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PROPOSAL FOR THE ALLOCATION OF CONCESSIONAL RESOURCES 2017-2018

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ABBREVIATIONS

CIPE	Country Institutional and Policy Evaluation
CPIA	Country Policy and Institutional Assessment
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EPBA	Enhanced Performance-Based Allocation
FSO	Fund for Special Operations
IDA	International Development Association
PMR	Progress Monitoring Report
SGO	Sovereign Guaranteed Operations

I. INTRODUCTION

1.1 The purpose of this document is to submit for the consideration of the Board of Executive Directors Management's proposal for the allocation of concessional resources for 2017-2018.[1]

1.2 The proposal was prepared according to the provisions of document AB-3066-2 entitled "Proposal for Sustaining Concessional Assistance by Optimizing the IDB's Balance Sheets", which was approved by the Board of Governors on September 1, 2016. Section II summarizes the application of country eligibility criteria and Section III presents the determination of the EPBA envelope.

1.3 The proposal was also prepared according to the DSF/EPBA methodology presented in document GN-2442 entitled "Implementation of multilateral debt relief and concessional finance reform at the IDB. Proposal for the implementation of a Debt Sustainability (DSF) and Enhanced Performance-Based Allocation (EPBA) framework", which was approved by the Board of Executive Directors (Board) on February 21, 2007. Document GN-2442 presented an enhanced performance-based allocation system for the distribution of concessional resources, under a blended lending structure, based on the DSF/EPBA criteria. Under the DSF/EPBA, the overall allocation of concessional resources is determined by a combination of country needs and performance, which determines the concessional resources allocation (as per the EPBA); and the risk of debt distress, which defines the appropriate blend of regular Ordinary Capital (OC) resources (as per the DSF). As such, the DSF/EPBA links concessional resource allocation with absorption capacity, while preserving alignment with debt sustainability. Section IV summarizes the application of the EPBA and Section V summarizes the application of the DSF.

II. COUNTRY ELIGIBILITY

2.1 Country eligibility for concessional resources is determined by two criteria: (i) a Gross National Income (GNI) per capita lower than the threshold of US$2,834 in 2015 prices[2]; or (ii) insufficient creditworthiness for borrowing 100 percent on regular OC terms, as indicated by a country's score on a synthetic creditworthiness indicator (SCI).[3] The SCI is the sum of: (i) the percentage of concessional resources applicable to a country in the

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[1] Information on the utilization of concessional resources allocated for the 2015-2016 cycle will be included in the 2017 report on the implementation of the DSF/EPBA framework to be presented to the Board of Governors pursuant to Resolution AG-3/07.

[2] Data for GNI per capita according to the Atlas methodology is taken from the World Development Indicators, published by the World Bank.

[3] "Proposal for Sustaining Concessional Assistance by Optimizing the IDB's Balance Sheets" (AB-3066-2), approved September 1, 2016. A country will be eligible for concessional resources if: (i) it has a GNI per capita lower than the threshold; or (ii) GNI per capita between one and two times the threshold and a score on the SCI below a defined threshold (90). Additionally, as a safety margin, a country shall be above the eligibility threshold for a minimum of two consecutive years before losing eligibility.

latest allocation of concessional resources period; and (ii) a numerical equivalent of the average of the long-term, foreign currency sovereign credit ratings available from S&P, Moody's and Fitch. As such, it combines two perspectives on debt sustainability – the risk of debt distress as assessed by a debt sustainability analysis using the World Bank/IMF Debt Sustainability Framework for Low-Income Countries and a market perspective from the principal rating agencies.

2.2 Application of the eligibility criteria yields the following conclusions, which are summarized in Table 1:

- **Nicaragua**: had a GNI per capita of US$1,940 in 2015, which is below the per capita income threshold (Annex 1).

- **Honduras**: had a GNI per capita of US$2,270 in 2015, which is below the per capita income threshold (Annex 1).

- **Bolivia**: had a GNI per capita that crossed the per capita income threshold in 2014 and remained above it in 2015. Moreover, the country has a SCI score of 51, which is below the soft threshold of 80 (creditworthiness grey zone), and indicates that the country has sufficient creditworthiness for borrowing solely on regular OC terms. Consequently, Bolivia is in the two-year graduation safety margin period. Provided that Bolivia's GNI per capita remains above the per capita income threshold through 2016 and 2017 and its SCI score remains below 80, Bolivia would no longer be eligible for concessional resources in the 2019-2020 allocation (the corresponding Proposal for the Allocation of Concessional Resources would be presented to the Board in late 2018), in accordance with the provisions set forth in document AB-3066-2 [Annexes 1, 2 and 3]).

- **Guyana**: had a GNI per capita of US$4,090 in 2015, which is above the per capita income threshold but below two times the threshold. In addition, Guyana has an SCI score of 103, which is above the hard threshold of 90, and indicates that the country lacks sufficient creditworthiness for borrowing solely on regular OC terms (Annexes 1, 2 and 3).

- **No other countries** are eligible for concessional resources (Annexes 1, 2 and 3).[4]

[4] Per the "Report on the Ninth General Increase in Resources of the Inter-American Development Bank" (AB-2764), Haiti is outside the EPBA/DSF framework until 2021 and receives support in the form of grants only. For illustrative purposes, data for Haiti is included in Annexes I, II, and III.

Table 1. Application of Eligibility Criteria

Country (ranked in order of ascending GNI per capita)	Per capita income threshold	Creditworthiness	Management recommendation
Nicaragua	Below the income threshold	In the creditworthiness grey zone	Eligible based on income per capita
Honduras	Below the income threshold	In the creditworthiness grey zone	Eligible based on income per capita
Bolivia	In transition period after crossing the threshold	Above the creditworthiness threshold	Eligible based on transition period
Guyana	Between 1 and 2 times income threshold	Below creditworthiness threshold	Eligible based on creditworthiness

Source: VPC based on Annexes 1, 2, and 3.

III. DETERMINATION OF THE EPBA ENVELOPE

3.1 Per AB-3066-2, and given that there have been no changes in the eligibility of countries since the last allocation period (GN-2442-46), the coefficient for the EPBA envelope is 3.18 percent. The Base Case of the Long-Term Financial Projections of the Ordinary Capital 2017 Final Document projects a regular OC sovereign-guaranteed (SG) lending program of US$10,000 million in 2017 and US$11,200 million in 2018. Therefore, the EPBA envelope for 2017-2018 will be US$674 million, or US$337 million annually (Table 2).

Table 2. Determination of the EPBA Envelope

	2017	2018	Total	Annual average
EPBA envelope coefficient (AB-3066-2) (1)	3.18%	3.18%		
Adjustments for changes in country eligibility (2)	0.00%	0.00%		
EPBA envelope coefficient (1) + (2)	3.18%	3.18%		
Regular sovereign-guaranteed OC lending program (Base Case LTFP 2017)	10,000	11,200	21,200	10,600
EPBA envelope (US$ million)	**318**	**356**	**674**	**337**

Source: VPC based on AB-3066-2; Section I; and LTFP of the OC 2017.

3.2 An adjustment of 3.18 percent of any deviations between the LTFP projected regular SG lending envelope for 2017-2018 and the subsequent actual regular SG approved level, will be added to/subtracted from the EPBA envelope for 2019-2020.

IV. THE ENHANCED PERFORMANCE-BASED ALLOCATION (EPBA)

A. Enhanced Performance-Based Allocation

4.1 The EPBA formula for concessional resources has two components: (i) **needs and economic strength**, comprised of population and Gross National Income (GNI) per capita;[5] and (ii) **country performance**, estimated as the weighted average of portfolio performance (30%) and the quality of the country's institutional and policy framework (70%), as measured by the CIPE. Each of these variables in the allocation formula has a defined exponent for the calculation of the distribution coefficient as determined in document GN-2442.[6]

B. Country Institutional and Policy Evaluation (CIPE)

4.2 The criteria and methodology for calculating the CIPE were originally introduced in 2002 in the context of the first proposal for a performance based allocation for Fund for Special Operations (FSO) resources (documents GN-1856-31 and CC-5819). CIPE criteria or variables are grouped into four major policy clusters, each with a specific weight in the total CIPE score: 1) Economic Management (15%); 2) Structural Policies (20%); 3) Policies for Social Inclusion/Equity (35%); and 4) Public Sector Management and Institutions (30%). The weights attached to each policy cluster were approved by the Board.

4.3 The CIPE was reformed in 2010 (document GN-2442-32) and 2012 (GN-2442-42) in order: (i) to update the variables and the respective rating guide; (ii) to include quantitative indicators to increase objectivity in the assessment, as recommended by OVE (documents RE-279 and RE-376); and (iii) to harmonize methodologies with other MDBs.[7] The CIPE variables and weights that have been applied for the 2017-2018 allocation cycle remain the same as the 2012 and 2014 CIPEs, approved in GN-2422-42. Annex IV presents the CIPE variables, and the selected quantitative indicators, as well as the basic procedures and rating guide to calculate the ratings for each variable and thus the overall CIPE score.

4.4 Annex V presents the CIPE scores, disaggregated at the level of the 16 variables. Following the practice since 2012, and in accordance with recommendations made by

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[5] Data for population and GNI per capita is taken from the World Development Indicators (World Bank).

[6] The performance-based allocation formulas for concessional resources in other multilateral development banks (MDBs) also comprise the same two components although each institution has a specific weight for each variable.

[7] Since 2004 most MDBs harmonized with the World Bank's CPIA. Harmonization was recommended by an Independent Panel that reviewed the CPIA and found little value added in having similar, highly correlated methodologies among MDBs. The harmonization was also consistent with the Managing for Development Results Framework (MfDR) objective of minimizing duplication in multilateral assessment approaches.

OVE, the scores of the 16 CIPE variables will be disclosed as part of the Proposal for the Allocation of Resources for the 2017-2018 cycle.

C. Portfolio Performance

4.5 Consistent with GN-2442 and all subsequent biennial allocations, the portfolio performance indicator (PPI) for the EPBA was derived from the percentage of undisbursed loan balances (ULB) represented by projects classified as “unsatisfactory” (i.e., either with an “on alert” or a “problem” classification). The classification of projects as “satisfactory”, “on alert” or “problem” follows the Bank’s corporate measure for project performance - the Progress Monitoring Report (PMR). The PMR captures different dimensions of projects’ performance and indicators measure each stage of a project’s life cycle (Annex VI). For the purposes of the PPI, projects also pass through a second filter that compares projects against Bank-wide benchmarks. Table 3 presents the PPI scores for the 2017-2018 allocation.

