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# POVERTY REDUCTION AND GROWTH TRUST—GUIDANCE NOTE ON THE STRENGTHENED POLICY SAFEGUARDS

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# POVERTY REDUCTION AND GROWTH TRUST—GUIDANCE NOTE ON THE STRENGTHENED POLICY SAFEGUARDS

*In October 2024, as part of the Review of the Poverty Reduction and Growth Trust (PRGT) Facilities and Financing, the IMF Executive Board established the "Strengthened Policy Safeguards (SPS)"—combining and replacing the previous High Access Procedures (HAP) and Enhanced Safeguards for debt sustainability and capacity to repay (ES)—thereby streamlining a key part of the safeguards framework for Fund lending. The SPS operates alongside the exceptional access framework and the Policy Safeguards for High Combined Credit (PS-HCC). The SPS framework applies when proposed access under a new arrangement, the Rapid Credit Facility (RCF), or an augmentation of access under an arrangement in the Poverty Reduction and Growth Trust (PRGT) exceeds certain access thresholds, and when countries at high risk of, or in, overall debt distress request financing. This note provides guidance on how to implement the SPS. It supersedes the 2022 guidance note on enhanced safeguards.*

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# Acronyms and Abbreviations

| | |
|---|---|
| ADB | Asian Development Bank |
| AfDB | African Development Bank |
| BoP | Balance of Payments |
| CtR | Capacity to Repay |
| DLP | Debt Limits Policy |
| DSA | Debt Sustainability Analysis |
| DSF | Debt Sustainability Framework |
| EA | Exceptional Access |
| ECF | Extended Credit Facility |
| ES | Enhanced Safeguards |
| FCS | Fragile and Conflict-Affected States |
| FIN | Finance Department (of the IMF) |
| GDP | Gross Domestic Product |
| GRA | General Resource Account |
| GRQ | General Review of Quotas |
| GIR | Gross International Reserves |
| HAP | High Access Procedures |
| HIPC | Heavily Indebted Poor Country |
| IADB | Inter-American Development Bank |
| IFI | International Financial Institution |
| IMF | International Monetary Fund |
| LIC | Low-Income Country |
| LNG | Liquified Natural Gas |
| MDB | Multilateral Development Bank |
| MDRI | Multilateral Debt Relief Initiative |
| NAB | New Arrangements to Borrow |
| PCS | Preferred Creditor Status |
| PPG | Public and Publicly Guaranteed |
| PRGT | Poverty Reduction and Growth Trust |
| PS-HCC | Policy Safeguards for High Combined Credit |
| PV | Present Value |
| RCF | Rapid Credit Facility |
| RFI | Rapid Financing Instrument |
| RSF | Resilience and Sustainability Facility |
| SBA | Stand-by Arrangement |
| SCF | Stand-by Credit Facility |
| SEI | Selected Economic Indicators |
| SPS | Strengthened Policy Safeguards |
| SPVs | Special Purpose Vehicles |
| UCT | Upper Credit Tranche |
| WB | World Bank |

# ARCHITECTURE OF THE PRGT STRENGTHENED POLICY SAFEGUARDS

**1. The 2024 Review of the Poverty Reduction and Growth Trust (PRGT) Facilities and Financing introduced a new safeguards framework—the "Strengthened Policy Safeguards (SPS)"—effective on January 1, 2025.** PRGT safeguards are intended to help manage and mitigate credit risk to the Fund by strengthening scrutiny of debt sustainability and capacity to repay the Fund (CtR). The new framework combines and supersedes the previous High Access Procedures (HAP) and Enhanced Safeguards for Debt Sustainability and Capacity to Repay the Fund (ES). The SPS apply when proposed access under a new PRGT financing request (this means in this guidance a request for a new PRGT arrangement, a new RCF loan, or a request for an augmentation of access under an existing arrangement) would exceed certain thresholds, and for countries at high risk of, or in overall debt distress. The SPS do not apply at program reviews that do not request an augmentation, nor to non-disbursing instruments. It should be noted that all triggers and thresholds expressed as a percentage of quota throughout this guidance note will be automatically adjusted down when the general effectiveness conditions for the 16th General Review of Quotas (GRQ) increase have been met.[1]

**2. The SPS include three categories of scrutiny (SPS1, SPS2 and SPS3) that are triggered under the following circumstances (see Box 1 and Table 1):**

- **SPS1** is triggered when: (i) the proposed access under a new PRGT financing request would exceed 125 percent of the access norm[2] for that arrangement ("flow" trigger)[3]; or (ii) the proposed access under the financing request would cause the cumulative PRGT access (i.e.,

[1] The downward adjustments to access norms, access limits, and any other trigger expressed as a share of quota, will come into effect when the Executive Board determines that the following two general conditions have been met: (i) members holding not less than 85 percent of the total quotas as of November 7, 2023, have provided written consent to the increases in their quotas, and (ii) the necessary consents from new arrangement to borrow (NAB) participants for the effectiveness of the rollback of NAB credit arrangements have been received. These new norms, limits, etc. will apply to all countries, including those members that have not yet consented to their quota increase or do not fulfill their payment obligations for their quota.

[2] Access norms have been a feature of PRGT facilities design since the overhaul of the LIC facilities architecture in 2010. They have played a nuanced role in influencing access levels in PRGT arrangements. Access norms are neither ceilings on, nor floors to access and should not be viewed as an entitlement but play a useful guiding role in setting access in cases where it is difficult to accurately determine the BoP need.

[3] While the previous HAP and ES flow triggers considered total cumulative access over a defined period (36 months for the HAP and 12 months for the ES), SPS flow triggers only consider access per arrangement.

credit outstanding to the PRGT)[4] to exceed 300 percent of quota[5] at any point over the lifetime of the existing or proposed arrangement ("stock" trigger[6]).

- **SPS2** is triggered when: (i) the proposed access under a new PRGT financing request would exceed 150 percent of the access norm for that arrangement ("flow" trigger); or (ii) the proposed access under the financing request would cause the cumulative PRGT access (i.e., credit outstanding to the PRGT) to exceed 300 percent of quota[7] (at any point over the lifetime of the existing or proposed arrangement ("stock" trigger).

- **SPS3** is triggered when a new PRGT financing request is requested by a member that is assessed to be at high risk of, or in, overall debt distress.

**Table 1. The SPS Triggers and Requirements per Category of Scrutiny**

| | Triggers | Requirements |
|---|---|---|
| **SPS1** | **Flow**: PRGT access per arrangement exceeds 125 percent of the access norm, or<br>**Stock**: PRGT credit outstanding exceeds 300 percent of quota (200 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met). | Granular discussion of the composition and evolution of debt; and enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure |
| **SPS2** | **Flow**: PRGT access per arrangement exeeds150 percent of the access norm, or<br>**Stock**: PRGT credit outstanding exceeds 300 percent of quota (200 percent of quota after general conditions for effectiveness of the 16th GRQ increase have been met). | **SPS1** + Early engagement with the Board through an informal Board meeting once Management agrees that the new financing request, or proposed augmentation, or rephasing could be appropriate |
| **SPS3** | Being at high risk, or in, overall debt distress | **SPS1**+ Explicit program objective to reduce debt vulnerabilities |

[4] In the SPS context, credit outstanding is calculated for each proposed availability date under the proposed financing request using the sum of all disbursed and committed PRGT financing (including disbursements that were made available but not drawn in the context of the current arrangement) as well as the proposed PRGT disbursements (up to the availability date for which the credit outstanding is determined), on a net basis (i.e., subtracting the scheduled repayments). If, for any of the proposed availability dates, the credit outstanding exceeds 300 percent of quota, SPS1 and SPS2 will be triggered.

[5] 200 percent of quota when the general effectiveness conditions for the 16th General Review of Quotas (GRQ) increase have been met.

[6] SPS2 would also be triggered in this case since the stock trigger is the same for SPS1 and SPS2.

[7] 200 percent of quota when the general effectiveness conditions for the 16th GRQ increase have been met.

### Box 1. PRGT Facilities Framework: SPS—Calculation of Flow and Stock Triggers

The calculation of the SPS "flow" triggers differ from the calculation used under the previous HAP and ES, whilst the stock trigger remains the same.

**Flow trigger:** The SPS flow trigger is based on the size of the arrangement, rather than total PRGT flows over a defined period, and is based on a multiple of the applicable access norm, rather than as a fixed percentage of quota. It can be calculated in two steps:

*Step 1*: Calculate the applicable access norm. As of January 1, 2025, the access norm is set at 145 percent of quota for a 3-year ECF and an 18-month SCF. This should be prorated for shorter or longer arrangements, following the formula set out below. A 42-month ECF arrangement and a 12-month SCF are shown as examples in the table below. Note that the maximum applicable access norm for an SCF is 193 percent of quota (equating to the pro-rated norm of a 24-month SCF)—this maximum norm applies to all SCF with a duration between 24 and 36 months.

| Arrangement | *a*<br>Access norm | *b*<br>Standard length of arrangement | *c*<br>Proposed length of arrangement | *d*<br>Applicable norm | **Triggers**<br>**SPS1**<br>125% of norm | <br>**SPS2**<br>150% of norm |
|---|---|---|---|---|---|---|
| ECF | 145 | 36 | 42 | = a / b x c = 169 | = d * 1.25 = **211** | = d * 1.5 = **254** |
| SCF | 145 | 18 | 12 | = a / b x c = 97 | = d * 1.25 = **121** | = d * 1.5 = **145** |

*Step 2*: Compare the proposed access (for a new request or an existing arrangement plus augmentation) to the applicable norm and SPS1 and SPS2 triggers. In the example above, if a 42-month ECF request or an augmentation within a 42-month ECF brings access under an arrangement above 211 percent of quota, SPS1 would be triggered. SPS2 would be triggered for a 12-month SCF with access/augmentation above 145 percent of quota.

*Notes: The ECF and SCF access norm will be reduced to 100 percent of quota when the general effectiveness conditions for the 16th GRQ increase have been met.*

**Stock trigger:** Staff can assess whether the stock trigger is met by using the SPR Access Tool. If the projected outstanding IMF credit exceeds 300 percent of quota (200 percent of quota after the general effectiveness conditions for the 16th GRQ increase have been met) upon approval or at any point in time over the lifetime of the existing or requested arrangement (including projected disbursements under the proposed RCF or the proposed arrangement/augmentation and repayments), SPS1 and SPS2 will be triggered.

