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From: The Secretary

Subject: **Eligibility to Use the Fund's Facilities for Concessional Financing, 2022**

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February 17, 2022

ELIGIBILITY TO USE THE FUND'S FACILITIES FOR CONCESSIONAL FINANCING, 2022

EXECUTIVE SUMMARY

The review of Poverty Reduction and Growth Trust (PRGT) eligibility, conducted biennially, is guided by a transparent and rules-based framework. The framework determines which IMF members can access concessional resources based on an assessment of their level of income per capita, market access, and the severity of short-term vulnerabilities. Application of the framework should be consistent with the self-sustainability of the PRGT's lending capacity over time. The framework, introduced in 2010, has been refined in subsequent reviews. It has generally achieved its objective of targeting the Fund's scarce concessional resources to poorer and more vulnerable member countries.

This paper concludes that the existing framework remains generally appropriate and proposes one refinement. The PRGT-eligibility framework is broadly aligned with the International Development Association's practices, with minor differences between the lists of eligible countries explained by differences in the mandates of the two institutions and the timing of their respective review cycles. Based on most recent data, none of the countries that have graduated from the PRGT-eligibility list in the past are eligible to re-enter it. Staff proposes to refine the time period and data sources used to assess past market access and to apply this modification to the determination of market access under the framework for presumed blending. The paper reviews the case for changing the eligibility and graduation criteria for small states and microstates and recommends retaining the current criteria.

The Republic of Moldova is proposed for graduation from the PRGT eligibility list, and the Syrian Arab Republic is proposed for entry. The Republic of Moldova meets the criteria for graduation without application of the absence of serious short-term vulnerability requirement because its income is more than 50 percent above the income graduation threshold, and it is not eligible for IDA grants. Based on the data sources used to determine PRGT eligibility, the Syrian Arab Republic meets both the income and market access criteria for entry into the PRGT.

The proposals to graduate the Republic of Moldova and add the Syrian Arab Republic to the list of PRGT-eligible countries, and the refinement to the market access criterion, would have a limited impact on the PRGT finances.

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INTRODUCTION

1. The last biennial review of eligibility for the Poverty Reduction and Growth Trust (PRGT) was in 2020. At that time, Directors agreed that PRGT eligibility should continue to be guided by a framework that is transparent and rules-based, ensures uniformity of treatment among members, and preserves the Fund's scarce concessional resources for low-income members that are in most need, while maintaining the self-sustainability of PRGT lending. Directors reiterated that the eligibility framework should remain broadly aligned with the practice for International Development Association (IDA) eligibility, while allowing scope for some differences given the different mandates of the two institutions. The Board in 2020 approved the graduation of Guyana from PRGT eligibility, refinements and clarifications to the market access criteria, and an extension of the transition period for the deferred effectiveness of graduation decisions.

2. Content of the paper. The next three sections summarize the current eligibility framework, look at the alignment between the framework and IDA practices, and review the risk of reverse graduation. The fourth section evaluates the case for changing the criteria for the eligibility and graduation of small and microstates, and discusses refinements to the methodology for collecting data on international borrowing to assess past market access. The fifth section assesses whether any members meet the criteria for graduation from, or entry onto the PRGT eligibility list. The last section considers the potential impact of the current review on the self-sustained capacity of the PRGT. The proposed decision to graduate the Republic of Moldova and add the Syrian Arab Republic to the list of PRGT-eligible countries is also included in the paper.

CURRENT FRAMEWORK

3. The PRGT eligibility framework determines which IMF member countries may access the PRGT's concessional resources. The current framework for determining eligibility for concessional Fund financing was adopted by the Executive Board in early 2010 and was last modified in 2020 (see Boxes 1 and 2, and Annex I).

4. The framework's eligibility criteria, focused on a country's per capita income levels and ability to borrow from international financial markets, are closely linked to the PRGT's key objectives. Countries are PRGT eligible if their annual gross national income (GNI) per capita is below the applicable income thresholds and they do not have the capacity to access international financial markets on a durable and substantial basis. Countries may graduate from the PRGT eligibility list if their GNI per capita is above the applicable income graduation threshold for a specified period (and is not on a declining trend) or if they have the capacity to access international financial markets on a durable and substantial basis (and have income above a certain threshold), provided they do not face serious short-term vulnerabilities. The criteria for graduation from the PRGT are set at a higher standard than the entry criteria in order to limit the risk of premature graduation and ensuing re-entry.

Box 1. Criteria for Entry and Graduation from PRGT Eligibility^{1/}

Entry

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

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

Graduation

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

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

Or:

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

- i. Public sector issuance or guaranteeing of external bonds or by disbursements under public and publicly guaranteed external commercial loans in international markets during *at least three of the last five years* for which data are available, in a cumulative amount over that period equivalent to *at least 50 percent of the country's quota* at the Fund at the time of the assessment.² External bonds and commercial loans issued or contracted in markets that are not integrated with broader international markets do not qualify including loans or bonds subsidized or guaranteed (partially or fully) by official external entities (including foreign governments and foreign public sector entities as well as international organizations), and loans from foreign state-owned banks.
- ii. A country would also be deemed to meet the market access criterion if there were convincing evidence that the sovereign could have tapped international markets on a durable and substantial basis, even though the scale or duration of actual public-sector borrowing fell short of the specified thresholds. This would be a case-specific assessment, considering such relevant factors as the volume and terms of recent actual borrowing in international markets and the sovereign credit rating.

Both tests of the market access criterion would take into account bonds/loans issued, contracted, or guaranteed by non-sovereign public-sector debtors, where such a debtor's ability to access international markets is assessed to be an indicator of the sovereign's creditworthiness.³

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

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

Box 1. Criteria for Entry and Graduation from PRGT Eligibility^{1/} (concluded)

And:

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

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

1/ IMF (2009) and the Decision on PRGT Eligibility Criteria, IMF (2012, 2013, 2015, 2017a and 2020)

2/ If the amount of issuance or guarantee of external bonds and of disbursements under external commercial loans in a single year for which qualifying data are available totals less than two percent of the member's quota at the time of the assessment, then that year shall not count towards meeting the graduation duration threshold.

3/ Borrowing by a public corporation will generally not be assessed as an indicator of the sovereign's creditworthiness where such borrowing is based on the public corporation's own balance sheet (including by collateralizing its own assets) and is not guaranteed by the sovereign.

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

The Poverty Reduction and Growth Trust (PRGT) eligibility criteria and the related eligibility list have been reviewed five times since the current framework was established in 2010: in 2012, 2013, 2015, 2017, and 2020.

- The **2012 review** left the list of eligible countries unchanged and raised the population threshold used to define small states from 1 to 1.5 million.
- The **2013 review** introduced new entry and graduation criteria for microstates with populations of less than 200,000, and modified the market access criterion by i) introducing different thresholds of market access for entry onto and graduation from the PRGT eligibility list and ii) raising the GNI per capita threshold that would need to be met for a country to graduate based on market access from 80 to 100 percent of the IDA operational cutoff. Tuvalu, Marshall Islands, and Micronesia became PRGT-eligible based on the new entry criterion for microstates, while Armenia and Georgia graduated from the list of PRGT-eligible members.
- The **2015 review** introduced the use of additional data sources to assess market access, removed the application of the serious short-term vulnerabilities criterion for members that exceed the income graduation threshold by 50 percent or more, and broadened the assessment of debt vulnerabilities. Bolivia, Mongolia, Nigeria, and Vietnam graduated from the list of PRGT-eligible members.
- The **2017 review** left eligibility criteria unchanged and there were no new entries to or graduations from eligibility. Six countries met either the income or market access graduation criterion and were not assessed to be at high risk of debt distress or in debt distress, but none were proposed for graduation as they faced other serious short-term vulnerabilities.
- The **2020 review** introduced methodological refinements or clarifications to improve the assessment of market access, including establishment of a *de minimis* threshold for market borrowing; clarification that guaranteed or subsidized loans and loans from state-owned banks do not qualify as market access; and changes to the data source on market access and the appropriate five-year period over which to assess past market access. The review also introduced a modest extension of the transition period before graduation decisions become effective. Guyana graduated from the list of PRGT-eligible members.

