Special Report

16 February 2021

G20 Common Framework and Private-Sector Debt Restructuring

Private-Sector Participation Seems Likely but Only Most Vulnerable Countries Will Apply

“A decision by a sovereign to seek a Common Framework treatment means, on current information, that there is a high risk of a private-sector debt restructuring that would likely qualify as a distressed debt exchange. Such a decision can have immediate rating implications, as illustrated by the downgrade of Ethiopia’s rating in February.”

Jan Friederich
Head of Middle East and Africa Sovereign Ratings

Related Research
Fitch Downgrades Ethiopia to ‘CCC’ (February 2021)
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DSS Debt Relief Impact On Sovereigns (July 2020)

Private-Sector Involvement Required

Most importantly from a rating perspective, the Common Framework explicitly requires debtor countries to seek comparable treatment by other external creditors, including the private sector, while the DSSI had only encouraged private-sector participation. There is still some uncertainty, not least because the Paris Club can make exceptions. However, past Paris Club agreements (other than the DSSI) have typically required private-sector participation.

Common Framework Could Lead to Default

While a restructuring of debt to bilateral creditors in itself would not constitute a sovereign default, a restructuring of debt to the private sector in the context of the Common Framework is likely to meet Fitch Ratings’ definition of a distressed debt exchange (DDE) and lead to a ‘Restricted Default’ rating. This means that unless there is a clarification that the Common Framework in general or in a specific case will not lead to private-sector involvement, a stated intention by the authorities to seek Common Framework treatment is likely not compatible with a rating higher than ‘CCC’.

Risks Despite Low Eurobond Debt Service

The Comparability of Treatment required under the Common Framework implies that low private-sector debt service does not necessarily mean a low risk of default. In assessing which countries may request a Common Framework treatment, the IMF’s Debt Sustainability Analysis and the need for IMF funding is key. A Common Framework treatment, like earlier Paris Club agreements, will always be tied to a regular IMF programme. Countries that already have IMF programmes may be more willing to ask for Common Framework treatment, while countries heavily relying on international market funding will be most reluctant.

Jan Friederich
Head of Middle East and Africa Sovereign Ratings

Jan Friederich
+852 2263 9910
jan.friederich@fitchratings.com

Toby Iles
+852 2263 9832
toby.iles@fitchratings.com

Kathleen Chen
+852 2263 9621
kathleen.chen@fitchratings.com

Fitch Ratings
Emerging Markets
This goes beyond the DSSI which was intended to create emergency fiscal space to tackle the health crisis across all eligible countries. Access to the DSSI is not dependent on challenges with the debt service burden or debt sustainability.

- **Extensions Preferred to Haircuts:** Debt treatments will come in the form of extension of durations of debt and where needed, NPV reductions. Debt write-offs or cancellation are possible but would be reserved for difficult cases. In this sense, the Common Framework is different from the Highly Indebted Poor Countries (HIPC) initiative, which from the outset has entailed significant haircuts. By contrast, the DSSI only included extensions without NPV reductions.

- **Debt Covered:** Debt treated under the Common Framework itself will in principle be all obligations contracted before 24 March 2020 to participating creditors with an original maturity of more than a year. The Common Framework requires debtors to seek at least as favourable terms from other creditors (see **Private-Sector Treatment**).

The Common Framework is strongly backed by the main international financial institutions (IFIs), particularly the IMF, which highlighted the importance of the Common Framework in its January World Economic Outlook and Fiscal Monitor updates. The fact that most major bilateral lenders are participating could streamline the negotiation process, although the experience of the DSSI has shown that an agreement in principal on the framework does not preclude complications in the finalisation of an agreement.

### Common Framework Requires IMF Programme

A Common Framework, like earlier Paris Club treatments, will always be tied to a regular IMF programme. Together with concerns about losing market access, this may make a sovereign reluctant to use the Common Framework given the conditionality that IMF programmes entail. Such programmes often are more stringent in situations where debt sustainability is already at risk. But access to IMF funding will also be a key incentive for seeking Common Framework access.

