SUSTAINABLE DEVELOPMENT FINANCE POLICY OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION: MID-TERM IMPLEMENTATION REVIEW

April 7, 2023

ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30
All dollar amounts are US dollars

AfDB	African Development Bank
AsDB	Asian Development Bank
CPIA	Country Policy and Institutional Assessment
DeMPA	Debt Management Performance Assessment
DMF	Debt Management Facility
DPO	Development Policy Operation
DRS	Debt Reporting System
DSA	Debt Sustainability Analysis
DSEP	Debt Sustainability Enhancement Program
DSSI	Debt Service Suspension Initiative
EU	European Union
FCV	Fragile, Conflict, and Violence
FRS	Fiscal Risk Statements
FY	Fiscal Year
G20	The Group of Twenty major advanced and emerging economies
GDP	Gross Domestic Product
GST	General Sales Tax
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
LIC	Low-income Countries
LIC DSF	Debt Sustainability Framework for Low-Income Countries
MAC DSA	Debt Sustainability Assessment Framework for Market-Access Countries
MDB	Multilateral Development Bank
MoF	Ministry of Finance
NCB	Non-Concessional Borrowing
NCBP	Non-Concessional Borrowing Policy
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OP7.30	Operation Policy 7.30
PCO	Program of Creditor Outreach
PPAs	Performance and Policy Actions
PPG	Public and Publicly Guaranteed
PPP	Public-Private Partnership
RECA	Remaining Engaged in Conflict Allocation
SDFP	Sustainable Development Finance Policy
SOE	State-Owned Enterprise
WBG	World Bank Group

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EXECUTIVE SUMMARY

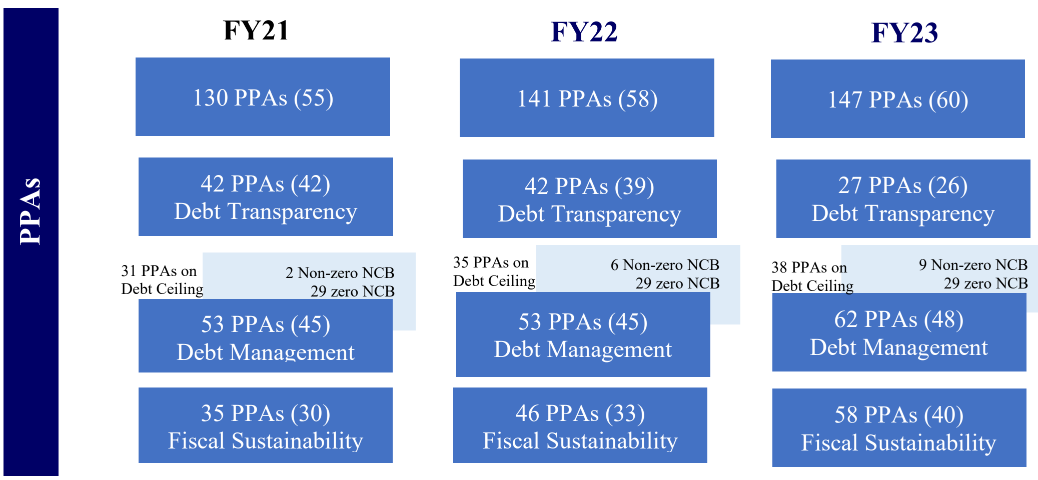
i. **The Sustainable Development Finance Policy (SDFP, the Policy, hereafter) is in the third year of implementation since it became effective on July 1, 2020.** The Policy aims to incentivize countries to move toward transparent and sustainable financing and to further enhance coordination between the International Development Association (IDA) and other creditors in support of the countries' reform efforts. The Policy helps address debt transparency, fiscal sustainability, and debt management challenges systematically and proactively over a medium- to long-term horizon. The Policy has two pillars: (a) the Debt Sustainability Enhancement Program (DSEP); and (b) the Program of Creditor Outreach (PCO). This report provides an update on the third year of the SDFP implementation focusing on the results from the implementation of the FY22 Performance and Policy Actions (PPAs) and the preparation of FY23 PPAs under the DSEP; presents the strategic objectives, key activities, and expected results under the PCO; and discusses lessons learned and the way forward.

ii. **The SDFP was launched at a time when IDA countries faced enormous pressures relating to the COVID-19 pandemic and has been implemented during the period of overlapping crises following the COVID-19 pandemic.** The SDFP has been an important innovation to IDA's policy and the allocation framework by addressing limitations of the Non-Concessional Borrowing Policy (NCBP). Instead of reacting to reported cases of non-concessional borrowing under the NCBP, the SDFP expanded the scope and coverage to all IDA countries and adopted an annual process of supporting countries to implement PPAs and improve debt management capacity, debt transparency, and fiscal sustainability. The number of countries implementing PPAs has grown from 55 countries in FY21 and 58 countries in FY22 to 60 countries in FY23. Rolling out the SDFP required significant efforts by client countries and the World Bank, but the policy, by further mainstreaming debt management into the policy dialog with IDA countries, is making a significant contribution to efforts to address debt vulnerabilities and promote creditor coordination on sustainable lending practices.

iii. **Since 2020, the COVID-19 crisis, followed by Russia's invasion of Ukraine, food crisis, high inflation, and natural disaster shocks, have worsened the already heightened public debt vulnerabilities in IDA countries as economic growth plummeted, expenditure expanded, and revenue contracted.** As of December 2022, 57 percent of IDA countries under the joint World Bank-International Monetary Fund (IMF) Debt Sustainability Framework for Low-Income Countries (LIC DSF) were at a high risk of external debt distress or in debt distress, increasing from an already high share of 50 percent in 2019. Meanwhile, the composition of public and publicly guaranteed (PPG) external debt in IDA countries has shifted from concessional financing from Multilateral Development Banks (MDBs) and Paris Club creditors toward non-concessional external financing from non-Paris Club creditors and market-based debt, including issuances of international bonds.

