

IMF Publication

Modification to the Transparency Policy

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IMF POLICY PAPER

MODIFICATION TO THE TRANSPARENCY POLICY

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

- The **Staff Report**, prepared by IMF staff and completed on June 24, 2022 for the Executive Board's consideration on June 7, 2022.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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June 24, 2022

MODIFICATION TO THE TRANSPARENCY POLICY

EXECUTIVE SUMMARY

The new Debt Sustainability Framework for Market Access Countries (MAC SRDSF) contemplates certain output that would be shared with the Board but that would need to be deleted from Country Documents before publication. A targeted modification to the Transparency Policy—proposed in this paper—is required for such deletions to be applied across market access Country Documents rather than on a case-by-case basis. The MAC SRDSF output to be deleted before publication consists on: (i) the near-term risk assessment; (ii) when debt is assessed to be sustainable, the qualification “with high probability” or “but not with high probability”, unless such qualification is required for use of Fund resources; and (iii) the mechanical signal on debt sustainability.

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INTRODUCTION

1. As recognized by the Board and staff at the approval of the new Debt Sustainability Framework for Market Access Countries (MAC SRDSF), certain elements of the new framework may entail risks if their country specific applications are disclosed publicly. These risks include: (i) triggering negative market reactions, as some of the information presented could send a strong negative signal to the market and (ii) disclosing strictly confidential details of the Fund's methodology for assessing debt sustainability (which is in turn market sensitive as it might lead markets to infer that a debt restructuring or debt reprofiling may be required before a member can access Fund resources).

2. Deletions allowed under the Transparency Policy (TP) are not enough to mitigate the above risks sufficiently. Although the TP allows for the deletion of highly market-sensitive material on a case-by-case basis, this would not necessarily prevent sending a negative signal to the market. Deletions may affect the standard output of the Sovereign Risk and Debt Sustainability Assessments for Market Access Countries (MAC SRDSAs) that the market would expect to see in staff reports; therefore, their deletion would be, in and of itself, a negative signal. To avoid such negative signal, elements of the standard output would need to be deleted in circumstances where they could *potentially* be market sensitive, regardless of whether they actually are market sensitive in a particular case. On the second type of risk, the information revealed in a single report would generally not be enough to enable markets to reverse-engineer the Fund's DSA methodology and would therefore not justify a deletion under the TP in its current form, but a large number of reports published with this information could be enough for the market to infer sensitive details. Hence staff has proposed to not disclose this information to the public.

MODIFICATION TO THE TRANSPARENCY POLICY

3. This paper proposes a targeted modification to the TP—before the MAC SRDSF is rolled out—to allow the automatic deletion of specific elements of SRDSAs in specific circumstances prior to publication. Most of these deletions were approved by the Executive Board as part of the Review of the Debt Sustainability Framework for Market Access Countries in January 2021. A phased rollout of the new framework is expected to start by June, with a subset of market access countries applying a substantial part of the framework at that point, and an expectation to finish the rollout and make the application of the full framework compulsory for all MACs by November 2022. As stated in the summing up, the Board noted that the following outputs should be made available to the Board but not to the public for at least a 12-month period, after which time full disclosure would be reconsidered based on the experience with the new framework:

- *Near-term sovereign risk assessment* (when such assessment is applicable in the MAC SRDSA): This reflects market sensitivity concerns, which are arguably greater in the near-term than in the medium-term, including due to the short time-span available to implement corrective measures to stem the emergence of stress. The near-term sovereign risk assessment is applicable in the context of surveillance-only cases or in the context of Fund arrangements treated as

precautionary (it is not applicable in the context of drawing Fund arrangements) and non-financial instruments such as the PCI and PSI. As explained above, while the Transparency Policy (TP) generally allows for deletion of market sensitive information on a case-by-case basis, deleting the near-term sovereign risk assessment on this basis could, in itself, send an implicit negative signal to markets. Having a general, not country specific carve out for the publication of the near-term sovereign risk assessment for all market-access country cases would help mitigate the risks that such signal is emitted.

- *The probability of sustainable debt (i.e., when debt is assessed to be sustainable, the qualification “with high probability” or “but not with high probability”) in surveillance-only cases and Fund arrangements where such information is not required for use of Fund resources under such arrangements (e.g. arrangements with normal access).* In normal access cases, debt is not required to be sustainable with high probability for Fund lending to proceed. Instead, it is just required to be assessed as “sustainable” independently of whether it is assessed to be sustainable with high probability or not with high probability. Providing this additional qualification or deleting it only when market sensitive on a case-by-case basis would send a negative signal to the market. Similarly, in surveillance cases, it is optional for staff to include a debt sustainability assessment, but, if included, providing the probability of sustainable debt or deleting it only if market sensitive would send a negative signal for similar reasons as in the context of normal access Fund programs. An automatic carve out of such classification under the TP in surveillance and normal access cases would help mitigate the risks that could arise under a case-by-case deletion based on market sensitivity as currently allowed by the TP. In the case of Fund arrangements where such information on probability of sustainable debt is required for use of resources (e.g., Exceptional Access arrangements and arrangements under the Flexible Credit Line, the Precautionary and Liquidity Line and the Short-term Liquidity Line), no deletion of probability of sustainability would be applied.