A restructuring under the Common Framework is likely to start from discussions between the debtor and the IMF. Since the IMF is barred from lending into situations of unsustainable debt burdens, debt restructurings can be a precondition for a programme or for disbursements under programme reviews. The DSSI was different in that it did not require a regular IMF programme. An IMF emergency facility, which entails no conditionality, was sufficient.

A request to the G20/Paris Club would be backed by IMF estimates of the scale of restructuring needed. Negotiations with the creditors would result in a memorandum of understanding (MoU) that is legally non-binding but would form the basis of bilateral negotiations with G20/Paris Club members on individual loans on terms agreed in the MoU. Under the comparability of treatment principle, the debtor would also seek treatment from its other external creditors (excluding IFIs).

### Common Framework Is New Instrument for Unsustainable Debt Situations

In November 2020, the G20 and the Paris Club jointly endorsed a new ‘Common Framework for Debt Treatments beyond the DSSI’ to support low-income countries struggling with their debt burden, particularly given the additional challenges from the Covid-19 pandemic. In February 2021, Chad became the first country to formally request treatment under the Common Framework; days later Ethiopia and Zambia announced their intention to seek treatment.

### Common Framework Is More Targeted than the DSSI

The Common Framework is the result of the same discussions about supporting low-income countries during the Covid-19 pandemic as the DSSI. The DSSI was announced in April 2020 and as of February 2021, 45 of the 73 eligible countries signed up to the initiative. Of the 22 Fitch-rated eligible sovereigns, 13 used it.

The following are the main characteristics of the Common Framework:

- **Eligibility:** The eligible countries are the same set of 73 low-income countries that are eligible to the DSSI. The vast majority (15) of the 22 rated by Fitch are in sub-Saharan Africa.

- **Participating Creditors:** As for the DSSI, the participating creditor countries are the members of the G20 and 22 members of the Paris Club, comprising 39 creditors (including the EU). Importantly, this includes China, which single-handedly accounts for 64% of bilateral debt of Fitch-rated sovereigns eligible for the Common Framework. Debt to multilateral institutions, such as the IMF or the World Bank, is not covered.

- **Only Challenging Debt Situations:** The Common Framework is intended to tackle debt burdens that have become unmanageable from a liquidity or solvency perspective, with treatment determined on a case-by-case basis. No specific thresholds have been set.
Common Framework Similar to Earlier Paris Club Agreements

The Common Framework appears to have many similarities with restructuring frameworks agreed in the past in the context of G7/G8 summits and administered by the Paris Club. In the 2000s, the Paris Club agreed a large number of restructurings, often in the context of the HIPC initiative with large nominal debt reductions. This and the strong economic performance of many low-income countries during the decade led to a decline in debt levels and meant that Paris Club restructuring activity slowed significantly. The 2020 restructuring of Somalia’s debt was the first agreement in five years. The main innovation in the Common Framework from earlier agreements is the inclusion of China.

Paris Club Restructurings

Number of agreements concluded with the Paris Club (excl. DSSI)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
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</tr>
<tr>
<td>1991</td>
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</tr>
<tr>
<td>2020</td>
<td>0</td>
</tr>
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</table>

Source: Fitch Ratings, Paris Club

Paris Club Treatment Terms and Their Evolution

As of February 2021 (excluding DSSI)