*Notes: Currently, the stock trigger would not apply to a request for financing under the RCF regular window since it is subject to a 25 percent of quota per disbursement access cap, (17.5 percent of quota after the general effectiveness conditions for the 16th GRQ increase have been met), which is currently the de-minimis threshold that exempts a financing request from the application of SPS. After the general conditions for effectiveness of the 16th GRQ increase become effective, new requests for financing under the RCF regular window could trigger SPS if the requested access is above the adjusted de-minimis threshold of 15 percent of quota.*

3. **The four SPS requirements that may need to be implemented, depending on which SPS category of scrutiny is triggered, are the following** (see subsequent sections for detailed instructions for each of the four requirements):

- The first three requirements—to be included in country documents (i.e., policy notes and staff reports)—are: (1) a granular discussion of the composition and evolution of debt (required under SPS1, SPS2 and SPS3); (2) an enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure (required under SPS1, SPS2 and SPS3); (3) a discussion of the explicit program objective to reduce debt vulnerabilities (required under SPS3).[8]
- The fourth requirement consists of an early engagement with the Board through an informal Board meeting (triggered under SPS2). In this case, a memo should be prepared for the informal Board meeting once Management agrees that the new financing request, or proposed augmentation, or rephasing could be appropriate.

4. **A de-minimis threshold for the application of the SPS is set at 25 percent of quota per financing request.** If the access level of a new PRGT financing request is at, or below, 25 percent of quota,[9] a member at low or moderate risk of overall debt distress would not be subject to the SPS. For members at high risk of, or in, overall debt distress, SPS3 would be triggered regardless of the requested level of access.

5. **An RCF request cannot trigger the SPS through the flow trigger.** This is because the RCF exogenous shock window and the large natural disasters window are not subject to access norms. In addition, the RCF regular window is subject to a per disbursement access cap set at 25 percent of quota, which is the *de minimis* threshold that exempts a financing request from the application of the SPS. An RCF request under the exogenous shock window or the large natural disasters window could, however, trigger the SPS through the stock trigger.

6. **It should be noted that requests for new RSF arrangements or augmentations under an existing RSF arrangement have similar requirements to SPS1**. All Board documents for new RSF financing requests or augmentations under an existing RSF arrangement should include (i) an extended CtR analysis that covers the RSF repayment period, including the CtR "dashboard", taking into account all Fund borrowing by the member; (ii) debt risk analysis over a longer time horizon (up to 20 years), and (iii) the composition of public debt, including the share of de facto senior debt.[10]

7. **The SPS are part of the Fund's multi-layered framework for managing credit risk and complement existing tools for addressing debt vulnerabilities and capacity to repay the Fund**. This multi-layered framework also includes the Exceptional Access Policy (EA),[11] and the Policy

[8] Country documents have to include tables/charts and a brief discussion to satisfy the granular discussion of the composition and evolution of debt and the enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure, and a discussion of the explicit program objective to reduce debt vulnerabilities. The granular discussion of the composition and evolution of debt, and the discussion of the explicit program objective to reduce debt vulnerabilities can be presented in a separate Annex (the DSA) with a brief reference in the staff report discussion of program risks while the enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure can be included in the usual section on CtR in the program modalities section of the staff report.

[9] 15 percent of quota when the general effectiveness conditions for the 16th GRQ increase have been met.

[10] See *Resilience and Sustainability Facility—Operational Guidance Note* (paragraph 14).

[11] See Fund *Concessional Financial Support for LICs—Responding to the Pandemic (see Annex II)*, July 2021.

Safeguards for High Combined Credit (PS-HCC) (Table 2).[12,13] These other elements continue to apply alongside the SPS (see Figure 1). Specifically:

- Country documents should assess qualification under the criteria for PRGT-EA and PS-HCC at each program review.
- Financing requests that trigger the SPS may also trigger the PRGT-EA and/or PS-HCC safeguards.[14] In such cases, SPS1 requirements will apply at the time of the financing request, alongside the requirements under the PRGT-EA or PS-HCC framework. The requirement to discuss the explicit program objective to reduce debt vulnerabilities (under SPS3) will not apply because the PRGT-EA and PS-HCC policies automatically include this requirement given that the debt sustainability requirement under EA2 and PS-HCC criterion 2 is to adequately contain the risks to the sustainability of public debt.[15]
- In cases where GRA-EA,[16] PRGT-EA and/or PS-HCC are triggered without triggering SPS, the requirements under SPS would not apply to the documentation or procedural requirements under EA and PS-HCC. However, teams may wish to include additional information normally required under SPS1.

[12] See *Policy Safeguards for Countries Seeking Access to Fund Financial Support that would Lead to High Levels of Combined GRA-PRGT Exposure*, September 2020.

[13] See Fund *Concessional Financial Support for LICs—Responding to the Pandemic (see Box 2)*, July 2021.

[14] PRGT-EA is applicable when PRGT access exceeds the PRGT normal access limits. PS-HCC is applicable when combined PRGT and General Resource Account (GRA) exposure exceeds the quota-based thresholds that are set at the same level that triggers the exceptional access framework of the GRA. The PRGT normal access limits are set at 200 percent of quota annually/600 percent of quota cumulatively (respectively, 135 percent of quota/405 percent of quota once the general conditions for effectiveness of the 16th GRQ increase have been met). The GRA access limits are also set at 200 percent of quota annually/600 percent of quota cumulatively (respectively, 135 percent of quota/405 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met).

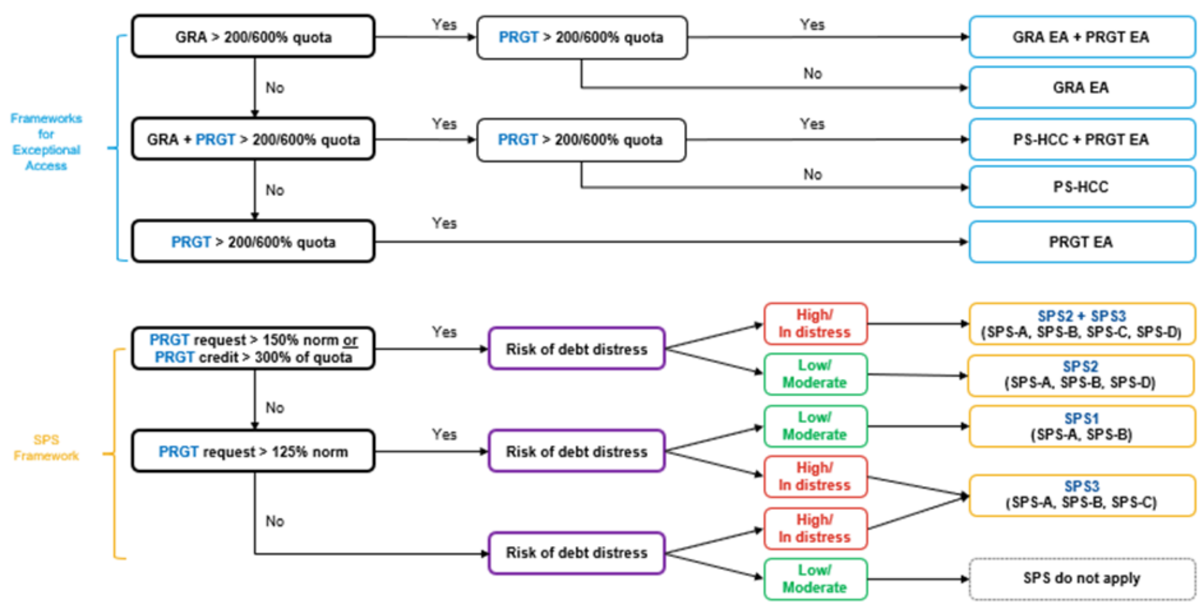
[15] The same principle should apply when a PRGT-eligible country triggers GRA-EA in addition to SPS. When SPS2 is triggered concurrently with PRGT EA, GRA EA or PS-HCC, the early Board consultation will involve one informal Board meeting and staff will prepare a single concise note that meets the substantive informational requirements under the applicable policies.

[16] The GRA EA policy is applicable when GRA access exceeds the GRA annual and cumulative access limits. See *Considerations for the Comprehensive Review of Access Limits*.

**Table 2. PRGT Facilities Framework: PRGT-EA and PS-HCC**

| | Triggers | Requirements |
|---|---|---|
| ***PRGT-EA*** | Annual PRGT access above the PRGT normal annual access limit of 200 percent of quota annually (135 percent of quota after general conditions for effectiveness of the 16th GRQ increase have been met), or<br>Cumulative PRGT credit outstanding above the PRGT normal cumulative access limit of 600 percent of quota (405 percent of quota after general conditions for effectiveness of the 16th GRQ increase have been met). | Early engagement with the Board through an informal Board meeting once Management agrees that the request, augmentation, or rephasing associated with the access could be appropriate. An additional consultation with Executive Directors will normally be expected to occur between the initial informal meeting and the Board's consideration of the staff report. The briefings will aim to keep the Board abreast of program-financing parameters, including assumed rollover rates, economic developments, progress in negotiations, any substantial changes in understandings, and any changes to the initially envisaged timetable for Board consultation. Staff reports should explicitly justify, as relevant, the member's qualification for exceptional access at the time of program requests, augmentations, and all subsequent reviews. |
| ***PS-HCC*** | Annual PRGT+GRA access above the GRA annual access limit of 200 percent of quota (135 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met), or<br>Cumulative PRGT+GRA credit outstanding above the GRA cumulative access limit 600 percent of quota (405 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met). | |

**Figure 1. A Multi-Layered and Coherent Set of Safeguards**




**Note:** The SPS framework applies alongside the exceptional access framework, and each assessed independently.
**EA**: Exceptional Access; **PS-HCC**: Policy Safeguards for High Combined Credit (GRA and PRGT); **SPS**: Strengthened Policy Safeguards.
**SPS-A**: Country documents require a granular discussion of the composition and evolution of debt. **SPS-B**: Country documents require an enhanced CtR.
**SPS-C**: Country documents must include an explicit program objective to reduce debt vulnerabilities.
**SPS-D**: An early informal Board meeting must be held (informational requirements include SPS-A and SPS-B).
200/600 percent of quota is the AAL/CAL/
**Cases with de minimis** level for the application of SPS are omitted for simplicity.
Source: IMF staff.

