to make corresponding changes to the PRGT eligibility list are also set forth in the paper, and a redlined text showing the specific modifications to the existing Executive Board decision on PRGT eligibility criteria is included in the Proposed Decisions section for the convenience of Executive Directors.

## CURRENT FRAMEWORK

**3. The PRGT eligibility framework determines which IMF member countries may access the PRGT's concessional resources.** The current framework for determining members' eligibility for concessional Fund financing was adopted by the Executive Board in early 2010 and was last modified in 2015 (see Boxes 1 and 2, and Annex I).

**4. The framework's eligibility criteria, focused on a country's per capita income levels and ability to borrow from international financial markets, are closely linked to the PRGT's key objectives.** Countries are eligible for entry onto the PRGT eligibility list if their annual gross national income (GNI) per capita is below the applicable income threshold and if they do not have the capacity to access international financial markets on a durable and substantial basis. Countries may graduate from the PRGT eligibility list if their GNI per capita is above the applicable income

<sup>1</sup> [The Acting Chair's Summing Up \*Eligibility to use the Fund's Facilities for Concessional Financing\* \(IMF, 2017c\).](#)

threshold for a specified period (and is not on a declining trend) or if they have the capacity to access international financial markets on a durable and substantial basis (and have income above a certain threshold), provided they do not face serious short-term vulnerabilities. The PRGT eligibility framework has different criteria for entry and graduation, with the latter set at a higher standard to limit the risk of premature graduation, and ensuing re-entry.

### Box 1. Criteria for Entry and Graduation from PRGT Eligibility<sup>1/</sup>

#### Entry

A member would be added to the list of PRGT-eligible countries if:

- i. its annual per capita gross national income (GNI), based on the latest available qualifying data, is (a) below the operational International Development Association (IDA) cutoff, or (b) less than twice the IDA operational cutoff for small countries (countries with population below 1.5 million but not less than 200,000), or (c) less than five times the IDA operational cutoff for microstates (countries with population below 200,000); and
- ii. the sovereign does not have capacity to access international financial markets on a durable and substantial basis. The market access criterion for entry is assessed using the same tests as for graduation (see below) except that market access under the first alternative test exists where bond issuance or disbursements under commercial loans during *at least two of the last five years* are equivalent to a cumulative amount of *at least 25 percent of quota*.

#### Graduation

**Income Criterion:** The country's annual per capita GNI:

- i. has been above the IDA operational cutoff for at least the last five years (for which qualifying data are available);
- ii. has not been on a declining trend in the same period (comparing the first and final years of the available data); and
- iii. is currently (a) at least twice the operational IDA cutoff, or (b) at least three times the IDA operational cutoff for small countries, or (c) at least six times the IDA operational cutoff for microstates.

**Or:**

**Market Access Criterion:** The sovereign has the capacity to access international financial markets on a durable and substantial basis, as measured by one of the following two tests.

- i. Public sector issuance or guaranteeing of external bonds or by disbursements under public and publicly guaranteed external commercial loans in international markets during *at least three of the last five years* for which data are available, in a cumulative amount over that period equivalent to *at least 50 percent of the country's quota* at the Fund at the time of the assessment. External bonds and commercial loans issued or contracted in markets that are not integrated with broader international markets do not qualify.
- ii. A country would also be deemed to meet the market access criterion if there were convincing evidence that the sovereign could have tapped international markets on a durable and substantial basis, even though the scale or duration of actual public-sector borrowing fell short of the specified thresholds. This would be a case-specific assessment, considering such relevant factors as the volume and terms of recent actual borrowing in international markets and the sovereign credit rating.

Both tests of the market access criterion would take into account bonds/loans issued, contracted, or guaranteed by non-sovereign public-sector debtors, where such a debtor's ability to access international markets is assessed to be an indicator of the sovereign's creditworthiness.

<sup>1/</sup> IMF (2009) and the Decision on PRGT Eligibility Criteria, IMF (2012, 2013, 2015, and 2017).

### Box 1. Criteria for Entry and Graduation from PRGT Eligibility (concluded)

As a further safeguard, countries would be considered candidates for graduation under the market access criterion only if:

- i. their annual per capita GNI is above 100 percent of the IDA operational cutoff; and
- ii. their annual per capita GNI has not been on a declining trend during the last five years for which qualifying data are available (comparing the first and last relevant annual data).

**And:**

**Absence of serious short-term vulnerabilities:** In addition to meeting at least one of the above two criteria, the country should not face serious short-term vulnerabilities. The assessment of these vulnerabilities requires, in particular, the absence of risks of a sharp decline in income or of a loss of market access, as well as limited debt vulnerabilities, as indicated by the latest Debt Sustainability Analysis (DSA), and a confirmation that overall debt vulnerabilities have remained limited since the DSA was conducted.

For a member whose annual per capita GNI exceeds the applicable income graduation threshold by 50 percent or more, graduation from PRGT eligibility will not be subject to the assessment of serious short-term vulnerabilities. However, an assessment by the Executive Board of serious short-term vulnerabilities will be required where such members have "IDA grant-only" or "IDA loan-grant mix" status at the World Bank, in which case graduation will depend on an assessment that the member does not have such serious short-term vulnerabilities.

### Box 2. Summary of Past Reviews of Eligibility to Use the Fund's Facilities for Concessional Financing

**The Poverty Reduction and Growth Trust (PRGT) eligibility criteria and the related eligibility list have been reviewed four times since the current framework was established in 2010: in 2012, 2013, 2015, and 2017.**

- The **2012 review** left the list of eligible countries unchanged and raised the population threshold used to define small states from 1 to 1.5 million.
- The **2013 review** introduced new entry and graduation criteria for microstates with populations of less than 200,000, and modified the market access criterion by i) introducing different thresholds of market access for entry onto and graduation from the PRGT eligibility list and ii) raising the GNI per capita threshold that would need to be met for a country to graduate based on market access from 80 to 100 percent of the IDA operational cut-off. Tuvalu, Marshall Islands, and Micronesia became PRGT-eligible based on the new entry criterion for microstates, while Armenia and Georgia graduated from the list of PRGT-eligible members.
- The **2015 review** introduced the use of additional data sources to assess market access, limited the application of the serious short-term vulnerabilities criterion for members that do not exceed the income graduation threshold by 50 percent or more, and broadened the assessment of debt vulnerabilities. Bolivia, Mongolia, Nigeria, and Vietnam graduated from the list of PRGT-eligible members.
- **In 2017**, the eligibility criteria were left unchanged and there were no new entries to or graduations from eligibility. Six countries met either the income or market access graduation criterion and were not assessed to be at high risk of debt distress or in debt distress, but none were proposed for graduation as they faced other serious short-term vulnerabilities.

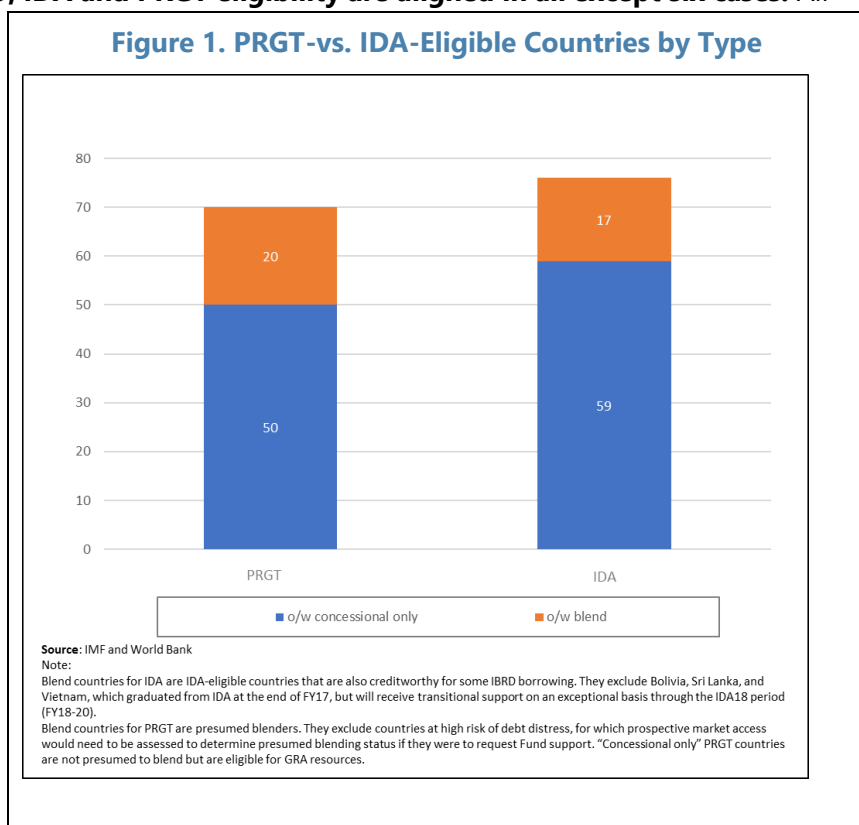
## ALIGNMENT WITH IDA PRACTICES

**5. The PRGT eligibility framework continues to maintain broad alignment with the World Bank's (IDA) practices.** The criteria for graduation from the PRGT eligibility list have similarities to

those used for IDA graduation (Box 2, 2017 Board paper).<sup>2</sup> Both are based on the IDA operational cutoff (i.e., annual GNI per capita). The Fund's market access graduation criterion also has some similarities with the creditworthiness assessment<sup>3</sup> performed by IDA. In addition, both frameworks have special provisions for small states, with the IMF framework also having a separate treatment for micro states. There have not been any changes to the IDA eligibility and graduation framework since the last Review of Eligibility to Use the Fund's Facilities for Concessional Financing in May 2017.<sup>4</sup>

## 6. As of November 2019, IDA and PRGT eligibility are aligned in all except six cases. All

PRGT-eligible countries are also eligible for IDA resources, while six countries that are not PRGT-eligible have access to IDA resources. Of these six cases, Fiji, Mongolia, Nigeria, and Pakistan have blended access to IDA and International Bank for Reconstruction and Development (IBRD) resources, and Kosovo and Syrian Arab Republic have access to IDA-only resources. Bolivia, Sri Lanka, and Vietnam are receiving transitional support on an exceptional basis following their graduation from IDA and are therefore not included in the list of IDA countries (see chart).



## 7. Divergences between the lists of IDA- and PRGT-eligible countries reflect differences in the mandates of the World Bank and IMF as well as the timing of their respective review cycles.

While the PRGT mainly provides temporary balance of payments support from a limited pool of resources, World Bank financing is generally geared to deliver a steady flow of long-term development financing from a much larger pool of resources. Further, PRGT eligibility determines whether a country is eligible to access the Fund's concessional resources, but it does not affect its

<sup>2</sup> [IMF, 2017a, Eligibility to Use the Fund's Facilities for Concessional Financing for 2017.](#)

<sup>3</sup> Assessments of creditworthiness for IBRD lending are based on an evaluation of eight broad components: political risk, external debt and liquidity, fiscal policy and public debt burden, balance of payments risks, economic structure and growth prospects, monetary and exchange rate policy, financial sector risks, and corporate sector debt.

<sup>4</sup> A recent assessment of the case for modifying conditions for IDA eligibility to allow for vulnerability to natural disasters concluded that there was not a compelling case for modifying the existing framework: see World Bank: ["Small States: Vulnerability and Concessional Finance"](#) July 2018.

ability to access the resources of the General Resources Account (GRA). By contrast, IDA-eligible countries have at most limited recourse to IBRD lending.

## RISK OF REVERSE GRADUATION

**8. The graduation criteria are designed to be more demanding than the entry criteria in order to limit the risk of premature graduation decisions and the potential need for their subsequent reversal.** Twelve countries have graduated from the PRGT eligibility list since the adoption of the current eligibility framework in 2010 (Table 1). The pace of graduating countries has been uneven, reflecting the timing at which countries meet the income and/or market access graduation criteria, but also the prevalence of serious short-term vulnerabilities. Six countries graduated in 2010, none in 2012, two in 2013, four in 2015, and none in 2017. Out of these graduates, six countries (in addition to meeting the “absence of serious short-term vulnerabilities” criterion) met the income graduation criterion, four met the market access graduation criterion, and two met both criteria. Many other countries have met the income or market access graduation criteria in previous reviews but failed to satisfy the “absence of serious short-term vulnerabilities” criterion, and therefore were not proposed for graduation.