Table 3. Portfolio Performance at December 31, 2015

Country	Undisbursed loan balance (ULB)	Unsatisfactory ULB	Unsatisfactory ULB as % of total ULB	1-6 Scale
Bolivia	1,129.5	441.8	39.1%	**4.04**
Guyana	160.3	136.1	84.9%	**1.75**
Honduras	390.6	0.0	0.0%	**6.00**
Nicaragua	599.3	24.9	4.1%	**5.79**
Total	2,279.7	602.8	26.4%	

Source: VPC based on PMR March 2016 cycle database, provided by SPD.

D. Application of the EPBA

4.6 The allocation of concessional resources for the 2017-2018 period (Table 4) was calculated according to the EPBA formula set forth in document GN-2442 and the CIPE and PPI performance components described above.

Table 4: Application of the EPBA for Concessional Resources for 2017-2018

COUNTRY		Bolivia	Guyana	Honduras	Nicaragua	Total
Total population 2015		10,724,705	767,085	8,075,060	6,082,032	25,648,882
GNI per capita (US$) 2015		3,080	4,090	2,270	1,940	
Performance indicator (1-6 scale) = [0.7*CIPE + 0.3 PPI]		3.57	2.81	4.20	4.11	
CIPE (1-6 scale)		3.37	3.27	3.43	3.39	
Portfolio (PPI) (1-6 scale)		4.04	1.75	6.00	5.79	
Population exponent	**0.5**	3,275	876	2,842	2,466	
GNI p/c exponent	**-1**	0.00032	0.00024	0.00044	0.00052	
Performance exponent	**2**	12.8	7.9	17.6	16.9	
Allocation value		14	2	22	21	59
Allocation shares EPBA		23.09%	2.88%	37.53%	36.49%	100%
Yearly concessional resource allocations (US$ million)		77.8	9.7	126.5	123.0	337.1
Annual allocation per capita (US$)		7	13	16	20	13

Sources: Formula, GN-2442; population and GNI per capita data, World Bank, World Development Indicators (October 2016); CIPE scores, Annex V; portfolio scores, Table 3.

V. APPLICATION OF THE DEBT SUSTAINABILITY FRAMEWORK (DSF)

A. Concessionality

5.1 **Grant Element and Proposed Blends**. The appropriate grant element or degree of concessionality for concessional-eligible countries is derived from the risk of debt distress as assessed by application of the World Bank/IMF Debt Sustainability Framework (DSF).[8] These concessionality levels will be achieved through a combination

[8] "Implementation of multilateral debt relief and concessional finance reform at the IDB. Proposal for the implementation of a Debt Sustainability (DSF) and Enhanced Performance-Based Allocation (EPBA) framework" (GN-2442).

of “Regular OC” loans and “Concessional-OC” loans, which have the following characteristics:

- Concessional-OC loans with a 40-year bullet repayment and a 0.25% lending rate.[9]
- Regular-OC loans under the Flexible Financing Facility (FFF).[10]

5.2 The level of concessionality embedded in the blended structure is presented in Annex VII. In accordance with document AB-3066-2 the level of concessionality in blended loan operations (Concessional OC and Regular OC) will continue to be determined by the EPBA/DSF. Furthermore, it is established that the portion of Regular OC will be subject to the FFF. In order to guarantee the concessionality levels indicated by the EPBA/DSF, any of the options under the FFF may be offered to eligible borrowing member countries provided that such options are consistent with the concessionality levels, as presented in Annex VII.

B. Conclusions of Debt Sustainability Analyses

5.3 A summary of the main assumptions and results of the debt sustainably analysis according to the DSF methodology performed for Bolivia, Guyana, Honduras and Nicaragua is presented in Annex VIII. Below are the respective risks of debt distress.

5.4 **Bolivia.** The risk of debt distress for Bolivia continues to be assessed as “low” (Annex VIII). Accordingly, Management proposes to maintain the blend of 15% Concessional-OC and 85% Regular-OC for the 2017-2018 allocation.

5.5 **Guyana.** The risk of debt distress for Guyana continues to be assessed as “moderate”. Accordingly, Management proposes to maintain the blend of 50% Concessional-OC and 50% Regular-OC for the 2017-2018 allocation.

5.6 **Honduras.** The risk of debt distress for Honduras continues to be assessed as “moderate”. Accordingly, Management proposes to maintain the blend of 40% Concessional-OC and 60% Regular-OC for the 2017-2018 allocation.

5.7 **Nicaragua.** The risk of debt distress for Nicaragua continues to be assessed as “moderate”. Accordingly, Management proposes to maintain the blend of 40% Concessional-OC and 60% Regular-OC for the 2017-2018 allocation.

[9] These terms are identical to those pertaining to the Fund for Special Operations (FSO) portion of blended loans approved between 2007 and 2015.

[10] Under the (FFF) the maturity of investment loans is typically 25 years while that of policy-based loans is 20 years. Lending rates are based on LIBOR, plus applicable charges, but borrowers can chose to fix the interest rate. http://www.iadb.org/en/idb-finance/english/flexible-financing-facility-fff,1986.html

VI. PROPOSED ALLOCATION OF CONCESSIONAL RESOURCES FOR 2017-2018

6.1 **Country eligibility**: In accordance with the eligibility criteria set forth in document AB-3066-2, Bolivia, Guyana, Honduras and Nicaragua are eligible for concessional resources for the 2017-2018 allocation period.

6.2 **Total annual amount of concessional financing**. Per the methodology for determining the EPBA envelope contained in AB-3066-2, Management proposes an annual allocation for the eligible countries of US$337.1 million in Concessional-OC financing for the 2017-2018 allocation period.

6.3 **Carry-overs**. In 2011, the Board approved the elimination of the No-Carry-Over policy applicable to FSO resources within the biannual period, which allows countries to back-load or front-load resources within the allocation period in order to increase flexibility in the use of the resources (document GN-2442-34). Nonetheless, and in accordance with DSF/EPBA provisions, no reallocations or carry-overs of FSO country specific allocations between allocation periods were permitted in the three biennial concessional allocations from 2011-2015. Management proposes to maintain these carry-over rules (namely, flexibility to back-load or front-load within the two-year allocation period but no carry-over into subsequent allocation periods) for the 2017-2018 allocation of Concessional-OC resources.

6.4 **Application of the EPBA/DSF**. The allocation of concessional resources for the 2017-2018 period was calculated according to the Enhanced Performance-Based Allocation formula set forth in document GN-2442 and the respective performance components described in Section IV. The application of the DSF in order to determine the recommended blending with Regular-OC resources was described in Section V. Table 5 presents the annual allocations for 2017 and 2018 according to the DSF/EPBA.

Table 5. Proposed Annual Allocations for 2017-2018 (US$ million)

	(1)	(2)				(3)
	EPBA allocation	DSF	Blend			= (1) + (2)
	Concessional OC (US$ mn)	Risk of Debt Distress	Concessional	Regular	Regular OC (US$ mn)	Total allocation (US$ mn)
Bolivia	77.8	Low	15%	85%	441.1	519.3
Guyana	9.7	Moderate	50%	50%	9.7	19.4
Honduras	126.5	Moderate	40%	60%	189.8	316.3
Nicaragua	123.0	Moderate	40%	60%	184.5	307.5
Total	337.1				825.1	1,162.2

VII. RECOMMENDATION

7.1 Management recommends that the Board of Executive Directors approve: (a) the EPBA envelope/total amount of concessional financing, as presented in Section III; (b) the continuance of existing carry-over rules, as presented in Section VI; and (c) the allocation of Concessional-OC and Regular OC resources for the years 2017 and 2018, as presented in Table 5.

ANNEX I

GROSS NATIONAL INCOME PER CAPITA, ATLAS METHODOLOGY IN CURRENT US$, OF IDB BORROWING MEMBER COUNTRIES WITH GNI PER CAPITA LESS THAN US$10,000 (2011-2015)

	2011	2012	2013	2014	2015
Brazil	11,010	12,020	12,180	11,790	9,850
Mexico	9,080	9,770	9,910	10,080	9,710
Suriname 2/	8,070	8,760	9,180	9,590	9,300
Colombia	6,180	7,150	7,760	7,970	7,130
Peru	4,870	5,650	6,230	6,370	6,200
Dominican Republic 1/	5,420	5,660	5,840	6,020	6,130
Ecuador (2013-2015) 2/			5,810	6,090	6,010
Two times threshold	**5,323**	**5,421**	**5,509**	**5,608**	**5,668**
Ecuador (up to 2012) 2/	4,900	5,410			
Jamaica 1/	4,810	5,240	5,300	5,200	5,010
Belize	4,140	4,260	4,340	4,430	4,420
Paraguay 3/	3,250	3,430	4,180	4,390	4,220
Guyana	3,190	3,600	3,940	4,030	4,090
El Salvador 2/	3,600	3,730	3,850	3,890	3,940
Guatemala 3/	2,830	3,070	3,290	3,440	3,590
Bolivia (2014-2015)				2,870	3,080
Threshold 4/	**2,662**	**2,711**	**2,755**	**2,804**	**2,834**
Bolivia (up to 2013)	2,010	2,280	2,620		
Honduras	2,090	2,200	2,250	2,270	2,270
Nicaragua	1,600	1,700	1,790	1,870	1,940
Haiti	700	750	800	820	820

Source: GNI per capita from World Bank, World Development Indicators (October 2016). Available online at http://data.worldbank.org/data-catalog/world-development-indicators ; Threshold from AB-3066-2; US GDP deflator from IMF World Economic Outlook database, October 2016.

Notes:
1/ Ineligible for the Intermediate Financing Facility since 2004.
2/ Ineligible for blended FSO/OC loans since 2009.
3/ Ineligible for blended FSO/OC loans since 2015.
4/ Threshold is US$2,834 in 2015 prices. Threshold for 2011-2014 is 2015 level, adjusted for US GDP deflator.