# COMPOSITION AND EVOLUTION OF DEBT

8. **The policy note and staff report for PRGT financing requests that trigger SPS1, SPS2, or SPS3 are expected to include a discussion of the structure of public external debt and its projected evolution over time.**[17] This discussion should place particular emphasis on debt owed to the IMF, to the World Bank and other multilateral creditors[18], as well as collateralized debt that may be more difficult to restructure. The discussion should be supported by a table detailing the breakdown and ratios of debt composition, based on both the existing and projected additions to the stock of debt and debt service, as illustrated in the template in Table 3. Please note that the Debt Holder Profile table required under the IMF's 2020 Debt Limits Policy (DLP) already provides the breakdown of existing debt stock and related debt service on existing debt according to the authorities' classification of creditors.[19] While the DLP does not require projections of this breakdown over time, they can be easily obtained from the Debt Sustainability Analysis (DSA) files. Specific provisions apply to the presentation of the composition and projected evolution of debt where the member is undertaking a debt restructuring aimed at restoring sustainability (see below).

**Table 3. Country X: Debt Composition**

| | Actual | Projections | | |
|---|---|---|---|---|
| **Creditor Profile** | 2024 | 2025 | 2026 | 2027 |
| Total debt[1] | | | | |
| External debt | | | | |
| *Multilateral creditors* | | | | |
| o/w IMF and WB | | | | |
| o/w: IMF | | | | |
| o/w: ADB/AfDB/IADB | | | | |
| o/w: Other multilaterals | | | | |
| *Bilateral creditors* | | | | |
| o/w: Paris Club | | | | |
| o/w: Non-Paris Club | | | | |
| *Private creditors* | | | | |
| o/w: Bonds | | | | |
| o/w: Loans | | | | |
| Domestic debt | | | | |
| Memorandum items | | | | |
| Collateralized debt | | | | |

[17] When discussing the composition and evolution of external debt, public sector coverage should align with the definition of external debt used in the country's LIC-DSA, which also underpins the Debt Holder Profile table required under the DLP.

[18] Under Fund policies, multilateral refers to institutions with two or more sovereign members (and no non-sovereign member).

[19] The breakdown of multilateral creditors between ADB/AfDB/IADB and other multilaterals in Table 3 follows the presentation in the Debt Holder Profile Table required by the DLP. The breakdown of debt across the different groupings should not be perceived as implying any views on which institution may or may not be a *de facto* preferred creditor. Collateralized debt may be more difficult to restructure given creditors' security interests in sovereign assets or revenue streams. But any difficulty in restructuring will ultimately depend on the decisions of the borrower and its creditors, the type of security and the specific contractual provisions, and the particular circumstances of each restructuring.

**Table 3. Country X: Debt Composition** (concluded)

| |
|---|
| *o/w: Related* |
| *o/w: Unrelated* |
| Nominal GDP |
| **Multilateral and Collateralized Debt** |
| *Multilateral debt* [2] |
| Percent of external debt |
| Percent of GDP |
| *o/w: IMF and WB* |
| Percent of external debt |
| Percent of GDP |
| *o/w: ADB/AfDB/IADB* |
| Percent of external debt |
| Percent of GDP |
| *o/w: Other multilaterals* |
| Percent of external debt |
| Percent of GDP |
| *Collateralized debt* |
| Percent of external debt |
| Percent of GDP |

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial (see Table 1 in DLP GN), while the projections should be based on the LIC-DSA analyses. Debt coverage is the same as the DSA [, except for [missing entities (if applicable)].
2/ Some public debt is not shown in the table due to [confidentiality clauses/capacity constraints] (include for all creditor groups where applicable).
3/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan.

**9. Debt to multilateral creditors may enjoy *de facto* preferred creditor status (PCS)**. The concept of PCS stems from the recognition by the international creditor community of the special role that the IMF, the World Bank, and certain other multilaterals play in the international financial architecture and the public good nature of their financing. Against that backdrop, official bilateral creditors have been willing to exclude debt to those creditors from the perimeter of debt restructuring. Private creditors have generally also recognized that exclusion. Multilateral creditor contributions to debt restructurings have been relatively rare and tend to involve new financing. It is very unusual for them to provide debt stock relief, with the notable exception of the Highly Indebted Poor Country (HIPC) and related Multilateral Debt Relief Initiative (MDRI).

**10. Collateralized debt may be more difficult to restructure.**

- Collateralization can provide creditors (either commercial or official) with a security interest in assets, revenue streams or other resources from which the creditor can satisfy part or all of its claim in the event of a default, which tends to complicate the restructuring process.[20] Collateral-like features (which are not legally collateral but give the creditor similar protection as collateral such as oil pre-payment agreements) may have similar implications. It is not unusual for project financing to use collateral (e.g., use the revenue stream or assets generated by the project as collateral to finance its investment). But there are also instances where financing involves "unrelated" collateral (e.g., budgetary loans secured by commodity export revenues). Some creditors also require the use of escrow accounts over which security is granted covering upcoming debt service.[21] The difficulty of restructuring a collateralized claim will depend on the nature of the collateral, the jurisdiction where it is located, and the contractual features of the loan agreement, together with the broader sources of bargaining power of the debtor and the other creditors with respect to the creditor with a collateralized claim.

- While collateral can make a debt more difficult to restructure, it does not necessarily mean that it will not be restructured. For example, holders of collateralized commercial claims and non-collateralized official bilateral claims rely on very different approaches. In the event of a restructuring, official creditors may decide not to provide a debt treatment unless the collateralized commercial claim is also treated. In that sense, the collateralization of a claim does not necessarily make it impossible to restructure in practice. But the presence of such debt may still complicate the restructuring process.

**11. The discussion should describe the specific collateralization features that may complicate potential future restructuring**. For example, it may be useful to highlight asset-backed debt obligations where the asset's revenue-generating stream has been pledged; indirect collateralized debt arrangements operated through special purpose vehicles (SPVs) that extend creditors' claims to government resources in the event of a default; and commodity-backed debt arrangements, which have implications for the borrower's ability to service future debt obligations when revenue from future commodity sales are already earmarked and unavailable to service other maturing debt.

**12. Staff should report inadequacies in data on collateralized debt**. Full data on collateralized debt may not be available, including due to non-disclosure agreements. The write-up should briefly note such data gaps. The *2021 Guidance Note on Implementation of the Debt Limits Policy in Fund-Supported Programs* provides guidance on assessing data inadequacies (including on collateralized debt) and remedial measures, calling for a fuller discussion of data gaps in the DSA. Where appropriate, debt conditionality can help address data gaps, limit new issuances of collateralized debt, and target the reduction of its existing stock.

[20] *The International Architecture for Resolving Sovereign Debt Involving Private-Sector Creditors - Recent Developments, Challenges, and Reform Options.* See also *Making Public Debt Public—Ongoing Initiatives and Reform Options* (2023) for additional background.

[21] Escrow accounts can be useful from a debt management perspective. But if the amount covered under the escrow is significant, it can pose similar challenges as collateralized debt in the event of a restructuring.

**Discussion of the Composition and Evolution of Debt Over the Program Horizon**

**13. The SPS require an analysis of the composition and projected evolution of debt that may be *de facto* senior or potentially difficult to restructure**. The analysis should refer both to the composition of existing debt and its projected evolution over the program period under the program baseline (which can be derived from the template used in the Low-Income Country (LIC) DSA). The underlying rationale is that protection afforded by the Fund's *de facto* PCS rests on the presence of a cushion of restructurable junior debt. The analysis should focus on ratios of: a) Fund credit outstanding; b) Fund plus World Bank and ADB/AfDB/IADB credit; and c) all IFI credit plus collateralized debt as a share of total PPG external debt. While b) is a good indicator of debt that is *de facto* senior and normally cannot be restructured, c) is also an important indicator of rigidities in the structure of external debt. The write-up should also discuss the nature of collateralized debt, as noted above.

**14. In discussing the implications of the structure/evolution of debt for CtR, the following considerations may be relevant**:

- A high ratio of debt that is (or may be, in the case of some multilateral creditors) *de facto* senior or difficult to restructure may be a warning sign of elevated CtR risk. For reference, the average ratio of multilateral debt (including the IMF) to total PPG external debt in LICs is 57 percent and the median is 54 percent, while the 25$^{th}$ and 75$^{th}$ percentiles are 44 and 74 percent, respectively.[22]
- However, a high ratio by itself may not indicate elevated CtR vulnerabilities if debt and debt service ratios are low. The LIC DSA is based on an assessment of vulnerabilities associated with debt and debt service indicators; countries at low or moderate risk of debt distress are likely to have limited vulnerabilities, even if their share of *de facto* senior/difficult to restructure debt is high.[23]
- A combination of being at high risk of, or in, debt distress and high ratios of debt that may be *de facto* senior or difficult to restructure debt would be a clear indicator of elevated risk to CtR.
- Specific provisions apply to the presentation of the composition and projected evolution of debt in programs where the member is undertaking a debt restructuring aimed at restoring sustainability.[24] In particular, the analysis (and the associated table) should not include projections of debt evolution broken down by creditor composition. Including such projections could be misinterpreted as the Fund prejudging or attempting to micro-manage the appropriate

[22] Based on end-2023 data from the World Bank's International Debt Statistics (IDS), covering debt owed to multilateral creditors (including the IMF). LICs are defined as PRGT-eligible countries utilizing the LIC DSF template (specifically, this encompassed 68 PRGT-eligible countries at end-2023).

[23] A high ratio of multilateral debt could be associated with lower debt vulnerabilities since multilateral debt typically carries favorable interest rates and maturity structure.

[24] *See Supplement to 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries* (Section C, p.17-25), July 18, 2024, for guidance on using the LIC-DSF in cases where public debt is unsustainable, and the authorities have opted for a debt restructuring within the framework of a Fund-supported program.

burden-sharing among creditors (which is a matter to be determined between the debtor and its creditors). Instead, a brief discussion of the composition based on the latest available data will suffice.

# ENHANCED SAFEGUARDS ON CAPACITY TO REPAY

**15. The country documents for PRGT financing requests that trigger SPS1, SPS2, or SPS3 must include a discussion of the evolution of projected IMF debt and debt service compared with other PRGT-supported programs.**[25] The Finance Department (FIN), in collaboration with area departments, will prepare a set of standardized charts of IMF debt and debt service relative to key economic metrics over the course of the repayment period to support this discussion. Where financing requests would result in comparatively elevated levels of CtR indicators, the country documents should examine the severity of the implied risks and, for UCT-quality programs, explain how program design—including access, phasing and conditionality—seeks to mitigate these risks.[26] Guidance on how to implement this in practice is given below and in the sample write-up in Annex II.