**9. None of the recent graduates are currently at significant risk of re-entry to PRGT eligibility.** Income in most countries that have graduated from the PRGT eligibility list has improved since graduation. Exceptions include Azerbaijan, Georgia, Mongolia, and Nigeria, where GNI per capita has declined from its graduation level due to the fall in global commodity prices. The most recent GNI per capita levels exceed the income entry threshold by substantial margins in all of the graduates, ranging from 35 percent to over 300 percent, providing a reasonably robust buffer against reverse graduation. All 12 graduate countries have accessed international financial markets at least once in the years since their graduation.

**Table 1. Previous Graduates**

Country	Met Criterion	DSA Rating <sup>1/</sup>	IDA Status <sup>2/</sup>	Latest GNI per Capita	Percentage deviation from GNI per capita eligibility threshold <sup>3/</sup>
<b>2015 Review</b>					
Bolivia	Income	Low	Blend	3370	186.8
Mongolia	Income	High	Blend	3580	204.7
Nigeria	Income	Low	Blend	1960	66.8
Vietnam	Market	Low	Blend	2400	104.3
<b>2013 Review</b>					
Armenia	Income	Low	Blend	4230	260.0
Georgia	Income and Market	Moderate	Blend	4130	251.5
<b>2010 Review</b>					
Albania	Income	Sustainable*	Graduated 2008	4860	313.6
Angola	Income and Market	Moderate	IDA	3370	186.8
Azerbaijan	Income	Sustainable*	Blend	4050	244.7
India**	Market	Sustainable*	Blend	2020	71.9
Sri Lanka	Market	Moderate	IDA	4060	245.5
Pakistan	Market	Sustainable*	Blend	1580	34.5

\* Based on MAC-DSA.

\*\* In 2010, India's cumulative market access over the previous five years was below 100 percent of quota, but the market access criterion was assessed as met based on India's investment grade sovereign credit rating. Pre-2013, annual per capita GNI was required to be above 80 percent of the IDA operational cutoff to qualify under the market access criterion.

<sup>1/</sup> The Debt Distress rating for each country is derived from the most recent published staff report at the time of the countries' graduation from PRGT eligibility.

<sup>2/</sup> The IDA status is that which existed at the time the country graduated from PRGT eligibility.

<sup>3/</sup> Income criteria for PRGT entry is that the country's annual GNI is currently (a) below the operational cutoff, or (b) less than twice the IDA operational cutoff for small countries; or (c) less than five times the IDA operational cutoff for microstates.

## PROPOSED CHANGES AND CLARIFICATIONS

**10. While the overall PRGT eligibility framework has broadly achieved its objectives, work for the 2019 review has revealed a number of methodological issues that warrant further analysis.** Since its introduction in 2010, the framework has been effective in targeting the Fund's scarce concessional resources to its poorer and more vulnerable members. While the eligibility criteria remain generally appropriate in staff's view, the specific definitions have raised a number of technical questions.

**11. To improve the methodology, this paper proposes refinements and provides clarifications in the following areas:** (a) adjustments to the methodology for assessing market access; (b) clarification of how the serious short-term vulnerabilities criterion is assessed; and (c) modifications to the transitional period provisions for countries selected for graduation. Beyond the proposed refinements, the overall eligibility framework remains appropriate. Key principles

underlying the framework include: transparency and uniformity; directing scarce concessional resources to poor and vulnerable members; avoiding graduation and subsequent re-entry to PRGT eligibility; and close alignment with IDA practices. The current framework (with the proposed modifications) continues to satisfy these principles, as supported by the absence of any serious risk of re-entry to PRGT eligibility of past graduates and the broad alignment of the lists of PRGT-eligible and IDA-eligible countries.

## A. Assessing Market Access

**12. Durable and substantial access to international financial markets indicates that a member may be ready for graduation from eligibility to use the Fund's concessional resources.** The 2010 Board paper that underpinned the current eligibility framework ("the 2010 paper")<sup>5</sup> articulated the connection between market access and PRGT eligibility:

- Since the existence of durable and substantial access to international financial markets implies a shared assessment by lenders and the authorities that borrowing on market terms is both feasible and appropriate, it undercuts the case for continued access to the Fund's concessional resources.
- PRGT resources should be preserved for countries with low levels of income and related economic and financial vulnerabilities. As countries achieve stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth, they should no longer need access to concessional assistance from the Fund. The existence of durable and substantial market access is an indicator of such macroeconomic positions (along with a higher income level and absence of serious short-term vulnerabilities).
- Graduation from PRGT eligibility should be permanent. This underpins the graduation criterion requirements of durable and substantial market access, income well above the re-entry threshold, and absence of serious short-term vulnerabilities.

**13. Staff's proposals focus on how to improve the assessment of durable and substantial market access.** The analysis takes as a starting point the current framework under which market access is an indicator of readiness for graduation and focuses on issues that have arisen in the 2019 Eligibility Review on how to assess market access. These comprise: the relevance of de minimis market borrowing in a given year as an indicator of market access; database use and the relevant five-year period for assessing past market access; access durability (i.e., frequency of borrowing) and the assessment that the member "could have tapped" markets; and commercial vs. non-commercial borrowing.

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<sup>5</sup> Eligibility to Use the Fund's Facilities for Concessional Financing (IMF, 2009).

## De Minimis Borrowing

**14. Market borrowing at very low levels is not convincing evidence of market access.** The market access criterion for graduation is met if a member has borrowed from international financial markets in three of the last five years in a cumulative amount of at least 50 percent of quota. The three-out-of-five-year requirement is intended to show durable market access. However, there are a number of instances in which countries have borrowed only very small amounts in a given year. Such “de minimis” borrowing tends to overstate the number of years with meaningful market access, suggesting the need for a minimum borrowing threshold to qualify as evidence for market access in a given year.

**15. It is proposed that borrowing below 2 percent of quota in any given year should be excluded from the durability criterion for graduation and entry.** A de minimis threshold of 2 percent in a given year, below which borrowing would not indicate market access in that year, would ensure that the durability criterion is not satisfied by small amounts that do not indicate meaningful market access. A significantly higher threshold would be problematic—for instance, a 5 percent threshold would cumulate to 25 percent of quota over five years, which is the threshold for determining market access under PRGT blending (in cases of members at a low or moderate risk or debt distress), eligibility, and exceptional access policies and therefore is considered a meaningful amount. The proposed 2 percent of quota threshold would cumulate to 10 percent of quota over five years, just under half of the above blending threshold. It is proposed to amend the eligibility decision to reflect the introduction of de minimis criterion.

**16. A modestly higher “de minimis” threshold would not significantly affect the frequency of “excluded” borrowing.** Between 2014 and 2018, there were 19 instances of annual market borrowing below 2 percent of quota, out of 101 occurrences of market borrowing (Annex 2, Table 2). Increasing this threshold from 2 to 5 percent would add only four instances of “de minimis” borrowing: two in Tanzania, and one each in Uzbekistan and Zambia. None of these countries currently meet the GNI per capita threshold associated with the market access graduation criterion.

**17. Access as a share of quota remains the most appropriate metric for the market access criterion and the de minimis threshold.** Using GDP would allow the nominal access thresholds to be adjusted annually in line with growth, rather than being frozen in between quota reviews. However, quota is a broader concept that includes openness, variability and reserves as well as GDP, and is the relevant metric for determining access and by extension for assessing market access for purposes of eligibility (and blending). In any event, most countries that meet the market access criterion do so by large margins, so an increase in the nominal access thresholds that could result from rebasing the metric to GDP would not have a significant impact (see text table).

**Cumulative Market Access 2014–18 of Members That Meet the Market Access Criterion**

	In percent of quota	In percent of GDP
Cabo Verde	491	10
Côte d'Ivoire	685	16
Ghana	600	11
Kenya	924	10
Lao PDR	1203	12
Maldives	1609	10
Senegal	880	18

Sources: World Bank, International Debt Statistics; IMF-WEO.



## Database Use and Relevant Period for Assessing Market Access

**18. Assessment of market access should rely on the most accurate and comprehensive available data.** To assess past market access, since 2015 staff has primarily used two data sources: the comprehensive *World Bank International Debt Statistics (IDS)*, which reports annual borrowing data with a lag of about ten months; and a more timely but less comprehensive commercial database provided by *Dealogic* (formerly known as Dealogic “Bonds, Equities, and Loans” (BEL)) (Box 3). Under the current framework, the applicable five-year period for assessing market access is defined as follows for cases where the most recent annual data are available from Dealogic but not from IDS: (a) where Dealogic data show zero market borrowing for the most recent year, that year is excluded and the applicable five-year period is rolled back one year to correspond to the period for which IDS data are available; and (b) where Dealogic data show positive (non-zero) borrowing in the most recent year, that year is included in the five-year period, with IDS data used for the first four years and Dealogic data for the most recent year.<sup>6</sup>

**19. Staff proposes to rely on IDS data for assessing past market access, rather than using two data sources for the assessment** given shortcomings in the coverage and classification of loans in the Dealogic database,<sup>7</sup> which give rise to persistent discrepancies between IDS and Dealogic data:

	Dealogic	IDS	Difference (Dealogic-IDS)
Ghana	1,371	203	1,168
Papua New Guinea	500	190	310
Zambia	113	768	-655
Benin		807	-807

Sources: Dealogic; World Bank, International Debt Statistics.

- *Coverage and classification of Dealogic data.* While disbursement is the relevant concept in the eligibility framework and is used by IDS, Dealogic reports loans on a commitment basis. Moreover, Dealogic data coverage focuses on bonds and syndicated loans and misses some bilateral bank loans that are reported by IDS.
- *Data discrepancies.* A comparison of Dealogic and IDS data between 2013–18 shows large discrepancies in commercial bank loan data between the two sources (see examples in the text

<sup>6</sup> While the framework for graduation established in 2010 does not specify that information on market access over the most recent full calendar year should be ignored, the practice until 2015 was to rely on data in the IDS database, which was produced with a one-year lag, for market access assessments. To address this lag, the 2015 PRGT eligibility review added the use of the Dealogic database to supplement the information on actual market access and established an approach pursuant to which in those cases where there are zero entries in the Dealogic database for the most recent full year, the five-year period under assessment would exclude the most recent calendar year. See *Eligibility to Use the Fund's Facilities for Concessional Financing, 2015 (IMF, 2015a)*.

<sup>7</sup> Use of Dealogic data in past Eligibility Reviews was not decisive in determining whether a country was eligible for graduation. Only one country, Vietnam, has graduated on the basis of the market access criterion since the Dealogic database was introduced in 2015. The inclusion of Dealogic data was not material in the graduation decision. Including Dealogic data, Vietnam's cumulative market access between 2010–14 was 1,060 percent of quota in 5/5 years. Excluding Dealogic data, the market access assessment period would revert to 2009–13 but would still be substantial: 1,006 percent of quota in 5/5 years. See *Eligibility to Use the Fund's Facilities for Concessional Financing, 2015*.

table), reflecting differences in coverage and classification, while differences in bond data were small. Given that commercial bank loans accounted for about 40 percent of total borrowing on international financial markets in recent years, deficiencies in Dealogic loan data significantly undermine its usefulness.

**20. Using one primary data source (IDS data) to assess market access will simplify data sourcing, facilitate greater focus on ensuring data accuracy, and enhance evenhandedness.**

The period for assessing market access will always be the most recent five-year period for which IDS data are available, which will end the current practice of using different five-year periods for different countries.

**21. Staff will continue to utilize information in Dealogic data to inform assessments of serious short-term vulnerabilities and of whether countries “could have tapped” international financial markets even if they did not do so (see paragraph 22 below).** Despite its inadequacies in coverage and classification, Dealogic data has an advantage in timeliness—it is updated continuously as data become publicly available. Given this advantage, staff will use Dealogic data, together with other relevant data,<sup>8</sup> when assessing short-term vulnerabilities and applying the “could have tapped” rule, subject to appropriate data cross-checking with the authorities.

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<sup>8</sup> See the 2015 Eligibility Review, paragraph 5.

### Box 3. Comparison of International Debt Statistics and Dealogic Database

Since 2015 the Poverty Reduction and Growth Trust (PRGT) Eligibility Framework has employed two databases to assess market access: the World Bank's International Debt Statistics (IDS) and a commercial database provided by Dealogic. The current Dealogic database replaces the previous Dealogic "Bonds, Equities, and Loans" database (BEL), which was discontinued in early 2019. The two Dealogic databases have the same coverage and definitions.