ANNEX II

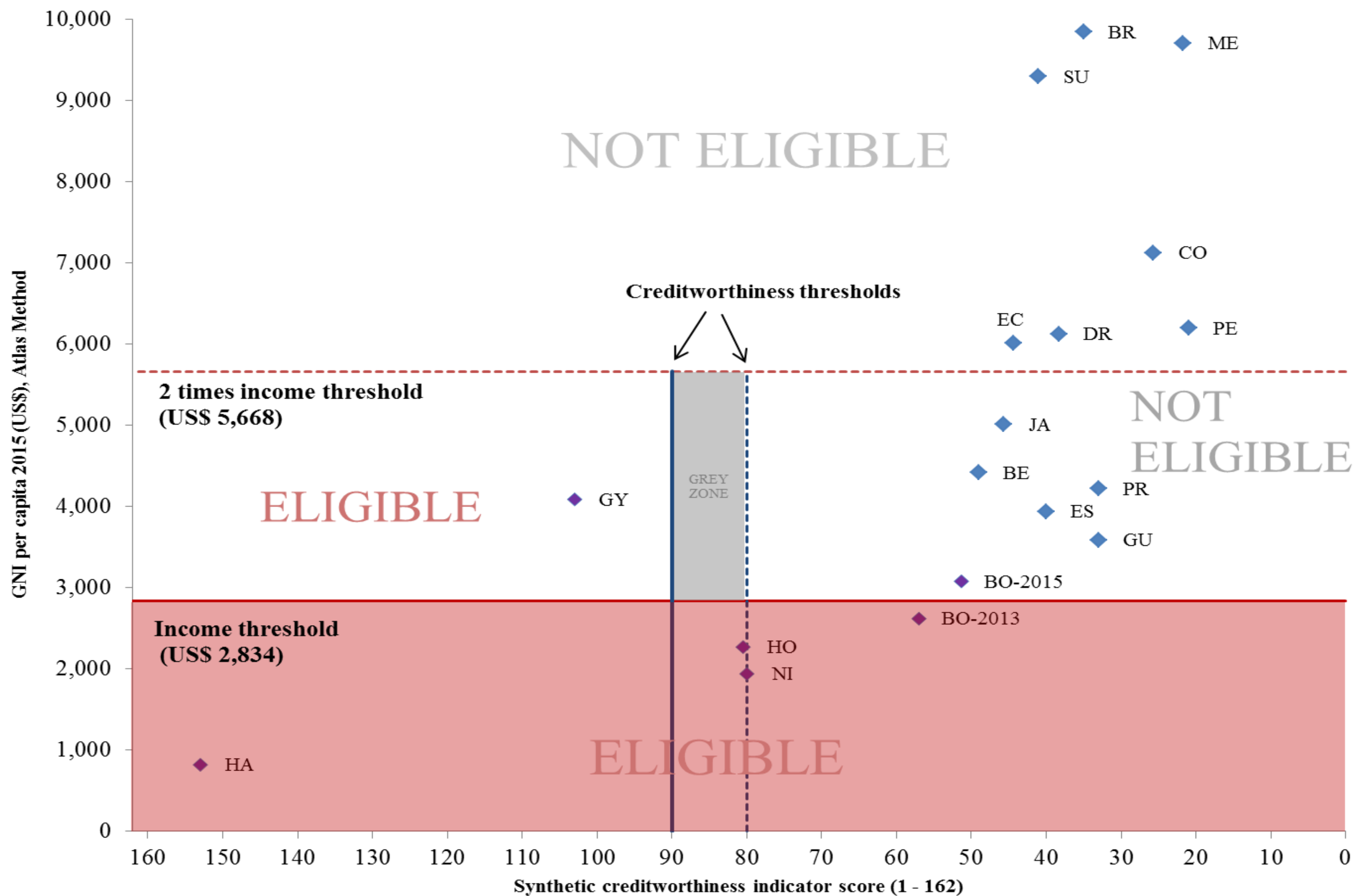
SYNTHETIC CREDITWORTHINESS INDICATOR (1-162)

			Risk of debt distress							
			Debt distress	High	Moderate		Low			OC-only
Blend (Concessional OC %)			100	100	50	40	30	20	15	0
S & P equivalent	Outlook	Rank								
BBB	S	25	125	125	75	65	55	45	40	PA, TT
BBB	N	26	126	126	76	66	56	46	41	CO
BBB-	P	27	127	127	77	67	57	47	42	UR
BBB-	S	28	128	128	78	68	58	48	43	28
BBB-	N	29	129	129	79	69	59	49	44	BH
BB+	P	30	130	130	80	70	60	50	45	30
BB+	S	31	131	131	81	71	61	51	46	31
BB+	N	32	132	132	82	72	62	52	47	32
BB	P	33	133	133	83	73	63	53	48	GU, PR
BB	S	34	134	134	84	74	64	54	49	CR
BB	N	35	135	135	85	75	65	55	50	BR
BB-	P	36	136	136	86	76	66	56	BO	36
BB-	S	37	137	137	87	77	67	57	52	37
BB-	N	38	138	138	88	78	68	58	53	DR
B+	P	39	139	139	89	79	69	59	54	39
B+	S	40	140	140	90	NI	70	60	55	ES
B+	N	41	141	141	91	HO	71	61	56	SU
B	P	42	142	142	92	82	72	62	57	42
B	S	43	143	143	93	83	73	63	58	43
B	N	44	144	144	94	84	74	64	59	EC
B-	P	45	145	145	95	85	75	65	60	AR
B-	S	46	146	146	96	86	76	66	61	JA
B-	N	47	147	147	97	87	77	67	62	47
CCC+	P	48	148	148	98	88	78	68	63	BA
CCC+	S	49	149	149	99	89	79	69	64	BE
CCC+	N	50	150	150	100	90	80	70	65	50
CCC	P	51	151	151	101	91	81	71	66	51
CCC	S	52	152	152	102	92	82	72	67	52
CCC	N	53	153	HA	GY	93	83	73	68	53
CCC-	P	54	154	154	104	94	84	74	69	VE
CCC-	S	55	155	155	105	95	85	75	70	55
CCC-	N	56	156	156	106	96	86	76	71	56
CC	P	57	157	157	107	97	87	77	72	57
CC	S	58	158	158	108	98	88	78	73	58
CC	N	59	159	159	109	99	89	79	74	59
C	S	60	160	160	110	100	90	80	75	60
C	N	61	161	161	111	101	91	81	76	61
SD	S	62	162	162	112	102	92	82	77	62

Eligible (threshold >=90) Grey zone (threshold >=80)

Source: Numerical equivalent credit ratings (October 3, 2016), RMG; risk of debt distress and blend (GN-2442-46).
Note: Haiti has been placed according its status as receiving 100% of its allocation as concessional resources (grants). Since 2015, Haiti has been classified as having "moderate" risk of debt distress. Countries without a rating are assigned "CCC" for the calculation of the SCI.

ANNEX III: INTERACTION OF ELIGIBILITY CRITERIA 2015



Source: VPC based on Annexes I and II.

ANNEX IV: COUNTRY INSTITUTIONAL AND POLICY EVALUATION (CIPE)

Policy Cluster	Variables	Indicator (Source)
A. Economic management 15%	1. Monetary and Exchange Rate Policies	
	2. Fiscal Policy	
	3. Debt Policy and Management	
B. Structural policies 20%	4. Trade	The logistic performance index (World Bank)
	5. Financial Sector	Financial Market Development Index [11] (World Economic Forum)
	6. Business Regulatory Environment	Starting a Business [50%] (World Bank)
		Regulatory Quality index [50%] (Worldwide Governance Indicators)[12]
	7. Policies and institutions for environmental sustainability	Environmental sustainability index (World Economic Forum)
C. Social inclusion/equity policies 35%	8. Gender equality, indigenous peoples and people of African descent	The Gender Inequality Index (UNDP)
	9. Equity of Public Resource Use	
	10. Building human resources	Health and primary education index [75%] (World Economic Forum)
		Higher education and training index [25%] (World Economic Forum)
	11. Social Protection and Labor	
D. Public sector management and institutions 30%	12. Property rights and rule-based governance	Rule of law indicator (Worldwide Governance Indicators)
	13. Quality of budgetary and financial management	
	14. Efficiency of revenue mobilization	
	15. Quality of public administration	Government effectiveness index (Worldwide Governance Indicators)
	16. Transparency, accountability and corruption in the public sector	Control of corruption index (Worldwide Governance Indicators)

- **Basic Procedures and 2016 Questionnaire (Link)**

[11] Previously called "The Financial Market Sophistication Index".

[12] The Worldwide Governance Indicators are produced by Kaufmann, Kraay and Mastruzzi.

ANNEX V: CIPE Ratings 2016[13]

Policy Cluster and Weight	Variable	BOLIVIA Score	GUYANA Score	HONDURAS Score	NICARAGUA Score
A. Economic management (15%)	1. Monetary and exchange rate policies	3.00	4.00	3.50	4.00
	2. Fiscal policy	3.50	3.00	3.50	4.00
	3. Debt policy and management	5.00	4.00	4.00	4.00
	Policy Cluster A Score	**3.83**	**3.67**	**3.67**	**4.00**
B. Structural policies (20%)	4. Trade	3.45	3.02	3.71	3.73
	5. Financial sector	3.50	3.35	3.79	3.54
	6. Business regulatory environment	2.60	3.31	3.26	3.10
	7. Policies and institutions for environmental sustainability	3.24	3.19	3.38	3.33
	Policy Cluster B Score	**3.20**	**3.22**	**3.53**	**3.43**
C. Social inclusion/equity policies (35%)	8. Gender equality, indigenous peoples and people of African descent	3.76	3.36	3.44	3.59
	9. Equity of public resource use	3.67	3.33	4.00	3.33
	10. Building human resources	3.45	3.52	3.78	3.65
	11. Social protection and labor	3.50	3.20	3.50	3.00
	Policy Cluster C Score	**3.59**	**3.35**	**3.68**	**3.39**
D. Public sector management and institutions (30%)	12. Property rights and rule-based governance	2.74	3.12	2.64	3.10
	13. Quality of budgetary, procurement and financial management	3.13	3.13	3.38	3.63
	14. Efficiency of revenue mobilization	3.50	3.25	3.50	3.50
	15. Quality of public administration	2.51	2.85	2.45	2.69
	16. Transparency, accountability and corruption in the public sector	3.15	2.65	2.73	2.32
	Policy Cluster D Score	**3.00**	**3.00**	**2.94**	**3.05**
	Total Score	**3.37**	**3.27**	**3.43**	**3.39**

[13] CIPE scores and underlying write-ups were prepared by CAN, CCB, and CID, in coordination with VPS sector specialists, and reviewed by a panel composed of SPD, RES and VPC.