**16. Existing guidance on CtR requirements in country documents remains in place for financing requests not subject to SPS**. For such requests, country documents should continue to include a CtR assessment, supported by information from the What-If Projections and the indicators of Fund credit table. In such cases, information stemming from the CtR dashboard (see below), while optional for requests that do not fall under SPS, could inform the CtR assessment. For requests falling under SPS, the standard CtR table and assessment should continue to be included in country documents at the time of the initial approval of the financing request, and in every program review.

### CtR "Dashboard"

**17. Financing requests subject to SPS must include a CtR dashboard in country documents in addition to the standard assessment and CtR table.** The dashboard includes relevant economic metrics for the country in question and a comparator group so as to benchmark the IMF's credit exposure to the country in question and signal cases of elevated risk.

### Economic Metrics

**18. The dashboard presents eight metrics**. These metrics are illustrated in panel charts showing the evolution of projected Fund credit and debt service to the Fund both for the country in question and for the comparator group:

- Six charts focusing on time-series indicators (i.e., projections starting from the year of the financing request and the following 10 years):

[25] Consistent with RCFs triggering SPS, the enhanced safeguards on CtR laid out in this section would be expected to apply.

[26] See *Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic* (Annex VI, p. 62).

  - *Three stock indicators*: projected stock of Fund credit outstanding relative to i) GDP, ii) gross international reserves (GIR),[27] and iii) public and publicly guaranteed (PPG) external debt.
  - *Three flow indicators*: projected annual debt service to the Fund relative to i) fiscal revenues (excluding grants), ii) exports of goods and services, and iii) PPG external debt service.
- Two cross-section charts highlighting the highest peak credit indicators for the above metrics relative to PRGT countries with the highest Fund credit exposures,[28] i.e., the two most elevated of the six metrics listed above. The cross-section charts, by comparing exposure metrics to a subset of past programs and emergency financing with top exposures, helps focus the analysis on the most elevated metrics.

### Comparator Groups

**19. The baseline comparator group for the CtR dashboard is based on a combination of UCT-quality programs and emergency financing facilities[29] (both including blends) approved for PRGT-eligible countries over the most recent decade**. This sample period includes a sufficiently large number of PRGT financing facilities for constructing meaningful benchmarks. It also captures shifts in Fund financing for LICs, including the rising trend in Fund exposure in recent years.

### Elevated Levels of IMF Credit Exposure

**20. The median and interquartile ranges for the control group provide benchmarks for exposure metrics**. In general, CtR risks would be deemed at acceptable levels if projections for all CtR indicators lie below the 75th percentile of the respective metric, while levels above the 75th percentile would require a deeper analysis (see below). The choice of this benchmark is in line with the July 2021 Board paper on PRGT reforms (Annex VI).[30]

**21. The comparison of the country under assessment against the benchmarks should be combined with staff's judgment informed by the macroframework, DSA, risk matrix, and**

[27] For members of currency unions, GIR could be based on imputed reserves.

[28] The control group of countries with top exposure levels consists of the top quartile of past exposures.

[29] The sample includes only emergency financing facilities from countries that also had a UCT quality program during the sample period.

[30] This benchmark has also been used to identify heightened risks in somewhat similar situations, including to calculate the thresholds for assessing LICs' debt carrying capacity (see *Review of the Debt Sustainability Framework in Low-Income Countries: Proposed Reforms*, IMF Policy Paper, September 2017); scrutinize realism of projections (e.g., *Review of the Debt Sustainability Framework for Market Access Countries*, IMF Policy Paper, January 2021); and identify borrowing spaces consistent with LICs' capacity to repay (see *Macroeconomic Developments and Prospects in Low-Income Countries—2021*, IMF Policy Paper, March 2021). Evidence from the literature (e.g., A. Oeking, and M. Sumlinski, "*Arrears to the IMF—A Ghost of the Past?*" IMF Working Paper WP/16/225; and C. Oka, "*Anticipating Arrears to the IMF: Early Warning Systems,*" IMF Working Paper WP/03/18), as well as analysis of past cases of protracted arrears to the Fund, also suggest that arrears are more likely to occur when Fund debt and debt service compared to certain economic metrics reach levels roughly around the upper quartile of the corresponding distribution.

**other relevant analysis**.[31] Country teams should complement the information provided by the tool with their own country-specific knowledge and judgment to come to an overall assessment of the risks implied by comparatively high exposure metrics. For instance, small and/or temporary deviations above the triggers do not necessarily indicate elevated CtR risks (such as when total debt burden indicators and debt vulnerabilities are modest), or there may be mitigating circumstances. On the other hand, absence of metrics exceeding the 75th percentile do not necessarily imply absence of elevated risks and could still require a more careful assessment, including when the outlook is highly uncertain and risks to the program are tilted to the downside, or when small outstanding Fund credit and Fund debt service ratios are a by-product of very high levels of total debt and debt service.

**Deeper CtR Analysis**

**22. In cases where elevated metrics of Fund exposure combined with staff judgment indicate high risks to CtR, a deeper analysis of risks and risk-mitigating factors should be included in the SPS write-up (CtR paragraph)**. [32] The write-up should draw from the information conveyed in the CtR dashboard, together with information from the standard CtR Table. Annex II provides a sample CtR write-up for reference. This deeper analysis should particularly focus on the CtR indicators pointing to elevated levels of Fund exposure. For instance, it could elaborate on the drivers of elevated CtR ratios relative to the control group; the size of elevated ratios; the duration of such levels above the 75th percentile; and the economic significance of the identified risks. The analysis could also draw attention to risks associated with the authorities' willingness and ability to implement reforms needed to strengthen CtR.

**23. The deeper CtR analysis should also discuss risk-mitigating factors under the program**. This could include:

- Access. Is proposed access appropriate? Does the proposed access level keep Fund exposure at manageable levels?
- Phasing. Is the phasing and strength of reforms under the program commensurate to the phasing of disbursements, or are disbursements frontloaded while reforms are not?
- Conditionality and program policies. Are there good prospects that program targets and policies will be achieved during the proposed timeframe? Do the proposed policies help reduce elevated CtR ratios over the repayment period?
- Country-specific factors such as magnitude of contingent liabilities, the prospects for growth (or depletion) of natural resource revenues, and burden-sharing with other official creditors. The

[31] Judgment can be particularly useful when CtR metrics convey mixed signals (e.g., the observations for the same CtR indicator could lie above the 75th percentile in some years and below in others); borderline cases (e.g., observations for a CtR indicator could lie above the 75th percentile for several years but by a small margin); or in programs involving debt restructuring, in which case the path of PPG external debt and debt service may be subject to large uncertainty at program inception.

[32] A CtR paragraph is required in all country documents under program modalities.

existence of prior calls on the availability of foreign exchange that could weaken the capacity to repay the Fund (e.g., earmarked revenue or exports proceeds, escrow accounts, collateral) could also be noted (drawing on the discussion on the composition and evolution of debt) and the relevant economic metrics could be adjusted accordingly.[33]

**24. The CtR paragraph in country documents should include a bottom-line assessment of a country's capacity to repay the Fund in the topic sentence**. This assessment, which should inform a country's choice of facility, program design, and the level of access to Fund resources, must also reflect the balance of CtR risks whenever applicable.[34] For a financing request to move forward, CtR must be assessed to be at least "*adequate*." In cases of elevated but still acceptable/manageable CtR risks, the bottom-line assessment should be conditional on the balance of risks, e.g., "CtR *is adequate but subject to significant downside risks*." Lastly, in cases where CtR is deemed weak, the request for Fund financing should not move forward unless it includes clear measures that would restore the member's CtR to at least adequate, even if significant risks remain.

### Downside Scenarios and Realism Checks

**25. The CtR dashboard should be based on the baseline macroeconomic scenario but could also include information on downside scenarios where applicable**. The dashboard should be based on the baseline scenario underpinning the proposed financing. However, it could also add information on downside scenarios if these are also included in country documents and a financing arrangement (either drawing or precautionary) is incorporated in that scenario. If no Fund-supported program is assumed under the downside scenario, it would not be included in the CtR dashboard. Downside scenarios are particularly useful for PRGT-eligible countries that are highly vulnerable to adverse exogenous shocks or requesting precautionary arrangements. Country documents for precautionary SCF or Stand-by Credit Facility/Stand-by Arrangement (SCF/SBA) blend arrangements are required to include a downside scenario that would give rise to *potential* balance of payments (BoP) needs, hence justifying drawings upon the emergence of the actual need. In such cases, the dashboards could be enhanced to also include the downside scenario (see Annex II, Figure 1).

**26. The CtR write-up should also discuss downside scenarios when applicable**. Negative shocks may yield significant deviations from the baseline for the key economic metrics underpinning the CtR indicators. Therefore, in cases where risks are high and country documents include a downside scenario, a deeper CtR assessment could discuss CtR in the downside scenario, together with policy responses that would mitigate their adverse impact on CtR. The bottom-line assessment should also make a reference to CtR risks under the downside scenario. For instance, "CtR *is*

[33] These metrics could be adjusted to reflect their unencumbered values. For instance, if a country has pledged resources under commodity-backed debt arrangements, the pledged flows and stocks could be subtracted from the original amounts of the corresponding metrics. E.g., *2018 EFF request for Angola* (Staff Report Table 9).

[34] This applies to all requests, irrespective of whether the SPS apply.

*adequate under the baseline but subject to significant risks, as illustrated by a downside scenario*." See sample write-up in Annex II.

**27. Revisions to the macroeconomic framework during the internal review process would necessitate a revised CtR analysis**. If the macro-framework is revised during the internal review process and/or the access level and phasing are changed, the CtR dashboard and the CtR assessment should also be revised accordingly and reflected in the revised country document.

**Process, Documentation, and Other Issues**

**28. Data sharing for preparing the CtR dashboard**. Area departments should share with FIN the underlying data necessary for preparing the CtR dashboard before country documents are posted on eReview so that the CtR dashboard and the CtR analysis can be included in the country document to be sent for departmental review. FIN requires at least one business day to produce the CtR dashboard and send it back to country teams, though more time may be required for cases with data discrepancies. Revised data should be shared during the internal review process when the baseline and/or downside scenarios or the What-If projections are revised.[35]

**29. Additional reading resources**. The 1990 guidance note on CtR (Assessment of a Member's Capacity to Service Its Financial Obligations to the Fund), Annex VI of the July 2021 Board paper (Fund Concessional Financial Support for Low-Income Countries—Responding to the Pandemic), CtR Homepage, and 2024 Review Of The Poverty Reduction And Growth Trust Facilities And Financing — Reform Proposals are useful references on CtR issues. Country teams are also encouraged to consult with their FIN reviewers early in the internal review process on any specific issues pertaining to the application of the SPS requirement for enhanced CtR analysis.