**The World Bank's IDS** covers both public and publicly guaranteed (PPG) external bonds and PPG external loans from commercial banks, with maturities longer than one year. Loan data include both syndicated and bilateral loans. IDS releases previous year data with a lag of about ten months (2018 data released in October 2019), which has been reduced from a previous lag of about one year. Data are sourced from borrowing country authorities and, to ensure accuracy, cross-checked with various sources, including selected creditors and commercial databases such as Dealogic. IDS classifies loans from external state-owned banks as "official-bilateral" rather than commercial. It includes bonds or commercial bank loans that are guaranteed or subsidized by official external sources, such as IDA, the IFC, and export credit agencies, which are not identified separately. IDS provides aggregate borrowing figures (separately for bonds and loans, and for borrower types: general government, other public sector, and private sector), but does not provide a breakdown of individual bonds and loans. Data are reported on a disbursement basis.

**The Dealogic database** covers PPG external bonds and external loans from commercial banks. It is updated continuously. Dealogic reports loans on a commitment basis, which can be much larger than disbursements. It focuses on syndicated loans and may miss some bilateral commercial loans reported by IDS.

#### Summary of IDS vs. Dealogic database

	IDS	Dealogic database
Provider	World Bank	Dealogic Limited, London
Data lag	Ten months (latest data released in October 2019)	Updated once data become publicly available
Coverage	<ul style="list-style-type: none"> <li>➤ PPG external bonds</li> <li>➤ Both syndicated and bilateral commercial loans</li> <li>➤ Loans from state-owned banks are classified as official and are <i>excluded</i> from PPG loans from commercial banks</li> <li>➤ Data are sourced from borrowers and cross-checked with various sources.</li> </ul>	<ul style="list-style-type: none"> <li>➤ PPG external bonds</li> <li>➤ Full coverage of syndicated loans; incomplete coverage of bilateral loans</li> <li>➤ Data are sourced from creditors</li> </ul>
Information on external guarantors	No information	Guarantor's name and nationality
Timing of recording	When disbursed	Bonds: when priced Loans: when signed

## Access Durability and “Could Have Tapped”

**22. Access in three out of the last five years remains an appropriate threshold for assessing durability of market access for graduation.**<sup>9</sup> The criterion of market borrowing in three of the last five years was intended to indicate sustained rather than intermittent market access. However, it could be the case that countries could have borrowed in at least three out of five years but chose not to, with

**Countries Who Meet Either 'Scale' or 'Durability' Market Access Criterion (2014–18)**

Country	Scale Criterion	Durability Criterion*	Income Safeguards	DSA Ratings
Honduras	Yes	No	Yes	Low
Madagascar	No	Yes	No	Low
St. Vincent	Yes	No	Yes	High
Tajikistan	Yes	No	No	High
Uzbekistan	No	Yes	No	Low

Sources: World Bank, International Debt Statistics, IMF.

\* Excluding “de minimis” borrowing.

significant but less frequent borrowing indicating sustained market access. A review of data for 2014–18 shows that there are a few cases where countries would meet the test for “substantial market access,” i.e., at least 50 percent of quota, while failing the test for durability. Further, only one such country (Honduras) meets the income and Debt Sustainability Analysis (DSA) rating prerequisites to qualify for graduation under the market access criterion if the durability test is not applied. The finding that countries that meet the criterion on the size of market access typically also meet the durability criterion suggests that the current three-out-of-five-year threshold remains appropriate (see text table).

**23. The framework allows a country that “could have tapped” markets to meet the market access criterion.**<sup>10</sup> The eligibility framework provides flexibility to allow a positive assessment of market access even when a member has not accessed markets in three of the past five years and/or borrowed in an amount equivalent to at least 50 percent of the country’s quota, if there is convincing evidence that the sovereign could have tapped international markets on a durable and substantial basis. The eligibility framework establishes that the assessment shall be case-specific, considering such factors as the volume and terms of recent actual borrowing in international markets and sovereign credit ratings. In making an assessment of whether a country could have tapped markets, considerations would include the size of market issuance, the evolution of sovereign credit spreads and credit ratings, gross financing needs, and the evolution of debt

<sup>9</sup> When the PRGT eligibility policy was adopted in 2010, the five-year period was chosen because of the concern that the sustainability of market access over a short period could be limited even for mature emerging market economies. To ensure that the measure gives some sense of the durability of market access, it was considered important to take into consideration bond issuance over the medium term (e.g., over a time horizon of five years) and that countries have established some record of continued market access (i.e., accessed markets more than once in recent periods) (see Annex II of the 2010 paper).

<sup>10</sup> One PRGT country, India, has graduated based on market access as indicated by satisfaction of the “could have tapped” test. India graduated in 2010 because its investment grade sovereign credit rating indicated it could have tapped markets even though its actual access over the relevant period was below the market access threshold.

vulnerabilities under the LIC Debt Sustainability Framework (LIC DSF). To meet the “could have tapped” criterion, a country would generally be expected to have accessed markets at some scale in the recent past, had favorable spreads and credit ratings compared to peers deemed to have market access, and not to have experienced market financing pressures (based on the LIC DSF market financing pressures tool, which is calibrated on gross financing needs and sovereign spreads).<sup>11</sup>

## Defining Commercial vs. Non-Commercial Borrowing

### 24. The definition of commercial borrowing is clarified to remove ambiguity about three types of borrowing:

- *Subsidized and guaranteed borrowing.* Staff discovered that a small loan to the public sector in Honduras in 2015 recorded in the IDS database as a loan from a private bank was highly concessional in nature, reflecting subsidies and a guarantee by official agencies in the home country of the lender. Also, bond issuances that carried partial guarantees from IDA were classified as commercial borrowing in past eligibility reviews (e.g., a \$1 billion bond issued by Ghana in 2015). Loans or bonds subsidized or guaranteed (partially or fully) by an official external entity should be excluded from the definition of commercial borrowing for PRGT eligibility purposes as such instruments are not borrowing contracted in markets that are “integrated with broader international markets.”<sup>12</sup> While a country may have been able to access markets even without a partial guarantee (albeit at higher spreads), it would be impracticable to make such case-by-case judgments; the same consideration applies to loan subsidies. Since subsidized and guaranteed borrowing are not identified separately in the IDS database, for those countries that may qualify for graduation based on market access, staff will apply extra scrutiny to market access data in consultation with country authorities to identify and exclude such borrowing.
- *Loans from foreign state-owned banks.*<sup>13</sup> IDS classifies such loans as official/bilateral lending, similar to loans from public agencies and state-owned development banks; thus these have not been considered as commercial loans in past PRGT eligibility assessments of market access. While some loans from foreign state-owned banks are made on a commercial basis, in other cases they are influenced by public policy considerations and are thus not loans contracted in markets integrated with broader international markets. Given the practical difficulties in making a case-by-case determination of the commercial nature of such loans, it is proposed to continue treating loans from foreign state-owned banks as official rather than commercial borrowing.<sup>14</sup>

<sup>11</sup> The benchmarks are gross financing needs of 14 percent of GDP and EMBI spreads of 570 basis points.

<sup>12</sup> Official external entities would include foreign governments and foreign public sector entities and international organizations including, but not limited to, development banks. As such, international organizations with a regional focus would be included in this definition.

<sup>13</sup> A foreign state-owned bank is one that has majority public sector ownership.

<sup>14</sup> This does not imply that all loans from state-owned banks would be considered as official bilateral loans for other purposes, such as the Fund’s lending into arrears policies.

- *Borrowing by public corporations.* Under the eligibility framework, the market access criterion takes into account bonds and loans issued, contracted, or guaranteed by non-sovereign public sector debtors, *where* such a debtor's ability to access international markets is assessed to be an indicator of the sovereign's creditworthiness. This provides scope for staff to make judgments on whether borrowing by such debtors, notably public corporations, indicates sovereign market access. In cases where the public corporation is borrowing on the basis of its own balance sheet, including by collateralizing its own assets, and without sovereign guarantees, such borrowing would generally not qualify as indicating sovereign market access. Examples include non-guaranteed loans to a national airline (which may be secured by aircraft purchased with the loan) and loans to a state-owned oil company collateralized by oil revenues. A review of data for 2014–18 shows only two countries whose borrowing from international market has been mainly through the non-sovereign public sector. Neither of the two qualifies for graduation under the market access criterion. In most countries, borrowing by other public sector entities constitutes an insignificant share of total market access (see text table).

	2014	2015	2016	2017	2018	2014–18
General Government	91%	87%	89%	90%	91%	90%
Other Public Sector	9%	13%	11%	10%	9%	10%
Private Sector Guaranteed by Public Sector	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

Sources: World Bank, International Debt Statistics.

## Implications for Other Market Access Concepts

**25. The market access criteria for presumed blending and exceptional access under the PRGT, and the indicator of market access under the Flexible Credit Line/Precautionary and Liquidity Line (FCL/PLL) qualification criteria, are closely aligned with the market access criteria in the eligibility framework.**

- PRGT-eligible members are presumed to blend GRA resources with PRGT resources either on the basis of GNI per capita or on the basis of sustained past and prospective market access. A member at low or moderate risk of debt distress is presumed to have had past market access if it tapped international financial markets in at least two of the past five years with total access over the five years of at least 25 percent of quota. A member at high risk of debt distress is presumed to have past market access if it tapped international financial markets in at least three of the past five years with total access over the five years of at least 50 percent of quota. It must also be assessed independently as having prospective market access (unlike a member with low or moderate risk of debt distress).
- Under the PRGT exceptional access policy, members are precluded from exceptional access to PRGT resources if they have sustained past access to international financial markets (and GNI per capita above 80 percent of the IDA operational cutoff), which is defined as the public debtor

having issued or guaranteed external bonds or having received disbursements under external commercial loans contracted or guaranteed by the public debtor in at least two out of the last five years in a cumulative amount equivalent to at least 25 percent of quota.

- One of the nine core indicators for assessing qualification criteria for the FCL/PLL is a track record of steady sovereign access to capital markets at favorable terms. This requires public sector issuance or guaranteeing of external bonds or disbursements of PPG external commercial loans in international markets during at least three of the last five years for which data are available, in a cumulative amount over that period equivalent to at least 50 percent of the country's quota at the time of the assessment. The assessment will consider if there is convincing evidence that the sovereign could have tapped international markets on a durable and substantial basis, even though the scale or duration of actual borrowing fell short of the specified thresholds. Finally, the FCL/PLL indicator also requires an assessment that the member did not lose market access at any point in the last 12 months.

**26. It is proposed that the modifications to the market access eligibility criterion for PRGT eligibility also apply to the market access criteria under PRGT blending and exceptional access policies.** The concept of market access under the three PRGT frameworks (eligibility, blending, exceptional access) is closely aligned, so refinements that improve the methodology for assessing the sovereign's capacity to access international financial markets under the eligibility framework should naturally apply also to blending and exceptional access policies.<sup>15</sup> The impact of these modifications on the set of countries that are presumed blenders or eligible for exceptional access is expected to be minimal.

- The current set of presumed blenders is unlikely to be affected, as most of these countries are presumed to blend on the basis of GNI per capita above the IDA cutoff. For the small number of countries that may be presumed to blend on the basis of market access, the thresholds for frequency and size of past market access are met by large margins.
- A country could be excluded from exceptional access on the basis of market access if its GNI per capita is between 80 and 100 percent of the IDA cutoff (countries with GNI per capita below 80 percent of the IDA cutoff are not excluded from exceptional access even if they have market access). There are currently only four countries in this income range, none of which would be affected by the proposed changes (three fail to meet the market access criterion, and one meets it by large margins).

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<sup>15</sup> Specifically, the refinements that would apply for the assessment of market access for exceptional access under the PRGT, and for blending, comprise: (i) the use of one primary data source (IDS) to assess past market access (without application of the "could have tapped markets test), (ii) the proposed de minimis threshold of 2 percent in a given year, below which borrowing would not indicate market access in that year (paragraph 15); and (iii) the exclusion from the definition of commercial borrowing of (a) loans or bonds subsidized or guaranteed by an official external entity and (b) loans from foreign state-owned banks; and (c) generally not deeming as sovereign market access the borrowing of public corporations on the basis of their own balance sheets and without a sovereign guarantee (paragraph 24).

**27. It is not proposed to modify the FCL/PLL qualification criteria.** The qualification framework under the FCL/PLL allows for judgment in making a final assessment on the qualification criteria, which is guided by the market access and other specified indicators. For instance, there is scope to discount de minimis borrowing as an indicator of market access. Further, while the IDS database covers all PRGT-eligible countries, it does not include some other countries that could be eligible for the FCL/PLL, while other and timelier data sources may be available for FCL/PLL candidates. Therefore, it is not necessary to apply the proposed refinements for assessing market access in the eligibility framework to the market access indicator under the FCL/PLL.