ANNEX VI: PORTFOLIO PERFORMANCE INDICATOR (PPI) FOR 2016-2017

- **Consistent with GN-2442 and all subsequent biennial allocations, the portfolio performance indicator (PPI) for the EPBA was derived from the percentage of undisbursed loan balances (ULB) represented by projects classified as "unsatisfactory" (i.e., with either an "on alert" or a "problem" classification)**. The classification of projects as "satisfactory", "on alert" or "problem" follows the Bank's corporate measure for project performance - the PMR. The PMR captures different dimensions of projects' performance. Indicators measure each stage of the project's life cycle: (i) after Board approval and before reaching eligibility; (ii) between eligibility and up to 95% disbursement; and (iii) between 95% disbursement and project closure. Time-elapsed indicators apply for the first and third stage and are evaluated against country-specific benchmarks.[14] For the second stage, a synthetic indicator (SI), reflecting a weighted average of the indicators used for rating the project's execution performance, serves as the basis of the project classification. Projects are classified by the PMR as "satisfactory", "on alert" or "problem".[15]

- **For the purposes of the PPI, projects also pass through a second filter that compares them against Bank-wide benchmarks**. As in 2014, projects beyond the 80th percentile (i.e. in the slowest 20% of all Bank projects) were classified as "unsatisfactory". For the 2017-2018 allocation, Management used a three-year average (2012-2014) of all Bank SG loans to determine the 80th percentile thresholds for time-elapsed indicators in order to update the thresholds in line with evolving improvements in project execution and the behavior of the portfolio:

	Days	**Months**
Indicator	**Unsatisfactory** percentile 80	**Unsatisfactory** percentile 80
Time elapsed from approval to legal effectiveness		
In countries requiring ratification	> 480	> 15.770
In countries not requiring ratification	> 277	> 9.101
Time elapsed from legal effectiveness to eligibility	> 279	> 9.166
Extensions of last disbursement expiration date	> 538	> 17.676

[14] The country benchmark is a historic 10-year average of a percentile limit (for the "alert" classification the percentile is 50 and for the "problem" classification the percentile is 75 for operations in Stage 1 and 80 for operations in Stage 3).

[15] For consistency with the reporting cut-off date of the Progress Monitoring Report (PMR) cycle the cut-off date for the PPI was December 31st 2015.

ANNEX VII: BLENDED STRUCTURE AND LEVEL OF CONCESSIONALITY

Blended Structure		Concessionality
Concessional OC portion 1/	**Regular OC portion 2/**	
100%	0%	81.5%
70%	30%	61.8%
50%	50%	48.6%
40%	60%	42.0%
35%	65%	38.7%
30%	70%	35.4%
25%	75%	32.1%
20%	80%	28.8%
15%	85%	25.5%
10%	90%	22.3%
0%	100%	15.7%

Source: VPC based on IMF concessionality calculator (http://www.imf.org/external/np/pdr/conc/calculator/default.aspx).
The discount rate is set at 5 percent.

Notes:

1) Concessional OC portion is a 40-year bullet repayment loan, with a 0.25% fixed lending rate.
2) Terms of the Regular OC portion are based on the standard terms of an investment loan under the Flexible Financing Facility (FFF), i.e., a 25-year maturity and 5.5-year grace period loan, with a weighted average life of 15.25 years. For the purposes of the concessionality calculation, it is assumed that the option for fixing the base rate has been exercised. As of October 2016, this would represent a 2.35% estimated fixed cost-base plus lending margin of 1.15%.

ANNEX VIII: DEBT SUSTAINABILITY ANALYSIS BY COUNTRY

Per GN-2442, the IDB uses the IMF and World Bank (WB) **Debt Sustainability Framework (DSF)** for low income countries to monitor debt sustainability in the concessional eligible countries. In order to assess the risk of debt distress, the DSF relies on the use of indicative thresholds to benchmark external debt-burden indicators. The thresholds are established on the basis of policy and institutional performance measured by the WB Country Policy and Institutional Assessments (CPIAs). Per the average CPIA score for 2013-2015, Bolivia, Guyana, Honduras and Nicaragua are all classified as "medium policy performers", for which the policy-dependent indicative thresholds applied were as follows: (i) PV of Debt-to-GDP ratio 40 percent; (ii) PV of Debt-to-Exports ratio 150 percent; (iii) PV of Debt-to-Revenue ratio 250 percent; (iv) Debt Service-to-Exports ratio 20 percent; and (v) Debt Service-to-Revenue ratio 30 percent.[16]

Under the DSA template, a baseline projection is constructed using official historical data and projections to the extent possible, and then the baseline is subjected to stress tests to assess the vulnerability to shocks.

The six standard shocks in the DSF are:

1. Real GDP growth at historical average minus one standard deviation in 2016-2017
2. Export value growth at historical average minus one standard deviation in 2016-2017
3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017
4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017
5. Combination of 1-4, using one-half standard deviation shocks
6. One-time 30 percent nominal depreciation relative to the baseline in 2016.

The two standard alternative scenarios in the DSF are:

1. Key variables at their historical averages in 2016-2036
2. New public sector loans on less favorable terms in 2016-2036

Depending on how the country's current and projected **external public debt indicators** compare with the thresholds under the baseline, alternative scenarios, and stress tests, a country is classified as:[17]

Low risk: All debt indicators are well below relevant country-specific debt-burden thresholds. Stress testing and country-specific alternative scenarios do not result in indicators significantly breaching thresholds.

Moderate risk: While the baseline scenario does not indicate a breach of thresholds, alternative scenarios or stress tests result in a significant rise in debt-service indicators over the projection period (nearing thresholds) or a breach of debt or debt-service thresholds.

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[16] In the cases of Honduras and Nicaragua the DSA uses the DSF thresholds adjusted for the importance of remittances to the economy.

[17] World Bank and IMF (2010). "Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries", http://www.imf.org/external/np/pp/eng/2010/012210.pdf

High risk: The baseline scenario indicates a protracted breach of debt or debt-service thresholds but the country does currently not face any payment difficulties. This is exacerbated by the alternative scenarios or stress tests.

In debt distress: Current debt and debt-service ratios are in significant or sustained breach of thresholds. Actual or impending debt restructuring negotiations or the existence of arrears would generally suggest that a country is in debt distress.

BOLIVIA[18]

1. Main assumptions

a) Real GDP growth rate: 3.8% in 2016 and 3.5% from 2017 through 2036.

b) Inflation: 5% until 2036.

c) External sector: Export and import growth follow medium-term WEO forecast until 2021 and both are stable with respect to GDP over the long-term. The current account shows a deficit of 7.8% of GDP for 2016, 5% on average between 2017 and 2021, and 3.5% from 2022 through 2036. Net FDI is assumed to remain stable at 3% of GDP through 2036.

d) Fiscal assumptions and financing strategy: In line with WEO medium term forecasts until 2021. For 2021-36, a primary deficit of 5% of GDP is assumed for the general government on the basis of the reduction and consolidation of international oil prices and the maintenance of government expenditure at approximately 35% of GDP.

e) Financing and concessionality: CAF and IDB are expected to remain the largest external lenders, while China is expected to become the main bilateral source of credit in the following years. It is assumed that the average concessionality of new public external debt decreases gradually from 25% in 2016 to 20% in 2036.

2. External debt sustainability

a) Baseline scenario

Under the baseline scenario, the present value of public and publicly-guaranteed external debt is projected to remain stable around 16.5% of GDP through 2036. All debt burden indicators for Bolivia remain well below the specific indicative thresholds for medium performers.

b) Sensitivity analysis

Standard stress tests on the baseline scenario suggest that Bolivia's external indebtedness position is resilient to a series of shocks. All debt burden indicators remain below their indicative thresholds during the projection period under five (out of six) standard shocks. Under one stress test (nominal export growth set to its historical average minus one standard deviation[19]) one indicator (the ratio of the present value of debt-to-exports ratio) increases by around 60 percentage points with respect to the baseline scenario (touching the indicative threshold in 2021), but converges to the trajectory under the baseline scenario in the medium to long term. The stock of net international reserves (equivalent to 39% of the GDP and 17 months of imports of goods and services at end-2015) reduces the likelihood of such events causing distress. The baseline scenario is robust to the two alternative scenarios: (i) reduced concessionality on new public sector loans; and (ii) setting key variables to their historical averages.

[18] Prepared by CAN.

[19] Note that this a severe shock, which assumes a decline in export growth of about 9% in 2017 and 2018. This is because historical export growth is around 14% but the volatility of exports, measured by the standard deviation, is almost 23%.

3. Total public debt sustainability (external and domestic, Figure 2)

a) Baseline scenario

Under the baseline scenario, the three key indicators of public debt (PV of public debt-to-GDP ratio, PV of debt-to-revenue and PV of debt service-to-revenue ratio) remain stable over the projection period. The PV of public debt-to-GDP ratio remains below the indicative threshold (56 percent) throughout the projection period.