4. In addition, at an informal briefing on the methodology for sustainability assessments in December 2021, several Executive Directors expressed a clear preference to be informed of the mechanical signal on debt sustainability for members with MAC SDRDSAs, whenever a staff debt sustainability assessment was included. For the reasons argued in point (ii) of paragraph 1, staff is of the view that such a disclosure would be appropriate to the Board, but not to the public. Thus, staff proposes an additional modification to the TP that would allow the mechanical (before judgment) bottom-line debt sustainability assessment (unsustainable, sustainable but not with high probability, or sustainable with high probability) to be included in the relevant staff report but deleted in all cases prior to publication.

5. Among the (up to) 9 items that may be contained in the full MAC SRDSF output (Table 1), 3 would be affected by the TP changes proposed above:

- The first item in the SRDSA is an overall summary and will be included in every SRDSA. As such, it reports information on all elements of the SRDSA and therefore has material that is covered by each proposed change to the TP (near-term assessment, probability of sustainable debt, and mechanical signal on debt sustainability).

- Six additional items are included in all SRDSAs do not contain material that is affected by the proposed changes in the TP. These include: (i) debt coverage and disclosures; (ii) public debt structure indicators; (iii) baseline scenario; (iv) realism tools; (vi) medium-term risk analysis; and (v) long-term risk analysis.
- One item—the near-term sovereign risk assessment—is only applicable in the context of surveillance or in Fund arrangements treated as precautionary and non-financial instruments. Hence, the “near-term assessment” component of the SRDSA will not be included in staff reports for drawing (non-precautionary) financing arrangements. In surveillance-only and arrangements treated as precautionary and for non-financial instruments, however, this tool and its results would be included in staff reports going to the Board (through its own reporting item as well as in the SRDSA summary), but be subject to automatic deletion prior to publication.
- The last item—debt sustainability under a maximum adjustment effort—applies solely to surveillance-only cases and is optional.¹ Typically, Fund staff prepares a “current policies” baseline in surveillance contexts, which can lead to cases where debt or gross financing needs may be on an upward and possibly precarious trend. However, since the Fund has defined unsustainable debt as referring to situations when there are no feasible measures to stabilize debt and contain rollover risks, the “current policies” baseline may not be informative for sustainability assessments. Thus, the SRDSF contains a module where staff can subject “maximum adjustment” scenarios in surveillance-only cases to the tools as if they were the baseline in a program context. This item in the MAC SRDSF output, when presented, includes a debt sustainability assessment and the probability of sustainable debt qualification (“with high probability” or “not with high probability”) would be deleted before publication.

6. To summarize, the following items would be deleted in all country cases from the published version of the staff report, as also noted in Table 1:

- Near-term risk assessment in “Summary of the sovereign risk and debt sustainability assessment” (item 1)
- Near-term risk analysis (item 6)
- In the debt sustainability components of items 1 and 9:
 - the mechanical signal
 - the probability of sustainable, in surveillance or normal access cases, or arrangements not requiring high probability of sustainable debt for IMF lending

¹This analysis is inappropriate in the context of any Fund-supported program, as, in this case, clear assessments under the baseline are needed to verify compliance with the Fund’s requirements on debt sustainability.

- Any references to deleted items in the summary assessment component of the “Summary of the sovereign risk and debt sustainability assessment” (item 1) and the commentary of item 9 will also need deletion.

Table 1. MAC SRDSF Output and Applicable Deletions Under Modification to Transparency Policy

	Surveillance-only			Non-precautionary arrangement			Precautionary arrangement		
	Overall figure	Mechanical signal	Final assessment	Overall figure	Mechanical signal	Final assessment	Overall figure	Mechanical signal	Final assessment
1. Summary of the sovereign risk and debt sustainability assessment	✓	...	...	✓	...	...	✓	...	...
Overall risk of sovereign stress		...	✓		...	✓		...	✓
Near-term assessment		✓ / ✗	✓ / ✗		✗	✗		✓ / ✗	✓ / ✗
Medium-term assessment		✓	✓		✓	✓		✓	✓
Debt Fanchart		✓	...		✓	...		✓	...
GFN module		✓	...		✓	...		✓	...
Stress tests activated		✓	...		✓	...		✓	...
Long-term final assessment		...	✓		...	✓		...	✓
Sustainability assessment: 1/ Sustainable/unstable		✓ / ✗	✓		✓ / ✗	✓		✓ / ✗	✓
Probability of sustainable debt		✓ / ✗	✓ / ✗		✓ / ✗	✓ / ✗ / !		✓ / ✗	✓ / ✗ / !
Debt stabilization in the baseline		✓	...		✓	...		✓	...
Summary assessment 2/		...	✓		...	✓		...	✓
2. Debt coverage and disclosures	✓	...	...	✓	...	...	✓	...	...
3. Public debt structure indicators	✓	...	...	✓	...	...	✓	...	...
4. Baseline scenario	✓	...	...	✓	...	...	✓	...	...
5. Realism tools	✓	...	...	✓	...	...	✓	...	...
6. Near-term risk analysis	✓ / ✗	...	...	✗	...	...	✓ / ✗	...	...
7. Medium-term risk analysis	✓	...	...	✓	...	...	✓	...	...
8. Long-term risk analysis	✓	...	...	✓	...	...	✓	...	...
9. Debt sustainability under maximum adjustment effort	Optional	✓ / ✗	✓	✗	✗	✗	✗	✗	✗

Legend:

- ✓ Include for both Board and published SRDSAs
- ✓ / ✗ Include for SRDSA issued to Executive Board, deletions under Transparency Policy required prior to publication
- ✓ / ✗ / ! Include for SRDSA issued to Executive Board, deletions under Transparency Policy required prior to publication except if IMF lending policies require disclosure
- ✗ Do not include in either Board or published SRDSA (tool not applicable)
- ... Element not available

1/ The sustainability assessment is optional in surveillance-only cases. This table reports the application of the Transparency Policy in cases where the optional assessment is included in the SRDSA.