iv. **The World Bank, together with IMF, other MDBs, and global initiatives, deployed unprecedented financial support to mitigate the growing debt vulnerabilities exacerbated by the COVID-19 crisis.** IDA's support during the period of April 2020 to January 2023 reached $107 billion (excluding the Private Sector Window), of which $95 billion was on concessional or grant terms. The G20's debt service suspension initiative (DSSI), established in May 2020 and expired in December 2021, provided temporary liquidity support during the pandemic as many countries were facing urgent spending pressures amid abrupt decline in revenues. In November 2020, the G20 and Paris Club group of creditors endorsed the Common Framework for Debt Treatments beyond the DSSI (the Common Framework, hereafter) to provide a durable solution to the debt sustainability challenges of countries, on a case-by-case basis, that were eligible for the DSSI. However, the progress has been limited, and there is an urgent need to strengthen the implementation of the Common Framework through a greater certainty on processes and standards as well as shorter and more predictable timelines. To date, only four countries—Chad, Ethiopia, Ghana, and Zambia—have requested debt treatment under the Common Framework, while restructuring discussions, with no immediate debt relief, were concluded only with Chad.

Figure ES. 1. Summary Statistics of the PPAs Approved in FY21, FY22 and FY23



Country Characteristics			
Status	25 FCV 20 Small States	24 FCV 20 Small States	23 FCV 21 Small States
Lending Eligibility	34 IDA only 12 Blend 9 Gap	36 IDA only 12 Blend 10 Gap	36 IDA only 13 Blend 11 Gap
Risk Level	31 High & In Distress 19 Moderate 5 MAC-DSA	33 High & In Distress 20 Moderate 5 MAC-DSA	34 High & In Distress 22 Moderate 4 MAC-DSA

1/ Figures in parentheses indicate the number of countries with approved PPAs in each FY against respective DSEP area.
Source: *World Bank.*

v. **Under the DSEP pillar, over 90 percent of IDA countries that prepared PPAs for the first two years satisfactorily implemented all their PPAs even amid a challenging environment.** The PPAs were designed to address countries' key debt vulnerabilities, while paying attention to their specific circumstances. 51 out of the 55 countries that implemented PPAs in FY21 and 52 out of 57 countries that implemented PPAs in FY22 satisfactorily implemented all their PPAs. Unlike the cases in FY21 where most of the unmet PPAs were performance PPAs such as the non-concessional borrowing (NCB) ceiling, in FY22 most of the unmet PPAs were policy or institutional reforms. Maldives and Pakistan did not satisfactorily implement in FY22 the FY21 PPAs that were missed and subsequently carried over to FY22. This led to a permanent discount of the set-aside for both countries (20 percent and 10 percent of their FY22 country allocations, respectively) and a hardening of terms for Maldives in FY23 due to repeated breaches of an NCB ceiling PPA.

vi. **FY23 PPAs reflected greater focus on fiscal sustainability after progress made in enhancing debt transparency in the first two years of implementation of the Policy.** In FY23, 40 countries across all IDA's country categories prepared at least one PPA on fiscal sustainability, an increase from 33 in FY22 and 30 in FY21. PPAs for the first two years of implementation focused primarily on debt transparency and debt management to reduce debt vulnerabilities, given the crisis context and the significant fiscal constraints faced by governments. After two years of progress in implementation of reforms to support enhancing debt transparency, many IDA countries have broadened their view to improving fiscal sustainability, often having to deal with fiscal challenges that were further aggravated by the COVID-19 pandemic. Domestic resource mobilization is essential to the capacity of governments to respond to challenges they face. In this context, the SDFP provides a platform to support governments' efforts to enhancing domestic resource mobilization. The World Bank Group (WBG) is strongly committed to supporting countries to ramp up domestic resource mobilization as elaborated in the *Evolution Roadmap* that was prepared in response to a call by shareholders to respond to the challenges of poverty reduction, shared prosperity, and global challenges.

vii. **Three years of the implementation of the SDFP reveal both its importance and challenges as an engagement tool to address debt vulnerabilities in many IDA countries.** The SDFP has helped IDA countries introduce and maintain policies focused on debt and fiscal sustainability, with a goal to facilitate reforms aimed at bringing their debt to sustainable levels and increasing their resilience to future shocks. At the same time, the implementation experience thus far revealed challenges for engagements in countries where the World Bank is not a major creditor, the government's implementation capacity is limited, and the ownership and coordination of reforms are not sustained. To address the issue of limited implementation capacity, greater use of performance actions may need to be considered by setting target indicators to contribute to addressing the country's debt vulnerabilities. Countries vulnerable to climate risks, including many small island states, may consider climate-related actions for fiscal sustainability. Ownership and coordination of reforms can be enhanced through investments in facilitating coordination and sustained technical engagement over the long term.

viii. **The implementation experience may also point to the need for further enhancements and flexibility of the Policy through revisions.** The Policy, currently allowing revisions and cancellations of PPAs only on an exceptional basis, may add some flexibility to revise PPAs without affecting their credibility. Furthermore, synergies between PPAs and Development Policy Operations (DPOs) should be explored, in addition to programmatic approaches for complex and difficult reforms that would take several years to achieve.

ix. **Under the PCO pillar, IDA stepped up its engagements significantly in the third year of the SDFP implementation with a combination of global, regional and in-country events.** PCO activities are aimed at supporting IDA countries to improve debt sustainability and enhance debt transparency in the broader context of the World Bank's debt agenda. IDA is well positioned to play a convening role on debt related issues given its strong country presence and global knowledge. With a focus on the importance of debt transparency and information sharing, IDA convened members of the Organisation for Economic Cooperation and Development (OECD) and the Paris Club, as well as non-Paris Club creditors and private sector creditors.