ALIGNMENT WITH IDA PRACTICES

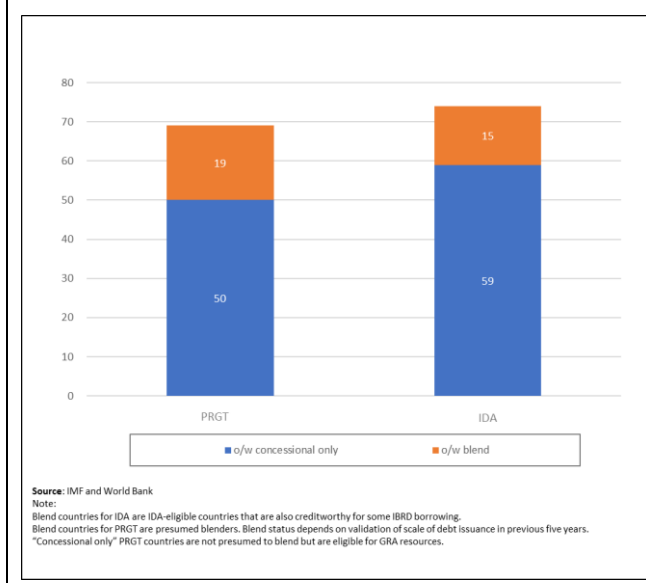
5. The PRGT eligibility framework continues to maintain broad alignment with the World Bank's (IDA) eligibility framework. The criteria for graduation from the PRGT eligibility list have similarities to those used for IDA graduation (Box 2, IMF 2017a).¹ Both are based on the IDA operational cutoff (i.e., annual GNI per capita). In addition, both frameworks have special provisions for small states, with the IMF framework also having separate provisions for microstates.²

6. As of December 2021, IDA and PRGT eligibility are aligned in all except seven cases. Seventy-four countries are currently eligible to receive IDA resources, while sixty-nine are eligible for the PRGT. Six countries that are not PRGT-eligible have access to IDA resources. Of these six cases, Fiji, Nigeria, and Pakistan have blended access to IDA and International Bank for Reconstruction and Development (IBRD) resources, and Guyana, Kosovo and the Syrian Arab Republic have access to IDA-only resources. One country, the Republic of Moldova, graduated from IDA in 2020 and is still eligible for PRGT financing.³

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

While the PRGT mainly provides temporary balance of payments support from a limited pool of resources, World Bank financing is generally geared to deliver a steady flow of long-term development financing from a much larger pool of resources. Further, PRGT eligibility determines whether a country is eligible to access the Fund's concessional resources, but it does not affect its ability to access the resources of the General Resources Account (GRA). By contrast, only IDA-eligible countries that are IBRD creditworthy are eligible for IBRD financing.

Figure 1. PRGT-vs. IDA-Eligible Countries by Type



¹ [Eligibility to Use the Fund's Facilities for Concessional Financing for 2017 \(IMF, 2017a\)](#).

² There have not been any changes to the IDA eligibility and graduation framework since the last Review of Eligibility to Use the Fund's Facilities for Concessional Financing in February 2020.

³ Mongolia, a non-PRGT-eligible country, also graduated from IDA in 2020.

RISK OF REVERSE GRADUATION

8. Thirteen countries have graduated from the PRGT eligibility list since the adoption of the current eligibility framework in 2010. Six countries graduated in 2010, none in 2012, two in 2013, four in 2015, none in 2017, and one in 2020 (Table 1). Out of these graduates, seven countries (in addition to meeting the “absence of serious short-term vulnerabilities” criterion) met the income graduation criterion, four met the market access graduation criterion, and two met both criteria. Many other countries have met the income or market access graduation criteria in previous reviews but were not proposed for graduation due to serious short-term vulnerabilities.

9. Twelve out of the thirteen graduate countries are not at significant risk of re-entry to PRGT eligibility, while Pakistan’s income level is relatively close to the income entry threshold.

Income in most countries that have graduated from the PRGT eligibility list has improved since graduation. Exceptions include Angola, Azerbaijan, Georgia, Mongolia, and Nigeria. Except for Pakistan, the most recent GNI per capita levels exceed the income entry threshold with large margins, ranging from 59 percent to over 300 percent, providing a reasonably robust buffer against reverse graduation. Pakistan’s current GNI per capita is higher than at graduation,⁴ but it exceeds the income entry threshold by only 5.4 percent, reflecting the income decline in 2020 following the COVID-19

pandemic and the gradual increase in the income entry threshold (IDA cutoff). Although growth resumed in 2021 and is expected to continue in 2022, there is a risk that Pakistan would fall below the threshold for eligibility in the

event of a large new shock. All graduate countries except Guyana, which graduated in 2020, have accessed international financial markets at least once in the years since their graduation.

Table 1. Previous Graduates

Country	Met Criterion	DSA Rating ^{1/}	IDA Status		Latest GNI per Capita	Percentage deviation from GNI per capita eligibility threshold ^{2/}
			at graduation	now		
2020 Review						
Guyana	Income	Moderate	IDA	IDA	7,130	195.9
2015 Review						
Bolivia	Income	Low	Blend	Graduated 2017	3,180	163.9
Mongolia	Income	High	Blend	Graduated 2020	3,740	210.4
Nigeria	Income	Low	Blend	Blend	2,000	66.0
Vietnam	Market	Low	Blend	Graduated 2017	2,650	119.9
2013 Review						
Armenia	Income	Low	Blend	Graduated 2014	4,220	250.2
Georgia	Income and Market	Moderate	Blend	Graduated 2014	4,270	254.4
2010 Review						
Albania	Income	Sustainable*	Graduated 2008	Graduated 2008	5,210	332.4
Angola	Income and Market	Moderate	IDA	Graduated 2014	2,140	77.6
Azerbaijan	Income	Sustainable*	Blend	Graduated 2011	4,480	271.8
India**	Market	Sustainable*	Blend	Graduated 2014	1,920	59.3
Sri Lanka	Market	Moderate	IDA	Graduated 2017	3,720	208.7
Pakistan	Market	Sustainable*	Blend	Blend	1,270	5.4

* Based on MAC-DSA
 ** In 2010, India’s cumulative market access over the previous five years was below 100 percent of quota, but the market access criterion was assessed as met based on India’s investment grade sovereign credit rating. Pre-2013, annual per capita GNI was required to be above 80 percent of the IDA operational cutoff to qualify under the market access criterion.
^{1/} The Debt Distress rating for each country is derived from the most recent published staff report at the time of the countries’ graduation from PRGT eligibility.
^{2/} Income criteria for PRGT entry is that the country’s annual GNI is currently (a) below the operational cutoff, or (b) less than twice the IDA operational cutoff for small countries; or (c) less than five times the IDA operational cutoff for microstates.

⁴ When Pakistan graduated in 2010, its GNI per capita was 86 percent of the IDA operational cutoff; the income requirement for graduation based on market access was 80 percent of the IDA operation cutoff at that time, which was raised to 100 percent of the cutoff in the 2013 Eligibility Review.

POSSIBLE CHANGES AND REFINEMENT

A. Criteria for Small States and Microstates

The stronger impact of natural disasters in small states⁵ compared to non-small states, and the intensification of climate change, accentuate the economic vulnerability of small/microstates, raising the question of whether the PRGT eligibility criteria should be amended to allow more small/microstates to access PRGT resources. Two possible options are discussed below: (1) raising the income threshold; and (2) introducing indicators of climate-related vulnerability.

10. Small states have had higher income thresholds for entry and graduation since the introduction of the PRGT-eligibility framework. When the current eligibility framework was established in 2010, the income thresholds for entry and graduation for small states were set at respectively twice and three times the IDA operational cutoff. The rationale for higher thresholds was the recognition that small states were subject to higher economic vulnerability⁶ due to specific factors including exceptionally high degree of openness, high concentration of export bases, and small domestic markets, combined with diseconomies of scale in providing public goods and services, and aid dependency. Small states were also found to be more susceptible to external shocks and natural disasters, which in turn led to higher volatility of their fiscal and external accounts and increased financing needs in economic downturns. Providing access to more favorable financing terms for small and microstates therefore helps support their development goals while maintaining sustainable debt positions. Microstates face the same challenges as small states, but their vulnerabilities tend to be compounded by their smaller size. Recognizing their special challenges, in 2013 the Board approved an increase in the income thresholds for entry and graduation of microstates to respectively five and six times the IDA operational cutoff.⁷

11. Small/microstates are generally more vulnerable to natural disasters than other countries, and their vulnerabilities are likely to increase in the future due to the impact of climate change.⁸ Natural disasters associated with sea-level rise, hurricanes, extreme temperatures, and water stress affect all countries but disproportionately affect small/microstates (Figure 2).⁹ The

⁵ Small states are countries with a population between 200,000 and 1.5 million; twenty-six Fund members meet this criterion. Microstates are countries with population below 200,000; seventeen Fund members meet this criterion (see Annex II, Table 4 for a list of small and microstates).