# REDUCING DEBT VULNERABILITIES IN PROGRAMS WITH COUNTRIES AT HIGH RISK OF, OR IN, OVERALL DEBT DISTRESS

**30. The policy note and staff report for PRGT financing requests by countries at high risk of, or in, overall debt distress that, therefore, trigger SPS3, must include as an explicit program objective the concrete reduction of debt vulnerabilities over the course of the program and beyond**. This would typically involve reducing breaches of the thresholds/benchmark, for debt and debt service indicators in the LIC-Debt Sustainability Framework (DSF) that trigger the mechanical risk signals. While this requirement involves a discussion of the trajectory over the program of threshold/benchmark breaches, it does not require a downward trajectory in each one.

[35] The data underpinning the samples of control groups will be updated annually by FIN. This update will incorporate all UCT programs and emergency financing approved in the previous calendar year.

Rather, the assessment that debt vulnerabilities are being reduced should be holistic, taking account of country-specific factors (discussed below).

**31. This requirement is *less stringent* than the requirements under the PRGT exceptional access policy (PRGT EA)**. Both PRGT-EA and PS-HCC (the latter when applied to countries that do not meet the GRA EA3 criterion[36]) require that overall public debt be assessed to be sustainable in the medium term with high probability, which is generally considered to be met for countries with a low or moderate risk of debt distress. Furthermore, countries seeking exceptional access to PRGT resources but at high risk of, or in, debt distress must have a credible plan to improve their risk rating to at least moderate within 36 months from Board approval or within the period of the new arrangement (whichever is longer) via a combination of policies and financing from sources other than the Fund (which may include a debt restructuring).[37] By contrast, the SPS requirement does not require that overall public debt be assessed as sustainable *with high probability* over the medium term. Therefore, while the program would be expected to deliver a reduction in debt vulnerabilities under SPS, this would not necessarily entail an improvement in the debt distress risk rating from high risk of/in distress to moderate within the program period.

**32. This requirement is automatically satisfied in cases where debt is assessed to be unsustainable *ex ante* and the member is undertaking a debt restructuring to restore sustainability**. If a country is assessed to have an unsustainable debt position, the Fund would be precluded from providing financial assistance unless the member takes steps to restore debt sustainability in the medium term. If donor financing other than from the Fund, together with politically and economically feasible fiscal adjustment, is not sufficient to restore sustainability, a debt treatment would be needed. It is always for the member to decide whether or not to seek a debt treatment. Approval of Fund financing in such cases would be predicated on the member seeking a debt treatment consistent with restoring debt sustainability, which would also satisfy the requirement under SPS3. Operationally, the SPS3 write-up can be very short and refer to the DSA, which would explain how the restructuring would restore sustainability.

### Reduction in Debt Vulnerabilities Under SPS3

**33. The SPS3 write-up should focus on the evolution of the LIC-DSA debt vulnerability indicators that breach the thresholds/benchmark under the baseline during the program period and beyond**. The DSA uses indicative thresholds for four external debt burden indicators: the present value (PV) of PPG external debt relative to GDP and to exports (solvency risks); and the ratio of PPG external debt service relative to exports and to revenues (liquidity risks). There is also a

[36] For countries subject to the PS-HCC, that meet the GRA EA3 criterion, financing provided by sources other than the Fund, although it may not restore sustainability with high probability, should improve debt sustainability and sufficiently enhance the safeguards for Fund resources.

[37] For specific requirements under PRGT exceptional access, see Annex II in "*Fund Concessional Financial Support for Low-Income Countries – Responding to the Pandemic*", IMF Policy Paper No. 2021/053 (July 2021). See *Supplement to the 2018 Guidance Note on the Bank-Fund Sustainability Framework for Low Income Countries* (July 18, 2024) for details on setting debt restructuring targets when debt is assessed as unsustainable.

benchmark for an overall public debt burden indicator: the PV of total public debt to GDP.[38] The model-based signal for the risk of PPG external debt distress is derived by comparing each indicator's projected evolution under the baseline and shock scenarios relative to its statistically determined threshold.[39] The thresholds for each indicator are bounds above which the risk of debt distress is considered to be elevated and vary depending on a country's assessed debt-carrying capacity (low, medium, or high), a determination that is made via a composite indicator using country-specific information.[40] High risk of debt distress is signaled when one or more of the indicators breach its threshold in the baseline; moderate risk occurs when there are no extended breaches in the baseline; and low risk occurs when there are no breaches under the baseline *and* shock scenarios.

**34. Breaches of thresholds/benchmark under the baseline would typically need to be reduced in order to satisfy the SPS3 requirement of reducing debt vulnerabilities**. However, in some circumstances it may not be possible (or appropriate) to reduce all of the breaches continuously over the program period given the nature of the variables in the indicators. Nevertheless, the composite picture of vulnerabilities should show a clear overall improvement, and cases where some indicator breaches widen over part of the program period should be explained and justified.

- There is a strong presumption that debt/GDP and debt/exports would decline over the course of the program, supported by fiscal consolidation and debt limits under the program, as well as by an expectation of growth. However, there could be exceptional cases where the breaches initially widen, e.g., due to front-loaded access or shocks (such as to prices of commodity exports) that reduce exports and/or GDP over the near term.
- The trajectory of debt service is largely fixed in the near term, reflecting past borrowing. In cases where debt service rises over the program period (e.g., due to maturing sovereign external debt in the middle or latter part of the program), it may not be possible to reduce debt service/exports in the near term. The same applies to debt service/revenues: although revenues can be increased under program policies, it may take time to implement such increases, and they may not outweigh a rising trajectory of predetermined debt service. However, where debt service/revenues breaches the threshold, the program would normally be expected to include polices to mobilize higher revenues.
- The need to rely on judgment to supplement mechanical signals is particularly important where staff have combined the signals from the LIC-DSF model-based rating with judgment based on country-specific circumstances to arrive at a final risk rating for external and overall debt distress

[38] Among the three overall public debt indicators, only the PV of total public debt to GDP has estimated benchmarks. However, the evolution of the other two indicators should be consistent with the holistic assessment of reduction in debt vulnerabilities (see *2024 Supplement to 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries*).

[39] Note that for the overall public debt indicators, only the PV of total PPG debt to GDP has an estimated indicative benchmark.

[40] See "*Guidance Note on the Bank–Fund Debt Sustainability Framework for Low Income Countries*" (February 2018).

that differs from the mechanical DSA ratings. Examples of such situations could include cases where a high risk of debt distress rating is based on long-term risks related to climate change, natural disasters, and/or shifts in financing that are projected to cause breaches under the baseline beyond the medium term; situations of unresolved/legacy external arrears; pending debt operations; fragility and/or conflict situations; and limited financing. Indeed, there are some examples where countries have been assessed as having high risk of debt distress despite not breaching any of the LIC-DSF indicators under the baseline in the near to medium term.[41] For such countries, addressing debt vulnerabilities through the reduction in mechanical breaches of the LIC-DSF indicator thresholds during a program may not be applicable.

# EARLY BOARD ENGAGEMENT THROUGH AN INFORMAL BOARD MEETING

**35. PRGT safeguards require that an early informal board consultation takes place whenever a financing request triggers SPS2 or involves exceptional access to PRGT resources.** In addition, staff would provide early notice to the Board, for instance in an informal country matters session, of upcoming arrangement requests or augmentations where the envisaged financing commitment, in absolute terms, would have a large impact on the Fund's overall concessional resources. This requirement does not apply to new financing requests by members of 25 percent of quota or less (the *de minimis* threshold).[42] To ensure Executive Directors' views on access levels are appropriately reflected in the negotiations, the informal Board meeting should take place as soon as management concurs that a new request involving exceptional access or at levels that exceed the SPS2 stock or flow triggers could be appropriate.

**36. The Executive Board must be provided with specific information to enable it to review the case for high or exceptional access.** The informational requirements for the informal Board consultation in the case SPS2, PRGT EA, or PS-HCC is triggered include:

- The factors underlying the large/exceptional BoP need, after accounting for financing from donors. This should include an initial assessment of the member's BoP need and financing available from other development partners.
- A brief summary of the main policy measures and macroeconomic framework.
- For SPS2 the expected strength of the program; for PRGT EA and PS-HCC, the assessment of a reasonably strong prospect of success including the member's adjustment plans and its institutional and political capacity to deliver that adjustment.

[41] Examples include Afghanistan *(IMF Country Report No. 2021/138)*, Haiti *(IMF Country Report No. 20/123)*, Micronesia (*IMF Country Report No. 19/288*), Samoa (*IMF Country Repot No. 2021/056*), and Tuvalu *(IMF Country Report No. 2021/176)*.

[42] 15 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met.

- An assessment of capacity to repay including a capacity to repay table.
- A reference to impact on the Fund's resources (in the case of the PRGT EA and SPS2, to concessional Fund resources).
- An analysis of debt vulnerabilities, including a preliminary DSA assessment and the standard DSA charts. The discussion should include the results from the "realism" tools in the LIC DSF.
- A discussion of any deficiencies in the quality/transparency of public debt data.
- The likely timetable for discussion with the authorities.
- A Selected Economic Indicators (SEI) table.
- In addition, when SPS2 is triggered, the informational requirements also include the following (with the first two requirements being optional when, in rare occasions, SPS2 is not triggered but PRGT EA or PS-HCC are triggered) [43]:
    - An enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure (as required under SPS).
    - A granular discussion of the composition and evolution of debt, with a particular focus on external debt that is more difficult to restructure (as required under SPS).
    - SPS2 cases with a high risk of, or in, overall debt distress, should have an explicit program objective to reduce debt vulnerabilities (as required under SPS).