### Summary of Impact of Recommended Changes

**28. The proposed changes are expected to have a minimal effect on the frequency of graduation from PRGT eligibility.** The exclusion of de minimis and subsidized or guaranteed borrowing should strengthen the integrity of the market access assessment.<sup>16</sup> Using only the IDS database to assess past market access should simplify data sourcing, improve data accuracy, and enhance evenhandedness. These changes may introduce a marginally more conservative bias relative to the current criteria, but are unlikely to have a material effect on the frequency of graduation from or entry to PRGT eligibility.

## B. Serious Short-Term Vulnerabilities (SSTVs)

**29. In addition to meeting the income or market access graduation criteria, in order to graduate a country should be assessed as not facing serious short-term vulnerabilities.** Such an assessment requires, in particular, a finding of the absence of risks of a sharp decline in income, or of a loss of market access, and limited debt vulnerabilities, as indicated by the latest DSA, and a confirmation that overall debt vulnerabilities have remained limited since the DSA was conducted. The assessment takes account of the following considerations:

- **For candidates based on GNI per capita, the relevant risk is a sharp decline in income below the country's relevant graduation threshold.** Operationally, the country's history of income declines—e.g., the largest cumulative decline experienced by a member in the past 20 years—can provide a useful benchmark for assessing the presence of serious short-term risk of a sharp decline in income. Assessments of risk would need to be augmented with forward-looking indicators and judgment, looking at a full range of relevant endogenous and exogenous variables including domestic economic policy, vulnerability to civil unrest, the external economic environment, and commodity dependence. For countries vulnerable to natural disasters and climate change, the frequency and magnitude of past natural disasters may help guide the assessment of risks. However, past events may not fully capture future risks, given the increasing frequency and severity of weather-related events. External assessments of climate vulnerability—

<sup>16</sup> The proposed exclusion of de minimis borrowing does not affect any countries in the current review cycle and would not have affected past graduation decisions.



such as the World Bank's climate variability, exposure to impact, and resilience indices—may be useful in informing staff's judgement in assessing serious short-term vulnerabilities.

- **For candidates based on market access, the relevant risk is loss of market access.** Indicators of risk include a widening of spreads on external borrowing; deteriorating credit ratings; declining foreign participation in domestic public debt markets; and rising vulnerabilities under the LIC DSF. The risk that per capita GNI could fall below the IDA cutoff is also relevant, since the market access criterion includes the safeguard that per capita GNI must be above the IDA operational cutoff and not on a declining trend over the past five years. The assessment of serious short-term risks will also be forward-looking, taking into account factors such as exposure to political instability and social unrest, exogenous shocks, and volatility in global financial conditions.

## C. Transitional Provisions

**30. The current framework includes transitional provisions to avoid complicating any ongoing discussions on new financing requests.** Specifically, decisions to remove a member from the list of PRGT-eligible countries are not effective until three months after the adoption of the related decision by the Board. This allows the Board to approve new requests for PRGT support, or support under the Policy Support Instrument (PSI), during the transitional period based on discussions with the authorities that were ongoing at the time of the graduation decision. Also, countries that meet the criteria for graduation but have PRGT arrangements or a program supported by the PSI in place when the graduation decision becomes effective, remain PRGT-eligible for the full duration of that arrangement or PSI—i.e., any arrangements under the PRGT or any PSI-supported programs that are in place at the time of effectiveness of the graduation decision continue until they expire or are terminated; and such arrangements can be extended or access under such arrangements can be augmented, where appropriate.

**31. A small extension of the transition period could be useful.** Three months may be adequate to conclude ongoing discussions on PRGT financing (or a PSI) and obtain Board approval for new PRGT support in many cases. However, where discussions are still at an early stage at the time of the graduation decision, this period may not be sufficient. A review of the 20 most recent PRGT programs shows that the median time between the Policy Note being sent to staff for review and Board approval of the arrangement (or PSI) was about four months, with a gap of five months at the 75<sup>th</sup> percentile and a small number of outliers with gaps exceeding seven months. Recognizing that the current transitional period may not be adequate to conclude program discussions in a significant number of cases, it is proposed to extend the deferred effectiveness of graduation decisions from three months to five months.<sup>17</sup> Accordingly, after five months from the adoption of the graduation decision (the "effectiveness date"), (i) no concessional support would be made available to the member, except under an arrangement approved prior to such date, and (ii) no

<sup>17</sup> While the proposed five-month transition period would not have accommodated outliers beyond the 75<sup>th</sup> percentile, graduation candidates would generally be expected to have relatively strong policy frameworks and to require less time to conclude discussions on a Fund-supported program.

support under a PSI would be available to the member, except under a PSI supported program approved prior to such date. The proposed decision includes revised text to clarify the proposed new transitional provisions.

**32. The need for time to adjust debt management strategies to any possible impacts from the loss of access to the PRGT will be addressed through early consultations between staff and the authorities of countries potentially eligible for graduation.** The process of consultation with authorities of countries that are close to meeting the PRGT graduation criteria should begin once graduation becomes likely in the next two to three years, through the Article IV and/or program review process. Staff will also provide annual updates to the Board on changes to GNI per capita based on World Bank data and on market access data for all PRGT-eligible countries.

## ASSESSMENT OF THE LIST OF COUNTRIES ELIGIBLE FOR PRGT GRADUATION AND ENTRY

**33. Twelve countries meet the income or market access criteria for graduation from the PRGT eligibility list, and no countries are eligible for entry onto the list based on the eligibility framework including the proposed modifications.** Of the 12 members that meet the income and/or market access criteria for graduation (Table 2), Senegal meets the criteria for the first time while 11 countries that met the income or market access graduation criterion at prior reviews (but did not graduate) continue to meet them (Cabo Verde, Cote d'Ivoire, Dominica, Ghana, Grenada, Guyana, Kenya, Lao PDR, Maldives, St. Lucia, and St. Vincent and the Grenadines).

- **Cote d'Ivoire, Kenya, and Senegal** meet the market access graduation criterion and are not assessed to be at high risk of debt distress or in debt distress;
- **Guyana** meets the income graduation criterion and is not assessed to be at high risk of debt distress or in debt distress;
- **Cabo Verde, Dominica, Ghana, Grenada, Lao PDR, St. Lucia, and St. Vincent and the Grenadines** meet the income and/or market access graduation criteria but are assessed to be at high risk of debt distress or in debt distress. Since none of these countries exceeds the income graduation threshold by 50 percent or more, the assessment of serious short-term vulnerabilities applies to them. In this regard, given their heightened debt vulnerabilities (as evidenced by their debt distress rating), they are not considered for graduation from PRGT eligibility. Two microstates—Grenada and St. Lucia—meet the income criterion by comfortable margins and would be considered as candidates for graduation in the future if their debt vulnerabilities decline, or if they exceeded the applicable income graduation threshold by 50 percent or more.
- **Maldives** meets both the income and market access criteria for graduation and is at high risk of debt distress. Although Maldives exceeds the income graduation threshold by 164 percent, it is classified as "IDA-grant only" at the World Bank; graduation is therefore subject to an

assessment of the absence of serious short-term vulnerabilities (Box 1), which it does not meet due to elevated debt vulnerabilities. Maldives is thus not proposed for graduation.

**Table 2. Members That Meet at Least One of the Graduation Criteria <sup>1/</sup>**

	Met criterion	DSA rating	Met graduation criteria in 2017 review	IDA Status	Percentage deviation from income graduation threshold	Percentage deviation from income threshold for PRGT entry	Market Access frequency in the last five years (excludes de minimis)
Cabo Verde	Market	High		Blend	-2.1	46.8	4/5
Côte d'Ivoire	Market	Moderate	Yes	IDA	-31.5	37.0	5/5
Dominica	Income	High		Blend	2.3	22.7	0/5
Ghana	Market	High	Yes	IDA	-9.4	81.3	5/5
Grenada	Income	In debt distress	Yes	Blend	38.7	66.5	0/5
Guyana	Income	Moderate	Yes	IDA	35.0	102.6	1/5
Kenya	Market	Moderate	Yes	Blend	-31.1	37.9	5/5
Lao PDR	Income and Market	High	Yes	IDA	4.7	109.4	5/5
Maldives	Income and Market	High	Yes	IDA-grant only	164.1	296.2	4/5
Senegal	Market	Moderate		IDA	-40.0	20.0	3/5
St. Lucia	Income	High	Yes	Blend	34.2	61.0	1/5
St. Vincent and the Grenadines	Income	High		Blend	12.6	35.1	2/5

<sup>1/</sup> The assessment of market access is based on 2014–18 data.

**34. Of the four countries that meet the income or market access criteria for graduation and are not assessed to be at high risk of debt distress or in debt distress, three are not proposed for graduation, as they face other serious short-term vulnerabilities.**

- **Cote d'Ivoire** meets the market access criterion and is 37 percent above the IDA GNI operational cutoff but is subject to risks from commodity price shocks and policy uncertainty linked to the upcoming 2020 elections that could lead to a loss of market access and decline in income. A loss of market access and the risk that Cote d'Ivoire's per capita GNI could fall below the IDA operational cutoff threshold could lead to PRGT re-entry. It would be prudent, therefore, to delay consideration of graduation until political uncertainty has abated. Assuming the continuation of current growth trends and that the current risk of a loss of market access does not materialize, Cote d'Ivoire would be well-positioned to graduate at the next eligibility review.
- **Kenya** meets the market access criterion, but large fiscal deficits in recent years have increased risks to debt sustainability and an accompanying loss of market access, warranting a delay in graduation. Kenya's GNI per capita is 38 percent above the IDA operational cutoff. Assuming implementation of planned fiscal adjustment and the continuation of current growth trends, Kenya would be well-positioned to graduate at the next eligibility review.
- **Senegal** meets the market access graduation criterion, but low rainfall, delayed hydrocarbon production, large swings in energy prices, a worsening regional security situation, and/or deteriorating external financial conditions could cause a loss of market access and a decline in income. Senegal's GNI per capita is only 20 percent above the threshold for PRGT re-entry, and could fall below the threshold if a severe negative economic shock were to materialize. It would thus be prudent to wait before proposing Senegal for graduation.

**35. Staff proposes to graduate Guyana given its assessed absence of serious short-term vulnerabilities.**

- **Guyana** meets the income graduation threshold by a wide margin and does not have serious short-term vulnerabilities. Growth of per capita GNI is expected to accelerate significantly as oil production commences on a large scale in 2020.

## FINANCING IMPLICATIONS

**36. The changes proposed in the PRGT Eligibility Framework and the graduation of Guyana are consistent with the PRGT's self-sustained capacity target of SDR 1¼ billion.<sup>18</sup>**

Proposing Guyana for graduation does not materially change staff projections from those presented under the policy reform package approved in the 2018–19 LIC Facilities Review, which suggest that the overall annual average demand for IMF concessional resources for 2019–28 would be in the range of SDR 1.0–1.7 billion and the estimated medium-term capacity would be in the range of SDR 1.1–1.4 billion (Table 3).<sup>19</sup>

	Est. Demand 2019–28		Est. Med.-Term Capacity <sup>1</sup>	
	Low-case scenario	High-case scenario	Low-case scenario	High-case scenario
<b>Average annual demand<sup>2 3</sup></b>				
Post-LIC facilities review baseline	1.0	1.7	1.4	1.1
Post-LIC facilities review baseline plus graduation <sup>4</sup>	1.0	1.7	1.4	1.1

<sup>1</sup> Capacity estimates as of end-2028. Medium-term estimates of lending capacity are derived by integrating 10-years of projected demand for different scenarios into the capacity model.

<sup>2</sup> Average annual demand projections reflect the approved policy reform package in the 2018-19 LIC Facilities Review.

<sup>3</sup> Given the timing of eligibility reviews, short-term vulnerabilities, and uncertainties around longer-term economic development and use of PRGT resources, demand projections are stylized with two benchmark scenarios calibrated to historical outturns, differentiated by the share of PRGT-eligible countries using Fund resources. The demand estimates reflect assumptions about the use of blending and graduation from PRGT eligibility, market access, and assume rising access levels across facilities that broadly match longer-term GDP development of PGRT eligible countries. The graduation proposal does not significantly affect demand relative to stylized longer-term demand projections in the baseline.

<sup>4</sup> Reflects staff proposals for the 2019 Review of PRGT eligibility.

<sup>18</sup> See Financing of the Fund's Concessional Assistance and Debt Relief to LICs Review paper for further details on the demand model and PRGT self-sustaining framework.