<table>
<thead>
<tr>
<th>Year Introduced</th>
<th>Agreements Countries</th>
<th>Amount treated (USDbn)</th>
<th>Nominal relief (%(1))</th>
<th>NPV relief (%(1))</th>
<th>Eligibility</th>
</tr>
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<tbody>
<tr>
<td>Ad Hoc 1956</td>
<td>33</td>
<td>25</td>
<td>238.9</td>
<td>53.5</td>
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<tr>
<td>Classic 1956</td>
<td>165</td>
<td>58</td>
<td>153.9</td>
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</tr>
<tr>
<td>Toronto 1988</td>
<td>28</td>
<td>20</td>
<td>6.1</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Houston 1990</td>
<td>35</td>
<td>21</td>
<td>72.0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>London 1991</td>
<td>26</td>
<td>23</td>
<td>8.6</td>
<td>0.0</td>
<td>0</td>
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<tr>
<td>Naples 1995</td>
<td>47</td>
<td>33</td>
<td>31.6</td>
<td>8.4</td>
<td>67</td>
</tr>
<tr>
<td>Naples 1995</td>
<td>6</td>
<td>4</td>
<td>3.1</td>
<td>0.2</td>
<td>5</td>
</tr>
<tr>
<td>Lyon 1998</td>
<td>7</td>
<td>5</td>
<td>6.0</td>
<td>0.9</td>
<td>15.1</td>
</tr>
<tr>
<td>Cologne 1999</td>
<td>40</td>
<td>33</td>
<td>26.8</td>
<td>7.4</td>
<td>27.6</td>
</tr>
<tr>
<td>HIPC Exit 1996/1999</td>
<td>36</td>
<td>36</td>
<td>36.8</td>
<td>24.0</td>
<td>65.3</td>
</tr>
<tr>
<td>Evian 2003</td>
<td>14</td>
<td>13</td>
<td>79.7</td>
<td>53.5</td>
<td>67.1</td>
</tr>
<tr>
<td>Total</td>
<td>436</td>
<td>99</td>
<td>663.5</td>
<td>147.9</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Note: HIPC – Highly indebted poor countries; LIC – Low income countries. [1] Debt relief as % of amount treated.
Source: Fitch Ratings, Cheng, Gong; Chávez-Casas, Javier; Erce, Altor; From Debt Collection to Relief Provision: 60 Years of Official Debt Restructurings through the Paris Club, EMS Working Paper Series, 2016

There had been several restructurings of Chinese official bilateral debt in recent years, including in Angola, Ethiopia and the Republic of Congo. In Zambia, restructuring of Chinese debt was followed by a failed effort to restructure Eurobonds and ultimately a default on Eurobond coupon payments. This illustrates that China, like other creditors, may not be willing to negotiate debt restructuring without private-sector participation, even on a bilateral basis. What the arrival of the Common Framework changes is that there is now a broader framework which simplifies negotiations among bilateral lenders, creates a clearer path to private-sector participation and is strongly backed by the international financial institutions.

Private-Sector Participation

Paris Club Agreements Typically Require Private-Sector Participation

Fitch believes that an application for treatment under the Common Framework entails a high probability that private-sector debt will also be restructured. This reflects primarily the G20/Paris Club statement that a debtor country applying for Common Framework treatment “will be required to seek from all its other official bilateral creditors and private creditors a treatment at least as favourable as the one agreed” in the MoU with the G20 and the Paris Club members. This is in line with the Paris Club’s long-standing Comparability of Treatment principle. Exceptionally, under the DSSI, the principle only applied to ‘other bilateral creditors’ while private creditors were only ‘called on’ to participate.

Fitch acknowledges that the Common Framework may not necessarily lead to private-sector participation. Ethiopia’s statement announcing its intention to seek Common Framework treatment did not explicitly rule out requesting relief from the private sector but said that it wanted to preserve “long-term access to international financial markets”. The Paris Club, in its explanations about the Comparability of Treatment principle, also states creditors can exclude certain types of non-Paris Club debt from a restructuring “when [this] debt only represents a small proportion of the country’s debt burden and when restructuring would unduly interfere with the smooth running of trade”.

However, Paris Club treatments have often involved private sector restructurings. Of the 17 restructurings the Paris Club conducted since the beginning of 2010, 12 explicitly required in the MoU the inclusion of (external) ‘bondholders’, three more generally required the inclusion of ‘private creditors’ and the remaining two required the inclusion of other creditors.¹ The inclusion of bondholders results from standard language of the HIPC terms, while most of the debtor countries concerned had not actually issued Eurobonds. Transparency on restructurings of debt to the external private sector more broadly is limited, but in many cases Paris Club restructurings were followed by restructuring of private-sector debt, according to the World Bank International Debt Statistics database.