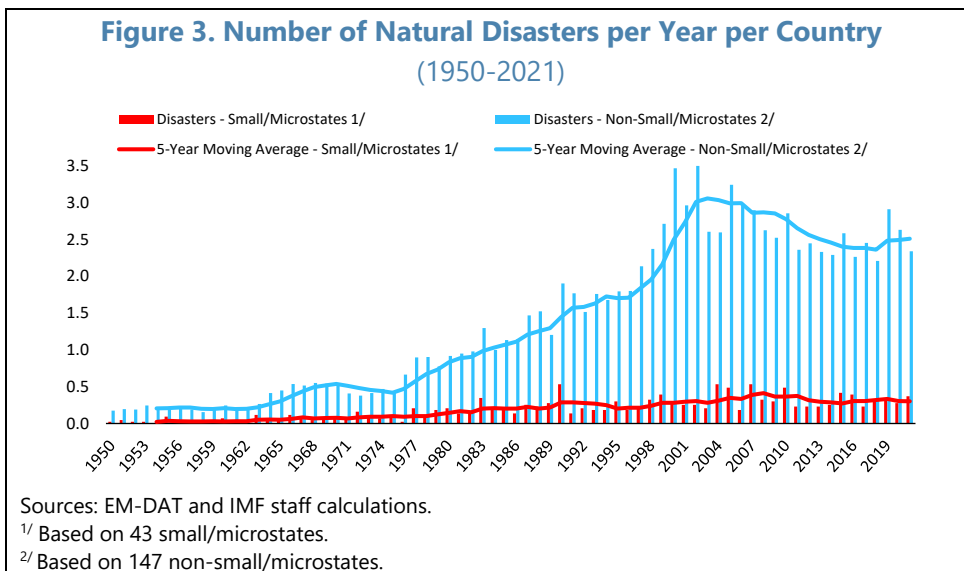
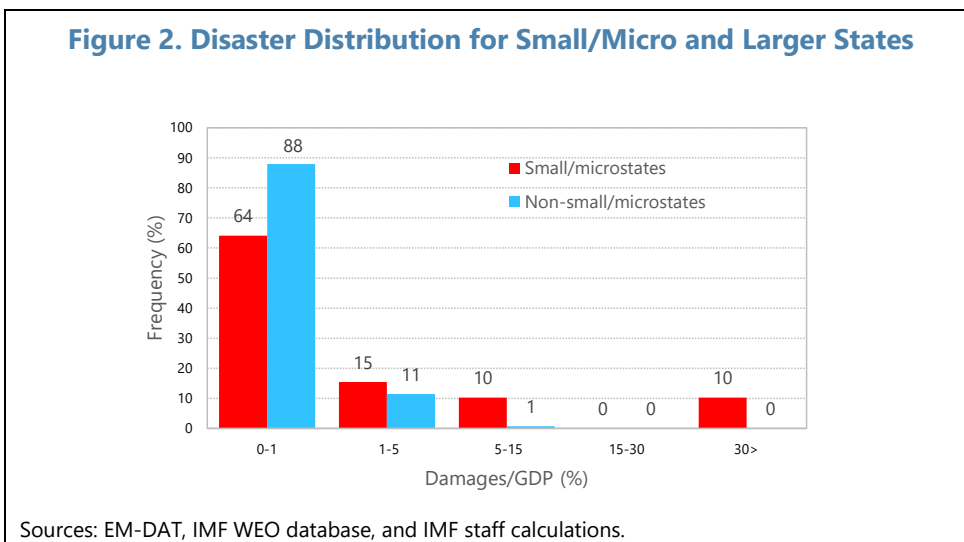
⁶ See Box 2 in [Eligibility to Use the Fund's Facilities for Concessional Financing \(IMF, 2010\)](#); and [Macroeconomic Issues in Small States and Implications for Fund Engagement \(IMF, 2013b\)](#).

⁷ See [Eligibility to Use the Fund's Facilities for Concessional Financing \(IMF, 2013a\)](#).

⁸ Vulnerability refers here to the combination of the frequency and intensity (measured in terms of cost of damages) of natural disasters. While non-small/microstates have had more natural disasters per country on average—including due to their larger geographic area—the impact of natural disasters when they occur has been much stronger on average in small/microstates.

⁹ See also [Small States' Resilience to Natural Disasters and Climate Change—Role for the IMF \(IMF, 2016\)](#); the [2017 Staff Guidance Note on the Fund's Engagement with Small Developing States \(IMF, 2018\)](#); and [Building Resilience in Developing Countries Vulnerable to Large Natural Disasters \(IMF, 2019\)](#).

average cost of damages due to climate-related events in small/microstates was around 5 percent of GDP over 1990-2021, well above the ½ percent of GDP in other states. The frequency of natural disasters has been increasing across all countries over the past several decades (Figure 3)—although data do not show increased frequency on average over the most recent decade. As climate change accelerates, natural disasters and the resulting direct losses from property damages and economic costs from the destruction of productive capital and foregone future incomes can be expected to grow.



12. A large increase in income eligibility thresholds would be needed to have a meaningful impact on the number of small/microstates that are PRGT-eligible. No non-PRGT-eligible small/microstates are currently close to the current income thresholds, so a large increase would be required to expand eligibility: a 50 percent increase in small/microstate entry thresholds would make

only one country (Eswatini) eligible, while a doubling would make three countries (Belize, Eswatini and Suriname) eligible (see Table 2, which also shows the impact on eligibility of a tripling of the income threshold).

Table 2. Small States Meeting Income Criterion by Entry Threshold

	2020 GNI per capita (USD)	Income criterion met		
		Entry thresholds x1.5	Entry thresholds x2	Entry thresholds x3
Eswatini	3,410	Yes	Yes	Yes
Belize	4,110		Yes	Yes
Suriname	4,620		Yes	Yes
Fiji	4,890			Yes
Equatorial Guinea	5,810			Yes
Guyana	7,130			Yes
<i>Seychelles</i>	12,200			Yes
<i>Antigua and Barbuda</i>	13,750			Yes
<i>Palau</i>	14,390			Yes
<i>Nauru</i>	15,990			Yes

Notes: (i) Italics indicate microstates; (ii) Existing entry thresholds are multiplied by a factor indicated at the top of each column. For example, the first column shows which countries would become PRGT eligible under an entry threshold of 3 times the IDA cutoff for small states and 7.5 times for microstates.

13. Another approach could be to introduce climate-related vulnerability into the PRGT eligibility criteria for small/microstates. Small/microstates could be classified into climate-related vulnerability categories (e.g., low, medium, high), with higher income thresholds for entry and graduation for the more vulnerable categories. Several third-party indicators aim to measure climate vulnerabilities.¹⁰ Three prominent indicators are the [United Nation's Economic Vulnerability Index \(EVI\)](#), which has an environmental component, the [Global Climate Risk Index \(CRI\)](#) and the [World Risk Index \(WRI\)](#).¹¹ Looking at the available data shows that these indicators have two important shortcomings (Table 3):

- The indicators do not cover all small/microstates. Out of 43 small/microstates, the EVI covers 35 countries and the WRI and the CRI cover 36 countries. A total of 16 countries are not

¹⁰ There exist several metrics of climate change vulnerability, which measure exposure and resilience capacity to natural disasters. This paper focuses on three well-recognized and widely used indicators from the United Nations, the Bündnis Entwicklung Hilft, and Germanwatch due to their comprehensive coverage of natural disasters and the relative availability of data on small/microstates. Other notable indicators include the Commonwealth Economic Vulnerability Index, Maplecroft's Climate Change Vulnerability Index, and the Notre Dame-Global Adaptation Initiative (ND-GAIN) Country Index.

¹¹ This paper uses the environmental sub-indicator of the EVI which is calculated by giving weights of 1/4 to the share of population in low elevated coastal zones, 1/4 to the share of population living in drylands, 1/4 to a measure of agricultural instability and 1/4 to the number of victims of natural disasters. The CRI covers weather-related events (storms, floods, heat and cold waves) and ranks countries based on the death toll (weight of 1/6), the number of deaths per 100,000 inhabitants (1/3), absolute losses in USD PPP (1/6) and losses in percent of GDP (1/3). The WRI calculates the risk of experiencing a humanitarian crisis following extreme natural events (not necessarily weather-related) combining measures of susceptibility, coping capacity and adaptative capacity. A comprehensive list of the indicators used to compute the WRI can be found in the related [methodological note](#).

covered by at least one of the three indicators. For example, Palau and Nauru are not covered by two indicators (WRI and CRI), while Andorra and San Marino are not covered by any of the three indicators.

- For countries where the indicators are available, they often show inconsistent results. For instance, the EVI indicator shows the Seychelles is highly vulnerable to natural disasters while Bahamas is not. The CRI picture is reversed: the Seychelles is not vulnerable, but Bahamas is.