b) Sensitivity analysis

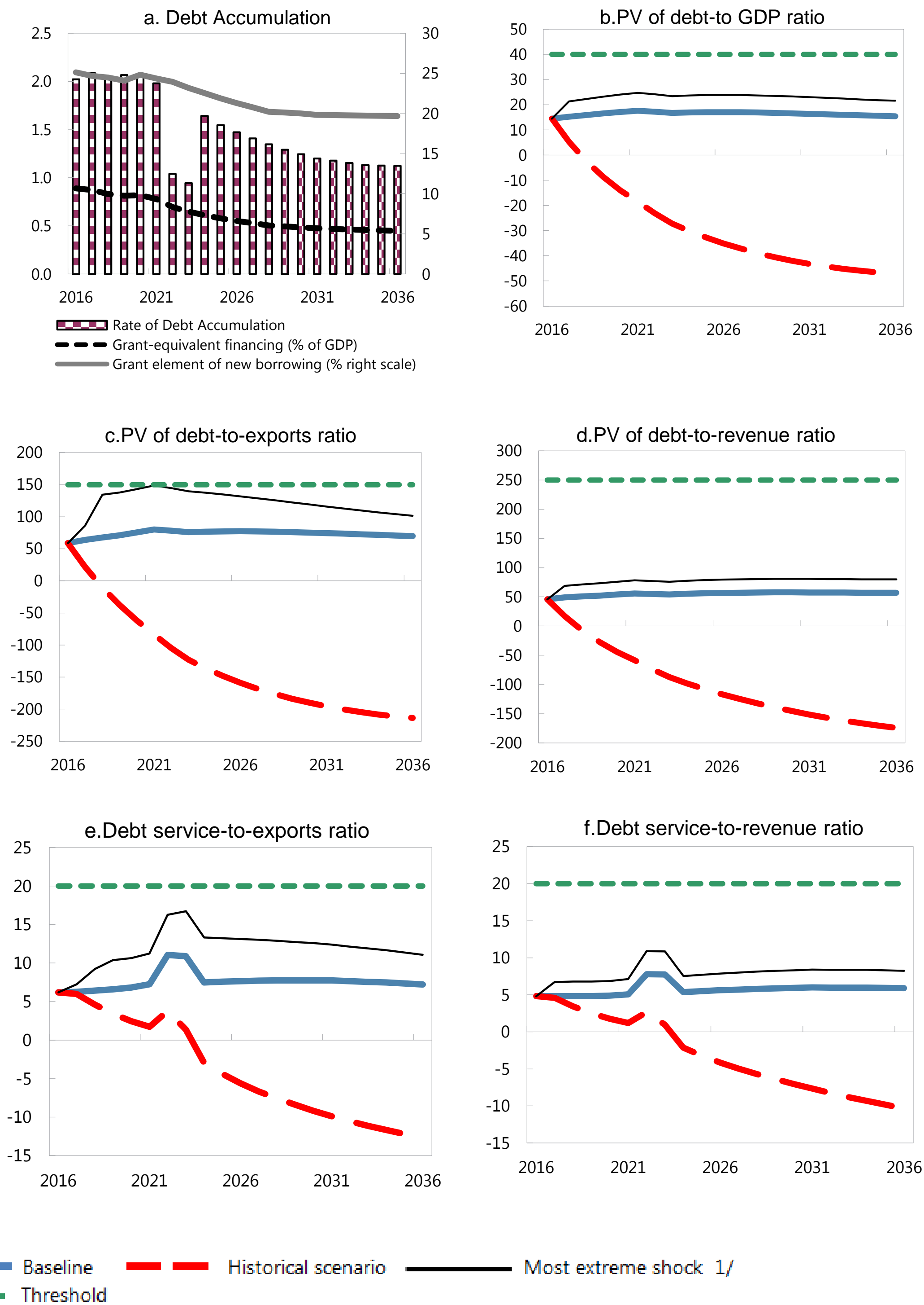
Standard stress tests on the baseline scenario suggest that Bolivia's total public debt is resilient to a series of shocks. The PV of public debt-to-GDP ratio remains below the indicative threshold (56 percent) under all five standard stress tests and three alternative scenarios throughout the projection period. In addition, the three debt burden indicators slightly decline during the projection period under all stress tests and alternative scenarios except in two cases: i) the PV of debt-to-revenue ratio increases under the alternative scenario of fix primary balance; ii) the debt service-to-revenue increases under the alternative scenarios of fix primary balance and one time depreciation. The increases are not significantly high in either of the cases.

4. Conclusion

Bolivia's risk of debt distress is low. In the baseline scenario all external public debt indicators remain well below the relevant debt-burden thresholds. External public debt indicators also remain below the thresholds under most standard stress tests, although a severe shock to exports would cause a large temporary deviation from the baseline scenario. The external public debt projection is robust to the standard alternative scenarios. Based on the analysis under the baseline and the most extreme stress tests, Bolivia's risk of debt distress is low, and its debt is expected to be sustainable over the medium and long term.

This is the same risk classification that Bolivia has had ever since the Enhanced Performance Based Allocation system was introduced in 2007 (GN-2442).

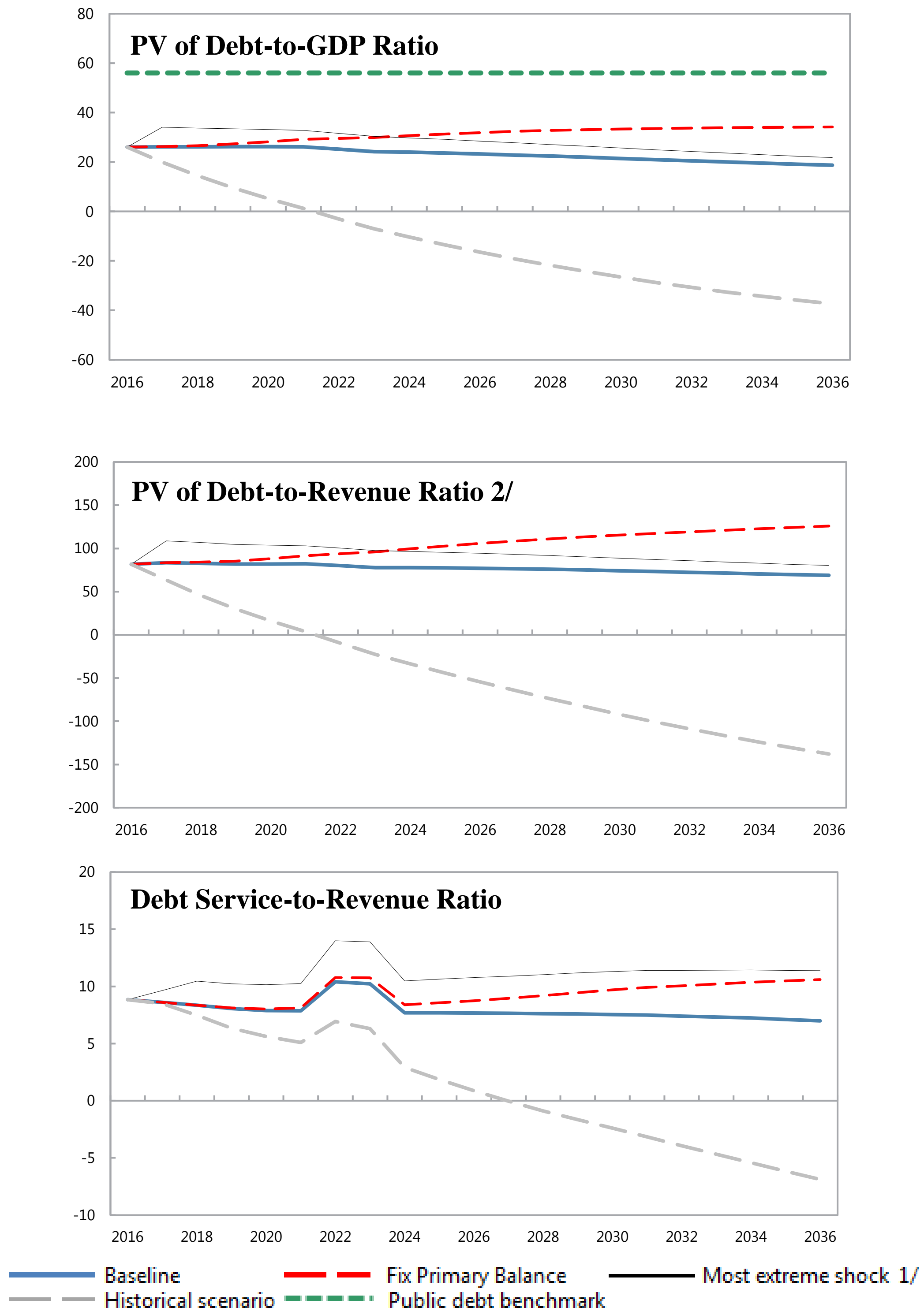
Figure 1: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2016-2036[1/]



Source: Own elaboration based on WEO and official information.

1/ The most extreme stress test is the test that yields the highest ratio on/or before 2026. In Figures b, d, and f it corresponds to a one-time depreciation shock, in Figures c and e to an export shock.

Figure 2: Indicators of Public Debt under Alternative Scenarios, 2016-2036[1/]



Source: Own elaboration based on WEO and official information.
1/ The most extreme stress test is the test that yields the highest ratio on/or before 2026.
2/ Revenues are defined inclusive of grants.

GUYANA[20]

1. Main Assumptions

a) Real GDP growth is expected to reach 4 percent in 2016 and average 3.8 percent over the projection period.

b) Inflation is forecasted to be around 2.5 percent over the medium term (2016-21) and 3 percent on average over the entire forecast period (up to 2026).

c) Throughout the projection period, the current account balance will average -6 percent of GDP.

d) The primary fiscal balance is expected to average 4 percent of GDP over the long term.

e) External financing is expected to remain concessional over the medium term and domestic financing is assumed to fill financing shortfalls.

f) The production of oil and gas, and the resulting impact on growth, current account, and fiscal balance have not been considered. A thorough study is being commissioned and will be completed next year. Given the depth of the offshore oil reservoirs, the estimated feasible extraction is above $70 per barrel. The DSA assumes the price of oil will average US$44 per barrel over the medium term. GoG expects domestic oil production to be 5-7 years out. According to the WB, oil prices will not approximate $70 until 2022/23.

g) Overall, this macroeconomic framework represents a significant improvement over earlier frameworks, which formed the basis of previous debt sustainability analyses.

2. External Debt Sustainability

a) Baseline scenario

Under the baseline scenario, all external debt burden indicators are well below their indicative policy thresholds over the projection period. Guyana's PV of external debt-to-GDP is projected at 21 percent in 2016 and 20 percent in 2017, before gradually worsening to 22.1 percent in 2021 and 24.7 percent in 2026, as GoG ramps up its infrastructure investment program over the medium term. Debt service ratios are projected to remain low (at about 3.7 percent of exports and 6.7 percent of revenue in the long term).

b) Sensitivity analysis

External debt indicators remain below their respective policy-related thresholds under most stress test scenarios. However, the PV of external debt-to-GDP breaches its threshold under two scenarios: (i) new public sector loans at less favorable terms; and (ii) a one-time depreciation shock.

[20] Prepared by CCB.

3. Public Debt Sustainability

a) Baseline scenario

Under the baseline scenario the PV of debt-to-GDP rises from 37.1 percent in 2016 to 44.7 percent in 2021 and 62 percent in 2036. The evolution underscores growing reliance on domestic borrowing and the scale of intended infrastructure projects over the projection period.