x. **The creditor outreach has leveraged IDA's role as a convener to promote stronger collective action, greater debt transparency, and closer coordination among borrowers and creditors to mitigate debt-related risks.** There has been progress in facilitating information sharing among creditors and enhancing debt transparency in IDA countries. Emerging outcomes include: (a) nascent engagements with non-Paris Club bilateral creditors, private sector creditors, and rating agencies in different fora to find entry points to strengthen coordination; (b) continuous close collaboration with other international financial institutions to enhance the alignment of policy frameworks, including the application of NCB ceilings in coordination with IMF, alignment of SDFP PPAs with the Asian Development Bank (AsDB), and coherence with the Agreed Policy Actions of the African Development Bank (AfDB); and (c) continuous systematic information sharing on NCB ceilings with the OECD's export credit agencies group and through IDA webpages to support transparency and aid client countries with prudent borrowing practices.

xi. **IDA will continue to scale up coordination with all creditors to support information sharing that incentivizes collective action and supports IDA countries' effort to enhance debt transparency.** WBG is working to enhance investors' access to payment history for private sector projects in developing markets through the Global Emerging Markets Risk Database, aiming to make the aggregated statistics available to investors as a global public good with appropriate safeguards and quality standards.[i] Improving debt transparency and enhancing debt sustainability are a joint responsibility of borrowing governments and of all stakeholders, including creditor governments, MDBs, and private sector creditors. IDA will continue enhancing information sharing through IDA websites and the 'Lending to LICs' mailbox. Through the PCO, IDA will continue ramping up effort to convene high-level events at the global, regional, and country levels to provide platforms to advance dialog, support the application of consistent debt policies, and strengthen engagement with all stakeholders. The criteria for selecting countries for PCO events will include, among others, country demand, importance of creditor collaboration, and capacity building needs. Outreach activities will be focused on convening high-level events to provide a platform to advance the dialog on debt transparency and debt sustainability with all key stakeholders. These will aim to redouble efforts to support countries facing the most pressing challenges, including those in fragile and conflict-affected situations and Small States vulnerable to climate and disasters shocks, enhancing collaboration with stakeholders to find more entry points, and strengthening engagement with non-traditional creditors.

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[i] Interested readers may refer to remarks by President David Malpass: https://www.worldbank.org/en/news/speech/2023/03/23/remarks-president-david-malpass-strengthening-delivery-on-private-capital-facilitation-csis.

I. INTRODUCTION

1. **The Sustainable Development Finance Policy (SDFP, or the Policy, hereafter) was launched in July 2020 to address rising debt vulnerabilities in IDA countries.** The SDFP, as part of the World Bank's broader debt agenda, aims to incentivize IDA-eligible countries to move toward transparent, sustainable financing and to promote coordination between IDA and other creditors in support of these countries' efforts to address their debt-related vulnerabilities. The Policy builds on the Non-Concessional Borrowing Policy (NCBP) and addresses a number of limitations of the NCBP by (a) expanding the scope and coverage to all IDA countries, (b) taking a broader and more systematic review of the drivers of debt vulnerabilities through the strengthened link with the Debt Sustainability Analyses (DSAs), and (c) adopting an annual process of supporting countries with elevated debt vulnerabilities to implement Policy and Performance Actions (PPAs) and improve debt management capacity, debt transparency, and fiscal sustainability, instead of reacting to reported cases of non-concessional borrowing. The SDFP also enhances creditor outreach through information sharing, dialog, and improved coordination among creditors.

2. **The SDFP comprises two main components: (a) the Debt Sustainability Enhancement Program (DSEP) and (b) the Program of Creditor Outreach (PCO).** The DSEP enhances incentives for countries to move toward transparent and sustainable borrowing and investment practices. The PCO utilizes IDA's global platform and convening role to promote creditor outreach and coordination on sustainable lending practices, including debt transparency. Through the SDFP, IDA strengthens the performance orientation of the IDA allocation framework with a focus on addressing debt vulnerabilities. It leverages IDA's convening power to bring together all stakeholders, including multilateral development banks (MDBs) and bilateral and private-sector creditors, to coordinate and move toward more transparent and sustainable financing.

3. **Overlapping crises underscore the importance of supporting IDA countries, particularly those with implementation capacity constraints, to address their need to access sustainable development financing for crisis recovery and long-term growth.** The demand for concessional financing to support poor countries, particularly countries in fragile, conflict, and violence (FCV) situations, has been rising during the overlapping crises, starting with the COVID-19 pandemic and now worsened by Russia's invasion of Ukraine, the food crisis, and the prospects of a global slowdown. Emerging and developing countries are facing a multi-year period of slow growth driven by heavy debt burdens and weak investment. Further, non-traditional bilateral creditors and private sector creditors have been playing an increasingly significant role in development financing. In this context, the SDFP plays an important role toward facilitating a cooperative approach to coordinate amongst creditors and supporting country reforms to strengthen debt transparency and enhance debt sustainability.

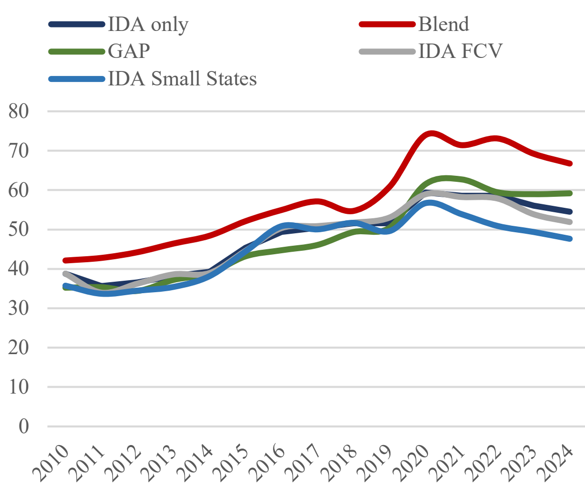
4. **The objective of this paper is to provide an update on the third year of the SDFP implementation to inform IDA20's mid-term review**. The report focuses on the assessment of the FY22 PPA implementation and the FY23 PPA preparation and provides an update on the PCO implementation, including the start of in-country outreach events. The report is organized as follows: Section II provides an overview of recent global debt developments in IDA countries; Section III summarizes the FY22 PPA implementation, the FY23 PPA preparation, and lessons

learned; Section IV covers the implementation of the PCO, with a focus on the strategic objectives, key activities, and expected results; and Section V concludes.