Table 3. Vulnerability Indicators

Non-PRGT Eligible Non-Small/Microstates with GNI per capita below USD 10,000 ^{1/}				Non-PRGT Eligible Small/Microstates ^{2/}					
	Economic Vulnerability Index ^{3/} (EVI)	World Risk Index (WRI)	Global Climate Risk Index (CRI)	2020 GNI per capita (US \$)		Economic Vulnerability Index ^{3/} (EVI)	World Risk Index (WRI)	Global Climate Risk Index (CRI)	2020 GNI per capita (US \$)
Syria			n/a	1,170	Eswatini				3,410
Pakistan				1,270	Belize				4,110
India				1,920	Suriname				4,620
Nigeria				2,000	Fiji				4,890
Angola				2,140	Equatorial Guinea			n/a	5,810
Vietnam				2,650	Guyana				7,130
Iran				2,960	Montenegro	n/a			7,900
Morocco				2,980	Mauritius				10,230
Egypt				3,000	Seychelles				12,200
Bolivia				3,180	Antigua and Barbuda				13,750
Tunisia				3,300	Barbados				14,350
Philippines				3,430	Palau		n/a	n/a	14,390
Ukraine	n/a			3,540	Trinidad and Tobago				15,420
Algeria				3,570	Nauru		n/a	n/a	15,990
El Salvador				3,630	St. Kitts and Nevis		n/a	n/a	19,080
Sri Lanka				3,720	Estonia	n/a			23,170
Mongolia				3,740	Malta	n/a			25,370
Indonesia				3,870	Bahamas				26,070
Armenia				4,220	Cyprus	n/a			26,110
Georgia				4,270	Brunei Darussalam				31,510
Jordan				4,310	Iceland	n/a			62,420
Guatemala				4,490	Luxembourg	n/a			80,860
Namibia				4,500					
Jamaica				4,670					
Iraq				4,680					
Libya				4,960					
Paraguay				5,180					
Albania	n/a			5,210					
Lebanon				5,370					
Ecuador				5,530					
Colombia				5,790					
South Africa				6,010					
Peru				6,030					
Bosnia and Herzegovina	n/a			6,080					
Botswana				6,640					
Thailand				7,040					
Dominican Republic				7,260					
Serbia	n/a			7,420					
Brazil				7,850					
Mexico				8,480					
Kazakhstan				8,710					
Turkey				9,050					
Argentina				9,070					
Bulgaria	n/a			9,630					

The red highlight indicates the greatest vulnerability to climate change and corresponds to the top quartile for EVI and WRI, and to the first quartile for CRI. The orange highlight corresponds to the third quartile for EVI and WRI, and to the second quartile for CRI. Quartiles are computed on the sample of small/microstates only.

^{1/} This list includes only countries with GNI per capita below USD 10,000 and for which at least one vulnerability indicator has a score above the median for small/microstates.

^{2/} All non-PRGT eligible small/microstates are reported, except Andorra and San Marino for which vulnerability indicators data are missing. Italics represent microstates.

^{3/} Only the environmental component of the EVI is reported here.

14. Modifying the PRGT eligibility criteria would help address small/microstates' vulnerability to climate change but has serious drawbacks.

The case for expanded eligibility criteria for small and microstates rests on their greater vulnerability to climate change. At the same time, as discussed above, the PRGT eligibility criteria should be guided by a framework that is transparent and rules-based, which ensures uniformity of treatment among members, and is in line with the objectives of the PRGT. In this context, such expanded eligibility would raise several policy, legal, and practical issues.

- **Uniformity of treatment.** Any change to the eligibility criteria that affects eligibility of some small/microstates, and any difference between the eligibility criteria for small/microstates versus non-small/microstates, would need to be consistent with the uniformity of treatment principle. Climate change affects the entire Fund membership. Although small/microstates may be affected more on average, they are not all equally affected, and some non-small/microstates are

affected more than some small/microstates. To illustrate this point, based on the three vulnerability indicators cited above, a total of 44 non-PRGT eligible non-small/microstates with GNI per capita below USD10,000 have at least one vulnerability indicator (among the EVI, CRI and WRI) above the median for small/microstates (Table 3). For example, the three indicators cited above show that Angola and Vietnam are more vulnerable to climate change than a number of small states such as Eswatini or Mauritius. In contrast, the vulnerabilities cited in the 2010 and 2013 Board papers to justify higher income thresholds for small and microstates are inherent to population size.¹²

- **Consistency with PRGT's objectives.** A large increase in income thresholds would be required to have a meaningful impact on small/microstate eligibility—even a doubling of the income thresholds would expand eligibility to only three countries. Large increases in the income thresholds would result in relatively well-off countries gaining access to the PRGT, which would create tension with the PRGT's objective of preserving scarce concessional resources for the Fund's lowest income countries.
- **Practical and policy challenges to the use of vulnerability indicators.**
 - i. **Formulating suitable vulnerability indicators.** Any set of indicators used as an input to PRGT eligibility would need to clearly differentiate between different levels of vulnerability to climate change. However, available indicators of vulnerability to climate change fall short, as noted above: they do not produce consistent rankings of vulnerability across countries, and not all members are covered due to data gaps.¹³ This limits the usefulness of existing indicators for establishing a clear and consistent metric of climate change vulnerability.¹⁴
 - ii. **Adding vulnerability to the eligibility criteria would be a major departure from and add a layer of complexity to the PRGT eligibility framework.** It would also weaken the alignment of PRGT and IDA eligibility—the World Bank recently considered but decided against introducing a vulnerability index to determine eligibility for IDA concessional financing.¹⁵

¹² For example, paragraph 15 of the 2010 Board paper notes that the move from a “small islands exception” to a small countries exception, based on a clear threshold for country size and standardized criteria for entry and graduation, would strengthen uniformity of treatment (IMF, 2010).

¹³ The lack of consistency of climate change vulnerability ratings across different indicators is due inter alia to the many dimensions of vulnerability and variety of possible modeling approaches and weights to assign to different aspects of vulnerability.

¹⁴ Moreover, the use of third-party indicators to guide eligibility decisions would need to be approached with great care. Such indicators should generally not be used to rank countries, which could call into question their appropriateness for use in determining PRGT eligibility. For further discussion on the use of third-party indicators and the related challenges, as previously discussed by the Board, see [“Use of Third-Party Indicators in Fund Reports,”](#) (IMF, 2017b).

¹⁵ The World Bank concluded that *a new vulnerability index to access concessional resources would be impractical and not necessarily beneficial for all small states* (See [Small states: vulnerability and concessional finances \(World Bank, 2018\)](#)). It should be noted that the IDA policy includes vulnerability to natural disasters or long-term impact of

(continued)

- **Impact on PRGT finances.** Given the small economic size of small/microstates, the impact would be small in absolute terms. But if the use of vulnerability indicators was expanded to non-small/microstates (to address uniformity of treatment concerns), the costs could be significant.

15. The eligibility proposal currently envisaged for the Resilience and Sustainability Trust (RST) includes all highly vulnerable small states based on a higher income cutoff. Given the long-term structural challenges that the RST aims to address, including the impact of climate change on members, its coverage aims to support vulnerable small states with longer-term loans and significant concessionality for the lower-income members. Providing support to help members address climate change through the RST, which is available both to small and non-small states, would not raise the uniformity of treatment concerns noted above.

16. On balance, staff favors retaining the current PRGT eligibility criteria for small and microstates. While small/microstates' vulnerability to climate change is a serious concern, there are compelling policy, legal and practical reasons why expanding their access to concessional PRGT resources is not a warranted response. Importantly, vulnerability to climate change will continue to inform assessments of the absence of serious short-term vulnerabilities when considering graduation from PRGT eligibility for both small and non-small states (as clarified in the 2020 Eligibility Review).¹⁶

B. Refinement of the Market Access Criterion

17. Staff proposes to refine the time period and data sources used to assess past market access.

- The current approach, adopted in the 2020 Eligibility Review, is to use the World Bank's International Debt Statistics (IDS) over the most recent five-year period for which annual data exist as the primary data source for assessing past market access (Box 3). This approach is also applied in the PRGT framework for determining which countries are presumed to blend PRGT and GRA resources.

climate change as one of the criteria for reclassification from IBRD-only to IDA eligible as part of the Small Island Economies (SIEs) exception. A country must belong in the quintile of highest or second-highest vulnerability as measured by the Global Climate Risk Index (CRI) or the Economic Vulnerability Index (EVI); or rated as "high risk" or "very high risk" by the World Risk Index (WRI)—supplemented as necessary with other information if the country is not covered by any of them. However, all IDA-eligible SIEs (regardless of whether they are covered by the Exception) continue to be subject to IDA's Graduation Policy like other IDA countries (DFCII, 2019).

¹⁶ The 2020 Eligibility Review (IMF, 2020) clarified that risks related to climate change should be explicitly considered when assessing short-term vulnerabilities. Specifically, it stated that: *For countries vulnerable to natural disasters and climate change, the frequency and magnitude of past natural disasters may help guide the assessment of risks. However, past events may not fully capture future risks, given the increasing frequency and severity of weather-related events. External assessments of climate vulnerability—such as the World Bank's climate variability, exposure to impact, and resilience indices—may be useful in informing staff's judgement in assessing serious short-term vulnerabilities.*

- However, IDS data are available only with a lag¹⁷ and there are cases where a country has accessed markets more recently than the period for which annual IDS data exist, which, if included, would result in the country meeting the past market access criterion.¹⁸
- Staff proposes to include debt issuance data from sources other than IDS for the recent period not covered by IDS data, in cases where such inclusion would satisfy the past market access test for entry or graduation (and where past market access would otherwise not be satisfied, due to the lag in IDS data).¹⁹ This would address the situation where a country would satisfy the past market access test based on recent market borrowings but fail to satisfy if based on the less timely IDS data.²⁰
- In practice, the proposal above would be implemented as follows:
 - i. For countries that have accessed markets more recently than the period for which annual IDS data exist, which, if included, would result in the country meeting the past market access criterion: the applicable five-year period for assessing past market access shall include the calendar year of the issuance not covered by IDS that causes the country to meet the past market access criterion plus the preceding four years.²¹ Dealogic would be the primary data source for the period not covered by IDS, though other information on a member's

¹⁷ IDS publishes complete annual data every October for the previous calendar year. Thus, the lag in data availability ranges from a minimum of nine months (in October when the data become available) to 21 months (in September). Conducting Eligibility Reviews early in the year limits the lag in IDS data to around 12-15 months.