<sup>19</sup> Staff projections of medium- and longer-term demand are based on a broad range of assumptions, including the evolution of access levels, facility usage, and countries' income levels. They also incorporate expectations of countries' eventual graduation from PRGT eligibility based primarily on projected per capita income but also reflecting the historical experience of how market access and short-term vulnerabilities affect the average timing of graduation.

## ISSUES FOR DISCUSSION

- Do Directors agree with the proposed modifications for assessing the market access criterion including establishment of a de minimis threshold and use of IDS data for the most recent five years?
- Do Directors agree with the proposed clarifications on commercial vs. non-commercial borrowing?
- Do Directors agree that the proposed modifications for assessing the market access criterion should also apply to market access assessments under the PRGT's blending and exceptional access frameworks?
- Do Directors agree with the proposed increase in the transition period for effectiveness of graduation decisions?
- Do Directors agree that Guyana should be graduated from the list of countries eligible to use the Fund's facilities for concessional financing?

## Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

### **Decision A. Amendments to the Decision No. 14521-(10/3) on the Framework for Entry and Graduation from the PRGT-eligibility List.**

1. Pursuant to paragraph 5 of Decision No. 14521-(10/3), adopted January 11, 2010, as amended, the Fund has reviewed the criteria for entry onto and graduation from, the list annexed to Decision No. 8240-(86/56) SAF, as amended.

2. Subparagraph (C)(1) of paragraph 1 of Decision No. 14521-(10/3), as amended, shall be amended to read as follows:

“(C)(1) The issuance or guarantee by a public debtor of external bonds in international markets, or disbursements under external commercial loans contracted or guaranteed by a public debtor in international markets that (i) for the purposes of subparagraph (A) occurred during at least two of the last five years for which qualifying data are available (the “entry duration threshold”), and has been in a cumulative amount equivalent to at least fifty percent of the member’s quota in the Fund at the time of the assessment (the “entry scale threshold”) provided that (a) if the member’s quota increase under the Fourteenth General Review of Quotas has become effective, the cumulative amount shall be equivalent to at least 25 percent of the member’s quota and (b) if the amount of issuance or guarantee of external bonds and of disbursements under external commercial loans in a single year for which qualifying data are available totals less than two percent of the member’s

quota in the Fund at the time of the assessment, that year shall not count towards meeting the entry duration threshold, or (ii) for the purposes of paragraph (B)(2), occurred during at least three of the last five years for which qualifying data are available (the "graduation duration threshold"), and has been in a cumulative amount equivalent to at least one hundred percent of the member's quota in the Fund at the time of the assessment (the "graduation scale threshold"), provided that (a) if the member's quota increase under the Fourteenth General Review of Quotas has become effective, the cumulative amount shall be equivalent to at least 50 percent of the member's quota and (b) if the amount of issuance or guarantee of external bonds and of disbursements under external commercial loans in a single year for which qualifying data are available totals less than two percent of the member's quota at the time of the assessment, that year shall not count towards meeting the graduation duration threshold, or"

3. Subparagraph (C)(2) of paragraph 1 of Decision No. 14521-(10/3), as amended, shall be amended to read as follows:

"(2) The existence of convincing evidence that the sovereign could have tapped international markets as specified under (1) above, even though the actual issuance or guarantee by a public debtor of external bonds in international markets, or actual disbursements under external commercial loans contracted or guaranteed by a public debtor in international markets, fell short of the entry and graduation duration thresholds and/or the entry and graduation scale thresholds specified under (1) above. Determinations under this paragraph shall be a case-specific assessment that takes into account relevant factors, including the volume and terms of recent external borrowing or guaranteeing of external borrowing in international markets, and the sovereign credit rating where one exists."

4. The last paragraph of subparagraph (C) of paragraph 1 of Decision No. 14521-(10/3), as amended, shall be amended to read as follows:

“For purposes of this subparagraph (C): (i) a “public debtor” shall include the sovereign (national government) as well as other public borrowers (including political subdivisions, agencies of the national government or of political subdivisions, autonomous public bodies and public corporations) whose ability to borrow in international markets is assessed to be an indicator of the sovereign’s creditworthiness, however borrowing by a public corporation will generally not be assessed as an indicator of the sovereign’s creditworthiness where such borrowing is based on the public corporation’s own balance sheet (including by collateralizing its own assets) and is not guaranteed by the sovereign; (ii) “external bonds” are those issued in international capital markets and “external commercial loans” are commercial loans contracted in international markets by residents of a member with nonresidents, provided that bonds issued and loans contracted in markets that are not integrated with broader international market, including loans or bonds subsidized or guaranteed (partially or fully) by official external entities (including foreign governments and foreign public sector entities as well as international organizations), and loans from foreign state-owned banks, shall not qualify; and (iii) bonds and commercial loans guaranteed by a public debtor shall be obligations of a private debtor whose repayment is guaranteed by a public debtor.”

5. Paragraph 2 of Decision No. 14521-(10/3), as amended, shall be amended to read as follows:



"2. Executive Board decisions to remove a member from the PRGT-eligibility list pursuant to the graduation criteria set forth in paragraph 1 of this decision shall become effective five months after their adoption (the "effectiveness date"), provided that such decisions shall not affect any arrangement under the Poverty Reduction and Growth Trust established pursuant to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended ("PRGT"), or any program subject to assessment and endorsement by the Fund under a policy support instrument ("PSI"), that are in existence as of the effectiveness date. Any such arrangement or PSI may continue until the expiration or other termination of the arrangement or PSI, and the arrangement or PSI may be extended or access under the arrangement may be augmented where appropriate in accordance with the applicable policies on extension or augmentation."

6. The first sentence of paragraph 3 of Decision No. 14521-(10/3), as amended, shall be amended to read as follows:

"3. Notwithstanding the entry into effect of a decision to remove a member from the PRGT-eligibility list in accordance with this decision, any outstanding PRGT resources disbursed to such member shall remain subject to the terms of the PRGT."

### **Decision B. Amendments to the PRGT-eligibility List**

1. In light of the criteria set forth in Decision No. 14521-(10/3), adopted January 11, 2010, as amended, the list annexed to Decision No. 8240-(86/56) SAF, adopted March 26, 1986, as amended, shall be amended by removing Guyana from such list.

2. The removal of Guyana from the list shall become effective five months from the date of adoption of this decision ("Effective Date"), provided that any arrangement under the Poverty Reduction and Growth Trust or any Policy Support Instrument in existence as of such Effective Date may continue until the expiration or other termination of the arrangement or the PSI.

## Eligibility to Use the Fund's Facilities for Concessional Financing – PRGT Eligibility Criteria—Redlined Version

1. The following criteria for entry and graduation shall, respectively, guide Executive Board decisions to add members to, and remove members from, the list annexed to Decision No. 8240-(86/56) SAF, as amended (the "PRGT-eligibility list"):

(A) *Criteria for entry:* A member will be added to the PRGT eligibility list if (i) its annual per capita gross national income ("GNI"), based on the latest available qualifying data, is (a) below the International Development Association ("IDA") operational cut-off; or (b) less than twice the IDA operational cut-off if the member qualifies as a "small country" under the definition set forth in subparagraph (D); or (c) less than five times the IDA operational cut-off if the member qualifies as a "microstate" under the definition set forth in subparagraph (D); and (ii) the sovereign does not have capacity to access international financial markets on a durable and substantial basis as defined in subparagraph (C).

(B) *Criteria for graduation:* A member will be removed from the PRGT-eligibility list if it meets either or both the income and market access criteria specified in (1) and (2) below, and does not face serious short-term vulnerabilities as specified in (3) below:

(1) *Income Criterion:* the member's annual per capita GNI (i) has been above the IDA operational cut-off for at least the last five years for which qualifying data are available; (ii) has not been on a declining trend over the same period, comparing the first and last relevant annual data; and (iii) based on the latest qualifying annual data, is (a) at least twice the IDA operational cut-off; or (b) at least three times the IDA operational cut-off if the member qualifies as a "small country" under the definition set forth in subparagraph (D); or (c) at least six times the IDA operational cut-off if the member qualifies as a "microstate" under the definition set forth in subparagraph (D).

(2) *Market Access Criterion:* (i) the sovereign has the capacity to access international financial markets on a durable and substantial basis as defined in subparagraph (C); (ii) the member's annual per capita GNI is above 100 percent of the IDA operational cut-off based on the latest qualifying annual data; and (iii) the member's annual per capital GNI has not been on a declining trend over the last five years for which qualifying data are available, comparing the first and last relevant annual data.

(3) *Absence of serious short-term vulnerabilities*: the member does not face serious short-term vulnerabilities, which shall require in particular (i) the absence of risks of a sharp decline in the member's income, or of a loss of its market access (where relevant); (ii) limited debt vulnerabilities as indicated by the most recent debt sustainability analysis, including, for members whose debt has been assessed under the Debt Sustainability Framework for Low-Income Countries, an external debt distress classification of moderate or less and does not face a heightened overall risk of debt distress reflecting significant vulnerabilities related to domestic debt and/or private external debt; and (iii) confirmation that overall debt vulnerabilities remain limited, taking into account developments and prospects since the most recent debt sustainability analysis. For a member whose annual per capita GNI exceeds the applicable income graduation threshold in (1) above by 50 percent or more, graduation from PRGT eligibility will not be subject to the assessment of serious short-term vulnerabilities defined in this subparagraph (3). Such an assessment by the Executive Board will however be required if the member has an "IDA-grant only" or "IDA loan-grant mix" status at the World Bank, in which case graduation will depend on an assessment that the member does not have such serious short-term vulnerabilities.

(C) For the purposes of subparagraphs (A) and (B)(2), the sovereign's capacity to access international financial markets on a durable and substantial basis shall be evidenced by either of the following:

(1) The issuance or guarantee by a public debtor of external bonds in international markets, or disbursements under external commercial loans contracted or guaranteed by a public debtor in international markets that (i) for the purposes of subparagraph (A) occurred during at least two of the last five years for which qualifying data are available (the "entry duration threshold"), and has been in a cumulative amount equivalent to at least fifty percent of the member's quota in the Fund at the time of the assessment (the "entry scale threshold"), provided that (a) if the member's quota increase under the Fourteenth General Review of Quotas has become effective, the cumulative amount shall be equivalent to at least 25 percent of the member's quota and (b) if the amount of issuance or guarantee of external bonds and of disbursements under external commercial loans in a single year for which qualifying data are available totals less than two percent of the member's quota in the Fund at the time of the assessment, that year shall not count towards meeting the entry duration threshold, or (ii) for the purposes of paragraph (B)(2), occurred during at least three of the last five years for which qualifying data are available (the "graduation duration threshold"), and has been in a cumulative amount equivalent to at least one hundred percent of the member's quota in the Fund at the time of the assessment (the "graduation scale threshold"), provided that (a) if the member's quota increase under the Fourteenth General Review of Quotas has become effective, the

cumulative amount shall be equivalent to at least 50 percent of the member's quota and (b) if the amount of issuance or guarantee of external bonds and of disbursements under external commercial loans in a single year for which qualifying data are available totals less than two percent of the member's quota at the time of the assessment, that year shall not count towards meeting the graduation duration threshold, or

(2) The existence of convincing evidence that the sovereign could have tapped international markets as specified under (1) above, even though the actual issuance or guarantee by a public debtor of external bonds in international markets, or actual disbursements under external commercial loans contracted or guaranteed by a public debtor in international markets, fell short of the entry and graduation duration thresholds and/or the entry and graduation scale thresholds specified under (1) above. Determinations under this paragraph shall be a case-specific assessment that takes into account relevant factors, including the volume and terms of recent external borrowing or guaranteeing of external borrowing in international markets, and the sovereign credit rating where one exists.

For purposes of this subparagraph (C): (i) a "public debtor" shall include the sovereign (national government) as well as other public borrowers (including political subdivisions, agencies of the national government or of political subdivisions, autonomous public bodies and public corporations) whose ability to borrow in international markets is assessed to be an indicator of the sovereign's creditworthiness, however borrowing by a public corporation will generally not be assessed as an indicator of the sovereign's creditworthiness where such borrowing is based on the public corporation's own balance sheet (including by collateralizing its own assets) and is not guaranteed by the sovereign; (ii) "external bonds" are those issued in international capital markets and "external commercial loans" are commercial loans contracted in international markets by residents of a member with nonresidents, provided that bonds issued and loans contracted in markets that are not integrated with broader international market, including loans or bonds subsidized or guaranteed (partially or fully) by official external entities (including foreign governments and foreign public sector entities as well as international organizations), and loans from foreign state-owned banks, shall not qualify; and (iii) bonds and commercial loans guaranteed by a public debtor shall be obligations of a private debtor whose repayment is guaranteed by a public debtor.