II. GLOBAL DEBT DEVELOPMENTS

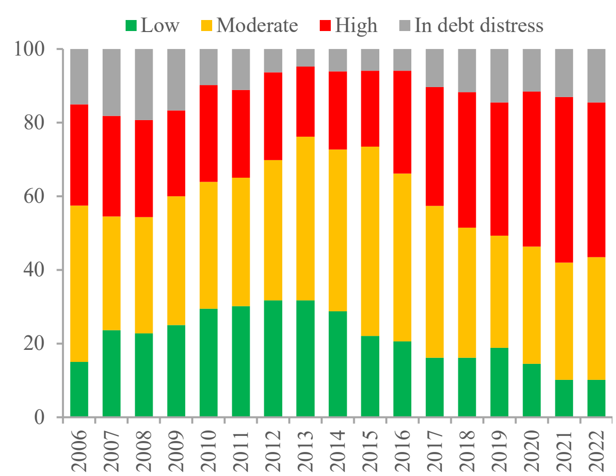
5. **The COVID-19 crisis since 2020 has further exacerbated already high public debt vulnerabilities in IDA countries as economic growth plummeted, expenditure expanded, and revenues contracted.** A combination of weak macro-fiscal policy frameworks, exogenous shocks, and increased access to non-concessional sources of funding led to a rapid build-up in public debt levels between 2010 and 2019 that got further accentuated since 2020. Average public debt levels as a percentage of GDP reached over 70 percent for IDA/IBRD-blend countries (hereafter 'IDA-blend' or 'Blend') and 60 percent for other IDA countries in 2021 (Figure 2.1). As of December 2022, the number of IDA countries covered under the LIC DSF at a high risk of external debt distress or already in debt distress reached 39 from 35 in 2019 (Figure 2.2).

Figure 2. 1. Public Debt in IDA Countries (percent of GDP, average)



Source: IMF World Economic Outlook, October 2022.

Figure 2. 2. Risk of External Debt Distress in LIC DSF (Percentage shares)



Source: World Bank-IMF LIC DSF database.

6. **The debt build-up in the last decade has been accompanied by changes in the composition of external debt.** Public and publicly guaranteed (PPG) external debt in the IDA countries has shifted toward non-concessional external financing from non-Paris Club creditors and market-based debt, including international bonds (Figure 2.3). The latter were issued mainly by IDA-blend and IDA-gap countries, although a few IDA-only countries also tapped international capital markets and issued bonds. The share of non-Paris Club creditors and market-based debt in PPG external debt in IDA countries increased from 19 percent in 2010 to 43 percent in 2018 before it slightly declined to around 40 percent in 2021, driven by the strong COVID-related increase in multilateral financing.

Figure 2. 3. Debt Composition in IDA Countries

Figure 2.3a. Debt Composition in IDA Countries (percentage shares)

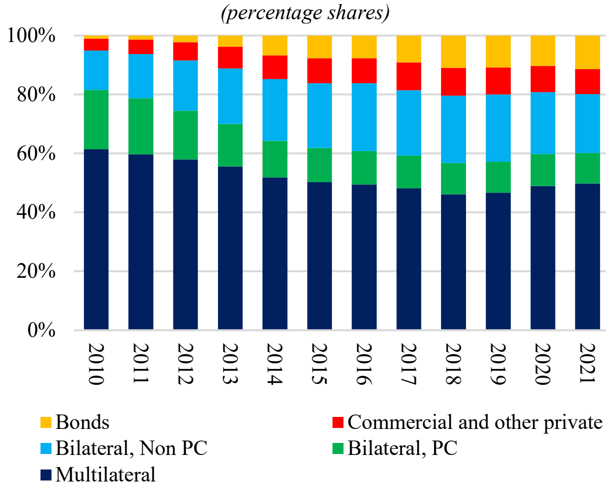
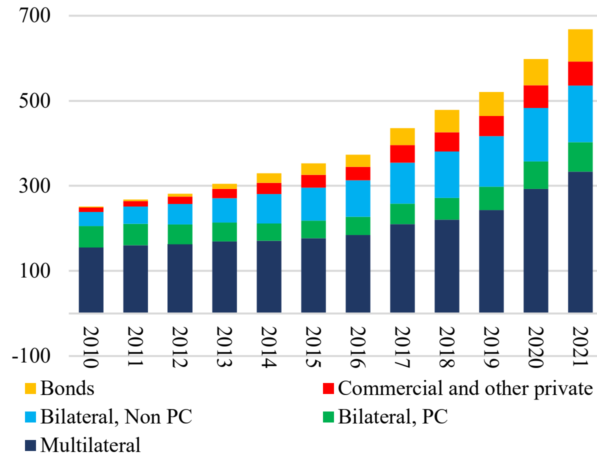


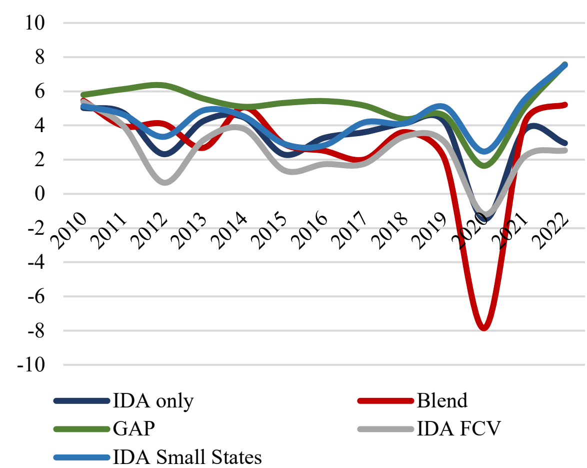
Figure 2.3b. Debt Composition in IDA Countries (volumes, US$, billions)



Source: World Bank International Debt Statistics.