¹⁸ Benin and Cameroon accessed international sovereign bond markets in 2021. If those bonds are included in past market access calculations, they would satisfy the durable and substantial market access criterion for graduation under the past market access test of the eligibility framework; otherwise, they would not. Note that Cameroon is at high risk of debt distress, which precludes it from graduation from PRGT eligibility.

¹⁹ De minimis borrowing continues to be excluded from the "duration" threshold, both for the period covered by IDS and, where relevant, more recent data, i.e., if any borrowing in a single year for which qualifying data is available totals less than 2% of the member's quota at the time of assessment, that year shall not count towards meeting the duration thresholds. However, such amount continues to count for cumulative amount of market access (the "scale" threshold).

²⁰ While IDS data are available with a longer lag than other data such as Dealogic, they are more complete. The incompleteness of data sources other than IDS underlies the general policy of relying on IDS data as the primary data source to assess market access. For further discussion, see [Eligibility to Use the Fund's Concessional Financing, 2020](#), (IMF, 2020).

²¹ Specifically, borrowing in the calendar year preceding the assessment, or within the calendar year in which the assessment takes place, that is not covered by the IDS database, will be included in the market access assessment, when such borrowing, added to borrowing in the previous three or four calendar years (as applicable) for which IDS data are available, causes the country to meet the past market access test. For reasons of practicability, the assessment of market access will have a cutoff date of two months before the issuance of the paper for the Board meeting at which the assessment of market access is relevant. Market access data that become available after that date will not be included in the assessment. This cutoff date will ensure that staff have adequate time to confirm market access data with the authorities and prepare the necessary analysis and documentation and, in the case of arrangements or emergency assistance, to reach understandings with the authorities on the type of lending instruments, depending on whether presumed blending is required.

borrowing available to staff will also be relied on for the assessment. Whenever a country is assessed as meeting the past market access test, staff would confirm all market access data with country authorities, consistent with current practice.

- ii. For all other countries, the applicable five-year period for assessing past market access shall continue be the most recent five-year period for which IDS data are available.
- The current proposal represents a limited modification to the change made in the 2020 Eligibility Review (which established the use of IDS data over a common five-year period as the primary data source to assess past market access (Box 3)). While it may result in the use of different five-year periods and data sources for assessing past market access for different countries, in practice it is likely to affect few countries. On balance, staff believes that this refinement is warranted to address the situation where countries would have satisfied the past market access test due to recent market borrowings except for the lack of timely IDS data. The proposed refinement is consistent with the objective of preserving the Fund's scarce concessional resources for the use of countries that are most in need and is expected in practice to affect only a small number of countries.
- Staff further proposes that this refinement of the applicable five-year time period and data sources for assessing past market access under the eligibility framework will also apply to the determination of market access under the PRGT framework for presumed blending.

Box 3. History of Data Sources and Period for Assessing Market Access

The databases and period for assessing market access were reviewed and modified twice, in 2015 and 2020.

- **Prior to the 2015 Eligibility Review**, the practice of staff was to rely on a single data source—the World Bank's International Debt Statistics (IDS)—to assess past market access. The assessment was based on debt issuance over the most recent five years for which the IDS data were available. IDS data were updated annually with a lag of about one year.
- The **2015 Eligibility Review** introduced a commercial database provided by Dealogic, in addition to IDS data, to assess market access. This was intended to take account of market borrowing in the most recent period reported by Dealogic, but not yet available in IDS. In cases where the most recent annual data were available from Dealogic but not from IDS, the applicable five-year period for assessing market access was defined as follows: (a) where Dealogic data showed zero market access for the most recent year, that year was excluded and the applicable five-year period was rolled back one year to correspond to the period for which IDS data were available; and (b) where Dealogic data showed positive (non-zero) borrowing in the most recent year, that year was included in the five-year period, with IDS data used for the first four years and Dealogic data for the most recent year.
- The **2020 Eligibility Review** identified shortcomings in the coverage and classification of loans in the Dealogic database, which gave rise to persistent discrepancies between IDS and Dealogic data. In response, with respect to assessing past market access, it was decided to use IDS data as the primary source and standardize the period for assessing market access by using the most recent five-year period for which IDS data are available, while continuing to use the Dealogic to inform assessments of serious short-term vulnerabilities and of whether countries "could have tapped" international financial markets even if they did not do so.
- **In the context of the 2022 Eligibility Review**, there are cases of large-scale borrowing from international bond markets which, if counted toward past market access, would cause the past market access test to be satisfied (when it otherwise would not be), but which is not yet reported by IDS. The proposed refinement would allow such recent market borrowing to be included in assessing market access, while preserving the 2020 modifications outside these circumstances (where the past market access test would be met only by inclusion of recent borrowings not yet in IDS).

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

18. One country, the Syrian Arab Republic, meets the criteria for eligibility and is proposed for addition to the list of PRGT-eligible countries.²² Under the eligibility framework, a (non-small and non-microstate) member will become PRGT-eligible if its annual per capita GNI is below the IDA operational cutoff (currently \$1,205) based on the latest available qualifying data and the sovereign does not have the capacity to access international financial markets on a durable and substantial basis (Box 1).

- **Syria meets the income threshold for eligibility.** Its GNI per capita was \$1,170 in 2019, the latest available data. The World Bank did not publish GNI data for Syria for 2008 and beyond from April 2014 to December 2021, due to the unavailability of reliable official economic statistics. The Syrian Central Bureau of Statistics recently started publishing consistent National Accounts data, and on that basis the World Bank resumed publication of GNI data starting in December 2021. The data show that per capita GNI peaked at \$10,800 in 2010 and fell to a low point of \$800 in 2017 before rising in 2018-19. Data for 2020 are not yet available.
- **Syria does not have the capacity to access international financial markets on a durable and substantial basis.** Such access is defined as (1) public sector issuance or guarantee of bonds in international markets or disbursements under external commercial loans during at least two of the last five years for which qualifying data are available in a cumulative amount of at least fifty percent²³ of the member's quota; or (2) the existence of convincing evidence that the sovereign could have tapped international markets as specified under (1) above, even though the scale or duration of actual public-sector borrowing or guarantee or actual disbursements under external commercial loans contracted or guaranteed in international markets fell short of the specified thresholds. Syria has not accessed international financial markets in the past five years according to World Bank IDS data, and there is no convincing evidence that it could do so (it is in a state of default on international debt, is subject to extensive economic sanctions, and is not rated by the credit rating agencies).

19. Eleven countries meet the income or market access criteria for graduation from the PRGT eligibility list. Seven of the countries that meet at least one of the criteria are not considered for graduation since they are assessed to have high risk of debt distress or to be in debt distress (Table 4).

²² The last IMF mission to Syria was a staff visit in January 2011. The last Article IV (2009) concluded in February 2010. Syria is IDA-only eligible since 2017, and is currently an inactive IDA country, in non-accrual status since 2012.

²³ This threshold is different from the one stated in Box 1 because Syria's quota increase under the 14th General Review of Quotas has not become effective (as per PRGT eligibility decision 1(C)(1)).

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

- **Benin** meets the market access graduation criterion and its GNI per capita is 6.2 percent above the threshold for PRGT entry (the IDA GNI operational cutoff). However, global uncertainties due to COVID-19 and tightening global financial conditions could lead to a loss of market access, and Benin's per capita GNI could fall below the entry threshold in the event of a negative shock. The economy lacks resilience given high reliance of rain-dependent sectors and on one main trade partner. In light of these serious short-term vulnerabilities, graduation from the PRGT is not proposed.
- **Côte d'Ivoire** meets the market access criterion and is 89.2 percent above the IDA GNI operational cutoff. It is however subject to downside risks from the impact of a prolonged COVID-19 pandemic on the country and the global economy, higher global inflation and a sharp rise in global risk premia, and commodity price shocks, which could lead to a loss of market access. It would be prudent, therefore, to delay consideration of graduation until those uncertainties have abated. If the current growth trends and ample market access continue, Côte d'Ivoire could be well-positioned to graduate at the next eligibility review.
- **Senegal** meets the market access graduation criterion and its GNI per capita is 18.7 percent above the IDA cutoff. The impact of prolonged COVID-19, global financial developments, deterioration in the regional security situation, a delay in the start of oil and gas production, and more intense droughts and floods could cause a loss of market access and a decline in income to below the entry threshold. It would thus be prudent to wait before proposing Senegal for graduation.

21. Staff proposes to graduate the Republic of Moldova. Its income is 278.4 percent above the IDA cutoff. It meets the criteria for graduation without application of the absence of serious short-term vulnerability requirement because its income is more than 50 percent above the income graduation threshold, and it is not IDA-eligible, having graduated from IDA eligibility in 2020. Staff have engaged with the authorities on the possibility of graduation from PRGT.