2/ Any references to items subject to deletion in the summary assessment will also require deletion.

7. The precise way in which the above deletions are implemented in items 1, 6, and 9 is presented in the Annex.

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 No. 15420-(13/61), adopted June 24, 2013, as amended, on the Fund's Transparency Policy, will be amended further as follows:

1. Paragraph 27A shall be added, and will read as follows:

27A. For Country Documents that include debt sustainability assessments (DSA) under the debt sustainability framework for market access countries, the following items shall be removed before publication, if included in the DSA issued to the Executive Board:

- (a) the results of the near-term sovereign risk assessment,
 - (b) the mechanical signal for debt sustainability,
 - (c) any mention of whether debt is sustainable "with high probability" or sustainable "but not with high probability", for Article IV consultations or for Fund arrangements where this qualification is not required for use of Fund resources under such arrangements, and
 - (d) the near-term risk analysis table, chart, and commentary.
2. It is expected that the Fund will review the amendment to the Transparency Policy set forth in this decision no later than one year from the date of its adoption.

Annex I. Application of Automatic Deletions to the MAC SRDSF Output

1. This annex shows the application of automatic deletions to the MAC SRDSF output for “Ruritania”, a fictitious country, applied to items 1, 6, and 9. As noted in the paper, there are three elements of SRDSAs for which the proposed automatic deletions might apply: (i) the near-term assessment; (ii) the mechanical signal on debt sustainability; and (iii) the probability of sustainable debt. However, the inclusion of these items, and thus the need for a deletion depends on a country’s engagement with the Fund. Table AI.1 summarizes the applicability of the proposed deletions in various contexts:

		Surveillance-only:		Normal access program:		Exceptional access program: ¹	
		No optional sustainability assessment	With optional sustainability assessment	Treated as precautionary	Non-precautionary	Treated as precautionary	Non-precautionary
Item 1	1a. Near-term assessment	Delete	Delete	Delete	n.a.	Delete	n.a.
	1b. Mechanical sustainability signal	n.a.	Delete	Delete	Delete	Delete	Delete
	1c. Probability of sustainable debt	n.a.	Delete	Delete	Delete	Retain for publication	Retain for publication
	1d. References in commentary	Only to 1.a.	Any of 1.a, 1.b. or 1.c.	Any of 1.a, 1.b. or 1.c.	Only to 1.b or 1.c.	Only to 1.a or 1.b.	Only to 1.b.
Item 6	6a. Near-term assessment	Delete	Delete	Delete	n.a.	Delete	n.a.
Item 9	9a. Mechanical sustainability signal	n.a.	Delete	n.a.	n.a.	n.a.	n.a.
	9b. Probability of sustainable debt	n.a.	Delete	n.a.	n.a.	n.a.	n.a.
	9c. References in commentary	n.a.	Any of 9a., 9b., or 9c.	n.a.	n.a.	n.a.	n.a.

Note: n.a. denotes item that is not included in SRDSAs for that type of engagement, and no deletion is therefore required.

¹Also applies to FCL, PLL, and SLL.

2. The next sections illustrate the implementation of the proposed automatic deletions. For each item, versions before and after deletion are presented. In the versions before deletion, the items to be deleted or modified are highlighted. Sections A to E of this annex illustrate the application of the proposed deletions in five different contexts: (A) surveillance-only; (B) normal-access Fund arrangement treated as precautionary; (C) drawing (non-precautionary) normal-access Fund arrangement; (D) exceptional access Fund arrangement treated as precautionary and FCL arrangements, PLL arrangements, and SLL arrangements treated as precautionary; and (E) drawing (non-precautionary) exceptional-access Fund arrangement, FCL arrangements, PLL arrangements, and SLL arrangements treated as precautionary.

A. Surveillance Only

3. As is standard for surveillance-only cases, staff will have performed the near-term assessment. Additionally, in this example, Fund staff have chosen to perform the optional sustainability assessment. Thus, the SRDSA features items 1, 6, and 9 and all three of these SRDSA elements will be subject to some one or more of these deletions as follows:

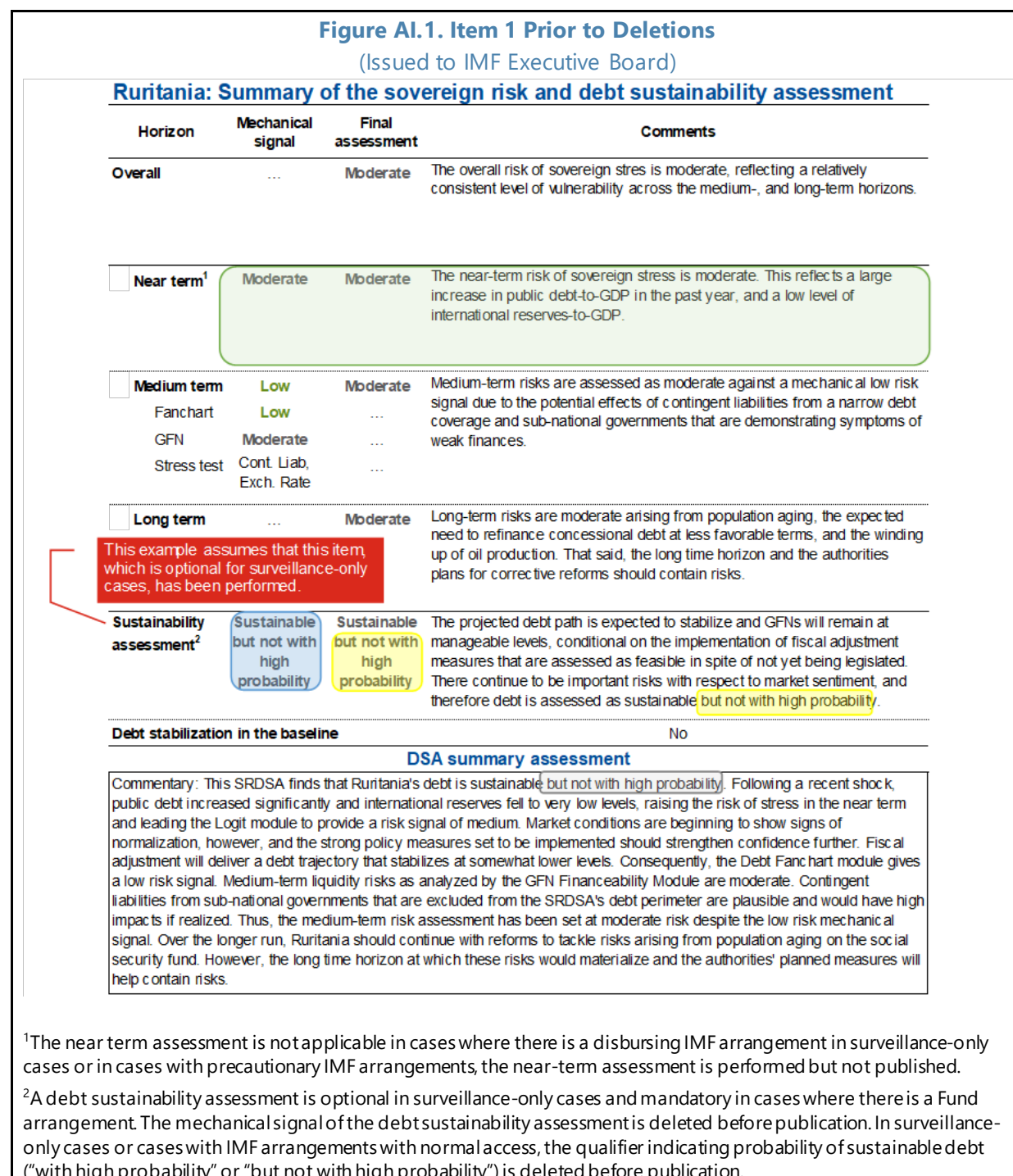


Figure AI.2. Item 1 After Deletions

(Published Version)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	...	Sustainable	The projected debt path is expected to stabilize and GFNs will remain at manageable levels, conditional on the implementation of fiscal adjustment measures that are assessed as feasible in spite of not yet being legislated. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable.
Debt stabilization in the baseline			No

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable. Following a recent shock, public debt increased significantly and international reserves fell to very low levels, raising the risk of stress in the near term and leading the Logit module to provide a risk signal of medium. Market conditions are beginning to show signs of normalization, however, and the strong policy measures set to be implemented should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