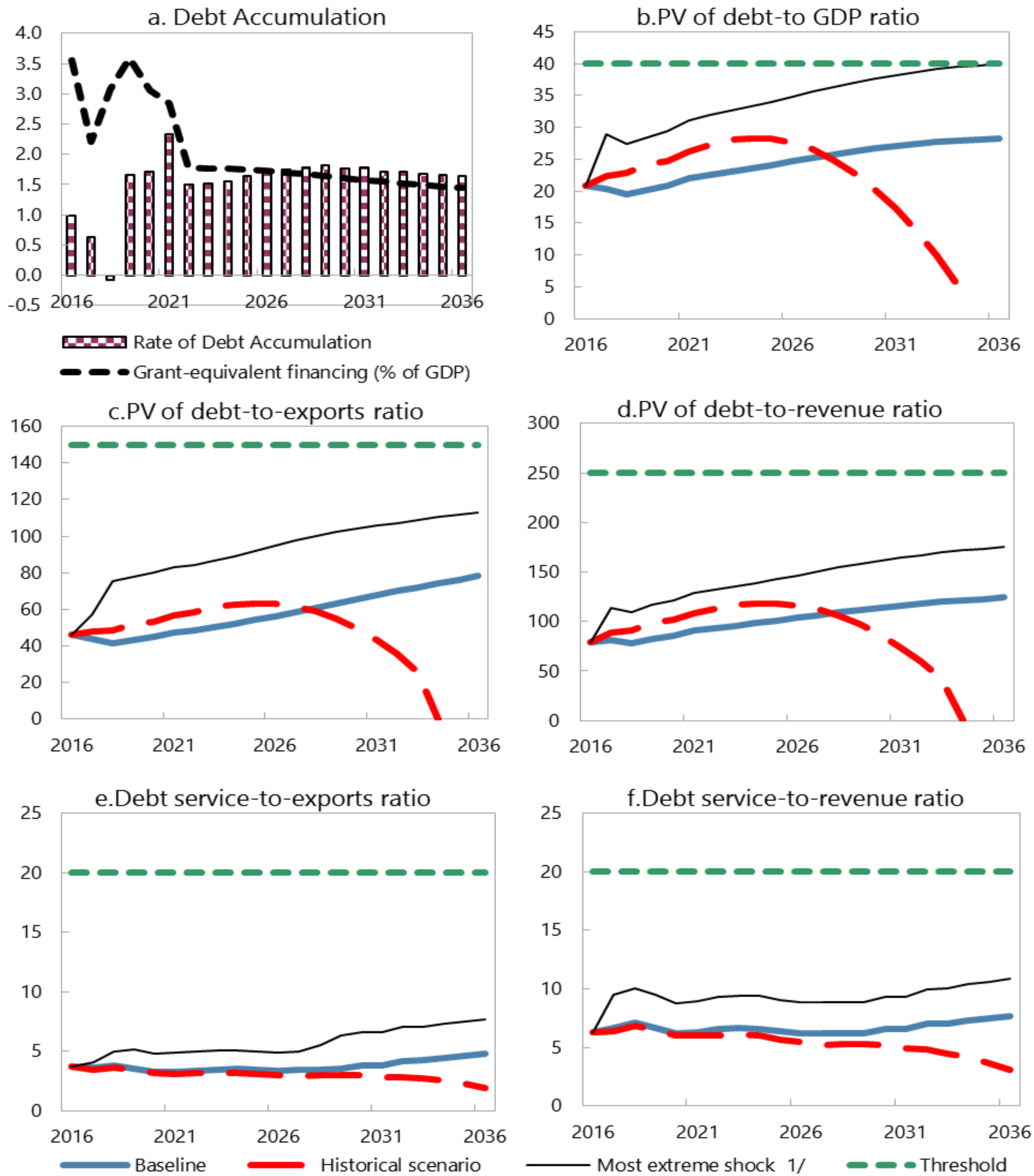
b) Sensitivity analysis and alternative scenarios

Standardized shocks and alternative scenarios would exacerbate the deterioration of debt burden indicators projected in the baseline scenario. For example, under a scenario of an unchanged 2016 primary balance throughout the projection period, the debt path gradually deteriorates from 37 percent in 2016 to 47 percent in 2021, and accelerates to 81 percent in 2036.

4. Conclusion

All public external debt indicators remain below their indicative thresholds under the baseline scenario. However, under stress test scenarios, some indicators breach their threshold. **As a result, Guyana is classified as having a moderate risk of debt distress.**

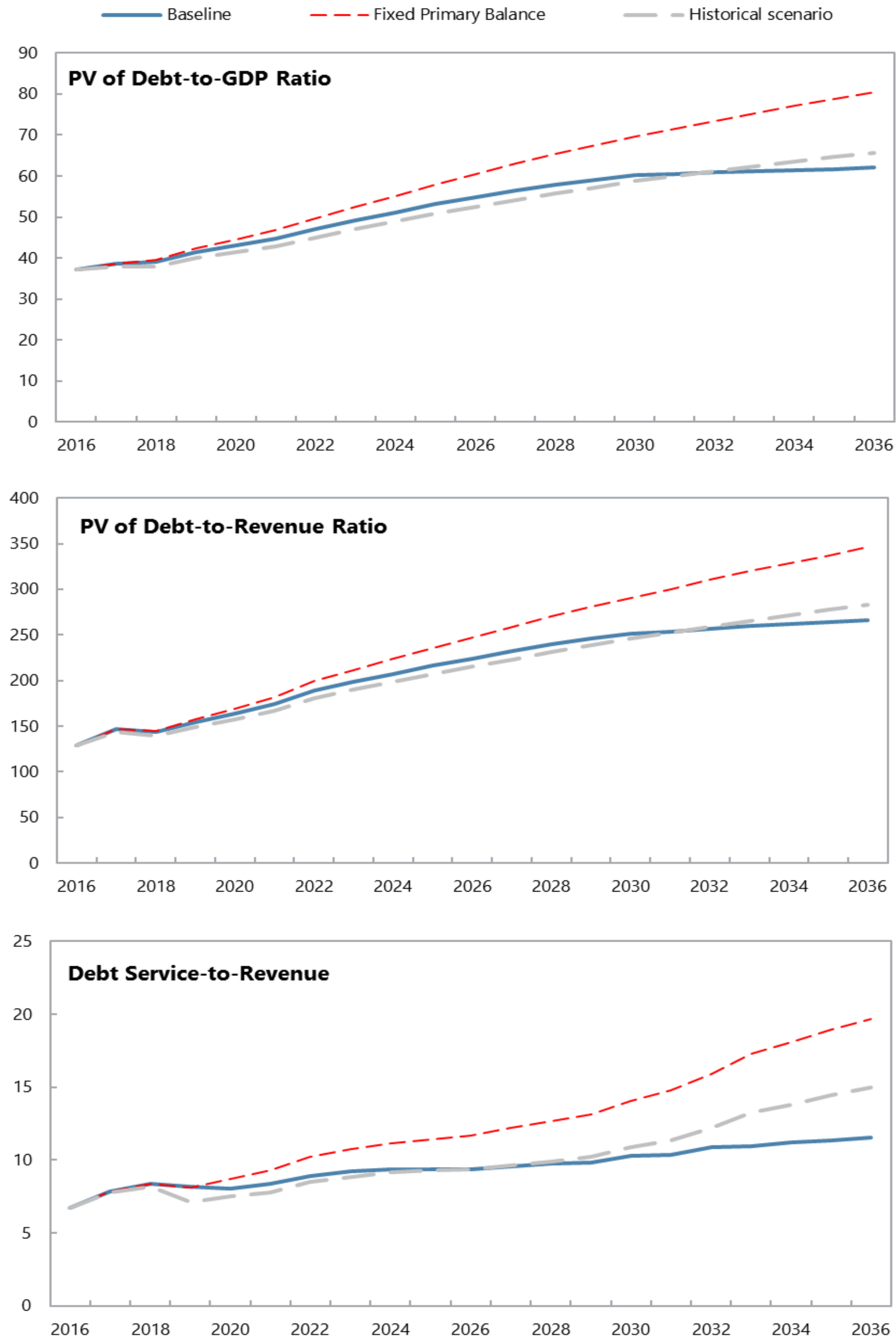
Figure 1. Guyana: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2016-2036 1/



Sources: Country authorities and Fund Staff estimates and projections

1/ The most extreme stress test is the test that yields the highest ratio in 2026. In Figure b., it corresponds to a One -time depreciation shock; in c., to an Exports shock; in d., to a One-time depreciation shock; in e. , to an Exports shock, and in f., to a One-time depreciation shock.

Figure 2. Guyana: Indicators pf Public Debt under Alternative Scenarios, 2016-2036 1/



Sources: Country authorities; and Fund Staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2026.
2/ Revenues are defined inclusive of grants.

HONDURAS [21] [22]

1. Main assumptions

a) Real GDP grows at an average rate of 4.0 percent over the projection period, consistent with average historical values (4.0 percent) and medium-term IMF projections (3.9 percent).

b) The current exchange rate regime is maintained through the projection period (crawling peg with a fluctuation band of - / + 7 percent), assuming an average nominal depreciation rate of 4.6 percent and a roughly constant real exchange rate (purchasing power parity holds in the long term, with world prices growing at 2.0 percent and domestic prices at 5.0 percent).

c) Exports grow at an annual rate of 4.1 percent over the long run as a result of continued productivity gains across sectors, whereas imports grow slightly slower at a pace of 3.9 percent per year, due in part to slower aggregate demand. Remittances grow at an average rate of 4.0 percent per year, and reach 19.0 percent of GDP. Accordingly, the current account deficit is projected to decline to about 5.7 percent of GDP.

d) A strong, front-loaded fiscal adjustment, initiated in 2014, stabilizes the overall fiscal deficit of the public sector at about 1 percent of GDP, after reaching a maximum of 2.0 percent in 2016.[23] In this sense, public sector expenditures are expected to shift to investment and poverty reduction, following fiscal consolidation and the implementation of sound macroeconomic policies.

e) Total public debt stabilizes at 44 percent of GDP over the long run as non-concessional financing from Paris Club and non-Paris Club creditors is progressively available.

2. External debt sustainability

a) Baseline scenario

Under the baseline scenario, all external public debt indicators remain below their indicative policy-dependent thresholds (Figure 7.1).

b) Sensitivity analysis

External debt indicators remain below their respective policy-related thresholds under most stress test scenarios. However, the debt service-to-revenue ratio is sensitive to the shock of a one-time 30 percent nominal depreciation in 2017. The ratio of debt

[21] Prepared by CID.

[22] Remittances are equivalent to 16 percent of GDP in Honduras. Consequently, this DSA uses the thresholds for a medium performer on the CPIA and large remittance flows: (i) Debt service to revenue from 30 percent to 20 percent; (ii) PV of debt to the sum of exports and remittances from 150 percent to 120 percent; (iii) PV of total public debt to GDP below 56 percent ("Revisiting the Debt Sustainability Framework for Low-Income Countries", World Bank and IMF ([January 2012]). The adjustment for remittances does not affect the conclusions of the analysis.