Table 4. Members That Meet at Least One of the Graduation Criteria ^{1/}

	Met criterion	DSA rating	IDA Status	Percentage deviation from income graduation threshold	Percentage deviation from income threshold for PRGT entry	Market Access frequency in the last five years (excludes de minimis)
Benin ^{2/}	Market	Moderate	IDA	-46.9	6.2	2/5
Cameroon ^{2/}	Market	High	Blend	-36.9	26.1	2/5
Côte d'Ivoire	Market	Moderate	IDA	-5.4	89.2	5/5
Ghana	Market	High	IDA-grant only	-2.9	94.2	5/5
Grenada	Income	In debt distress	Blend	30.2	56.2	0/5
Kenya	Market	High	Blend	-23.7	52.7	5/5
Lao PDR	Income and Market	High	IDA-grant only	4.6	109.1	3/5
Moldova	Income	Low	Graduated 2020	89.2	278.4	0/5
Papua New Guinea	Income and Market	High	Blend	12.9	125.7	5/5
Senegal	Market	Moderate	IDA	-40.7	18.7	4/5
St.Vincent and the Grenadines	Income	High	Blend	1.1	21.3	1/5

Countries with low or moderate DSA rating are highlighted in blue.

^{1/} The assessment of market access is based on 2016–20 IDS data.

^{2/} Country meets the market access criterion under the "could have tapped" criterion as it issued Eurobonds in 2021.

FINANCING IMPLICATIONS

22. The proposals to graduate the Republic of Moldova, add the Syrian Arab Republic to the list of PRGT-eligible countries, and refine the market access criterion would have a limited impact on the PRGT finances. The current use of Fund resources by the Republic of Moldova and its proposed graduation are consistent with the baseline assumptions underpinning the July 2021 Board paper on PRGT reforms. Similarly, the inclusion of the Syrian Arab republic as a PRGT-eligible country, based on the data recently published by the World Bank, could be accommodated within the resource envelope under the current PRGT funding strategy even if the potential for a PRGT arrangement remains highly uncertain under current circumstances. Therefore, the proposed changes would not have a significant impact on the finances and self-sustained capacity of the PRGT. In addition, the consideration of more recent data not yet reported by IDS for the purpose of assessing past market access should not have any material impact on the PRGT finances.

ISSUES FOR DISCUSSION

- Do Directors agree with the proposal to keep eligibility criteria unchanged, including for small and microstates?
- Do Directors agree with the proposed refinement on the market access criterion for both PRGT eligibility and under the framework for presumed blending?
- Do Directors agree with the proposal to graduate the Republic of Moldova from the list of PRGT-eligible members?
- Do Directors agree with staff's assessment that it would be premature to graduate Benin, Côte d'Ivoire, and Senegal in view of their short-term vulnerabilities even though they meet the market access criteria for graduation?
- Do Directors agree that the Syrian Arab Republic meets the criteria for PRGT eligibility and should be added to the list of PRGT-eligible members?

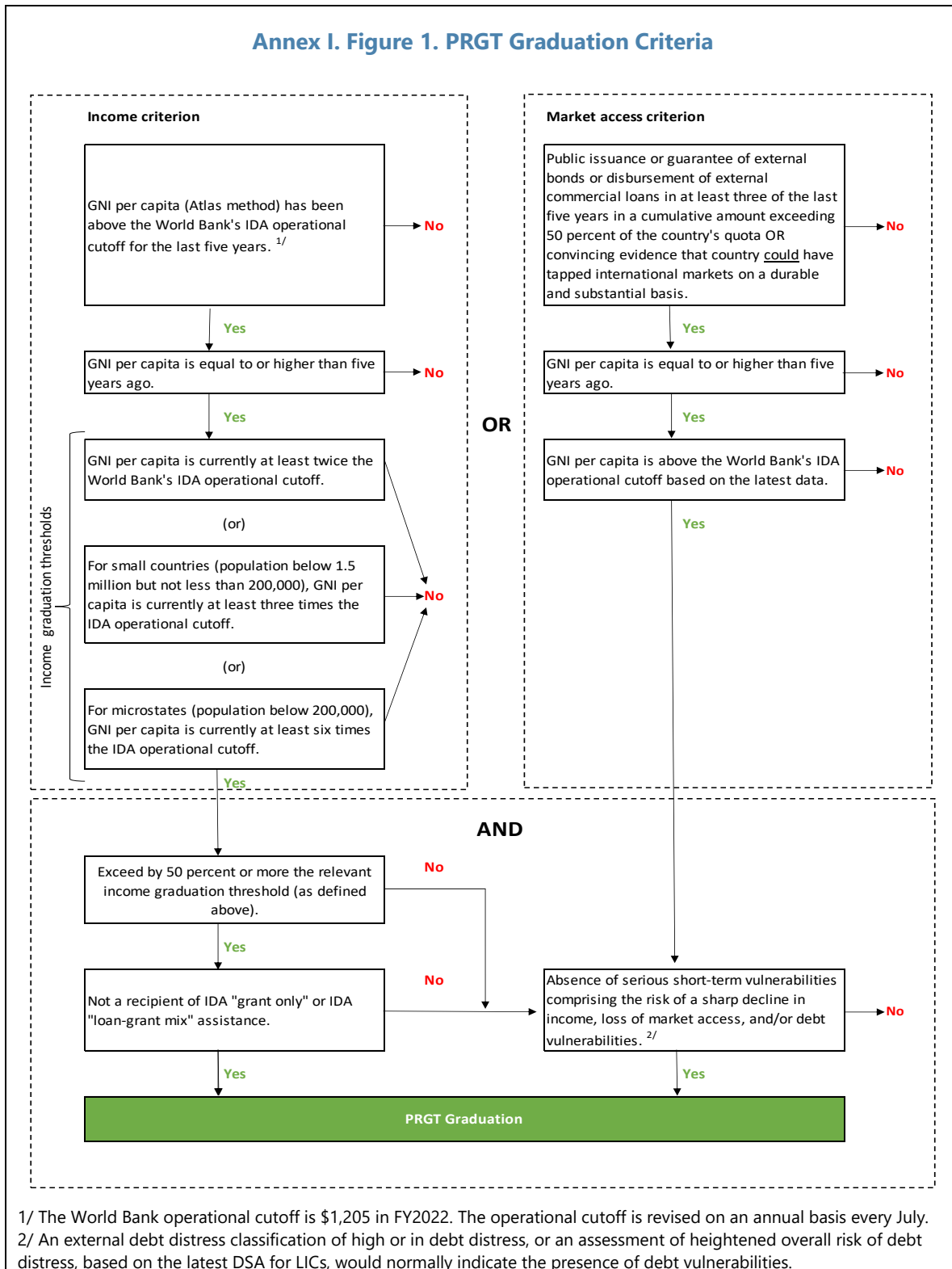
Proposed Decision

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

Decision - Amendments to the PRGT-eligibility List

1. In light of the criteria set forth in Decision No. 14521-(10/3), adopted January 11, 2010, as amended, the list annexed to Decision No. 8240-(86/56) SAF, adopted March 26, 1986, as amended, shall be amended by adding the Syrian Arab Republic to, and removing the Republic of Moldova from, the list.
2. The removal of the Republic of Moldova from the list shall become effective five months from the date of this decision ("Effective Date"), provided that any arrangement under the Poverty Reduction and Growth Trust or any Policy Support Instrument in existence as of such Effective Date may continue until the expiration or other termination of the arrangement or the PSI.

Annex I. PRGT Graduation Criteria



Annex II. Tables on GNI Per Capita, Debt, and Eligibility Criteria

Annex II. Table 1. PRGT-Eligible Countries: Graduation Criteria

Country	Meets the income criterion for graduation	Meets market access definition associated with market access graduation criterion ^{1/}	Meets GNI per capita threshold associated with market access graduation criterion ^{2/}	Debt Distress (as of end-December 2021)	Country	Meets the income criterion for graduation	Meets market access definition associated with market access graduation criterion ^{1/}	Meets GNI per capita threshold associated with market access graduation criterion ^{2/}	Debt Distress (as of end-December 2021)
Afghanistan				High	Mali				Moderate
Bangladesh			Y	Low	Marshall Islands			Y	High
Benin ^{3/}		Y	Y	Moderate	Mauritania			Y	High
Bhutan			Y	Moderate	Micronesia			Y	High
Burkina Faso				Moderate	Moldova	Y		Y	Low
Burundi				High	Mozambique				In debt distress
Cambodia			Y	Low	Myanmar			Y	Low
Cameroon ^{3/}		Y	Y	High	Nepal				Low
Cabo Verde		Y		High	Nicaragua				Moderate
Central African Republic				High	Niger				Moderate
Chad				In debt distress	Papua New Guinea	Y	Y	Y	High
Comoros			Y	Moderate	Rwanda				Moderate
Congo, Rep.				In debt distress	Samoa				High
Congo, Dem. Rep.				Moderate	São Tomé and Príncipe			Y	In debt distress
Côte d'Ivoire		Y	Y	Moderate	Senegal		Y	Y	Moderate
Djibouti			Y	High	Sierra Leone				High
Dominica				High	Solomon Islands			Y	Moderate
Eritrea				In debt distress	Somalia				In debt distress
Ethiopia		Y		High	South Sudan				High
Gambia, The				High	St. Lucia				High
Ghana		Y	Y	High	St. Vincent and the Grenadines	Y		Y	High
Grenada	Y		Y	In debt distress	Sudan				In debt distress
Guinea				Moderate	Tajikistan				High
Guinea-Bissau		Y		High	Tanzania		Y		Moderate
Haiti				High	Timor-Leste			Y	Moderate
Honduras			Y	Low	Togo				Moderate
Kenya		Y	Y	High	Tonga			Y	High
Kiribati			Y	High	Tuvalu			Y	High
Kyrgyz Republic				Moderate	Uganda		Y		Moderate
Lao PDR	Y	Y	Y	High	Uzbekistan		Y		Low
Lesotho				Moderate	Vanuatu			Y	Moderate
Liberia				Moderate	Yemen				High
Madagascar				Moderate	Zambia		Y		High
Malawi				High	Zimbabwe				In debt distress
Maldives		Y		High					

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

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

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

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

^{3/} Country meets the market access criterion under the "could have tapped" criterion as it issued Eurobonds in 2021.