(D) For the purposes of the criteria set forth in this paragraph 1, a member will be considered a "small country" if it has a population below 1.5 million, and a "microstate" if it has a population below 200,000.

(E) For the purposes of the criteria set forth in this paragraph 1, assessments of per capita GNI will normally be based on World Bank data using the ATLAS methodology, but other data sources may be used in exceptional circumstances, including data estimated by Fund staff in the absence of World Bank data. Qualifying data for the purposes of the criteria set forth in this paragraph 1 shall be data in respect of which the most recent observation relates to a calendar year that is not more than 30 months in the past at the time of the assessment.

2. Executive Board decisions to remove a member from the PRGT-eligibility list pursuant to the graduation criteria set forth in paragraph 1 of this decision shall become effective ~~five~~ three months after their adoption (the "effectiveness date"), provided that such decisions ~~shall not affect in respect of members that have an~~ any existing arrangement under the Poverty Reduction and Growth Trust established pursuant to Decision No. 8759-(87/176) ESAF, adopted December 18, 1987, as amended ("PRGT"), or ~~any that have a~~ program subject to assessment and endorsement by the Fund under a ~~an~~ existing policy support instrument ("PSI"), ~~that are in existence as of the effectiveness date. shall become effective upon the expiration or other termination of such arrangement or policy support instrument, respectively. Any such arrangement or PSI may continue until the expiration or other termination of the arrangement or PSI, and the arrangement or PSI may be extended or access under the arrangement may be augmented where appropriate in accordance with the applicable policies on extension or augmentation.~~

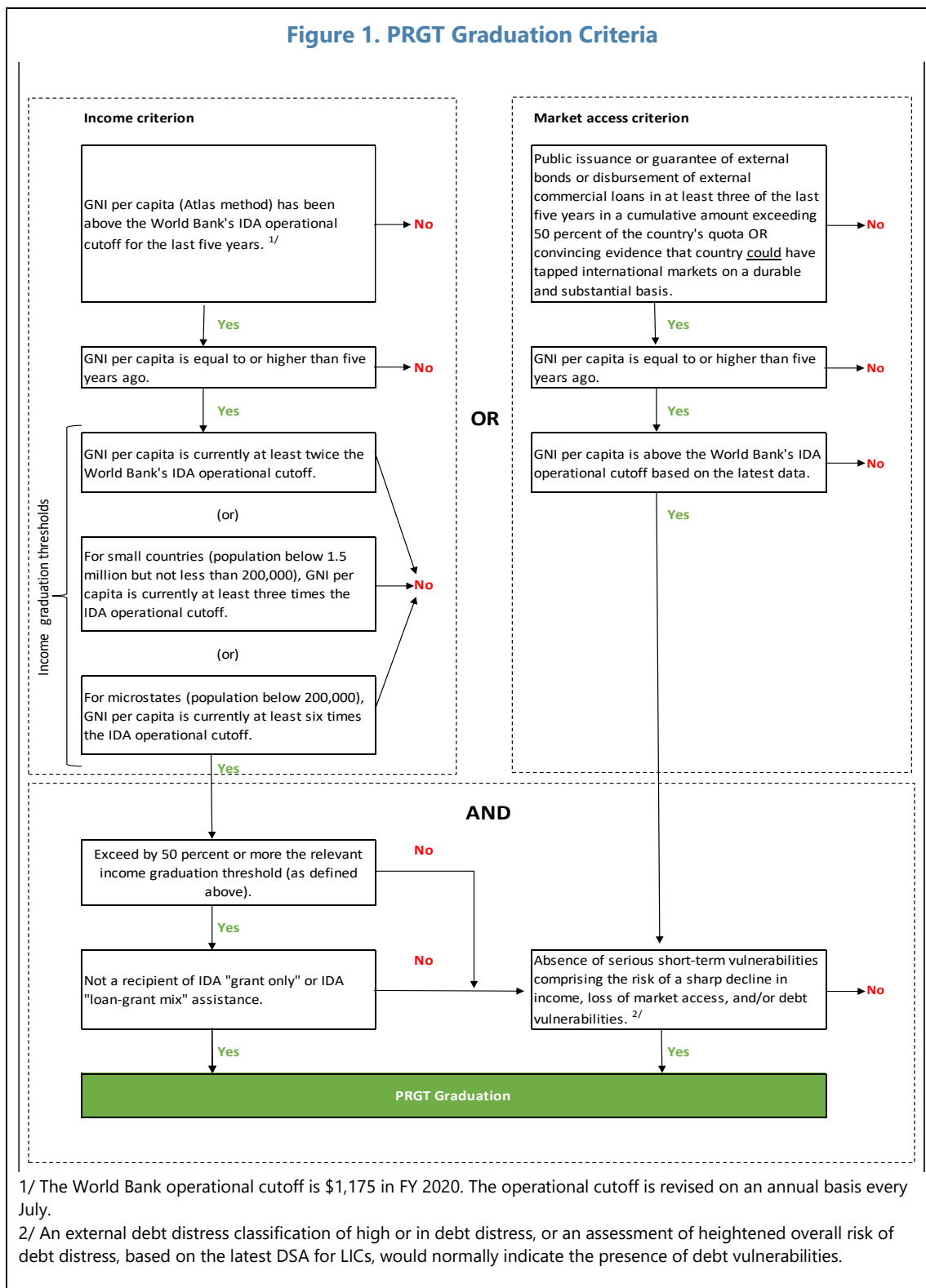
3. Notwithstanding the entry into effect of a decision to remove a member from the PRGT-eligibility list in accordance with this decision, any outstanding PRGT resources disbursed to such member ~~prior to the effectiveness of the decision~~ shall remain subject to the terms of the PRGT. In Section II, paragraph 4(c) of the PRGT, the reference to "as such list may be amended from time to time," shall be deleted.

4. The term "eligible recipients" under paragraph 7(a) of Decision No. 12481-(01/45) governing subsidies for post conflict and natural disaster purchases of PRGT-eligible members shall be understood to include members that, at the time of their removal from the PRGT-eligibility list pursuant to this decision, have outstanding post conflict or natural disaster purchases in respect of which subsidies may be provided under Decision No. 12481-(01/45), for as long as such purchases remain outstanding. In subparagraph 7(d) of Decision No. 12481-(01/45), as amended, the references to "qualifying PRGT-eligible members" shall be replaced with references to "PRGT-eligible members," and the second sentence shall be deleted.

5. It is expected that the criteria for entry and graduation set forth in this decision shall be reviewed every two years. It is also expected that the PRGT-eligibility list shall be reviewed and updated every two years on the basis of the then applicable criteria for entry and graduation, provided however that (i) decisions on entry onto the PRGT-eligibility list of members that meet the entry criteria specified in paragraph 1 above may also be adopted in the interim period between reviews; (ii) notwithstanding paragraph 1 above, decisions may be adopted in the interim period between reviews in respect of the re-entry onto the PRGT-eligibility list of members that had previously been removed from such list as a sanction for overdue obligations, so long as such a member at the time of re-entry does not meet the criteria for graduation specified in subparagraph 1(B) above; and (iii) decisions may be adopted in the interim period between reviews in respect of the graduation from the PRGT-eligibility list of members that meet the criteria for graduation specified in subparagraph 1(B) above, at the request of such a member. (SM/09/288, Sup. 1, Rev. 1, 1/11/10) (SM/09/288, 12/11/09)

*Decision No. 14521-(10/3), January 11, 2010,  
as amended by Decision Nos. 15105-(12/17), February 17, 2012,  
15350-(13/32), April 8, 2013, and  
15834-(15/73), July 17, 2015*

## Annex I. PRGT Graduation Criteria





## Annex II. Tables on GNI Per Capita and Debt

Table 1. PRGT-Eligible Countries—Per Capita GNI, Population, and Debt Distress<sup>1/ 2/</sup>

Country	2018 GNI per capita (US \$)	2018 Population (millions)	Debt Distress (January 2020)	Country	2018 GNI per capita (US \$)	2018 Population (millions)	Debt Distress (January 2020)
Afghanistan	550	37.17	High	Maldives	9,310	0.52	High
Bangladesh	1,750	161.36	Low	Mali	830	19.08	Moderate
Benin	870	11.49	Moderate	Marshall Islands	4,740	0.06	High
Bhutan	3,080	0.75	Moderate	Mauritania	1,190	4.40	High
Burkina Faso	660	19.75	Moderate	Micronesia	3,580	0.11	High
Burundi	280	11.18	High	Moldova	2,990	3.55	Low
Cambodia	1,380	16.25	Low	Mozambique	440	29.50	In debt distress
Cameroon	1,440	25.22	High	Myanmar	1,310	53.71	Low
Cabo Verde	3,450	0.54	High	Nepal	960	28.09	Low
Central African Republic	480	4.67	High	Nicaragua	2,030	6.47	Moderate
Chad	670	15.48	High	Niger	380	22.44	Moderate
Comoros	1,320	0.83	Moderate	Papua New Guinea	2,530	8.61	Moderate
Congo, Rep.	1,640	5.24	In debt distress	Rwanda	780	12.30	Low
Congo, Dem. Rep.	490	84.07	Moderate	Samoa	4,190	0.20	High
Côte d'Ivoire	1,610	25.07	Moderate	São Tomé and Príncipe	1,890	0.21	In debt distress
Djibouti	2,180	0.96	High	Senegal	1,410	15.85	Moderate
Dominica	7,210	0.07	High	Sierra Leone	500	7.65	High
Eritrea			In debt distress	Solomon Islands	2,000	0.65	Moderate
Ethiopia	790	109.22	High	Somalia		15.01	In debt distress
Gambia, The	700	2.28	In debt distress	South Sudan		10.98	In debt distress
Ghana	2,130	29.77	High	St. Lucia	9,460	0.18	High
Grenada	9,780	0.11	In debt distress	St. Vincent and the Grenadines	7,940	0.11	High
Guinea	830	12.41	Moderate	Sudan	1,560	41.80	In debt distress
Guinea-Bissau	750	1.87	Moderate	Tajikistan	1,010	9.10	High
Guyana	4,760	0.78	Moderate	Tanzania	1,020	56.32	Low
Haiti	800	11.12	High	Timor-Leste	1,820	1.27	Low
Honduras	2,330	9.59	Low	Togo	650	7.89	Moderate
Kenya	1,620	51.39	Moderate	Tonga	4,300	0.10	High
Kiribati	3,140	0.12	High	Tuvalu	5,430	0.01	High
Kyrgyz Republic	1,220	6.32	Moderate	Uganda	620	42.72	Low
Lao PDR	2,460	7.06	High	Uzbekistan	2,020	32.96	Low
Lesotho	1,380	2.11	Moderate	Vanuatu	2,970	0.29	Moderate
Liberia	600	4.82	Moderate	Yemen	960	28.50	In debt distress
Madagascar	440	26.26	Low	Zambia	1,430	17.35	High
Malawi	360	18.14	Moderate	Zimbabwe	1,790	14.44	In debt distress

Source: IMF WEO; World Bank, World Development Indicators.

<sup>1/</sup>The IDA operational cutoff for FY2020 is defined as 2018 GNI per capita of \$1,175. GNI per capita data are from December 2019.

<sup>2/</sup>Countries that meet the income criterion for graduation are marked in yellow, those that meet the market access criterion (excluding de minimis issuances) are marked in blue, and those meeting both are marked in green.