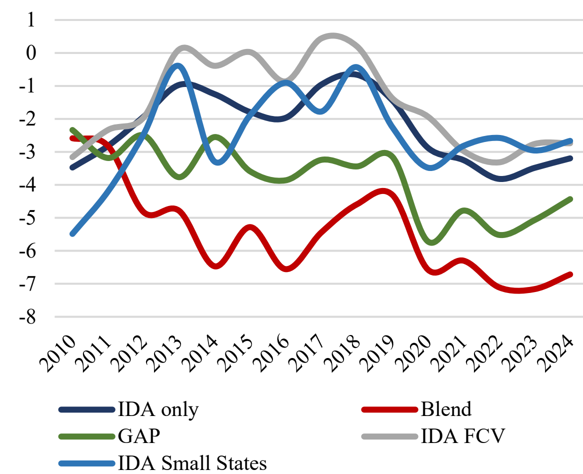
Figure 2. 4. GDP Growth and Fiscal Balance in IDA Countries

Figure 2.4a. GDP Growth in IDA Countries (percentage change, average)



Source: IMF World Economic Outlook, October 2022

Figure 2.4b. Fiscal Balance in IDA Countries (percentage of GDP, average)



Source: IMF World Economic Outlook, October 2022

7. **The economic and financing landscape confronting the IDA countries is challenging and could aggravate debt vulnerabilities.** Global growth is expected to decelerate sharply to 1.7 percent in 2023 (World Bank's Global Economic Prospects, 2023), the third-weakest pace of growth in nearly three decades, reflecting the synchronous policy tightening aimed at containing very high inflation, the worsening financial conditions, and the continued disruptions from Russia's invasion of Ukraine. The advanced economies and China are all undergoing a period of pronounced weakness, and the resulting spillovers are exacerbating other headwinds faced by many IDA countries. As a result of the sharp slowdown in global growth (Figure 2.4a), per capita

income is not expected to surpass 2019 levels until at least 2024 in many IDA countries.[1] Fiscal space has considerably narrowed, and the concerns over debt sustainability in many IDA countries have risen as global financial conditions have made it more difficult to service debt loads that have accumulated rapidly in recent years, particularly during the pandemic (Figure 2.4b). Given that a large fraction of debt issued domestically and held by banks and pension funds poses a threat to macro-financial stability, restoring debt sustainability will require a strong commitment to reforms and fiscal adjustments.

8. **The World Bank, both IDA and IBRD, together with other MDBs and global initiatives, have put in place measures to mitigate the growing debt vulnerabilities exacerbated by these unprecedented shocks to developing countries.** The World Bank Group (WBG) is the largest provider of official financial flows while IDA is the top provider of concessional finance and contributed 62 percent of commitments of official development assistance (including both grants and loans) from horizontal funds for the period 2000-2020.[2] Between 2010 and 2019, WBG provided $445 billion of official loans to developing countries and $34 billion in grants. This represented 17 percent of official financial flows over that period. In response to the overlapping crises, IDA is deploying an unprecedented level of support to more than 70 countries to contain the effects of the crises, while laying the groundwork for a greener, inclusive, and more resilient recovery. IDA's support to these countries for the period between April 2020 and January 2023 reached $107 billion (excluding the Private Sector Window), of which $95 billion was on concessional or grants terms.

9. **Greater certainty on processes and standards as well as shorter and more predictable timelines are essential for countries that seek debt restructuring.** The G20's debt service suspension initiative (DSSI), established in May 2020 and expired in December 2021, provided temporary liquidity support during the pandemic as many countries were facing urgent spending pressures amid abrupt decline in revenues.[3] In November 2020, the G20 and the Paris Club group of creditors endorsed the Common Framework for Debt Treatment beyond the DSSI (the Common Framework, hereafter) to offer a structure for guiding agreements on debt treatments for countries eligible under the DSSI. The Common Framework was put forward to consider debt treatment requests from eligible debtor countries on a case-by-case basis and address solvency challenges with a long-term perspective. However, the progress has been limited, and there is an urgent need to strengthen the implementation of the Common Framework through a greater certainty on processes and standards as well as shorter and more predictable timelines. To date, only four countries—Chad, Ethiopia, Ghana, and Zambia—have requested debt treatment under the Common Framework, while restructuring discussions, with no immediate debt relief, were concluded only with Chad.

10. **Slower-than-expected implementation of the Common Framework reflects coordination issues and a lack of a clear time-bound process.** The composition of creditors has been evolving since the era of the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. Until the early 2000s, multilateral agencies and the Paris Club members

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1 Interested readers may refer to: "*Global Economic Prospects*" (January 2023), World Bank.

2 Horizontal funds refer to funds provided through the horizontal platform represented by MDBs and other institutions that use a country-based approach.

3 A total of 48 countries joined the DSSI and benefitted from an estimated $12.9 billion in debt-service payment suspension from May 2020 to December 2021.

were the main creditors of LICs, making restructuring efforts much simpler. Since then, the share of non-traditional creditors, for example, private creditors and non-Paris Club members, has been growing, complicating restructuring efforts. Also, the Common Framework lacks a clear time-bound process for creditor coordination for debt restructuring and clarity on how official bilateral creditors will evaluate and enforce the comparability of treatment to private creditors. The World Bank and IMF have identified four priorities for strengthening the Common Framework: (a) quicker and more efficient processes through clear and time-bound steps in the implementation; (b) the introduction of a debt service standstill to immediately address the liquidity needs of countries requesting treatment; (c) greater clarity on how official bilateral creditors will evaluate and enforce the comparability of treatment to private creditors; and (d) the expansion of coordinated debt treatments to non-DSSI eligible countries with high debt vulnerabilities.[4] The World Bank, IMF, and G20 set up a Global Sovereign Debt Roundtable aimed at achieving faster debt restructuring process with better outcomes for countries in terms of sustainability. The Roundtable brings together a range of creditors and borrowing countries to discuss solutions for countries with unsustainable debt levels under the Common Framework. The first meeting of the Roundtable took place in February 2023 and the discussions will continue at the WBG-IMF Spring Meetings in April 2023.