Annex II. Table 2. PRGT-Eligible Countries: Population, GNI Per Capita, and Public and Publicly-Guaranteed (PPG) Debt ^{1/}, ^{2/}

Country	2020 Population (millions)	GNI per capita, Atlas Method 2016	GNI per capita, Atlas Method 2020	PPG external bonds and commercial loans (Disbursements in % of Quota 2016)					Cumulative 2016-2020 (in % of Quota 2016)	Country	2020 Population (millions)	GNI per capita, Atlas Method 2016	GNI per capita, Atlas Method 2020	PPG external bonds and commercial loans (Disbursements in % of Quota 2016)					Cumulative 2016-2020 (in % of Quota 2016)	
				2016	2017	2018	2019	2020						2016	2017	2018	2019	2020		
				Alghanistan	38.93	550	500	-						-	-	-	-	Mali		20.25
Bangladesh	164.69	1,370	2,030	-	-	-	-	-	Marshall Islands	0.06	4,250	4,940	-	-	-	-	-	-	-	
Benin ^{3/ 4/}	12.12	1,110	1,280	-	-	105	327	-	432	Mauritania	4.65	1,510	1,670	-	-	-	-	-	-	
Bhutan	0.77	2,650	2,840	-	-	-	-	-	Micronesia	0.12	3,410	3,950	-	-	-	-	-	-	-	
Burkina Faso	20.90	680	770	-	-	-	-	-	Moldova	2.62	3,180	4,560	-	1.7	-	-	-	-	2	
Burundi	11.89	260	230	-	-	-	-	-	Mozambique	31.26	530	460	4	6	0.5	8	14	32		
Cambodia	16.72	1,140	1,500	-	-	-	-	-	Myanmar	54.41	1,200	1,350	-	-	-	-	-	-	-	
Cameroon ^{3/ 4/}	26.55	1,440	1,520	-	-	7	2	-	9	Nepal	29.14	880	1,190	-	-	-	-	-	-	-
Cabo Verde	0.56	3,130	3,060	50	38	-	8	-	95	Nicaragua	6.62	1,960	1,850	-	1.96	1	1	1	5	
Central African Republic	4.83	410	500	-	-	-	-	-	Niger	24.21	530	550	-	-	-	-	-	111	111	
Chad	16.43	730	630	-	-	-	-	-	Papua New Guinea	8.95	2,710	2,720	59	35	185	79	53	412		
Comoros	0.87	1,320	1,400	-	-	-	-	-	Rwanda	12.95	740	780	-	-	-	9	24	34		
Congo, Rep.	5.52	2,210	1,770	-	-	-	-	-	Samoa	0.20	4,110	4,050	-	-	-	-	-	-	-	
Congo, Dem. Rep.	89.56	470	550	-	0.1	-	-	3	4	São Tomé and Príncipe	0.22	1,690	2,060	-	-	-	-	-	-	-
Côte d'Ivoire ^{3/}	26.38	1,830	2,280	4	228	358	404	334	1,327	Senegal ^{3/}	16.74	1,270	1,430	-	0.4	253	484	151	39	928
Djibouti	0.99	2,640	3,310	-	-	-	-	-	-	Sierra Leone	7.98	490	510	-	-	-	-	-	-	-
Dominica	0.07	7,320	7,270	-	7	-	96	-	103	Solomon Islands	0.69	2,140	2,300	-	-	-	-	-	-	-
Eritrea	-	-	-	-	-	-	-	-	-	Somalia	15.89	300	320	-	-	-	-	-	-	-
Ethiopia	114.96	670	890	61	243	304	124	73	805	South Sudan	11.19	-	-	-	-	-	-	-	-	-
Gambia, The	2.42	620	750	-	-	-	-	-	-	St. Lucia	0.18	9,430	8,560	-	-	-	-	-	-	-
Ghana	31.07	1,810	2,340	137	30	216	341	349	1,073	St. Vincent and the Grenadines	0.11	6,800	7,310	-	-	64	-	-	-	64
Grenada	0.11	8,350	9,410	-	1	1	-	-	2	Sudan	43.85	1,500	650	-	-	-	-	-	-	-
Guinea	13.13	780	1,020	-	-	-	15	48	63	Tajikistan	9.54	1,110	1,060	-	-	207	-	-	207	
Guinea-Bissau	1.97	650	760	-	103	70	75	218	467	Tanzania	59.73	970	1,080	12	92	89	245	28	466	
Haiti	11.40	1,360	1,320	-	-	-	-	-	-	Timor-Leste	1.32	1,750	1,990	-	-	-	-	-	-	-
Honduras ^{3/ 5/}	9.90	2,110	2,180	-	202	-	-	173	375	Togo	8.28	670	920	-	1	-	-	57	83	141
Kenya	53.77	1,460	1,840	22	144	323	302	37	828	Tonga	0.11	4,410	5,190	-	-	-	-	-	-	-
Kiribati	0.12	2,920	2,960	-	-	-	-	-	-	Tuvalu	0.01	5,060	5,820	-	-	-	-	-	-	-
Kyrgyz Republic	6.59	1,110	1,160	-	-	-	-	-	-	Uganda	45.74	800	800	-	0.1	1	9	8	82	101
Lao PDR	7.28	2,130	2,520	215	310	158	-	-	683	Uzbekistan	34.23	2,790	1,740	9	5	-	144	172	330	
Lesotho	2.14	1,270	1,100	-	-	-	-	-	-	Vanuatu	0.31	2,830	3,190	-	-	-	-	-	-	-
Liberia	5.06	640	570	-	-	-	-	-	-	Yemen	29.83	1,160	910	-	-	-	-	-	-	-
Madagascar	27.69	470	470	-	17	12	-	-	29	Zambia	18.38	1,370	1,160	2	91	56	29	16	194	
Malawi	19.13	340	580	-	-	-	-	-	-	Zimbabwe	14.86	1,390	1,140	-	-	-	-	-	-	-
Maldives	0.54	8,070	6,490	-	899	1,425	297	346	2,966											
Key non-eligible countries																				
Bolivia	11.67	3,040	3,180	-	300	-	10	4	315											
Guyana	0.79	5,600	7,130	-	7	-	-	-	7											
Mongolia	3.28	3,490	3,740	770	1,408	490	-	597	3,264											
Nigeria	206.14	2,420	2,000	-	141	154	-	-	296											
Vietnam	97.34	2,020	2,650	16	5	1.6	1.8	1.7	25											
Pakistan	220.89	1,310	1,270	62	187	24	50	114	438											

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

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

^{1/} The IDA operational cutoff for FY 2022 is defined as 2020 GNI per capita of \$1,205. GNI per capita data are from December 2021.

^{2/} Based on IDS raw data (unless otherwise noted).

^{3/} The data have been validated with country authorities.

^{4/} Country meets the market access criterion under the "could have tapped" criterion as it issued Eurobonds in 2021.

^{5/} While Honduras met the market access criterion as per IDS data, further scrutiny of the data showed that qualifying market issuance happened in only two years over the period 2016-2020. Honduras did not borrow on international financial markets in 2021.