Table 2a. PRGT Eligible Countries: Public and Publicly-Guaranteed (PPG) Debt, and GNI Per Capita (U. S. dollars)

	PPG external bonds and commercial loans (Disbursements in millions of U.S. dollars)					Cumulative 2014-2018 (in % of Quota 2016)	GNI per capita, Atlas Method 2018	GNI per capita, Atlas Method 2014	Meets market access definition associated with market access graduation criterion <sup>1/</sup>	Meets GNI per capita threshold associated with market access graduation criterion <sup>2/</sup>	PPG external bonds and commercial loans (Disbursements in millions of U.S. dollars)					Cumulative 2014-2018 (in % of Quota 2016)	GNI per capita, Atlas Method 2018	GNI per capita, Atlas Method 2014	Meets market access definition associated with market access graduation criterion <sup>1/</sup>	Meets GNI per capita threshold associated with market access graduation criterion <sup>2/</sup>										
	2014	2015	2016	2017	2018						2014	2015	2016	2017	2018															
	Afghanistan	-	-	-	-						-	-	550	630																
	Bangladesh	22	-	-	-						-	1	1,750	1,110																
Benin	-	-	52	79	807	537	870	930	Y										Y											
Bhutan	-	-	-	-	-	-	3,080	2,530		Y																				
Burkina Faso	-	-	-	-	-	-	660	690											Y											
Burundi	-	-	-	-	-	-	280	260											Y											
Cambodia	-	-	-	-	-	-	1,380	1,020		Y									Y											
Cameron	64	847	27	104	302	346	1,440	1,480	Y										Y											
Cabo Verde	114	29	16	13	-	491	3,450	3,370	Y	Y									Y											
Central African Republic	-	-	-	-	-	-	480	390											Y											
Chad	-	-	-	-	-	-	670	980											Y											
Comoros	-	-	-	-	-	-	1,320	1,480											Y											
Congo, Rep.	116	-	-	-	-	47	1,640	2,590											Y											
Congo, Dem. Rep.	-	5	-	2	-	0	490	440											Y											
Côte d'Ivoire	785	1,269	199	1,425	2,635	685	1,610	1,450	Y	Y									Y											
Djibouti	-	-	-	-	-	-	2,180	-											Y											
Dominica	-	-	-	-	-	-	7,210	7,060		Y									Y											
Eritrea	-	-	-	-	-	-	-	-		Y									Y											
Ethiopia	1,107	785	243	940	1,170	987	790	550	Y										Y											
Gambia, The	1	-	-	-	-	1	700	560											Y											
Ghana	1,702	728	1,408	303	2,203	600	2,130	1,920	Y	Y									Y											
Grenada	-	-	-	-	-	-	9,780	7,520		Y									Y											
Guinea	-	-	-	-	-	-	830	740											Y											
Guinea-Bissau	-	-	-	-	-	-	750	640											Y											
Guyana	-	-	-	17	-	7	4,760	4,040	Y										Y											
Haiti	-	-	-	-	-	-	800	830											Y											
Honduras	100	-	-	700	-	228	2,330	1,990	Y	Y									Y											
Kenya	2,759	775	166	1,080	2,475	924	1,620	1,240	Y	Y									Y											
Kiribati	-	-	-	-	-	-	3,140	3,250											Y											
Kyrgyz Republic	-	-	-	-	-	-	1,220	1,250											Y											
Lao PDR	170	614	316	454	236	1,203	2,460	1,820	Y	Y									Y											
Lesotho	-	-	-	-	-	-	1,380	1,450											Y											
Liberia	-	-	-	-	-	-	600	630											Y											
Madagascar	-	72	-	58	40	50	440	440											Y											
Malawi	-	-	-	-	-	-	360	370											Y											
<b>Key non-eligible countries</b>																														
Bolivia	-	-	-	1,000	-	300	3,370	2,830											Y											
Mongolia	-	14	773	1,411	501	2,680	3,580	4,210	Y										Y											
Nigeria	-	-	-	4,800	5,368	296	1,960	2,990											Y											
Vietnam	2,146	437	253	62	23	171	2,400	1,880	Y	Y									Y											
Pakistan	3,538	1,043	1,755	4,467	79	375	1,580	1,320	Y	Y									Y											
Maldives	-	-	-	-	-	-	11	20											Y											
Mali	0	-	-	-	-	0	264	182											Y											
Marshall Islands	-	-	-	-	-	-	-	-											Y											
Mauritania	-	-	-	-	-	-	4,740	4,160											Y											
Micronesia	-	-	-	-	-	-	1,190	1,390											Y											
Moldova	5	3	4	-	-	5	3,580	3,140											Y											
Mozambique	581	79	31	21	64	229	2,990	3,010											Y											
Myanmar	-	-	-	-	-	-	440	650											Y											
Nepal	-	-	-	-	-	-	1,310	1,230											Y											
Nicaragua	-	-	-	7	3	2	960	770											Y											
Niger	-	-	-	-	-	-	2,030	1,850											Y											
Papua New Guinea	-	-	-	217	129	690	380	410											Y											
Rwanda	-	-	-	-	-	-	2,530	2,970											Y											
Samoa	-	-	-	-	-	-	780	720											Y											
São Tomé and Príncipe	-	-	-	-	-	-	4,190	4,050											Y											
Senegal	511	-	2	1,134	2,397	880	1,890	1,640											Y											
Sierra Leone	-	-	-	-	-	-	1,410	1,380											Y											
Solomon Islands	-	-	-	-	-	-	500	700											Y											
Somalia	-	-	-	-	-	-	2,000	1,840											Y											
South Sudan	-	-	-	-	-	-	-	-											Y											
St. Lucia	-	2	-	-	-	7	9,460	7,720											Y											
St. Vincent and the Grenadines	8	-	-	10	-	109	7,940	6,780											Y											
Sudan	-	-	-	-	-	-	1,560	1,820											Y											
Tajikistan	-	-	-	500	-	207	1,010	1,360											Y											
Tanzania	50	16	16	500	-	105	1,020	970											Y											
Timor-Leste	-	-	-	-	-	-	1,820	2,960											Y											
Togo	-	12	2	-	-	7	650	640											Y											
Tonga	-	-	-	-	-	-	4,300	4,570											Y											
Tuvalu	-	-	-	-	-	-	5,430	4,670											Y											
Uganda	-	-	-	-	-	-	8	620											Y											
Uzbekistan	120	116	67	36	-	43	2,020	2,210											Y											
Vanuatu	-	-	-	-	-	-	2,970	3,110											Y											
Yemen	-	-	-	-	-	-	960	1,460											Y											
Zambia	1,000	1,250	30	1,204	768	305	1,430	1,800											Y											
Zimbabwe	1	5	-	-	-	1	1,790	1,260											Y											

Sources: World Bank, International Debt Statistics. World Development Indicators.

Cells highlighted in red in the case of de minimis issuances (below 2 percent of quota). Countries that meet the income criterion for graduation are marked in yellow, those that meet the market access criterion (excluding de minimis issuances) are marked in blue, and those meeting both are marked in green.

<sup>1/</sup> Market access under the market access graduation criterion is evidenced by public sector issuance or guaranteeing of external bonds or disbursements under PPG external commercial loans in international markets during at least three of the last five years, excluding de minimis issuances (below 2 percent of quota), and in a cumulative amount equivalent to at least 50 percent.<sup>2/</sup> Under the income safeguard component of the market access criterion, countries can be considered candidates for graduation only if their annual per capita GNI is above 100 percent of the IDA operational cutoff (based on the latest qualifying data) and their annual capita GNI has not been on a declining trend during the last five years.

**Table 2b. PRGT Eligible Countries: Public and Publicly-Guaranteed (PPG) Debt, and GNI Per Capita (% of Quota)**

PPG external bonds and commercial loans (in % of Quota 2016)										PPG external bonds and commercial loans (in % of Quota 2016)																				
					Cumulative 2014-2018(i) n % of Quota 2016)		GNI per capita, Atlas Method		Meets market access definition associated with market access graduation criterion <sup>1/</sup>		Meets GNI per capita threshold associated with market access graduation criterion <sup>2/</sup>							Cumulative 2014-2018(i) n % of Quota 2016)		GNI per capita, Atlas Method		Meets market access definition associated with market access graduation criterion <sup>1/</sup>		Meets GNI per capita threshold associated with market access graduation criterion <sup>2/</sup>						
2014	2015	2016	2017	2018	2018	2014	2014			2014	2015	2016	2017	2018	2018	2014	2014			2014	2015	2016	2017	2018	2018	2014	2014			
Afghanistan	-	-	-	-	-	-	550	630												Maldives	35	69	-	899	606	1,609	9,310	7,320	Y	Y
Bangladesh	1	-	-	-	-	1	1,750	1,110												Mali	0	-	-	0	0	0	830	810		
Benin	-	-	30	46	461	537	870	930	Y											Marshall Islands	-	-	-	-	-	-	4,740	4,160		Y
Bhutan	-	-	-	-	-	-	3,080	2,530												Mauritania	-	-	-	-	-	-	1,190	1,390		
Burkina Faso	-	-	-	-	-	-	660	690												Micronesia	-	-	-	-	-	-	3,580	3,140		Y
Burundi	-	-	-	-	-	-	280	260												Moldova	2	1	2	-	-	5	2,990	3,010		
Cambodia	-	-	-	-	-	-	1,380	1,020												Mozambique	168	25	10	7	20	229	440	650	Y	
Cameroon	15	219	7	27	77	346	1,440	1,480	Y										Myanmar	-	-	-	-	-	-	1,310	1,230		Y	
Cabo Verde	317	86	50	38	-	491	3,450	3,370	Y										Nepal	-	-	-	-	-	-	960	770			
Central African Republic	-	-	-	-	-	-	480	390												Nicaragua	-	-	2	1	1	4	2,030	1,850		Y
Chad	-	-	-	-	-	-	670	980												Niger	-	-	-	-	-	-	380	410		
Comoros	-	-	-	-	-	-	1,320	1,480												Papua New Guinea	-	-	59	35	185	280	2,530	2,970	Y	
Congo, Rep.	47	-	-	-	-	47	1,640	2,590												Rwanda	-	-	-	-	-	-	780	720		
Congo, Dem. Rep.	-	0	-	0	-	0	490	440												Samoa	-	-	-	-	-	-	4,190	4,050		Y
Côte d'Ivoire	79	139	22	158	286	685	1,610	1,450	Y											São Tomé and Príncipe	-	-	-	-	-	-	1,890	1,640		Y
Djibouti	-	-	-	-	-	-	2,180	-												Senegal	104	-	0	253	523	880	1,410	1,380	Y	Y
Dominica	-	-	-	-	-	-	7,210	7,060												Sierra Leone	-	-	-	-	-	-	500	700		
Eritrea	-	-	-	-	-	-	-	-												Solomon Islands	-	-	-	-	-	-	2,000	1,840		Y
Ethiopia	242	187	58	226	275	987	790	550	Y											Somalia	-	-	-	-	-	-	-	-		Y
Gambia, The	1	-	-	-	-	1	700	560												South Sudan	-	-	-	-	-	-	1,100	-		Y
Ghana	152	71	137	30	211	600	2,130	1,920	Y											St. Lucia	-	7	-	-	-	7	9,460	7,720		Y
Grenada	-	-	-	-	-	-	9,780	7,520												St. Vincent and the Grenadines	45	-	-	64	-	109	7,940	6,780		Y
Guinea	-	-	-	-	-	-	830	740												Sudan	-	-	-	-	-	-	1,560	1,820		
Guinea-Bissau	-	-	-	-	-	-	750	640												Tajikistan	-	-	-	207	-	207	1,010	1,360		
Guyana	-	-	7	-	-	7	4,760	4,040												Tanzania	8	3	3	91	-	105	1,020	970	Y	
Haiti	-	-	-	-	-	-	800	830												Timor-Leste	-	-	-	-	-	-	1,820	2,960		
Honduras	26	-	-	202	-	228	2,330	1,990												Togo	-	6	1	-	-	7	650	640		
Kenya	335	102	22	144	322	924	1,620	1,240	Y											Tonga	-	-	-	-	-	-	4,300	4,570		
Kiribati	-	-	-	-	-	-	3,140	3,250												Tuvalu	-	-	-	-	-	-	5,430	4,670		Y
Kyrgyz Republic	-	-	-	-	-	-	1,220	1,250												Uganda	-	-	-	-	8	8	620	690		
Lao PDR	106	415	215	310	158	1,203	2,460	1,820	Y											Uzbekistan	14	15	9	5	-	43	2,020	2,210		
Lesotho	-	-	-	-	-	-	1,380	1,450												Vanuatu	-	-	-	-	-	-	2,970	3,110		
Liberia	-	-	-	-	-	-	600	630												Yemen	-	-	-	-	-	-	960	1,460		
Madagascar	-	21	-	17	12	50	440	440												Zambia	67	91	2	89	55	305	1,430	1,800	Y	
Malawi	-	-	-	-	-	-	360	370												Zimbabwe	0	1	-	-	-	1	1,790	1,260		Y
<b>Key non-eligible countries</b>																														
Bolivia	-	-	-	300	-	300	3,370	2,830																						Y
Mongolia	-	13	769	1,408	490	2,680	3,580	4,210	Y																					
Nigeria	-	-	-	141	154	296	1,960	2,990																						
Vietnam	123	27	16	4	1	171	2,400	1,880	Y																					Y
Pakistan	115	37	62	159	3	375	1,580	1,320	Y																					Y

Sources: World Bank, International Debt Statistics, World Development Indicators.