[23] These assumptions are consistent with the recently approved Fiscal Responsibility Law (May 2016), which establishes a maximum deficit of the Nonfinancial Public Sector of 1.0% of GDP starting in year 2019.

service to revenue would have one temporary breach of its threshold (20 percent) in the simulation period, reaching 22.2 percent in 2020. This temporary breach is due to scheduled payments of two global bonds placed in 2013 (US$500 million each bond).

3. Total public debt sustainability (external and domestic)

a) Baseline scenario

Under the baseline scenario total public debt remains sustainable (Figure 7.2). The three policy-related indicators (PV of public debt-to-GDP ratio, PV of debt-to-revenue ratio and PV of debt service-to-revenue ratio) decline gradually over the projection period. In addition, total public debt-to-GDP remains below the indicative 56 percent threshold throughout the simulation.

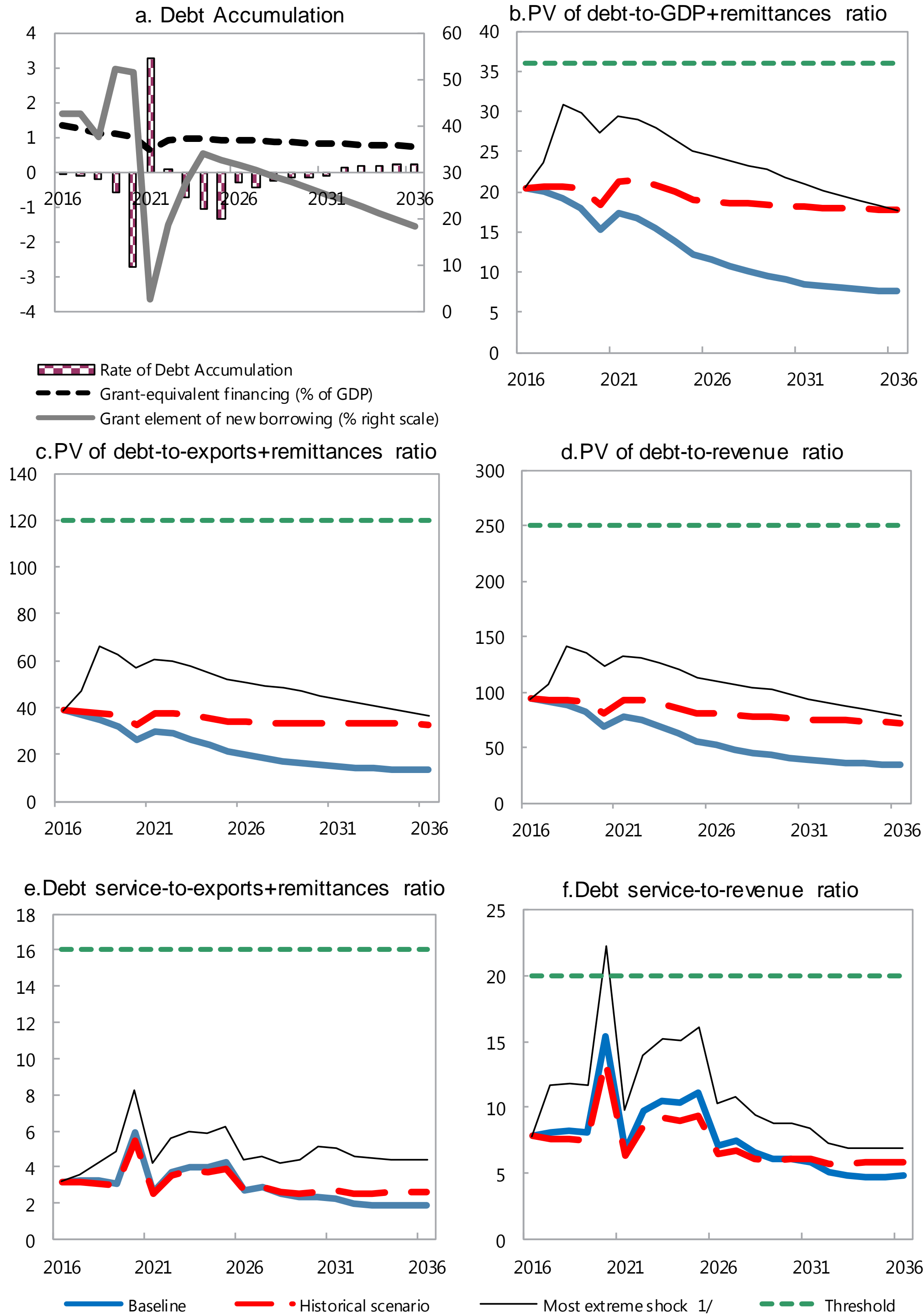
b) Sensitivity analysis

The three total debt indicators are not robust to alternative scenarios. All indicators are non-declining under the stress tests of real GDP growth and primary balance at historical averages. This result indicates that the gradual decline of indicators projected in the baseline scenario is dependent upon fiscal consolidation over the medium term and a relatively benign international backdrop for economic growth.

4. Conclusion

All external public debt indicators remain below their indicative policy-dependent thresholds under the baseline scenario. However, under stress test scenarios, some indicators breach their threshold and/or are non-declining in the long run. A one-time depreciation shock entails the highest short-term risk. **In view of the above, Honduras is classified as having a moderate risk of debt distress.** This is the same classification Honduras had in the previous DSF analysis. Accordingly, the current blend of concessional resources and OC lending seems appropriate.

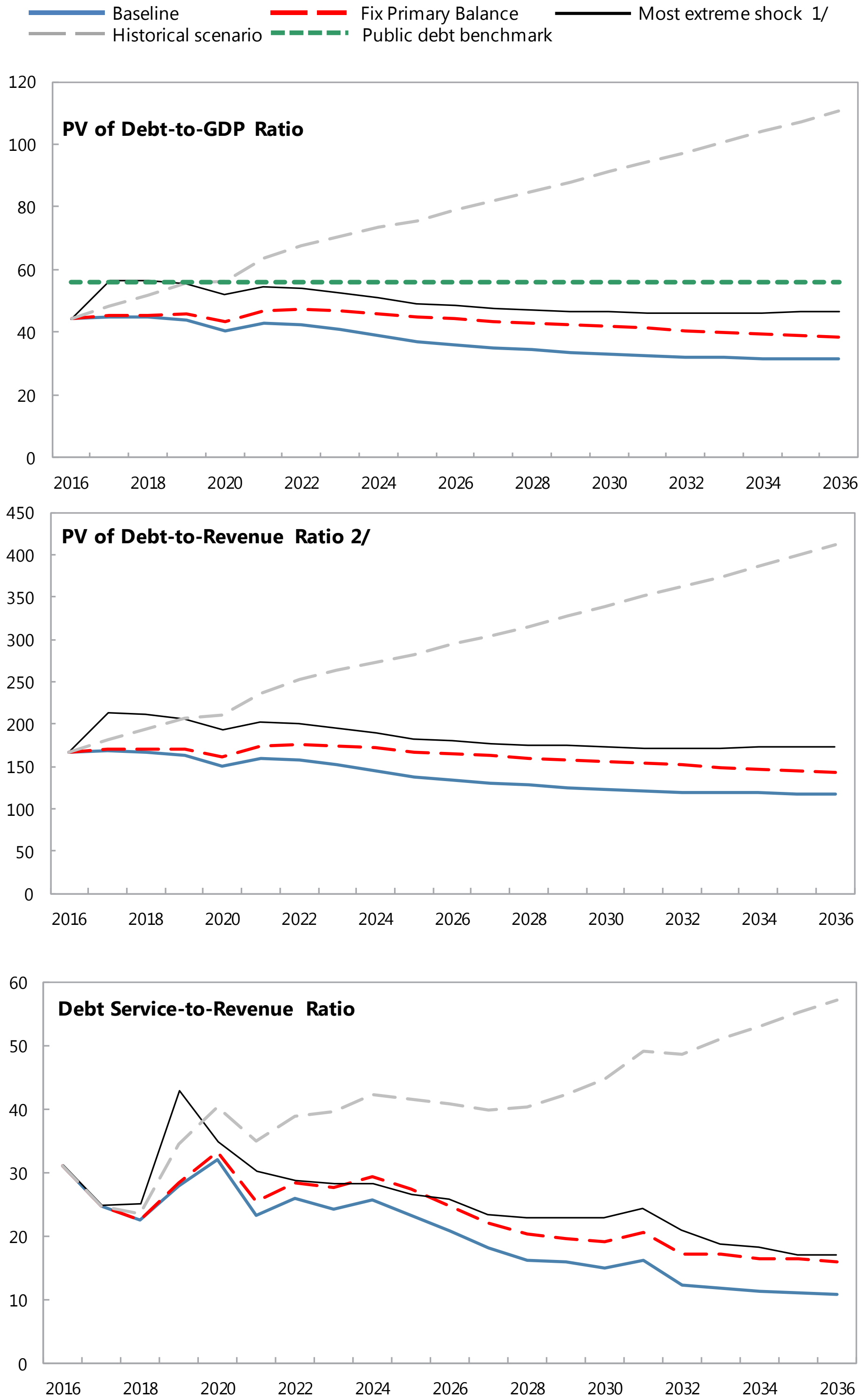
Figure 7.1. Honduras: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2016-2036 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a Exports shock; in c. to a Exports shock; in d. to a Exports shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 7.2.Honduras: Indicators of Public Debt Under Alternative Scenarios, 2016-2036 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2026.
2/ Revenues are defined inclusive of grants.

NICARAGUA[24] [25]

1. Main assumptions

a) Real GDP grows at 4.5% in 2016, 4.3% in 2017 and 4.0% thereafter, in line with the medium-term IMF projections (WEO October 2016) and consistent with average historical values (3.9% in the last 10 years, from 2006-2014).

b) The current exchange rate regime is maintained throughout the projection period. External inflation (measured by both the consumer price index and GDP deflator) is the sum of the rate of depreciation and US GDP deflator (WEO, IMF), thus ensuring a constant real exchange rate.

c) Exports grow at an annual rate of 5% and imports grow at 4.5% per year, after 2022. Accordingly, the current account deficit is projected to decline gradually as a percentage of GDP.

d) Fiscal variables are in line with the government's Medium-Term Fiscal Framework for 2016-2019 and then revenue and primary expenditure are stable as a percentage of GDP.

e) Following IMF practice, pending debt relief from bilateral creditors who are not members of the Paris Club is provided on Heavily Indebted Poor Countries Initiative (HIPC) terms in 2015. Of the USD$1,037 million stock of debt pending debt relief, it is assumed that around 67% (USD$692 million) would be forgiven. This is equivalent to 8.2% of GDP in 2015. To date, Nicaragua has not serviced such debt.

f) Over the long term, the concessionality of future public sector loans decreases, related to graduation processes.