[43] Cases where a member triggers the PRGT EA but does not trigger the SPS are rare, but they can occur. Consider a country with no outstanding credit to the IMF that obtains a precautionary SCF for 18 months at 120 percent of its quota. At the end of the arrangement, the country faces a shock that leads to the disbursement of the entire amount. Within less than 12 months, due to continued shocks, the country requests a new 18-month SCF for 150 percent of quota, with a frontloaded disbursement of 90 percent of quota at program approval. This new disbursement will cause the annual access limit (200 percent of quota) to be exceeded, thereby triggering the PRGT EA. However, since the access under the new arrangement is less than 125 percent of the norm (i.e., less than 181.25 percent of the quota), the SPS flow trigger will not be activated. Furthermore, with the cumulative access at the end of the new arrangement being 270 percent of quota, which is less than 300 percent of quota, the stock SPS triggers will not be activated either.

## Annex I. Hypothetical Examples of the Application of Multi-Layered Architecture on the SPS

### Annex I. Table 1. Hypothetical Examples of the Application of Multi-Layered Architecture on the SPS

| | | | | | SPS1 | | SPS2 | | |
|---|---|---|---|---|---|---|---|---|---|
| Case | Access in % of Quota | Duration in months | Facility | Applicable norm in % of Quota | Trigger: 125% of norm | Met? | Trigger: 150% of norm | Met? | Comment |
| | | | | | *At approval* | | | | |
| I | 180 | 36 | ECF | 145 | 181 | N | 218 | N | |
| II | 250 | 36 | ECF | 145 | 181 | Y | 218 | Y | |
| III | 250 | 48 | ECF | 193 | 242 | Y | 290 | N | Norm is prorated to 48 months |
| IV | 250 | 60 | ECF | 242 | 302 | N | 363 | N | Norm is prorated to 60 months |
| V | 250 | 18 | SCF | 145 | 181 | Y | 218 | Y | |
| VI | 250 | 30 | SCF | 193 | 242 | Y | 290 | N | Norm is capped at 193 (pro-rated norm for a 24 month SCF) |
| | | | | | *50 percent of quota ECF augmentation to cases I and III without extension* | | | | |
| I | 180+50=230 | 36 | ECF | 145 | 181 | Y | 218 | Y | Applicable norm is unchanged |
| III | 250+50=300 | 48 | ECF | 193 | 242 | Y | 290 | Y | Applicable norm is unchanged |
| | | | | | *50 percent of quota ECF augmentation to cases I and III with 6 months extension of the arrangement* | | | | |
| I | 180+50=230 | 36+6=42 | ECF | 169 | 211 | Y | 254 | N | Applicable norm prorated to 42 months |
| III | 250+50=300 | 48+6=54 | ECF | 218 | 272 | Y | 326 | N | Applicable norm prorated to 54 months |

Source: IMF staff calculations.

# Annex II. Sample Write-up for the Strengthened Policy Safeguards for Country X

## Write-Up on the Composition and Evolution of Debt

1. **The size of Country X's *de facto* senior debt plus other multilateral and collateralized debt as a share of total PPG external debt is below 50 percent at program initiation and is projected to rise to 50 percent over the medium term under the baseline projection**. These ratios are below the mean and median for PRGT programs and indicate a significant buffer of restructurable debt. At program initiation, debt held by institutions afforded *de facto* preferred creditor status—the IMF, World Bank, and other major development banks—accounts for 34 percent of PPG external debt; adding debt held by other multilaterals and collateralized debt brings the total to 44 percent. The combined share of such debt is projected to rise to 50 percent of PPG external debt by 2024. Total multilateral plus collateralized debt as a share of GDP is projected to decline significantly under the program, from 32 to 22 percent of GDP.

### Annex II. Table 1. Country X: Debt Composition, 2024-27

| | Actual | Projections | | |
|---|---|---|---|---|
| **Creditor Profile** | 2024 | 2025 | 2026 | 2027 |
| Total debt[1] | 11,477 | 11,061 | 10,650 | 10,022 |
| External debt | 10,099 | 9,678 | 9,267 | 8,639 |
| *Multilateral creditors* | 4,010 | 3,881 | 3,750 | 3,615 |
| o/w IMF and WB | 2,168 | 2,080 | 1,990 | 1,896 |
| o/w: IMF | 992 | 952 | 911 | 868 |
| o/w: ADB/AfDB/IADB | 1,327 | 1,307 | 1,288 | 1,270 |
| o/w: Other multilaterals | 514 | 494 | 472 | 450 |
| *Bilateral creditors* | 3,801 | 3,518 | 3,248 | 2,990 |
| o/w: Paris Club | 2,136 | 2,098 | 2,065 | 2,031 |
| o/w: Non-Paris Club | 1,666 | 1,420 | 1,183 | 959 |
| *Private creditors* | 2,288 | 2,279 | 2,269 | 2,034 |
| o/w: Bonds | 1,373 | 1,367 | 1,361 | 1,220 |
| o/w: Loans | 915 | 912 | 908 | 814 |
| Domestic debt | 1,378 | 1,383 | 1,383 | 1,383 |
| Memorandum items | | | | |
| Collateralized debt | 547 | 567 | 587 | 609 |
| *o/w: Related* | 438 | 453 | 470 | 487 |
| *o/w: Unrelated* | 113 | 113 | 117 | 122 |
| Nominal GDP | 14,129 | 15,933 | 16,859 | 19,456 |
| | | | | |
| **Multilateral and Collateralized Debt** | | | | |
| *Multilateral debt*[2] | 4,010 | 3,881 | 3,750 | 3,615 |
| Percent of external debt | 40 | 40 | 40 | 42 |
| Percent of GDP | 28 | 24 | 22 | 19 |
| *o/w: IMF and WB* | 2,168 | 2,080 | 1,990 | 1,896 |
| Percent of external debt | 21 | 21 | 21 | 22 |
| Percent of GDP | 15 | 13 | 12 | 10 |
| *o/w: ADB/AfDB/IADB* | 1,327 | 1,307 | 1,288 | 1,270 |
| Percent of external debt | 13 | 14 | 14 | 15 |
| Percent of GDP | 9 | 8 | 8 | 7 |
| *o/w: Other multilaterals* | 514 | 494 | 472 | 450 |
| Percent of external debt | 5 | 5 | 5 | 5 |
| Percent of GDP | 4 | 3 | 3 | 2 |
| *Collateralized debt* | 547 | 567 | 587 | 609 |
| Percent of external debt | 5 | 5 | 6 | 6 |
| Percent of GDP | 4 | 4 | 3 | 3 |

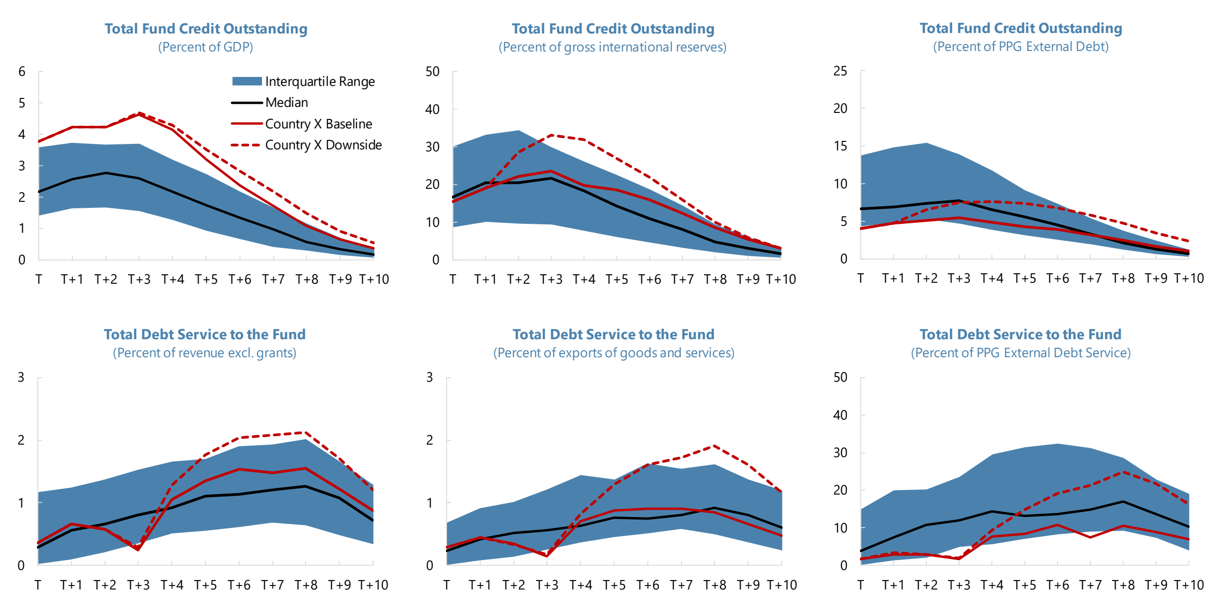
1/ Data should be derived from the Debt Holder Profile table as reported by country authorities (see Table 1 in DLP GN), while the projections should be based on the LIC-DSA analyses.
2/ Teams may decide to aggregate at the level of multilaterals for the projection period and decide when to stop filling out the projections. When there are concerns with the quality of projections, teams do not need to provide data for the following four lines: ADB/AfDB/IADB, other multilaterals, Paris Club and non-Paris Club; and in cases where the team cannot project WB credit, that may also be left blank.

## Write-Up on the Enhanced Capacity to Repay Analysis

**2. Country X's capacity to repay the Fund is adequate under the baseline scenario, but subject to significant risks as illustrated by a downside scenario**. Under the baseline, the stock of debt to the Fund as a share of GDP remains at elevated levels based on existing and prospective drawings, peaking in T+3 at almost 5 percent of GDP, well above the 75$^{th}$ percentile of past PRGT arrangements (Figure 1) and among the PRGT's top exposures in the last decade. However, debt to the Fund as a share of exports and debt service as a share of revenues and exports are not elevated, with indicators of debt service to the Fund close to or below the median for the comparator group. Country X's capacity to repay the Fund is subject to significant downside risks including from failure of large energy projects, natural disasters, deterioration in the security situation, and materialization of fiscal risks that could reduce the government's debt service capacity. Risks are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, fiscal policy measures envisaged in the program, measures to strengthen governance, and smoothed phasing of Fund disbursements. Risks to capacity to repay are intensified under a downside scenario that assumes significant delays in energy projects, with most Fund credit indicators exceeding the 75$^{th}$ percentile of past PRGT financing. However, these risks would remain manageable because Country X is not exposed to large contingent liability risks under the energy contracts and provided the authorities continue to implement structural reforms to support economic diversification.