III. DEBT SUSTAINABILITY ENHANCEMENT PROGRAM

11. **In its third year of implementation, the SDFP continues to support IDA countries establishing PPAs that contribute to addressing key debt vulnerabilities and moving toward sustainable and transparent borrowing practices.** The SDFP aims to identify and support reforms to mitigate countries' vulnerabilities in the three DSEP areas: (a) debt transparency; (b) debt management; and (c) fiscal sustainability. Countries have flexibility to prioritize and select PPAs in any of these DSEP areas consistent with their debt vulnerabilities while balancing ambition with an understanding of the country context. Eligible IDA countries are expected to have three PPAs, however, two PPAs can be considered sufficient for Small States and countries facing FCV conditions.

12. **To determine whether a country needs to prepare PPAs, all IDA countries are screened for debt-related vulnerabilities at the end of May each year.** All IDA-eligible countries are required to prepare PPAs except for: (a) countries subject to the joint World Bank-IMF LIC DSF that are at a low risk of external debt distress and countries under the Debt Sustainability Analysis for Market-Access Countries (MAC DSA) for which Management determines that debt vulnerabilities are limited; (b) countries in non-accrual status; and (c) countries that are eligible for the IDA's s Remaining Engaged in Conflict Allocation (RECA).[5]

13. **The process of identification, approval, implementation, and monitoring of PPAs involves significant efforts from both the World Bank staff and IDA countries.** Since the inception of the SDFP in FY21, all PPAs have been designed through an intensive dialog with IDA countries and calibrated in line with countries' capacity constraints, using both technical

[4] Interested readers may refer to "*Making Debt Work for Development and Macroeconomic Stability*" by the IMF and the World Bank Group (April 2022).

[5] Refer to Section III Paragraph 16 and footnote 12 for more information on RECA in the *SDFP Policy,* page 8.

assistance and analytical underpinnings, to ensure the scope and substance of PPAs are adequate. The formulation of PPAs is informed by core diagnostics, such as DSA, Public Expenditure Review, Debt Management Performance Assessment (DeMPA), debt management technical assistance, and the Debt Reporting Heatmap (the Heatmap, hereafter). For example, one of Fiji's FY23 PPAs which focused on reforms related to tax policy measures and public investment efficiency is underpinned by the country's Public Expenditure Review. One of Pakistan's FY23 PPAs on debt management is grounded by the country's DeMPA. All PPAs have been undergoing rigorous internal quality reviews under strong governance, involving both the World Bank's technical staff and oversight by the corporate and regional Vice Presidencies. Hence, to ensure the robustness, quality, and contestability of the PPAs that support crucial reforms in each country, the PPA process continues to require significant time and effort from both the World Bank staff and IDA countries.

A. Implementation Assessment of FY22 PPAs

i. Design of FY22 PPAs

14. **World Bank management approved a total of 141 PPAs in 58 countries in FY22, of which 139 PPAs were implemented in support of addressing debt vulnerabilities in 57 countries.**[6] Five countries needed to prepare PPAs for the first time in FY22 for a variety of reasons, including an elevation in the risk of external debt distress (Madagascar and Rwanda), completion of the World Bank Operation Policy 7.30 (OP7.30) assessment (Mali and Sudan) [7] and a continuation of operational engagements (Nicaragua). In terms of the DSEP areas, two-thirds of IDA countries that prepared PPAs (39 countries), implemented at least one PPA that addressed weaknesses in public debt transparency with a focus on timeliness, frequency, and completeness of PPG debt data. Over three-quarters of IDA countries that implemented PPAs (45 countries) had at least one PPA on debt management. Sixty percent (35 countries) adhered to establishing an NCB ceiling, and 12 countries implemented PPAs focusing on adopting a legal framework for contracting public loans and guarantees as well as improving institutions to enhance transparency and accountability around debt management. Fifty-seven percent of IDA countries that prepared PPAs (33 countries) implemented at least one PPA in support of fiscal sustainability focusing on domestic revenue mobilization and/or management of fiscal risks.

[6] Based on the above criteria in paragraph 16, 16 countries were not required to prepare PPAs in FY22. Of which, nine countries were rated at a low risk of debt distress based on LIC DSA (Bangladesh, Cambodia, Honduras, Myanmar, Nepal, Tanzania, Timor-Leste, Uganda, and Uzbekistan). Among the remaining countries, Eritrea, Syria, and Zimbabwe were excluded from the requirement to prepare PPAs as they are in the non-accrual status; South Sudan and Yemen were exempted as these countries were eligible for IDA's RECA. Furthermore, Afghanistan and Guinea were excluded due to political situations. Sudan prepared PPAs following arrears clearance and full re-engagement with WBG. Following an OP7.30 assessment, it was later exempted from implementing these PPAs. The 141 approved PPAs in FY22 include the PPAs for Sudan and the PPAs not successfully implemented in FY21 and carried over to FY22.

[7] OP7.30 on dealing with de facto governments is triggered when a "de facto government" comes into power by means outside of a country's constitution, such as a coup d'état, revolution, suspension of the constitution, or when no government is in place.