¹ The 17 agreements mentioned include each agreement over the period separately, even if part of a scheduled multi-step arrangement such as the HIP. Four sovereigns had two arrangements over the period.
Until the late 1990s, Eurobonds were still excluded from Paris Club agreements (and agreements with bank creditors under London Club arrangements). Eurobonds had only recently become a significant source of financing for emerging markets. But in the restructuring of Pakistan’s debt in November 1999 (affecting USD608 million, 0.8% of GDP at the time) that followed the Paris Club restructuring (USD3.25 billion) in January and the London Club restructuring in July of that year, external bondholders became part of a Paris Club restructuring for the first time.

The earlier reluctance to include Eurobonds reflected their diffuse ownership, which made negotiations more difficult given the absence or weakness of collective action clauses. This has been addressed by the inclusion and strengthening of collective action clauses in more recent issuances. In the case of Ethiopia’s USD1 billion international notes due 2024 for example, a minimum of 75% of bondholders can change the terms of the bonds.

The Comparability of Treatment principle does not apply to multilateral organisations which are not required to participate - the G20 statement referred only to “other official bilateral and private creditors”. Paris Club agreements typically cover external debt only and do not include domestic debt. This reflects concerns that bailing in domestic debt would unduly damage the debtor country’s financial system and weaken its broader repayment capacity.

Official Creditors May Insist on Private Restructuring even When Debtor Country Is Reluctant

In cases such as Ethiopia, where debt to the private sector, and particularly Eurobond debt, is fairly small, the benefit to the debtor of a private-sector restructuring will be limited and sovereigns will often prefer to avoid the potential disruption to market access. Many debtors participated in the DSSI only because the G20 and Paris Club encouraged but did not require private-sector participation in the initiative, avoiding a disruption to market access and the recording of a default event in their rating history.

This leads to the question whether official creditors have the willingness and clout to ensure private-sector participation. Over the past year, officials from the World Bank, the IMF and several creditor countries have expressed considerable frustration over the lack of private-sector participation in the DSSI. In our view, this suggests that pressure on the private sector to participate in the Common Framework will be greater. While the desire to encourage low income countries to participate in the DSSI held back official creditors from insisting more firmly on private-sector participation, this is less likely to be the case for the Common Framework, which aims to be more targeted and to address debt sustainability rather than freeing up financial resources for Covid-related spending.

In this context, it is important that the MoU between G20/Paris Club creditors and the debtor is not legally binding, and that its signing is followed by bilateral negotiations between each creditor and the debtor on restructuring individual contracts. This means that public-sector and private-sector negotiations effectively run in parallel and leave room for the official sector to adapt if there is insufficient progress on private-sector restructuring.

Another important mechanism for official creditors to encourage debtors to seek a private-sector restructuring, and to incentivise private creditors to agree to one, is via IMF financing made conditional on restoring debt sustainability. Other external financing may also be conditioned on IMF programmes.

Rating Implications of Private-Sector Involvement

A Private-Sector Restructuring under the Common Framework Is Very Likely to Qualify as DDE

A restructuring agreement on debt to bilateral official creditors itself does not imply a sovereign default under Fitch’s Sovereign Rating Criteria, as the default definition focuses on debt to private-sector creditors. As a result, the DSSIs, where no private-sector participation has been reported to date, has not led to any ratings being moved to default and in fact has not affected rating levels.

As outlined above, at this stage Fitch believes the probability is high that a Common Framework agreement will entail a restructuring on debt to private-sector creditors. Fitch would determine the rating implications of such a restructuring of private debt through the lens of the agency’s criteria for a sovereign DDE.