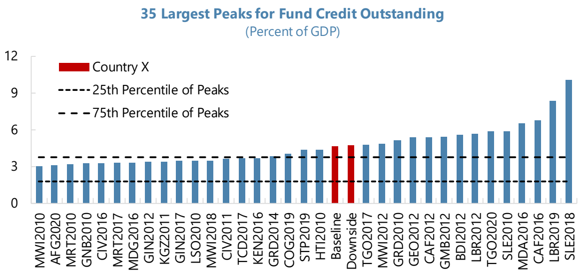
**Annex II. Figure 1. Country X: Capacity to Repay Indicators Compared to PRGT Countries**

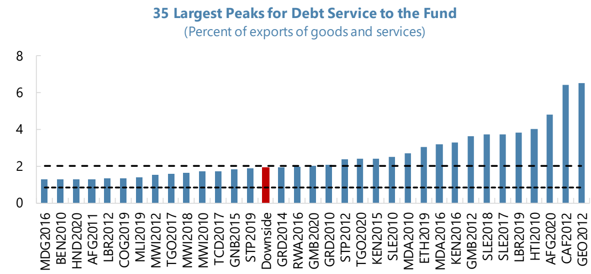
(Units as indicated)



## Annex II. Figure 1. Country X: Capacity to Repay Indicators Compared to PRGT Countries (concluded)

(Units as indicated)




Notes:
1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Redlines/bars indiciate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UTC arranagments (including blends) approved for the PRGT countries between 2010 and 2020.
4) PRGT countries in the control group with multiple arrangements are entered and separate events in the database.

### Write-Up on Reducing Debt Vulnerabilities in Programs with Countries at High Risk of, or in, Overall Debt Distress

**3. One of the main objectives of country X's request for a Fund-supported program is to reduce debt vulnerabilities, including those stemming from the pandemic**. Country X is assessed to be in overall debt distress, due to pre-HIPC arrears and official arrears to a Paris Club creditor that are being addressed, with the two sides having reached an agreement on the amounts and a repayment plan. Absent these arrears Country X would still be at high risk of overall debt distress, with all four external debt indicators and the indicator on overall debt above the respective DSA thresholds/benchmark in the baseline (insert reference to DSA charts showing evolution of the four external debt and the public debt indicators). Debt vulnerabilities will be reduced under the program, as indicated by the downward path of all five debt burden indicators over the course of the program, underpinned by fiscal adjustments (revenue and wage bill measures) and limits on non-concessional debt, along with the prospective economic benefits from the ongoing large investment in liquified natural gas (LNG) projects and a focus on enhanced natural resource revenue management. The baseline external and overall debt-to-GDP indicators remain above the DSA thresholds/benchmark until the late 2020s, reflecting financing needs arising from the pandemic and the ongoing large LNG investments. The external debt service indicators (relative to exports and revenues) are expected to bottom out temporarily in the medium term at the DSA thresholds but resume their downward trajectory as exports and revenues from the large LNG investments are realized.

## Write-up on Early Board Engagement Through an Informal Board Meeting

**Statement by the Staff Representative on Proposed High Access Under the Poverty Reduction and Growth Trust for Country X for an ECF Request**
**Informal Board Meeting Month Day, Year**

*The authorities of Country X have requested a new IMF- financial arrangement to address Country X's protracted balance of payment needs and support their reform efforts. Country X's exposure to the Poverty Reduction and Growth Trust (PRGT) currently stands at XX percent of quota. With proposed access of XX percent of quota over a period of XX months [exceeding the SPS2 flow trigger of 150 percent of the norm], and based on the planned disbursements and repayments schedule, total PRGT credit outstanding projected to peak at XX percent of quota within the duration of the program [exceeding the SPS2 stock trigger of 300 percent of quota], which triggers SPS2. Discussions with the authorities are planned for [Month Day, Year].*

### I. Background

**4. Country X faces multiple challenges.** With one of the lowest levels of human development in the world, the country has to face its considerable challenges with very limited resources. Climate change also threatens a greater frequency of extreme weather events and impact on food security. Etc.

**5. Recent shocks have reversed economic and development progress.** Devastating floods killed hundreds and displaced thousands. Conflict in neighboring countries has resulted in an influx of refugees, adding fiscal strain. Donor support has been uneven because of a mix of domestic and exogenous factors and now primarily focuses on humanitarian need with little budget support. Etc.

**6. Country X has had a long engagement with the IMF.** The previous ECF-supported program (dates) was completed satisfactorily and helped address external and fiscal vulnerabilities. Reform efforts were commendable in some areas (examples), and slower in others (examples).

**7. The authorities have requested a new ECF arrangement to meet elevated external financing needs and support their reform agenda.** These pressing development challenges combined with the need for immediate response to recent shocks has resulted in widening fiscal and current account balances and new financing needs. The authorities are committed to a robust reform agenda to address external and domestic imbalances and have requested IMF support for their reform.

### II. Macroeconomic Outlook and Risks

**8. Growth…** is expected to increase to XX percent in 2025, YY percent in 2026, and ZZ percent over the medium term, from XX percent in 2024. The [shocks] will continue to slow growth in most sectors in 2025, especially in [e.g. agriculture and manufacturing]. With an expected improvement in the domestic situation from 2025, the reopening of industry, and the normalization of domestic trade, real GDP growth would temporarily rise above its medium-term forecast of xxx percent. Etc.

**9. Inflation…** is expected to [drop sharply to XX percent in 2025 and recover to just below YY percent in 2026, within the inflation target range. End-of-period inflation in 2024 reached XX percent due to continued local food price increases throughout the lean season and the persistence of non-food and non-energy inflation due to second-round effects.

**10. The current account balance…** is expected to moderate. Supported by high commodity prices, the current account deficit would [e.g. narrow in 2025 before further widening thereafter, reaching XX percent of GDP in 2027]. In addition, the [uncertain political environment will discourage private capital flows, contributing to an external financing gap of XX in 2025, expanding to YY in 2026 and narrowing thereafter to around ZZ in 2027].

**11. The outlook is [highly uncertain, with risks tilted to the downside] ….** Additional security disruptions may lead to further political uncertainty, food insecurity, internal displacement, and affect economic activity. Insecurity in neighboring countries may result in further refugee inflows and trade disruption. Difficulties in revenue mobilization and pressures on spending, including on humanitarian response and public sector wages, could further deteriorate the fiscal balance. Insufficient availability of financing in the domestic bond market may force a faster fiscal consolidation than envisaged, with possible adverse impacts on growth and poverty reduction. External risks include a global slowdown, deeper geo-economic fragmentation and extreme climate events that may reduce FDI inflows and exacerbate food insecurity.

**III. Policy Framework Underpinning the Proposed Program**

**12. External financing needs are elevated over [years] at XX (YY percent of GDP).** [Describe explanatory factors underlying the large BoP need and justify why access of more than 150 percent of quota or access that triggers the stock trigger for SPS2 is justified.] The new ECF arrangement would close the gap with XX and catalyze support from multilateral and bilateral partners. The program would be fully financed, with firm commitments of financing in place for the first 12 months of the arrangement, and good prospects that there will be adequate financing for the remaining program period. The burden sharing with other international donors is expected to be broadly in line with expectations.

**13. The new ECF arrangement will seek to build on the progress under the previous program and on the authorities' development plans.** The focus of the new program will be: (i) reducing debt vulnerabilities to protect macroeconomic stability, (ii) improving the efficiency of public spending with an increased focus on social expenditure and poverty reduction, and (iii) supporting the foundations for private sector-led growth. The objectives are fully aligned with the authorities' reform agenda, reflecting strong program ownership.

**14. The proposed policies to achieve the program objectives include meeting the country's expenditure needs while maintaining fiscal sustainability.** This will be achieved by gradually bringing the overall fiscal deficit to no more than 3 percent of GDP over the medium term, aided by domestic revenue mobilization efforts to broaden the tax base and tackle informality; improving budgeting, procurement and project selection while enhancing the efficacy of social protection spending; and supporting private sector growth through promoting better access to credit, good governance and transparency.

**15. Staff assess that there is a strong prospect of success through the adjustment plans and its institutional and political capacity to deliver that adjustment.** The authorities have developed a robust medium term revenue strategy with FAD support that seeks to implement the most high-yield revenue reforms. With support from development partners, they are boldly reforming the procurement system to enable greater transparency and scaling up well-targeted social spending. A newly appointed investment agency has been tasked with addressing weakness in the business environment and expand financial inclusion. Etc. These reforms demonstrate the strong commitment of the authorities and the support of development partners in building capacity to deliver.

**IV. Analysis of Debt Vulnerabilities**

**16. Under staff's baseline scenario, Country X's debt is sustainable with [high risk of overall and external debt distress].** A preliminary updated DSA shows that there are [multiple breaches of PPG external debt burden indicators (the present value of PPG external debt to export ratio and PPG external debt service to export ratio) in the baseline scenario] that signal high risk of external and overall debt distress (Figure 1, 2). In the medium- and long-run, the authorities' sustained commitment to sound macroeconomic policies and economic reforms, as well as further strengthening debt management supported by the Fund's Debt Limit Policies and associated conditionality, will be critical to buttress debt sustainability.

**17. The DSA realism tools indicate that the macroeconomic baseline is broadly in line with [country's] recent history and cross-country distributions.** The three-year adjustment in the primary balance is equal to XX percent of GDP and deemed achievable, despite being in the upper quartile of fiscal adjustment in typical Fund-support programs for LICs. [Highlight notable features from external debt, fiscal adjustment and growth, and public investment and growth].

**18. The share of external debt that is more difficult to restructure is projected to [increase].** [Granular discussion of the composition and evolution of debt, with a particular focus on external debt that is more difficult to restructure (see SPS requirements above)].

**19. The program will improve the quality and transparency of public debt data.** IMF TA missions have identified a number of weaknesses in debt recording and management and a reform plan has been agreed. This will inform a series of structural benchmarks to improve the quality and transparency of public debt data, such as a regular debt bulletin that covers a greater segment of the public sector.

**20. [If high risk of, or in, overall debt distress] The program includes an explicit objective to reduce debt vulnerabilities.** The fiscal consolidation plan will reduce the present value of overall public debt to moderate by 2027. Quantitative targets on domestic borrowing will reduce the demands on the already stretched domestic bond market. Greater access to concessional external finance will reduce external vulnerabilities in the medium term, notably on indicators related to external debt service, etc.