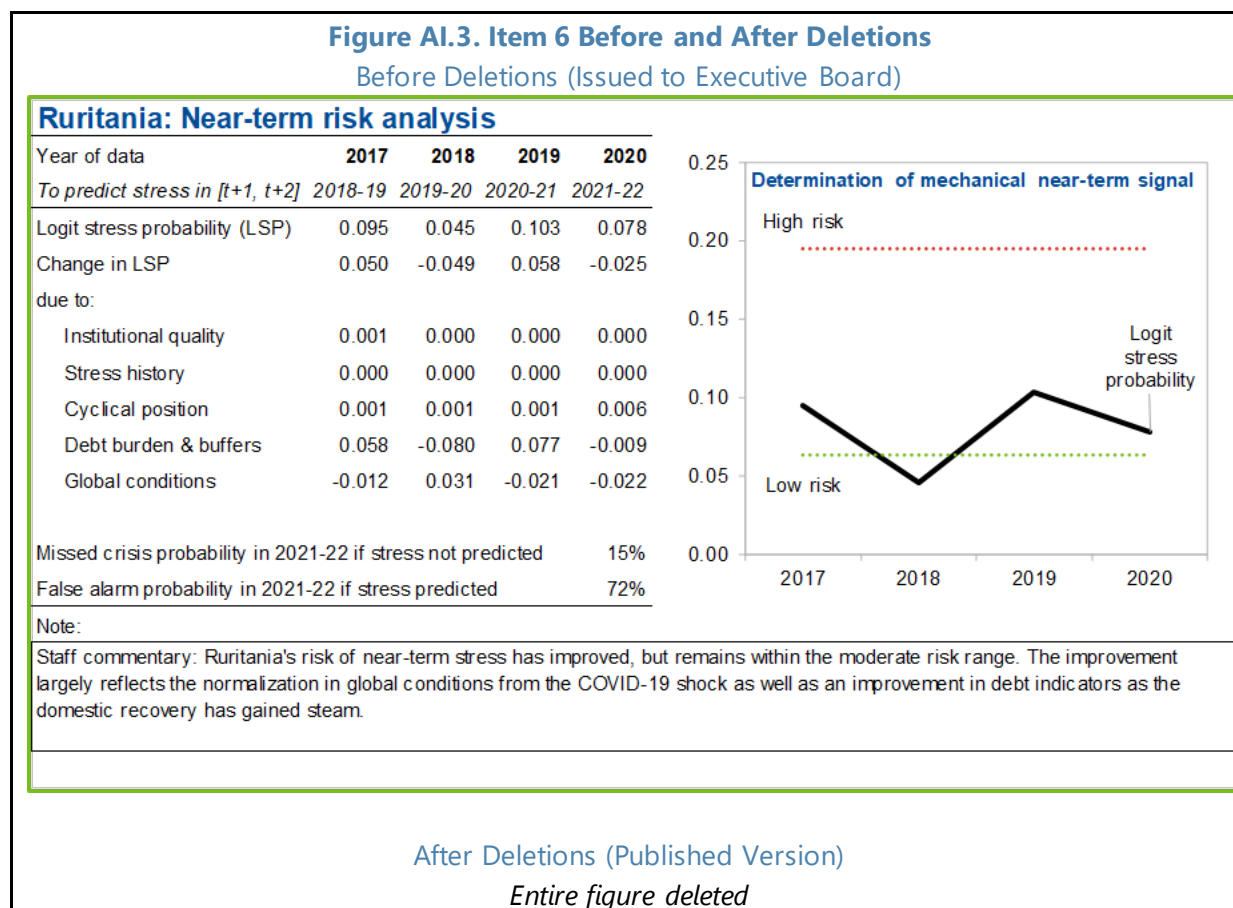
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases where a debt sustainability assessment is included or in cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

4. Note that between Figure AI.1 and AI.2, the deletions included: (i) the near-term sovereign risk assessment (entire row); (ii) mechanical signal for sustainability assessment (replaced with "..."); and (iii) the "but not with high probability" or "with high probability" qualifier in the final sustainability assessment. Moreover, in the comments for "Sustainability assessment" and under "DSA summary assessment" any reference to near-term sovereign risk, mechanical signal for debt sustainability, and any probability of sustainable debt are removed.

5. Figure AI.3 covers the deletion of the near-term risk analysis elements (item 6):



6. Figure AI.4 and AI.5 apply exclusively to surveillance-only cases in which staff take the option to provide a bottomline assessment of debt sustainability and also take the option to complement this bottomline assessment with the medium-term tool results under a maximum adjustment effort scenario. In this case, the mechanical signal on debt sustainability and probability of sustainable debt (i.e., the "but not with high probability" or "with high probability" qualifiers) are deleted from the standard table and any references to them are taken out of the accompanying commentary.

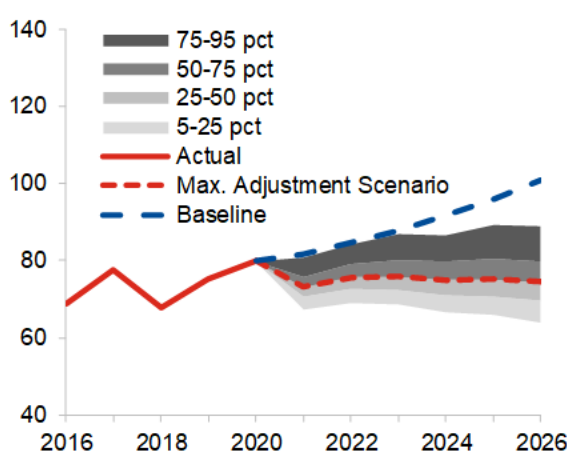
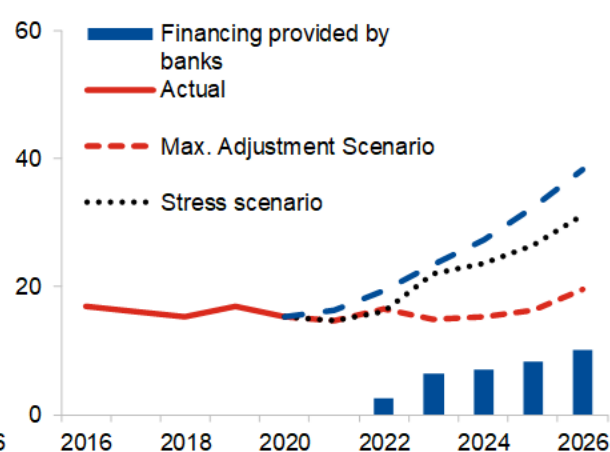
Figure AI.4. Item 9 Before Deletions

(Issued to Executive Board)

Ruritania: debt sustainability under maximum adjustment effort**Summary of the maximum adjustment scenario**

(percent of GDP unless otherwise indicated)