Fitch considers an exchange to be a DDE if there is a material reduction in terms vis-à-vis the original contractual terms and the exchange is necessary to avoid a traditional payment default. An extension of maturity, which would be part of any treatment under the Common Framework, would typically be assessed as a material reduction in terms.

A case-by-case analysis of the specific situation of affected sovereigns would determine whether a restructuring under the Common Framework was necessary to avoid a traditional payment default. The fact that the Common Framework is conditioned on a vulnerable debt situation, and debtor governments would have
formally committed to seeking private-sector participation to their G20/Paris Club creditors (which often are also important donors), means that this condition for a DDE is very likely to be met.

As a consequence, Fitch believes that, until there is strong evidence, for example, that makes clear that the Common Framework in general or in a specific case will not be associated with private-sector restructuring, Fitch will view the stated intention of a sovereign to seek Common Framework treatment as not likely to be compatible with a rating above ‘CCC’.

The Foreign-Currency Issuer Default Rating (IDR), and the rating on affected international bonds, would be downgraded to ‘CC’ when we believe that a default has become probable, for example because we are more confident that the government will seek a Common Framework treatment and that private sector participation that would qualify as a DDE will be required. This could be followed by a move to ‘C’ when the government issues a consent solicitation and to ‘RD’ when that consent solicitation is accepted. The rating could be upgraded to a level compatible with its post-restructuring creditworthiness shortly after. To the extent that a Common Framework treatment excludes haircuts and only contains potentially limited NPV reductions, a Common Framework treatment would only have a limited positive impact on key debt metrics while the recent default history would weigh on the post-restructuring rating.

Since 2001, all defaults under Fitch’s criteria have involved missed payments or restructuring of international or local securities. This partly reflects the greater transparency of securities markets, while the lower transparency of bank loans makes it harder to establish whether those bank loan agreements have been restructured or breached in distress situations. However, a bank loan restructuring under the Common Framework could be sufficiently transparent to establish it as a DDE.

**Common Framework with No Private-Sector Participation Could Still Have Rating Implications**

Even if the private sector is not participating, rescheduling could still be a signal of distress. One of the variables of Fitch’s sovereign rating model (SRM) is based on the years since a default and restructuring event, which will be reset to zero in the year of a restructuring, with potentially a significant negative impact of two to three notches on the SRM output in the first year.

For the Fitch-rated sovereigns that have accessed the DSSI, Fitch has judged that the signal from the DSSI as a sign of distress is overstated, given the typically small size of the relief and the fact that the broader crisis is already reflected in the rating. As a result, for rated DSSI participants, Fitch offset the resulting deterioration in the SRM output in its Qualitative Overlay.\(^2\) Given that Common Framework participation is more driven by more genuine debt sustainability pressure, Fitch may decide against making a similar offset for a restructuring under the framework.

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2 This does not apply to sovereigns rated ‘CCC’ or below where the SRM and Qualitative Overlay are not applied and ratings are instead guided by the rating definitions.

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**Sovereigns Most Likely to Take Common Framework Are Already at Low Ratings**

Following the announcement by Ethiopia of its intention to seek treatment under the Common Framework, Fitch downgraded Ethiopia’s rating to ‘CCC’ from ‘B’ with a Negative Outlook. The decision primarily reflected the concern that the planned application for treatment under the Common Framework would lead to private-sector restructuring. Zambia, which announced its intention to apply for treatment under the Common Framework shortly after, was already rated at ‘RD’ reflecting its default on Eurobond payments in November 2020.

Ethiopia’s plan to access the Common Framework and the high possibility of private-sector participation in a restructuring arrangement highlights that low debt service on Eurobonds does not preclude broader debt distress affecting Eurobond debt service.

**IMF DSA, Capital Market Access and IMF Programmes Are Key Factors to Watch**

To assess whether and which other rated sovereigns may decide to apply for Common Framework treatment, the IMF external debt sustainability assessment (DSA) is a key factor. An updated DSA would be used to assess whether a sovereign’s debt challenges warrant a Common Framework. The need for IMF funding is also a factor, as the IMF may make support conditional on a country addressing an unsustainable debt burden, for example, via the Common Framework.