Table 3. 1. Number of Countries that Prepared PPAs in FY22, by Region

Region	Countries that prepared FY22 PPAs		Countries exempted or non-accruals or RECA (ii)	Countries with low risk of debt distress or limited debt vulnerabilities (iii)	Total IDA countries (i)+(ii)+(iii)
	No. of countries (i)	O/w: FCV or Small States			
Eastern and Southern Africa	14	8	3	2	19
Central and Western Africa	19	10	1	-	20
East Asia and Pacific	11	10	-	3	14
Europe and Central Asia	3	1	-	1	4
Latin America & Caribbean	7	6	-	1	8
Middle East & North Africa	1	1	2	-	3
South Asia	3	2	1	2	6
Total	**58**	**38**	**7**	**9**	**74**

1/ Though Sudan prepared FY22 PPAs, following an assessment of OP7.30, Sudan was exempted from implementing the PPAs.
Source: *World Bank.*

a. Debt Transparency

15. **Debt transparency supports addressing key debt vulnerabilities while ensuring accountability and better debt management as it reduces the cost of public borrowing.** Public debt transparency refers to the availability of comprehensive, detailed, timely, and consistent PPG debt data to parliaments, media, and the general public, including the terms and conditions of debt.[8] The quality and consistency of debt data is a key component of sovereign data transparency. Hence, enhancing debt transparency is critical to ensure that debt-related vulnerabilities are known and contained while enabling the creation of additional fiscal space and raising external financing or even supporting a debt restructuring or relief.

16. **Two-thirds of countries had at least one PPA focused on debt transparency in FY22 to help sustain progress toward comprehensive debt coverage and reporting.** PPAs aimed at enhancing debt transparency support publication of PPG debt data in a comprehensive, detailed, timely, and consistent manner. In the second year of implementation, more countries (about 70 percent of the countries with at least one PPA addressing debt transparency) expanded the perimeter of coverage by including debt owed by State-Owned Enterprises (SOEs) to better monitor fiscal risks and improved frequency and timeliness of public debt reporting. The increased focus on improving the transparency of SOEs' debt may reflect that, in many cases, fiscal risks arise from the weak or absent monitoring framework of SOEs' debt (Box 3.1 on PPAs as an instrument for further engagements in Burundi).

8 PPG covers both external and domestic debt: (i) of the public sector, defined as central, state and local governments, social security funds and extra budgetary funds, the central bank, and public enterprises; and (ii) private sector debt guaranteed by the public sector.

Box 3. 1. Burundi: PPAs as an Instrument for Further Engagements

In Burundi, the implementation of PPAs created an opportunity for further engagement. Debt reporting, having excluded SOEs, domestic arrears, and contingent liabilities, limited the transparency of the country's overall debt situation and increased uncertainty over risks associated with the country's debt. The authorities expanded coverage of the debt report by including debt of SOEs, domestic arrears, and contingent liabilities, which was supported by the FY22 PPAs. The implementation process helped the authorities recognize the benefits of debt transparency and identification of associated risks. They have requested further support in debt transparency, including a request for technical assistance on debt reporting, which is planned for FY23.

17. **IDA has been supporting IDA countries in addressing their debt transparency challenges through various analytical frameworks, technical assistance, and lending operations.** In addition, the IDA policy commitments complement the implementation of PPAs by monitoring public debt transparency and other debt-related initiatives. IDA has been committed to IDA20's policy commitment on enhancing public debt transparency and management of debt-related contingent liabilities and supporting IDA countries in publishing comprehensive PPG debt reports or fiscal risk statements. The Heatmap, which allows monitoring improvements in public debt reporting, reflects improvements in the quality of dissemination practices in 43 percent of the IDA-eligible countries compared to two years ago, of which several countries implemented PPAs on debt transparency based on the findings from the Heatmap.

b. Debt Management

18. **Over three-quarters of the countries had at least one PPA aimed at strengthening debt management, most of which focused on an NCB ceiling.** NCB ceiling PPAs play a critical role in reducing debt vulnerabilities by lowering the debt service cost of expensive loans in the medium to long term. Per the SDFP implementation guidelines, countries with a high risk of external debt distress or already in distress are in principle required to have a PPA with a zero NCB ceiling on external PPG debt.[9] These also support countries to avoid paying expensive debt service from their scarce concessional financial resources and build advocacy with creditors for more concessional terms.

19. **During FY22, 35 countries had a debt ceiling PPA, of these, 30 countries were at a high risk of external debt distress or in distress.** Among these 30 countries, four countries (Cameroon, Kenya, Lao PDR, and Papua New Guinea) established a non-zero NCB ceiling on an exceptional basis to meet amortization of existing non-concessional debt and/or support the financing of critical infrastructure projects. Out of the five countries at a moderate risk of debt distress, three countries (Comoros, Niger, and Vanuatu) implemented a PPA with a zero NCB ceiling considering their weak debt sustainability situation while the remaining two countries implemented a PPA with a non-zero NCB ceiling (the Democratic Republic of Congo and Madagascar) (Box 3.2 on PPAs as a conduit for dialog in the Democratic Republic of Congo).

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[9] NCB ceiling is set in coordination with the IMF and informed by DSAs. The SDFP adopts debt ceilings that are consistent or aligned with IMF programs, based on the agreed assumption on the terms of the new borrowing or use of present value ceilings. For countries with an IMF program, debt limits under the program can in principle be a PPA under the SDFP. Three countries (Liberia, Mali, and Rwanda) with a debt ceiling under the IMF program do not have NCB ceiling PPAs under SDFP in FY22.

Box 3. 2. Democratic Republic of Congo: PPAs as a Conduit for Dialog

A dialog sparked by SDFP implementation in the Democratic Republic of Congo helped the authorities scrutinize a project to ensure that NCB was directed toward high-return projects. The Democratic Republic of Congo, with a moderate risk of debt distress, has room for limited NCB. In 2021, the non-zero NCB ceiling created an opportunity for a dialog between the authorities and the World Bank on a road project that would be candidates for non-concessional financing. Because of the PPA, the debt management office consulted the World Bank. The World Bank's transportation team reviewed the project, pointing out areas where project preparation could be improved. This dialog was made possible by the approved PPA on NCB and proved the value of greater scrutiny of NCB given the risks involved.