	2020	2021	2022	Projection			
				2023	2024	2025	2026
Public sector debt	79.8	73.1	75.6	75.9	75.1	75.2	74.5
Gross financing needs	15.4	14.6	16.5	14.8	15.4	16.4	19.5
Primary balance	-2.2	0.0	0.5	0.8	1.0	1.0	1.0
Real GDP growth (percent)	-6.5	15.5	3.3	3.7	3.4	3.8	3.6
Inflation (GDP deflator; percent)	2.2	2.4	1.9	1.7	2.0	1.8	2.3
Nominal GDP growth (percent)	-4.4	18.3	5.2	5.4	5.5	5.6	6.0
Effective interest rate (percent)	3.9	3.8	4.0	4.3	4.4	4.5	4.7

Medium-term tools under the maximum adjustment scenario**Final fanchart (percent of GDP)****Gross financing needs (percent of GDP)****Debt fanchart index****0.3****GFN financeability index****8.2**

Fanchart width

24.8

Avg. GFN, max. adjustment scenario (pct of GDP):

5.5

Probability of debt stabilization

5.9

Bank claims on the gen. govt. (pct bank assets):

2.4

Debt level x institutions index

25.1

Change in bank claims in stress (pct bank assets):

0.2

Mechanical signal on debt sustainability^{1 2}

Sustainable but not with high probability

Sustainability assessment²

Sustainable but not with high probability

Commentary: In a maximum adjustment scenario, revenue mobilization measures (identified through recent Technical Assistance) with a cumulative yield of 2 percent of GDP and realistic cuts to non-priority expenditures totaling about 1 percent of GDP could deliver primary surpluses of about 1 percent of GDP over the medium term. In such a scenario, debt would stabilize and GFNs would reside near current manageable levels. If delivered, these measures would be consistent with a debt sustainability assessment of sustainable but not with high probability.

¹ The mechanical signal of the debt sustainability assessment is deleted before publication.

² In cases of IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

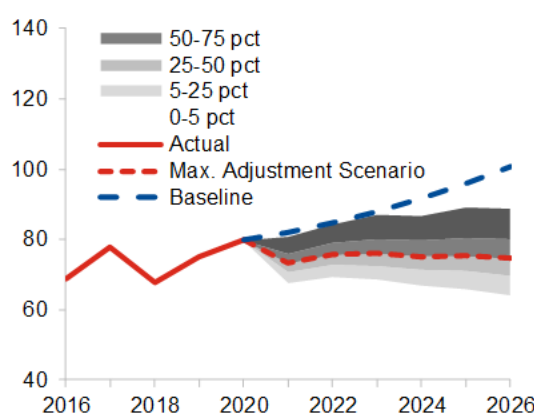
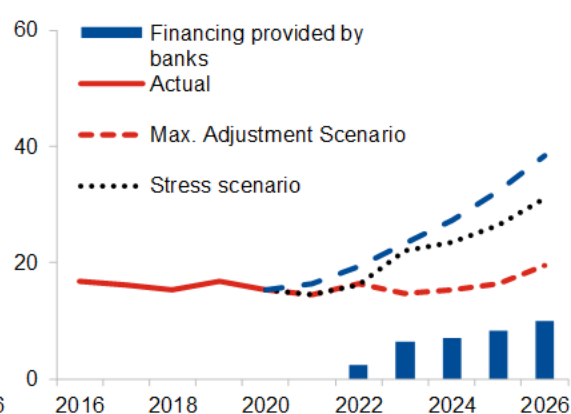
Figure AI.5. Item 9 After Deletions

(Published Version)

Ruritania: debt sustainability under maximum adjustment effort**Summary of the maximum adjustment scenario**

(percent of GDP unless otherwise indicated)

	2020	2021	2022	Projection			
				2023	2024	2025	2026
Public sector debt	79.8	73.1	75.6	75.9	75.1	75.2	74.5
Gross financing needs	15.4	14.6	16.5	14.8	15.4	16.4	19.5
Primary balance	-2.2	0.0	0.5	0.8	1.0	1.0	1.0
Real GDP growth (percent)	-6.5	15.5	3.3	3.7	3.4	3.8	3.6
Inflation (GDP deflator; percent)	2.2	2.4	1.9	1.7	2.0	1.8	2.3
Nominal GDP growth (percent)	-4.4	18.3	5.2	5.4	5.5	5.6	6.0
Effective interest rate (percent)	3.9	3.8	4.0	4.3	4.4	4.5	4.7

Medium-term tools under the maximum adjustment scenario**Final fanchart (percent of GDP)****Gross financing needs (percent of GDP)****Debt fanchart index****0.3****GFN financeability index****8.2**

Fanchart width

24.8

Avg. GFN, max. adjustment scenario (pct of GDP):

5.5

Probability of debt stabilization

5.9

Bank claims on the gen. govt. (pct bank assets):

2.4

Debt level x institutions index

25.1

Change in bank claims in stress (pct bank assets):

0.2

Mechanical signal on debt sustainability^{1 2}**Sustainability assessment²**

Sustainable

Commentary: In a maximum adjustment scenario, revenue mobilization measures (identified through recent Technical Assistance) with a cumulative yield of 2 percent of GDP and realistic cuts to non-priority expenditures totaling about 1 percent of GDP could deliver primary surpluses of about 1 percent of GDP over the medium term. In such a scenario, debt would stabilize and GFNs would reside near current manageable levels. If delivered, these measures would be consistent with a debt sustainability assessment of sustainable.

¹ The mechanical signal of the debt sustainability assessment is deleted before publication.