An additional factor is the importance of private-sector financing in a country’s funding strategy, as a restructuring could affect countries’ market access, at least temporarily. Ethiopia has not accessed bond markets since its only issuance in 2014. It was not planning to issue (except potentially for rolling over the bond) and in any case was bound under its existing IMF programme to rely exclusively on concessional financing for net new borrowing. This means that the risk of losing market access would be a less important consideration in the decision on whether to access Common Framework debt relief.

Finally, countries with a challenging debt burden that already have an IMF programme or are expected to seek one would have a lower threshold for seeking Common Framework treatment, as they have already agreed to IMF conditionality.

**LIC DSA Points to Eight Sovereigns at ‘High’ Risk, Two Already ‘In Distress’**

There are two different relevant DSA frameworks, one of which the low-income country DSA (LIC DSA, see annex table 2) that applies to most Common-Framework eligible countries. The LIC DSA framework has a clear scale of ‘Low’, ‘Moderate’ or ‘High’ risk of debt distress or ‘In Distress’. The sovereigns at ‘In Distress’, Mozambique and the Republic of Congo, are already both rated at ‘CCC’.
Cabo Verde, Cameroon, Ethiopia, Ghana, Kenya, Laos, the Maldives and (based on an outdated DSA from 2019) Zambia are classified at ‘High’. Of these, only Cabo Verde (B-/Stable), Cameroon (B/Negative), Ghana (B/Stable) and Kenya (B+/Negative) are rated above ‘CCC’. Fitch believes there is a risk that some of these countries could access the Common Framework and we will follow the discussion closely, but a move to use the Common Framework is not our main scenario. Ghana, for example, while facing a high debt burden, has not participated in the DSSI out of concerns about the impact on market access and would take significant measures to avoid losing market access and committing to IMF conditionality.

**MACs DSA Highlights Risks; Angola Most Plausible Beneficiary**

The market access countries’ (MACs) DSA, which among eligible countries only applies to Angola, Mongolia, Nigeria and Pakistan, does not provide such clear risk categories as the LIC DSA. One way of comparing results is to review the standard MACs Public DSA Risk Assessment table (see annex table 3, which shows additional sovereigns for comparison purposes). However, the thresholds are set conservatively, at levels which may not cause the IMF to advise a debt restructuring under the Common Framework.

Mongolia, Nigeria and Pakistan are sufficiently frequent users of international bond financing that they have strong incentives to preserve market access so Fitch does not expect them to seek use of the Common Framework. Angola had accessed international bond markets repeatedly but bond spreads are now so high that market financing would be expensive. While Angola’s near-term financing needs may be manageable due to an earlier restructuring, the very high level of debt may still lead to a decision to seek Common Framework treatment.
### Annex Table 1: External Financing Indicators