Cells highlighted in red in the case of de minimis issuances (below 2 percent of quota). Countries that meet the income criterion for graduation are marked in yellow, those that meet the market access criterion (excluding de minimis issuances) are marked in blue, and those meeting both are marked in green.

<sup>1/</sup> Market access under the market access graduation criterion is evidenced by public sector issuance or guaranteeing of external bonds or disbursements under PPG external commercial loans in international markets during at least three of the last five years, excluding de minimis issuances (below 2 percent of quota), and in a cumulative amount equivalent to at least 50 percent.

<sup>2/</sup> Under the income safeguard component of the market access criterion, countries can be considered candidates for graduation only if their annual per capita GNI is above 100 percent of the IDA operational cutoff (based on the latest qualifying data) and their annual capita GNI has not been on a declining trend during the last five years.

**Table 3. Use of IMF Resources by Countries That Meet the Income or Market Access Graduation Criteria (2010–2018)**

	Type of Arrangement	Year of Arrangement	Precautionary	Amount Committed (including augmentation), % of quota at approval
<b>Low and Moderate Risk of Debt Distress Countries</b>				
Cote D'Ivoire	ECF	2011		160
	RCF	2011		25
	ECF/EFF	2016		130
Guyana	-	-	-	-
Kenya	ECF	2011		180
	SBA/SCF	2015	Yes	180
	SBA/SCF	2016	Yes	196
Senegal	PSI	2010		-
	PSI	2015		-
<b>High Risk of Debt Distress Countries</b>				
Cabo Verde	PSI	2010		-
	PCI	2019		-
Dominica	RCF	2012		25
	RCF	2015		75
Ghana	ECF	2015		180
Grenada	ECF	2010		75
	ECF	2014		120
Lao PDR	-	-	-	-
Maldives	-	-	-	-
St. Lucia	RCF/ENDA	2011		35
St. Vincent and the Grenadines	RCF	2011		25
	RCF	2011		15
	RCF/RFI	2014		50

## Annex III. Assessment of Countries that Meet the Income or Market Access Criteria for Graduation and are not Assessed to be at High Risk of Debt Distress or in Debt Distress

### Cote d'Ivoire:

**Background.** Over the last six years, the country has experienced healthy economic growth, an improving business environment, and a narrowing fiscal deficit. The immediate economic outlook remains relatively strong, with growth of 7.5 percent forecast in 2019–20 supported by resilient investment, higher cocoa prices, and increased social spending. The authorities are on track to meet the WAEMU fiscal deficit targets of 3.0 percent of GDP in 2019 and 2020. Reflecting investor confidence and demonstrating its access to markets, Cote d'Ivoire issued a 30-year €1 billion Eurobond in March 2018 with a yield of 6.625 percent, and in October 2019 issued €850 million Eurobonds maturing in 2031 and 2040 with yields of 5.875 percent and 6.875 percent, respectively. The latter two bonds raised a small amount of new money but were primarily issued as part of a liability management operation to pre-finance other maturities. The authorities continue to perform satisfactorily on their ECF-EFF-supported reform program. Despite general progress toward macroeconomic stabilization, however, there is significant uncertainty in the run-up to the 2020 presidential election in a complex political environment less than 10 years after the end of the 2010–11 civil strife. Cote d'Ivoire is an IDA-only country and is classified at moderate risk of debt distress.

### Assessment:

*Staff proposes maintaining Cote d'Ivoire's eligibility given the presence of serious short-term vulnerabilities that could affect market access. Assuming the continuation of current growth trends and that the current risk of a loss of market access does not materialize, Cote d'Ivoire would be in a favorable position to graduate at the next review of PRGT eligibility.*

**Income Criterion.** Cote d'Ivoire does not meet the income criterion for graduation. In 2017, its GNI per capita was US\$1,610, which is 31 percent below the relevant income graduation threshold.

**Market Access Criterion.** Cote d'Ivoire meets the market access criterion for graduation. It accessed international markets in all of the last five years in an amount equivalent to 685 percent of its IMF quota.

**Political factors and terms of trade remain sources of serious short-term vulnerabilities.** The political environment is a downside risk, with significant uncertainty in the run-up to the 2020 presidential elections occurring in a complex environment less than 10 years after the end of the 2010–11 civil strife. In an extreme scenario, a sustained deterioration of the political climate could spill over to public finances and the quality of economic policies, with a risk of a loss of market access and a negative impact on growth and per capita GNI. Loss of market access coupled with a 37 percent decline in per capita GNI—slightly larger than the one experienced by Cote d'Ivoire in

the late 1990s and early 2000s—would cause the country to breach the threshold for PRGT re-entry. Further, though the risk of debt distress is currently moderate, external PPG debt has been increasing rapidly (from 25 percent in 2017 to 35 percent at the end of 2019). The ratios of external debt service to revenue and exports are also projected to rise, diminishing room to maneuver, and export and market financing shocks, respectively, would cause breaches of their relevant thresholds under the worst-case stress scenarios. Cote d'Ivoire remains dependent on commodity exports, especially cacao. In the 1980s, a decline in the price of cocoa and coffee contributed to a drop in GNI per capita of 45 percent.

### **Guyana:**

**Background.** Real GDP grew by 4.1 percent in 2018, led by construction and services sectors, and public finances have improved, with a smaller than budgeted fiscal deficit. Growth is expected to reach 4.4 percent in 2019, extending the broad-based expansion across all major sectors, and is forecast to surge by 86 percent in 2020 following the start of oil production. Per capita GNI has grown steadily over the last five years and is well above the relevant PRGT income graduation threshold. While the current account deficit is estimated to rise to 23 percent of GDP in 2019 on the back of higher imports related to oil production, it is largely financed by FDI in the petroleum sector and the commencement of oil production in 2020 will substantially improve Guyana's medium- and long-term outlook with government revenues increasing rapidly and a sharp reduction in public debt and the current account deficit. Guyana is an IDA-only country and is assessed at moderate risk of debt distress.

### **Assessment:**

*Staff proposes graduating Guyana from PRGT eligibility.*

**Income Criterion.** Guyana meets the income criterion for graduation by a substantial margin, with GNI per capita of US\$4,760, which is 35 percent above the relevant income graduation threshold for small states (compared to 15 percent at the time of the 2017 PRGT eligibility review). Income per capita has been on an upward trend and has been substantially above the threshold for PRGT "re-entry" over the last five years.

**Market Access Criterion.** Though Guyana borrowed commercially in 2017, it has broadly refrained from non-concessional external borrowing in recent years and has no track record of durable and substantial market access and there is no convincing evidence that it could have tapped international markets on a durable and substantial basis.

**Although some short-term vulnerabilities remain, they are not sufficiently serious to create a significant risk of a decline in per capita income below the graduation threshold.** After a decision to uphold the 2018 Parliamentary "no-confidence" vote against the Government, parliamentary elections are expected to be held in the coming months, which may usher in a period of increased political uncertainty. Though this could potentially delay oil sector investment at the margin and cause a downward revision in the growth trajectory, it is unlikely to threaten Guyana's

qualification for graduation given its large margin above the income threshold for graduation. Likewise, spillovers from a slowing global economy or large swings in energy prices could pose an economic risk but are unlikely to seriously impact per capita GNI. The dependence on oil revenue could cause more volatility in macroeconomic variables, but the commencement of oil production in 2020 is also expected to substantially increase income and reduce debt. Finally, while Guyana remains exposed to risks from climate change, staff's assessment is that the risk is contained and future shocks would be insufficient to cause GNI per capita to fall below the graduation threshold.<sup>1</sup> Guyana's DSA shows a susceptibility to adverse shocks, but all external and total PPG debt indicators remain below relevant thresholds in the baseline, yielding a moderate risk of debt distress. Guyana is an IDA-only country; while graduating from PRGT eligibility at this time would represent somewhat of a divergence with the World Bank, there is ample precedent for graduating IDA-only countries.<sup>2</sup>

### Kenya:

**Background.** Economic growth has averaged 5½ percent since the global financial crisis and the external balance has improved, reflecting progress in achieving macroeconomic stability. This has been accompanied by improved financial inclusion, improvements in the business environment, and a decline in poverty. In the near term, growth is projected to rise to 6.0 percent in 2020 from 5.6 percent in 2019. The fiscal deficit is expected to decline to 7.4 percent of GDP in 2019 and 6.6 percent in 2020, though large deficits will continue to exert upward pressure on the public debt ratio. While the latest DSA assessed Kenya's risk of debt distress to be moderate and its overall public debt dynamic to be sustainable, rising debt is a vulnerability. Kenya is an IDA blend country.

**Assessment:** *Staff proposes maintaining Kenya's PRGT eligibility given the presence of serious short-term vulnerabilities that could impact negatively on Kenya's market access. Assuming implementation of planned fiscal adjustment and the continuation of current growth trends, Kenya would be in a favorable position to graduate at the next review of PRGT eligibility.*

**Income Criterion.** Kenya does not meet the income criterion for graduation. In 2018, its GNI per capita was US\$1,620, which is 31 percent below the relevant income graduation threshold.

**Market Access Criterion.** Kenya meets the market access criterion for graduation. It accessed international markets in all of the last five years in an amount equivalent to 924 percent of its IMF quota.

**Kenya continues to face serious short-term vulnerabilities, the most significant of which is a possible delay in fiscal adjustment, which could negatively affect its market access.** While the repeal of interest rate controls in November 2019 could have some positive impact on growth, fiscal risks remain high, creating a risk of loss of market access. Public debt has increased from 54 percent

<sup>1</sup> The 2016 Board paper "Small States' Resilience to Natural Disasters and Climate Change—Role for the IMF" (IMF, 2016) classified Guyana as having medium vulnerability both to natural disasters and climate change (amongst four possible ratings: extreme, high, medium, and low).

<sup>2</sup> Angola, Azerbaijan, and Sri Lanka were IDA-only when they graduated.

of GDP at end-2016 to an estimated 61 percent of GDP at end-2019. Rollover requirements are sizable and fiscal adjustment will be needed to put debt on a declining path and to reduce fiscal risks. A deterioration of Kenya's DSA rating to high risk of debt distress would disqualify it from graduation. Performance under the SBA/SCF blended arrangement approved in March 2016 was mixed, and the arrangement expired in September 2018 with completion of only one review. Finally, Kenya's GNI per capita is 38 percent above the income threshold for PRGT re-entry, suggesting some risk of reverse graduation in the event of a significant growth and/or exchange rate shock.

### **Senegal:**

**Background.** Real GDP grew by 6.7 percent in 2018, driven by mining, construction and services, and is expected to decline slightly to 6.0 percent in 2019 before rising to 7 percent or higher over the medium term, supported by expanding oil and gas production. Per capita GNI has fluctuated somewhat over the last years, mainly due to exchange rate volatility, increasing to \$1,380 in 2014, dropping to \$1,270 in 2016 and increasing back to \$1,410 in 2018, 20 percent above the IDA cutoff. The fiscal deficit reached 3.6 percent of GDP in 2018 and is expected to be in line with the West African Economic and Monetary Union (WAEMU) convergence criterion of 3 percent of GDP over the medium term. The current account deficit of 8.8 percent of GDP in 2018 is expected to widen into the double digits in 2020–21 before narrowing significantly over the medium term due to the start of hydrocarbon exports.

**Assessment:** *Senegal is not proposed for graduation from PRGT eligibility given the presence of serious short-term vulnerabilities that could cause a loss of market access and reduce its GNI per capita below the IDA cutoff, posing a risk of reverse graduation.*

**Income Criterion.** Senegal does not meet the income criterion for graduation, with 2018 GNI per capita of US\$1,410, which is 40 percent below the relevant income threshold for graduation.

**Market Access Criterion.** Senegal meets the market access criterion for graduation, accessing markets in three of the five last years (excluding de minimis borrowing in 2016) in an amount equivalent to 880 percent of quota.

### **Senegal faces serious short-term vulnerabilities that create the risk of a loss of market access.**

On the external front, risks include terrorism and large swings in energy prices, which affect both the current fiscal outlook and the potential for future hydrocarbon production. On the domestic side, the agriculture sector is vulnerable to low rainfall. Senegal's risk of debt distress recently changed from low to moderate, reflecting a significant shift in the composition of public debt towards non-concessional external debt, including to fund investments to develop the hydrocarbon sector. Materialization of risks could affect public finances and the quality of economic policies, with the potential for a loss of market access and a negative impact on growth.



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