² In surveillance-only cases, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

B. Normal-Access Fund Arrangements Treated As Precautionary

7. In this situation, staff would perform the near-term sovereign risk assessment in the version to the Board, but it would not be shown to the public in items 1 (Figures AI.6 and AI.7) and 6 (Figure AI.8). The sustainability assessment is required for Fund-supported programs (regardless of whether they are treated as precautionary or not). Thus, prior to publication, the mechanical signal on debt sustainability would need to be deleted. Likewise, as the program entails normal access, the probability of sustainable debt should also be taken out of the published version. Any commentary on item 1 that refers to either the near-term assessment, mechanical signal on debt sustainability, or probability of sustainable debt should be deleted prior to publication. Finally, item 9 does not apply in the context of IMF arrangements.

Figure AI.6. Item 1 Prior to Deletions

(Issued to IMF Executive Board)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹	Moderate	Moderate	The near-term risk of sovereign stress is moderate. This reflects a large increase in public debt-to-GDP in the past year, and a low level of international reserves-to-GDP.
Medium term	Low	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab. Exc h. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	Sustainable but not with high probability	Sustainable but not with high probability	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable but not with high probability.
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable but not with high probability. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AI.7. Item 1 After Deletions

(Published Version)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	...	Sustainable	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable.
Debt stabilization in the baseline		Yes	

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

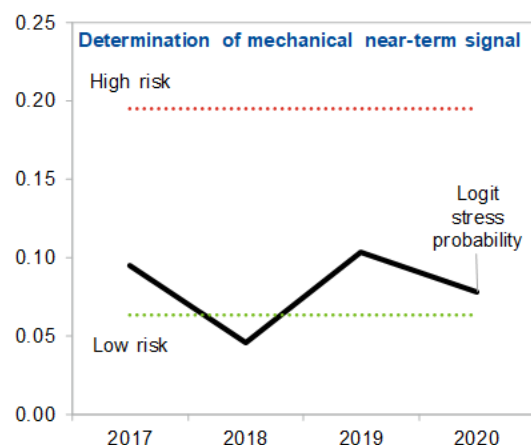
² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AI.8. Item 6 Before and After Deletions

Before Deletions (Issued to Executive Board)

Ruritania: Near-term risk analysis

Year of data	2017	2018	2019	2020
To predict stress in $[t+1, t+2]$	2018-19	2019-20	2020-21	2021-22
Logit stress probability (LSP)	0.095	0.045	0.103	0.078
Change in LSP	0.050	-0.049	0.058	-0.025
due to:				
Institutional quality	0.001	0.000	0.000	0.000
Stress history	0.000	0.000	0.000	0.000
Cyclical position	0.001	0.001	0.001	0.006
Debt burden & buffers	0.058	-0.080	0.077	-0.009
Global conditions	-0.012	0.031	-0.021	-0.022
Missed crisis probability in 2021-22 if stress not predicted				15%
False alarm probability in 2021-22 if stress predicted				72%



Note:

Staff commentary: Ruritania's risk of near-term stress has improved, but remains within the moderate risk range. The improvement largely reflects the normalization in global conditions from the COVID-19 shock as well as an improvement in debt indicators as the domestic recovery has gained steam.

After Deletions (Published Version)

*Entire figure deleted***C. Normal-Access Drawing (Non-Precautionary) Fund Arrangement**

8. The near-term sovereign risk assessment is not applicable in drawing (non-precautionary) Fund arrangements. Therefore, no results on such analysis are prepared or included in items 1 or 6 of either the Board or the public versions of the SRDSA. Given that this is a program case, both the mechanical signal on debt sustainability and the probability of sustainable debt would be shown in the Board version of item 1 (Figure AI.9), but redacted from the published version (Figure AI.10). Any commentary in item 1 that refers to this item would also be deleted before publication. Last, item 9 does not apply in the context of IMF arrangements and is not included in the SRDSA.

Figure AI.9. Item 1 Prior to Deletions

(Issued to Executive Board)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹	n.a.	n.a.	Not applicable.
Medium term	Low	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	Sustainable but not with high probability	Sustainable but not with high probability	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable but not with high probability.
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable but not with high probability. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AI.10. Item 1 Post Deletion

(Published Version)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹	n.a.	n.a.	Not applicable.
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities' plans for corrective reforms should contain risks.
Sustainability assessment²	...	Sustainable	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable.
Debt stabilization in the baseline		Yes	

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

D. Exceptional Access Fund Arrangements Treated As Precautionary and FCL, PLL, and SLL Arrangements Treated As Precautionary

9. In arrangements treated as precautionary, the near-term assessment is applicable and is prepared for the Board version of the SRDSA. The results are shown in items 1 and 6 of the Board version but are excised for the published version. Any commentary related to the near-term assessment in item 1 is also to be deleted. Similarly, given the program-engagement, a sustainability assessment is required, and the mechanical signal on debt sustainability and the probability of sustainable debt are shown on item 1. In contrast to normal access arrangements, the probability of sustainable debt is not deleted for the published version as this item is needed to demonstrate the application of the Exceptional Access criteria (EA-2). However, the mechanical signal on debt sustainability is only included on the Board version of item 1 and dropped from the published version. Figure AI.11 shows the pre-deletion version of item 1, Figure AI.12 shows the post-deletion version of item 1, and Figure AI.13 shows the application of the deletions policy to item 6. Item 9 is neither applicable nor included in SRDSA under any program engagement.