<table>
<thead>
<tr>
<th>Sovereign</th>
<th>Long-Term FC IDR</th>
<th>IMF programme</th>
<th>DSSI participation</th>
<th>Multilateral</th>
<th>Bilateral</th>
<th>Bonds (Latest)</th>
<th>Commercial banks</th>
<th>Other private creditors</th>
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</thead>
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<tr>
<td>Angola</td>
<td>CCC</td>
<td>Yes</td>
<td>Yes</td>
<td>2,847</td>
<td>16,549</td>
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<td>Bangladesh</td>
<td>BB-/Stable</td>
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<td>Cabo Verde</td>
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<td>Review delayed</td>
<td>Yes</td>
<td>894</td>
<td>4,534</td>
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<td>No</td>
<td>No</td>
<td>1,701</td>
<td>6,694</td>
<td>1,671(^2)</td>
<td>156</td>
<td>106</td>
</tr>
<tr>
<td>Lesotho</td>
<td>B/Negative</td>
<td>No</td>
<td>Yes</td>
<td>725</td>
<td>132</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Maldives</td>
<td>CCC</td>
<td>No</td>
<td>Yes</td>
<td>384</td>
<td>1,062</td>
<td>350</td>
<td>425</td>
<td>7</td>
</tr>
<tr>
<td>Mongolia</td>
<td>B/ Stable</td>
<td>No</td>
<td>No</td>
<td>2,096</td>
<td>2,441</td>
<td>3,720</td>
<td>211</td>
<td>0</td>
</tr>
<tr>
<td>Mozambique</td>
<td>CCC</td>
<td>No</td>
<td>Yes</td>
<td>4,432</td>
<td>4,878</td>
<td>900</td>
<td>688</td>
<td>0</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>B-/Negative</td>
<td>No</td>
<td>No</td>
<td>4,215</td>
<td>1,173</td>
<td>0</td>
<td>18</td>
<td>8</td>
</tr>
<tr>
<td>Nigeria</td>
<td>B/ Stable</td>
<td>No</td>
<td>No</td>
<td>12,517</td>
<td>3,846</td>
<td>11,168</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>B-/ Stable</td>
<td>Review delayed</td>
<td>Yes</td>
<td>30,141</td>
<td>32,053</td>
<td>5,300</td>
<td>3,535</td>
<td>85</td>
</tr>
<tr>
<td>Rwanda</td>
<td>B+/Stable</td>
<td>Yes (PCI)(^1)</td>
<td>No</td>
<td>2,958</td>
<td>486</td>
<td>400</td>
<td>0</td>
<td>43</td>
</tr>
<tr>
<td>Uganda</td>
<td>B+/Negative</td>
<td>No</td>
<td>Yes</td>
<td>5,654</td>
<td>2,901</td>
<td>0</td>
<td>83</td>
<td>0</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>BB-/Stable</td>
<td>No</td>
<td>No</td>
<td>7,049</td>
<td>4,510</td>
<td>1,750</td>
<td>231</td>
<td>0</td>
</tr>
<tr>
<td>Zambia</td>
<td>RD</td>
<td>No</td>
<td>Yes</td>
<td>2,117</td>
<td>3,584</td>
<td>3,000</td>
<td>2,317</td>
<td>86</td>
</tr>
</tbody>
</table>

\(^1\) Policy Coordination Instrument (non-disbursing).

\(^2\) Data as of end-2019

Note: IMF programme status: "Yes" = an active IMF programme is in place; "Review delayed" = an IMF programme is in place but the review is significantly over-due; "Expected" = an IMF programme is not yet in place, but is likely (eg. given stated intentions by authorities); "No" = no active IMF programme is in place or expected. Data from the World Bank can differ from data from the authorities, including on the classification of guaranteed debt.

Source: Fitch Ratings, World Bank, Bloomberg
### Annex Table 2: IMF Low-income Country Debt Sustainability Indicators

2021-2024 averages from most recent IMF DSA for CF/DSSI eligible Fitch-rated sovereigns