Annex II. Table 3. Use of IMF Resources by Countries That Meet Graduation Criteria (2010 - 2021)

	Type of Financing	Year of Approval	Precautionary	Amount Committed (including augmentation), % of quota at approval
Benin	RFI-RCF	2020	N	100
	ECF	2017	N	151
	ECF	2010	N	120
Côte d'Ivoire	RFI-RCF	2020	N	100
	ECF-EFF	2016	N	130
	ECF	2011	N	160
	RCF	2011	N	25
Moldova	ECF-EFF	2021	N	232
	RFI-RCF	2020	N	100
	ECF-EFF	2016	N	75
	ECF-EFF	2010	N	300
Senegal	SBA-SCF	2021	N	140
	RFI-RCF	2020	N	100
	PCI	2020	N	-
	PSI	2015	N	-
	PSI	2010	N	-

Annex II. Table 4. Small States and Microstates — PRGT Eligibility, GNI Per Capita, and Population

Small States ^{1/}			Microstates ^{2/}		
Country (26)	2020 GNI per capita (US \$)	2020 Population (millions)	Country (17)	2020 GNI per capita (US \$)	2020 Population (millions)
Luxembourg	80,860	0.63	Andorra	-	0.08
Iceland	62,420	0.37	San Marino	-	0.03
Brunei Darussalam	31,510	0.44	St. Kitts and Nevis	19,080	0.05
Cyprus	26,110	1.21	Nauru	15,990	0.01
Bahamas, The	26,070	0.39	Palau	14,390	0.02
Malta	25,370	0.53	Antigua and Barbuda	13,750	0.10
Estonia	23,170	1.33	Seychelles	12,200	0.10
Trinidad and Tobago	15,420	1.40	Grenada	9,410	0.11
Barbados	14,350	0.29	St. Lucia	8,560	0.18
Mauritius	10,230	1.27	St. Vincent and the Grenadines	7,310	0.11
Montenegro, Rep. of	7,900	0.62	Dominica	7,270	0.07
Guyana	7,130	0.79	Tuvalu	5,820	0.01
Maldives	6,490	0.54	Tonga	5,190	0.11
Equatorial Guinea	5,810	1.40	Marshall Islands	4,940	0.06
Fiji	4,890	0.90	Samoa	4,050	0.20
Suriname	4,620	0.59	Micronesia	3,950	0.12
Belize	4,110	0.40	Kiribati	2,960	0.12
Eswatini	3,410	1.16			
Djibouti	3,310	0.99			
Vanuatu	3,190	0.31			
Cabo Verde	3,060	0.56			
Bhutan	2,840	0.77			
Solomon Islands	2,300	0.69			
São Tomé and Príncipe	2,060	0.22			
Timor-Leste	1,990	1.32			
Comoros	1,400	0.87			

Source: World Bank, World Development Indicators, accessed in December 2021.

Countries highlighted in blue are PRGT-eligible.

The IDA operational cutoff is defined as GNI per capita at \$1,205 in fiscal year 2022 (based on 2020 GNI).

^{1/} Population below 1.5 million but not less than 200,000.

^{2/} Population below 200,000.

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

Benin:

Background. Benin's growth is projected to have rebounded to 7 percent in 2021 from 3.8 percent in 2020, principally thanks to a reopening of the borders with Nigeria, its main trade partner. Benin raised €1 billion in Eurobonds in January 2021, using part of the proceeds to retire more expensive and shorter maturity debt. The country also issued an SDG bond in July 2021 (€500 million at 4.95% due in 2035). The two Eurobond issuances will ensure the financing of the fiscal deficit as well as the accumulation of government deposits. Benin is assessed to be at moderate risk of debt distress. The country successfully concluded a three-year ECF arrangement in mid-2020 and received emergency financing (RCF/RFI) in December 2020. The authorities have requested a new Fund-supported program; program discussions will start in early 2022.

Assessment: *Staff propose to maintain Benin's PRGT eligibility given the presence of serious short-term vulnerabilities that could affect market access.*

Income Criterion. Benin does not meet the income criterion for graduation. In 2020, its GNI per capita was US\$1,280, which is 47 percent below the relevant income graduation threshold.

Market Access Criterion. Benin had public issuances in only two years of the period 2016–2020, but it is assessed that it could have tapped international markets on a durable and substantial basis. This comes from the fact that counting the 2021 bond issuances, the country has issued in three years in the period 2017–2021 in an amount totaling 1,430 percent of quota.

Serious Short-Term Vulnerabilities. Benin faces significant risks to future market access, including from uncertainty about the depth and duration of the impact of covid on the national and global economy and from possible tightening of global financial market conditions. Benin's GNI per capita is above the threshold for PRGT eligibility by a small margin of 6.2 percent, making it vulnerable to reverse graduation in the event of shocks. Benin's economy remains dependent on traditional exports, such as cotton and cashew nuts, and on its main trade partner Nigeria; this lack of diversification makes it vulnerable to price and weather-related shocks. Economic transformation is slow with a significant agricultural sector that remains rain dependent. The financial market is shallow, and the banking sector suffers from weak profitability, poor credit quality, and elevated credit concentration, posing another source of risk.

Côte d'Ivoire:

Background. Côte d'Ivoire has demonstrated resilience to the COVID-19 pandemic, with positive growth estimated for 2020. A swift policy reaction, following a decade of strong macroeconomic policy and structural improvements, contributed to this good performance. Growth is expected to

have rebounded strongly to 6 percent in 2021, driven by a recovery in exports and private investment as pandemic headwinds and electoral uncertainties abate, while medium-term growth will be supported by continuing capital deepening based on an ambitious national development plan. The authorities successfully concluded the ECF-EFF-supported reform program that ended in December 2020. Reflecting investor confidence and demonstrating its access to markets, Côte d'Ivoire raised a total of around USD2.2bn through Eurobond issuances in November 2020 and in February 2021. Côte d'Ivoire is assessed to be at moderate risk of debt distress.

Assessment: *Staff proposes maintaining Côte d'Ivoire's eligibility given the presence of serious short-term vulnerabilities that could affect market access. Assuming the continuation of current growth trends and market access, Côte d'Ivoire could be in a favorable position to graduate at the next review of PRGT eligibility.*

Income Criterion. Côte d'Ivoire does not meet the income criterion for graduation. In 2020, its GNI per capita was US\$2,280, which is 5 percent below the relevant income graduation threshold.

Market Access Criterion. Côte d'Ivoire meets the market access criterion for graduation by a substantial margin. It accessed international markets in five of the last five years in an amount equivalent to 1,327 percent of its IMF quota.

Serious Short-Term Vulnerabilities. Côte d'Ivoire faces significant risks to future market access, including from uncertainty about the depth and duration of the impact of covid on the national and global economy and from possible tightening of global financial market conditions. There are also a number of domestic sources of risk that could disrupt market access. Debt vulnerability metrics would deteriorate if revenue mobilization continues to underperform. Scarring from the pandemic could undermine banks' lending capacity or trigger social tensions especially if ongoing poverty reduction efforts stall. Côte d'Ivoire remains dependent on commodity exports, especially cacao, exposing it to price swings and crop failures. Further, public debt increased significantly over the last few years with external debt growing as a share of total debt. Though the risk of debt distress is currently moderate, exports and market financing shocks would have a significant negative impact on Côte d'Ivoire's external debt sustainability and could affect market access.

The Republic of Moldova:

Background. The 2016–20 ECF/EFF helped rehabilitate the Republic of Moldova's banking sector, bolstering macro-financial stability. The COVID-19 pandemic precipitated a sharp economic downturn (7 percent contraction in 2020) as implementation of virus containment measures took a toll. Real GDP growth is estimated to have rebounded to 7.5 percent in 2021 and is projected to slow in 2022 to 4.5 percent before leveling off at 5.5 percent over the medium term, supported by payoffs to reforms that promote faster capital accumulation and productivity growth. It is at low risk of debt distress.

Assessment: *Staff proposes graduating the Republic of Moldova from PRGT eligibility. The Republic of Moldova meets the criteria for graduation without application of the absence of serious short-term vulnerability requirement because its income is more than 50 percent above the income graduation threshold, and it is not IDA-eligible.*

Income Criterion. The Republic of Moldova meets the income criterion for graduation by a significant margin, with GNI per capita of US\$4,560, which is 89 percent above the relevant income graduation threshold (compared to 27 percent at the time of the 2020 PRGT eligibility review). Income per capita has been on an upward trend and has been substantially above the IDA operational cutoff over the last five years. GNI per capita was revised sharply upwards since the 2020 eligibility review, mainly reflecting updated population to account for large emigration.

Market Access Criterion. The Republic of Moldova does not meet the market access criterion for graduation.

Senegal:

Background. The economy is recovering from the pandemic, with real growth projected at 5 percent in 2021 and 5½ percent in 2022, up from 1.5 percent in 2020. Senegal has a PCI in place and in June 2021 entered into an 18-month SBA/SCF arrangement that will support the authorities' response to the pandemic. Senegal is at moderate risk of debt distress and issued €775 million in Eurobonds in June 2021.

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

Income Criterion. Senegal does not meet the income criterion for graduation, with 2020 GNI per capita of US\$1,430, which is 41 percent below the relevant income threshold for graduation and 19 percent above the entry threshold.

Market Access Criterion. Senegal meets the market access criterion for graduation, accessing markets in four of the five last years (excluding de minimis borrowing in 2016) in an amount equivalent to 928 percent of quota.

Serious Short-Term Vulnerabilities. Senegal faces significant risks from uncertainty about the depth and duration of the impact of covid on the national and global economy and from possible tightening of global financial market conditions, which create the risk of a loss of market access and a decline in per capita income below the entry threshold. Domestic risks include deterioration in the regional security situation, a delay in the start of oil and gas production, and more intense droughts and floods, which would damage agricultural production. Materialization of such risks could affect public finances and the quality of economic policies, with the potential for a loss of market access and a negative impact on income.

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