Figure AI.10. Item 1 Prior to Deletions

(Issued to Executive Board)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹	Moderate	Moderate	The near-term risk of sovereign stress is moderate. This reflects a large increase in public debt-to-GDP in the past year, and a low level of international reserves-to-GDP.
Medium term	Low	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	Sustainable but not with high probability	Sustainable but not with high probability	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable but not with high probability.
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable but not with high probability. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AI.12. Item 1 After Deletions

(Published Version)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	...	Sustainable but not with high probability	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable but not with high probability.
Debt stabilization in the baseline		Yes	

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable but not with high probability. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

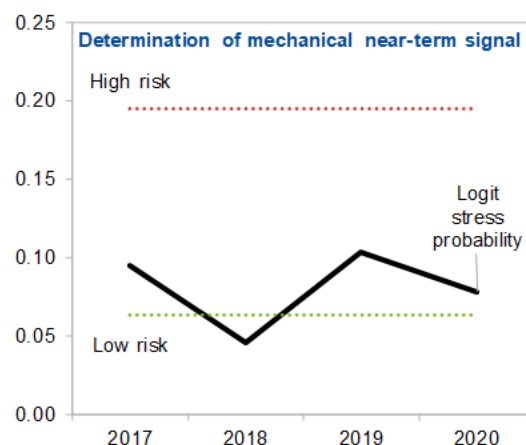
² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AI.13. Item 6 Before and After Deletions

Before Deletions (Issued to Executive Board)

Ruritania: Near-term risk analysis

Year of data	2017	2018	2019	2020
To predict stress in $[t+1, t+2]$	2018-19	2019-20	2020-21	2021-22
Logit stress probability (LSP)	0.095	0.045	0.103	0.078
Change in LSP	0.050	-0.049	0.058	-0.025
due to:				
Institutional quality	0.001	0.000	0.000	0.000
Stress history	0.000	0.000	0.000	0.000
Cyclical position	0.001	0.001	0.001	0.006
Debt burden & buffers	0.058	-0.080	0.077	-0.009
Global conditions	-0.012	0.031	-0.021	-0.022
Missed crisis probability in 2021-22 if stress not predicted				15%
False alarm probability in 2021-22 if stress predicted				72%



Note:

Staff commentary: Ruritania's risk of near-term stress has improved, but remains within the moderate risk range. The improvement largely reflects the normalization in global conditions from the COVID-19 shock as well as an improvement in debt indicators as the domestic recovery has gained steam.

After Deletions (Published Version)

Entire figure deleted

E. Drawing (Non-Precautionary) Exceptional Access Fund Arrangements, and Drawing (Non-Precautionary) FCL, PLL, and SLL Arrangements

10. In this case, the near-term sovereign risk assessment is not applicable and therefore no results on such analysis are prepared for inclusion of either the Board or the public versions of the SRDSA in items 1 or 6. Item 9 does not apply in the context of IMF arrangements. However, in order to demonstrate the application of the Exceptional Access Criteria (EA-2), the probability of sustainable debt must be included in both the Board and published versions of the SRDSA. Figure AI.14 shows the version of item 1 issued to the Board and Figure AI.15 shows the same item after the deletion of the mechanical signal.

Figure AI.14. Item 1 Prior to Deletions

(Issued to Executive Board)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹	n.a.	n.a.	Not applicable.
Medium term	Low	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	Sustainable but not with high probability	Sustainable but not with high probability	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable but not with high probability.
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable but not with high probability. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AI.15. Item 1 After Deletions

(Published Version)

Ruritania: Summary of the sovereign risk and debt sustainability assessment

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting a relatively consistent level of vulnerability across the medium-, and long-term horizons.
Near term¹	n.a.	n.a.	Not applicable.
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate against a mechanical low risk signal due to the potential effects of contingent liabilities from a narrow debt coverage and sub-national governments that are demonstrating symptoms of weak finances.
Fanchart	Low	...	
GFN	Moderate	...	
Stress test	Cont. Liab, Exch. Rate	...	
Long term	...	Moderate	Long-term risks are moderate arising from population aging, the expected need to refinance concessional debt at less favorable terms, and the winding up of oil production. That said, the long time horizon and the authorities plans for corrective reforms should contain risks.
Sustainability assessment²	...	Sustainable but not with high probability	With the implementation of the policies in the program, the projected debt path is expected to stabilize and GFNs will remain at manageable levels. There continue to be important risks with respect to market sentiment, and therefore debt is assessed as sustainable but not with high probability.
Debt stabilization in the baseline		Yes	

DSA summary assessment

Commentary: This SRDSA finds that Ruritania's debt is sustainable but not with high probability. Following a recent shock, market conditions are beginning to show signs of normalization and the strong policy measures to be implemented in the program should strengthen confidence further. Fiscal adjustment will deliver a debt trajectory that stabilizes at somewhat lower levels. Consequently, the Debt Fanchart module gives a low risk signal. Medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate. Contingent liabilities from sub-national governments that are excluded from the SRDSA's debt perimeter are plausible and would have high impacts if realized. Thus, the medium-term risk assessment has been set at moderate risk despite the low risk mechanical signal. Over the longer run, Ruritania should continue with reforms to tackle risks arising from population aging on the social security fund. However, the long time horizon at which these risks would materialize and the authorities' planned measures will help contain risks.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

¹ The near term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

² A debt sustainability assessment is optional in surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.