<table>
<thead>
<tr>
<th>Sovereign</th>
<th>Long-Term FC IDR</th>
<th>IMF capacity</th>
<th>External debt sustainability</th>
<th>Public debt sustainability</th>
<th>DSA date</th>
<th>DSA risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>RD Weak</td>
<td></td>
<td>PV PPG ext debt/exports</td>
<td>155</td>
<td>67</td>
<td>20</td>
</tr>
<tr>
<td>Congo, Republic of</td>
<td>CCC Weak</td>
<td></td>
<td>PV PPG ext debt/GDP</td>
<td>58</td>
<td>43</td>
<td>7</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>CCC Medium</td>
<td></td>
<td>PPG ext service/exports</td>
<td>218</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Laos</td>
<td>CCC Weak</td>
<td></td>
<td>PPG ext service/revenue</td>
<td>160</td>
<td>38</td>
<td>10</td>
</tr>
<tr>
<td>Maldives</td>
<td>CCC Weak</td>
<td></td>
<td>IMF capacity</td>
<td>61</td>
<td>37</td>
<td>8</td>
</tr>
<tr>
<td>Mozambique</td>
<td>CCC Weak</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>154</td>
<td>61</td>
<td>10</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>B-/Negative Medium</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>74</td>
<td>33</td>
<td>6</td>
</tr>
<tr>
<td>Cabo Verde</td>
<td>B-/Stable Strong</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>137</td>
<td>59</td>
<td>11</td>
</tr>
<tr>
<td>Cameroon</td>
<td>B/Negative Medium</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>152</td>
<td>25</td>
<td>17</td>
</tr>
<tr>
<td>Lesotho</td>
<td>B/Negative Medium</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>80</td>
<td>37</td>
<td>10</td>
</tr>
<tr>
<td>Benin</td>
<td>B/Positive Medium</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>85</td>
<td>19</td>
<td>13</td>
</tr>
<tr>
<td>Ghana</td>
<td>B/Stable Medium</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>123</td>
<td>42</td>
<td>15</td>
</tr>
<tr>
<td>Kenya</td>
<td>B+/Negative Strong</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>256</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Rwanda</td>
<td>B+/Stable Strong</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>163</td>
<td>25</td>
<td>14</td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>B+/Positive Medium</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>130</td>
<td>27</td>
<td>11</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>BB+/Stable Strong</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>109</td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>BB+/Stable Strong</td>
<td></td>
<td>IMF Capacity dependent threshold</td>
<td>94</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>

**Debt-carrying-capacity dependent threshold for high risk of debt distress**

<table>
<thead>
<tr>
<th>Capacity Type</th>
<th>Strong</th>
<th>Medium</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>240</td>
<td>180</td>
<td>140</td>
</tr>
</tbody>
</table>

Note: Red cells have values at least 25% above the applicable threshold (depending on a country’s capacity rating). Orange cells have values above the threshold by less than 25%. Green values are less than 25% below the threshold indicating increased risk of breaching the threshold. Uncoloured cells have values at least 25% below the threshold IMF Capacity: IMF debt-carrying-capacity rating (determines applicable thresholds); PV of PPG debt/exports - present value of public and publicly guaranteed (PPG) external debt relative to exports (%); PV of PPG debt/GDP - present value of PPG external debt/GDP (%); PV of PPG debt service/exports - PPG external debt service to revenue (%); PV of PPG debt service/revenue - PPG external debt service to revenue (%); PV of public debt/GDP - present value of PPG debt/GDP; PV of public debt/revenues - PV of public debt relative to revenue and grants; Debt service/revenue - public debt service (local and external) to revenue and grants.

Source: Fitch Ratings, IMF
Annex Table 3: IMF MAC DSA
Public DSA risk assessment

<table>
<thead>
<tr>
<th>DSA date</th>
<th>Eligible for Common Framework</th>
<th>Not Eligible for Common Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Angola</td>
<td>Mongolia</td>
</tr>
<tr>
<td>LT FC IDR</td>
<td>CCC</td>
<td>B/Stable</td>
</tr>
<tr>
<td>Debt level (threshold 70% of GDP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP growth shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Primary balance shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Real interest rate shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Exchange rate shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Contingent liability shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Gross financing needs (threshold 15% of GDP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP growth shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Primary balance shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Real interest rate shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Exchange-rate shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Contingent liability shock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Debt profile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market perception</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>External financing requirement</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Change in the share of short-term debt</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Public debt held by non-residents</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Foreign-currency debt</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: Debt level and gross financing sections show whether the debt level or gross financing need breach the threshold in the baseline (2) or under the relevant shock (1) or not at all. For the debt profile, ‘2’ means the actual is above the upper bound for the threshold, ‘1’ = above the lower bound and ‘0’ = below both.

Source: Fitch Ratings
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