2. External debt sustainability (Graph 1)

a) Baseline scenario

Under the baseline scenario, all external public debt indicators remain below their indicative policy-dependent thresholds.

b) Sensitivity analysis

External debt indicators remain below their respective thresholds under the six standard stress test scenarios and the alternative scenario of a reduction in the concessionality of new loans to the public sector. However, under the alternative scenario

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[24] Prepared by CID.

[25] According to the IMF-WB Staff Guidance on the Application of the DSA, the analysis should incorporate remittances when the 3-year average represent more than 10% of GDP and more than 20% of exports of goods and services. The average ratio of Remittances to GDP is close to 10% (9.6%) and as a proportion of exports is 23.6%. Consequently, this DSA incorporates remittances into the analysis using stricter thresholds for a medium performer on the CPIA: (i) Debt service to revenue from 30 percent to 20 percent; (ii) PV of debt to the sum of exports and remittances from 150 percent to 120 percent; (iii) PV of total public debt to GDP below 56 percent. Source: "Revisiting the Debt Sustainability Framework for Low-Income Countries", World Bank and IMF ([January 2012]).

using historical values the present value (PV) of debt-to-GDP ratio breaches its threshold in 2025 and the debt-to-exports + remittances indicator breaches its threshold in 2030.

3. Total public debt sustainability (external and domestic, Graph 2)

a) Baseline scenario

Under the baseline scenario total public debt remains sustainable. The three policy-related indicators (PV of public debt-to-GDP ratio, PV of debt-to-revenue ratio and PV of debt service-to-revenue ratio) decline gradually over the projection period. In addition, total public debt-to-GDP remains below the indicative 56 percent threshold throughout the simulation.

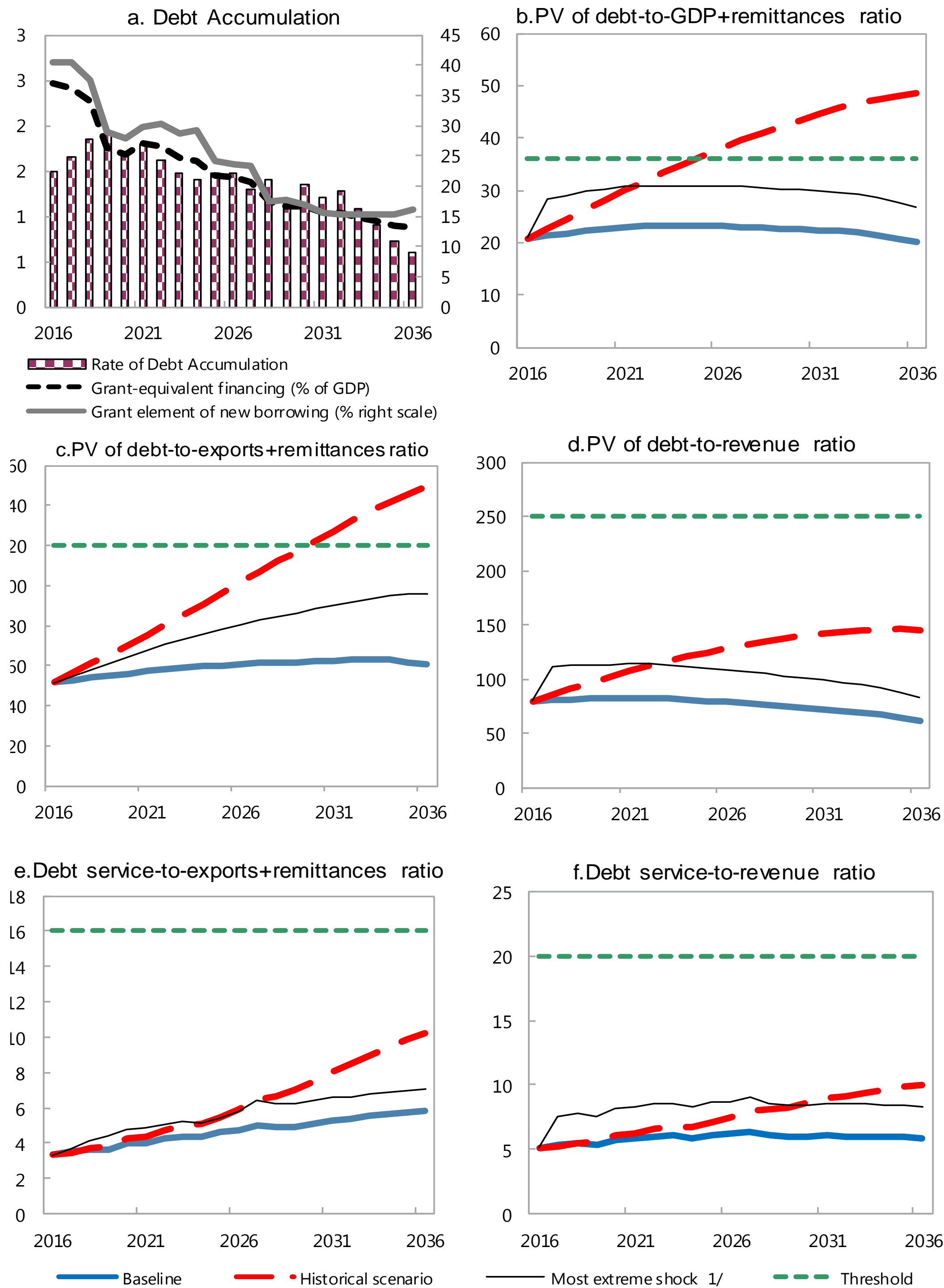
b) Sensitivity analysis

Two of the three total debt indicators are not robust to alternative scenarios. The PV of public debt-to-GDP ratio and PV of debt-to-revenue ratio are non-declining under the alternative scenario of real GDP growth and primary balance at historical averages and shock to GDP growth.

4. Conclusion

All external public debt indicators remain below their policy-dependent thresholds under the baseline scenario. However, under an alternative scenario two indicators breach their thresholds. **In view of the above, Nicaragua is classified as having a moderate risk of debt distress.** This is the same classification that Nicaragua has had since 2007.

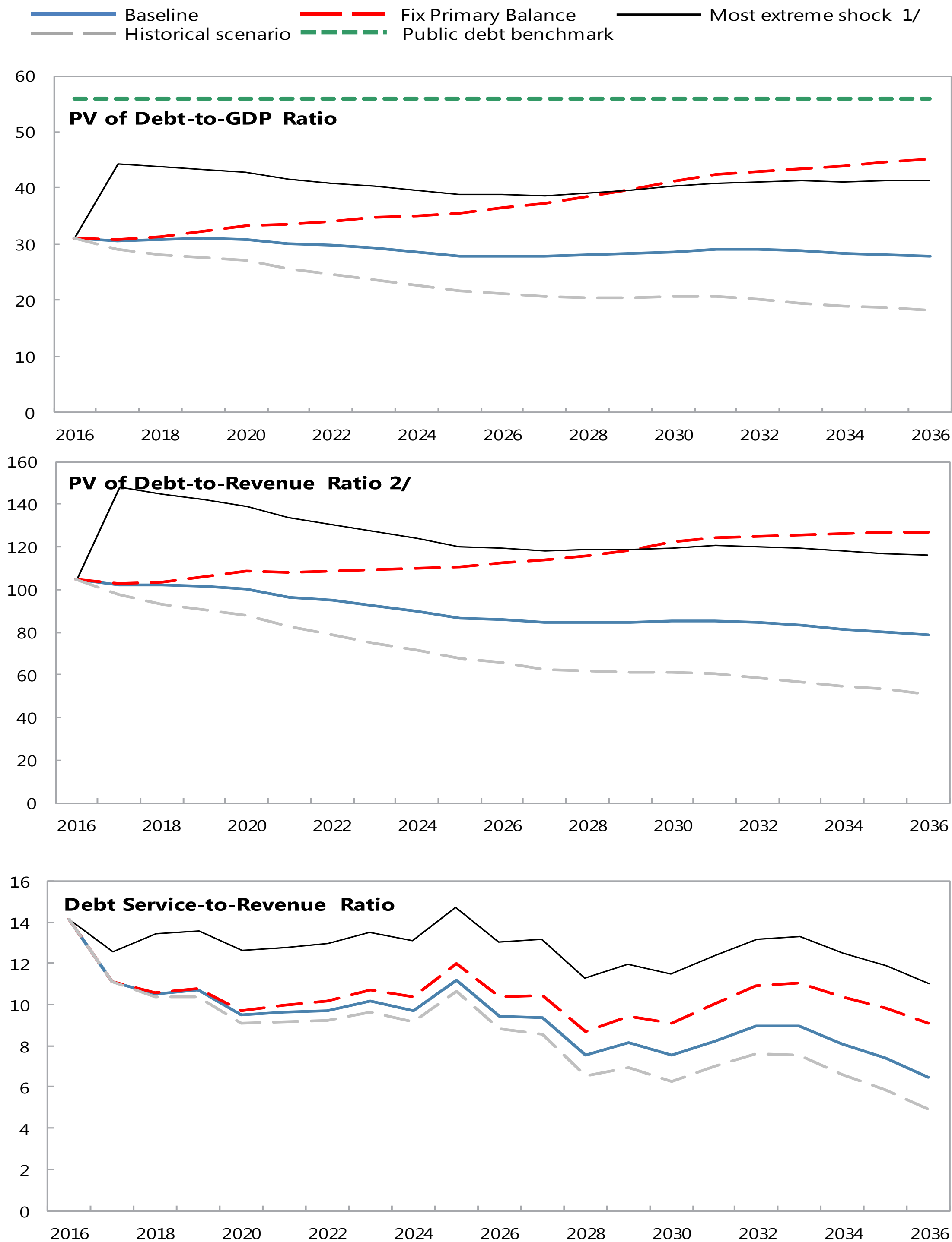
Graph 1: Nicaragua: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios 2016-2036[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a One-time depreciation shock; in c. to a Terms shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Graph 2: Nicaragua: Indicators of Public Debt under Alternative Scenarios, 2016-2036[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a One-time depreciation shock; in c. to a Terms shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

2/ Revenues are defined inclusive of grants.