**V. Program Modalities and Impact on the Fund's Concessional Resources**

**21. Staff propose access of SDR XX million (XX percent of quota), with YY reviews and disbursements peaking in [year].** The proposed access would help address the acute financing needs. The phasing [e.g. will be equal/frontloaded because…]. The program access of [e.g. 250 percent of quota over 36 months would trigger the SPS2 flow trigger]. Considering Country X's current exposure to the Fund and planned disbursements and repayments, total access to PRGT resources would rise to [just over the 300 percent of quota, thereby triggering the SPS2 stock trigger], while remaining [below the cumulative access limit of 600 percent].

**22. Program performance will be monitored through semi-annual reviews.** Quantitative performance criteria (QPCs) will be established for [end-December year] and [end-June year] and quarterly indicative targets (ITs) for [end-September year] and [end-March year]. Structural Benchmarks will be discussed with the authorities during the upcoming mission and will aim to meet the goals of the program.

**23. Country's X capacity to repay the Fund remains adequate.** [Text on CtR analysis that is informed by cross-country comparisons of metrics of Fund exposure including reference to relevant charts and a capacity-to-repay table (see SPS requirement above)]. Sample of the CtR assessment paragraphs can also be found on the CtR Home Page. Here is one sample with downside scenario: "**Country X's capacity to repay the Fund is adequate under the baseline scenario, but subject to significant risks as illustrated by a downside scenario**. Under the baseline, the stock of debt to the Fund as a share of GDP remains at elevated levels based on existing and prospective drawings, peaking in T+3 at almost 5 percent of GDP, well above the 75$^{th}$ percentile of past PRGT financing (Figure 1) and among the PRGT's top exposures in the last decade. However, debt to the Fund as a share of exports and debt service as a share of revenues and exports are not elevated, with indicators of debt service to the Fund close to or below the median for the comparator group. Country X's capacity to repay the Fund is subject to significant downside risks including from failure of large energy projects, natural disasters, deterioration in the security situation, and materialization of fiscal risks that could reduce the government's debt service capacity. Risks are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, fiscal policy measures envisaged in the program, measures to strengthen governance, and smoothed phasing of Fund disbursements. Risks to capacity to repay are intensified under a downside scenario that assumes significant delays in energy projects, with most Fund credit indicators exceeding the 75$^{th}$ percentile of past PRGT arrangements. However, these risks would remain manageable because Country X is not exposed to large contingent liability risks under the energy contracts and provided the authorities continue to implement structural reforms to support economic diversification."

**24. Impact on Fund's resources**. Staff assesses that the arrangement requested by [Country] under the ECF for [X] percent of quota will have a [significant/manageable] impact on the Fund's concessional resources. The proposed access would bring total PRGT exposure to [Country] to about [X] percent of PRGT credit outstanding (from [X] percent), (thus increasing PRGT credit concentration), and [X] percent of the balance in the PRGT Reserve Accounts. The proposed access would also imply a cost of about [SDR XX million] in PRGT subsidies, about [X] percent of the balance in the PRGT Subsidy Accounts.

### VI. Next Steps

**25. Program discussions.** These are scheduled to take place during [month day-day, year] in [place].

**26. Consideration by the Executive Board.** If a staff level agreement with the authorities is reached, a program request could be presented for Executive Board consideration in [month year].

**Tables/Figures**

- Selected Economic Indicator (SEI)
- Debt Composition
- DSA: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025–2035
- DSA: Indicators of Public Debt under Alternative Scenarios, 2025–2035
- Output from DSA Realism tools
- Indicators of capacity to repay the Fund
- Dashboard: Capacity to Repay Indicators Compared to PRGT Countries

# Annex III. Q&A on the Strengthened Policy Safeguards

**1. What are the requirements and categories of scrutiny of the SPS?** There are four requirements, which become relevant depending on access levels and a country's debt situation: (i) a granular discussion of the structure and evolution of debt, accompanied by a table; (ii) a discussion of CtR risks based on a dashboard showing Fund exposure metrics compared to past PRGT programs; (iii) a discussion of how the program seeks to reduce debt vulnerabilities; and (iv) an early engagement with the Board through an informal Board meeting. There are three categories of scrutiny (SPS1, SPS2, SPS3), each category of scrutiny entails two or more SPS requirements (see table below).

**Annex III. Table 1. The SPS Triggers and Requirements per Category of Scrutiny**

| | Triggers | Requirements |
|---|---|---|
| **SPS 1** | **Flow**: PRGT access per arrangement exceeds 125 percent of the access norm, or<br>**Stock**: PRGT credit outstanding exceeds 300 percent of quota (200 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met) | Granular discussion of the composition and evolution of debt; 1/ and enhanced CtR analysis informed by cross-country comparisons of metrics of Fund exposure 2/ |
| **SPS 2** | **Flow**: PRGT access per arrangement exeeds150 percent of the access norm, or<br>**Stock**: PRGT credit outstanding exceeds 300 percent of quota (200 percent of quota after the general conditions for effectiveness of the 16th GRQ increase have been met) | **SPS1** + Early engagement with the Board through an informal Board meeting once Management agrees that the new financing request could be appropriate |
| **SPS 3** | Being at high risk, or in, overall debt distress | **SPS1**+ Explicit program objective to reduce debt vulnerabilities 1/ |

1/ This analysis can be presented in a separate annex (with a brief reference in country documents' discussion of program risks), notably in the accompanying DSA.
2/ The CtR write-up should be included in the usual section on CtR in the program modalities section of the country documents. The CtR dashboard should be included with the standard charts at the end of the main document and cross-referenced in the CtR write-up.

**2. When SPS are triggered, should the analysis be included in policy notes (PNs) and staff reports (SRs)?** Yes, PNs and SRs should include the relevant write-ups at each SPS category of scrutiny. The informal Board meeting should take place as soon as the management agrees on the PN that established that the member has triggered this requirement.

**3. Would GRA access under a blend financing request count toward meeting the SPS trigger?** No, for members requesting a new financing or an augmentation under blend arrangements, only the PRGT access will be considered when assessing whether the SPS flow or stock triggers are met. SPS apply only to financing under the PRGT.

**4. When are the SPS triggered?** Financing requests (i.e., emergency financing, arrangements or access augmentation requests) that entail an access above 125 percent of applicable norm per arrangement or 300 percent cumulative (including total outstanding credit) trigger SPS1. Financing requests that entail an access above 150 percent of the applicable norm per arrangement or 300 percent cumulative (including total outstanding credit) trigger SPS2. Program or augmentation requests for countries at high risk of, or in, overall debt distress require SPS3, irrespective of access levels. The SPS are not required for non-financing instruments or at program reviews under financing instruments that do not involve an augmentation.

**5. If a program already met one or all the SPS at approval and then seeks an augmentation, do the SPS requirements need to be met again? In particular, is an early informal Board meeting required if one was held at program approval?** Yes. The program would need to provide assurances on the new higher level of access requested. Teams should check that higher access does not also trigger PRGT EA or PS-HCC.

**6. Should the requirements under SPS be included in PNs and SRs during program reviews?** No, they are required only in PN and SRs for requests for new financing arrangements, or new requests under the RCF, or for augmentation of access. Once an arrangement has triggered the SPS requirements, there is no need to discuss or update the granular composition and evolution of debt, nor to include or update the enhanced CtR dashboard, absent an augmentation of access under the arrangement.

**7. Are the SPS required for requests that entail exceptional PRGT access (PRGT EA/PS-HCC)?** SPS could be triggered under PRGT EA/PS-HCC, in which case the relevant requirements should be implemented. However, since reducing debt to moderate or low is already required under the PRGT EA/PS-HCC policies, and should be discussed in the DSA, the requirement to include a discussion of how the program seeks to reduce debt vulnerabilities would not apply.

**8. Are the requirements under SPS triggered for requests in cases where debt is unsustainable, and the member is undertaking a debt restructuring to restore sustainability?** The granular discussion of the structure and evolution of debt and the enhanced CtR analysis are required, but the granular discussion of the structure and evolution of debt should present only data on the current composition of debt (not its evolution over the program period). The discussion of the program commitment to reduce debt vulnerabilities is automatically satisfied, since restructuring and adjustment will reduce debt vulnerabilities, and should be discussed in the DSA. Operationally, the discussion on how to reduce debt vulnerabilities can be very short and refer to the DSA, which would explain how the restructuring would restore sustainability.

**9. If SPS is triggered but potentially senior or hard to restructure debt (multilateral and collateralized) is comparatively low (e.g., below half of total external debt), is a granular discussion of the structure and evolution of debt still required?** Yes, but the discussion can be brief.

**10. If SPS is triggered but none of the CtR metrics in the dashboard signal elevated risk (e.g., in the top quartile of past programs), is the enhanced CtR analysis still required?** Yes, but when the metrics and staff judgment indicate that CtR risks are contained, the CtR discussion can be brief. A deeper discussion is **required** when the metrics and staff judgment indicate higher risk, in which case the discussion of CtR risks should examine the severity of the implied risks and discuss how the program would mitigate these risks.

**11. What macroeconomic assumptions should be used for the preparation of the CtR dashboard?** The data and cross-country charts should be based on the baseline scenario underpinning the country documents (PNs or SRs). If country documents include downside scenarios, teams may wish to include such scenarios in the dashboard and analysis. The dashboard charts should then include both the baseline and a second line (or bar) for the downside scenario.

**12. What CtR metrics should be shown in the dashboard?** The dashboard should include the following eight indicators: Fund credit outstanding as a ratio of GDP, GIR, and PPG external debt; debt service to the Fund as a ratio of fiscal revenue (excl. grants), exports of goods and services, and PPG external debt service; and two charts highlighting the highest peak credit indicators for the above metrics relative to PRGT countries with top Fund credit exposures. If teams believe other metrics are more relevant in a particular case, the dashboard can be adjusted, but most of the eight metrics listed above should be retained and the alternative metrics should draw from the indicators already embedded in FIN's dashboard.

**13. What is the baseline comparator group used in the CtR dashboard?** The dashboard will normally be based on a comparator group of PRGT UCT-quality programs and PRGT emergency financing facilities (both including blends) approved in the recent decade. The sample includes only emergency financing facilities from countries that also had a UCT quality program during the sample period.

**14. Who will prepare the CtR dashboard?** For the time being, the CtR dashboards are prepared in joint collaboration by FIN staff and country teams based on data provided by country teams before the PN or SR is finalized.

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