20. **Several countries introduced regulatory and institutional frameworks to manage debt levels prudently as the foundation for medium- to long-term debt sustainability.** Some countries adopted debt management policies and regulations to strengthen debt management and to manage fiscal risks associated with government guarantees (Papua New Guinea and Samoa), to direct the publication of debt management reports (Bhutan and Tajikistan), and to establish the guidelines for the issuance of government guarantees and government bonds (Papua New Guinea, Solomon Islands, and Tonga). A few countries implemented medium-term debt management strategies (Burkina Faso, Tajikistan, and Tonga). Comoros, Djibouti, and Tajikistan enacted legislation and set up the institutional structure to improve debt management. Bhutan, Solomon Islands, Tajikistan, and Tonga adopted a programmatic approach for enhancing debt management with the approval of a medium-term debt management strategy in FY21 that provided a strong policy framework for debt management in FY22.

21. **Publication of an annual borrowing plan could ensure the availability of funding to cover the financing needs of the government at the lowest possible cost and tolerable level of risks.** Fiji, Guyana, and Mali published their annual borrowing plans. Of which, Fiji's published annual borrowing plan is consistent with the current medium-term debt management strategy approved in the first year of implementation, indicating more sustained improvement and staff capacity.

c. Fiscal Sustainability

22. **More than half of the IDA countries that implemented PPAs had at least one PPA in FY22 in support of fiscal sustainability focusing on domestic revenue mobilization and management of fiscal risks.** On the policy side, these PPAs broadly emphasized raising revenue by introducing tax measures such as broadening the tax base (Cote d'Ivoire), levying fees (Lesotho, Maldives, and Nigeria), and approving the policy framework for tax measures (Sierra Leone and Zambia). On the administrative side, these PPAs supported enhancing revenue collection measures and improving IT systems (Benin, Comoros, Liberia, Madagascar, Pakistan, and Solomon Islands) and streamlining tax expenditures and exemptions (Ghana, Senegal, and Togo). Furthermore, several countries also prepared PPAs on fiscal risk assessments and fiscal responsibility actions (Burkina Faso, Cabo Verde, Kosovo, Kyrgyz Republic, Mauritania, Mozambique, Senegal, and St. Vincent and the Grenadines), regulatory and institutional frameworks for SOEs management (Bhutan and Ethiopia), public financial management and

public investment management (The Gambia, Kenya, Lesotho, Marshall Islands, and Rwanda), and legal framework and publication of reports on public investment and public-private partnership (PPP) (Malawi and Togo). Enhanced transparency would, in practice, add clarity on contingent liabilities arising from long-term fiscal commitments to PPPs and facilitate better monitoring and management of fiscal risks. Although implementing measures to support fiscal consolidation is particularly challenging in the context of the current overlapping crises, the adoption of PPAs that facilitate reforms on domestic resource mobilization measures could support revenue collection and contribute to a smoother transition out of the crises, in particular, some of the PPAs that supported reforms to broaden the tax base (Cote d'Ivoire), levy fees (Lesotho, Maldives, and Nigeria). In addition, while the crises conditions present a challenge for fiscal consolidation efforts, PPAs focused on institutional reforms and fiscal responsibility help lay stronger foundations for post-crisis recovery.

ii. Results from the Implementation of FY22 PPAs

23. **During the second year of implementation of SDFP, over 90 percent of countries satisfactorily implemented their PPAs amid a challenging environment** Progress made by countries in implementing their PPAs is assessed relative to their defined milestones at the end of each fiscal year. Despite the challenges posed by the overlapping crises, established PPAs for FY22 underwent a rigorous assessment process by World Bank management. The assessment process involved close consultations between regions and their clients together with support from corporate and technical global units forming the SDFP Committee.[10]

Table 3. 2. Key Areas of Outputs from the Successful Implementation of PPAs

Areas of outputs from the successful implementation of PPAs	Number of Countries	
	FY21	FY22
Institutionalized debt publication, improving frequency and timeliness	15	15
Improved coverage of debt reporting and management of debt data	25	24
Adopted new debt policy, mid-term debt strategy or borrowing plans	14	7
Strengthened reforms to better assess fiscal risks, including for SOEs	13	17
Improved measures supporting domestic resource mobilization	9	17
Established policy or framework for the management of public investments	3	4
Adopted regulatory framework for public finance management or fiscal rules	3	6

24. **In FY22, five countries did not satisfactorily implement all their PPAs in a timely manner.** Unlike the cases in FY21 where most of the unmet PPAs were performance PPAs such as the NCB ceiling, most of the unmet FY22 PPAs were policy or institutional reforms. This may suggest that FY22 PPAs encountered difficulties similar to that faced by DPOs, in which substantial advisory support both before and during policy reforms is needed. Ethiopia did not satisfactorily implement its PPA on parliamentary approval to monitor impacts of SOEs on public finances. On account of a delay in completion of an external audit of annual financial statements for large SOEs, Nicaragua was unable to implement its PPA in time. Nigeria's PPA aimed to improve debt transparency and debt management through restructuring within the federal

10 The SDFP Committee comprises directors from Operations Policy and Country Services, Development Finance, Macroeconomics Trade and Investment, and Country Credit Risk and the chief counsel of Legal Development Finance.

government was also not satisfactorily implemented in FY22. Maldives and Pakistan did not satisfactorily implement in FY22 the FY21 PPAs that were missed and subsequently carried over to FY22, which led to a permanent discount of the set-asides for both countries (20 percent and 10 percent of their FY22 country allocations, respectively) and a hardening of terms for Maldives in FY23 as the missed PPA was an NCB ceiling (Box 3.3 on Set-Aside Mechanism and Implications under the SDFP).[11]

Box 3. 3. Set-Aside Mechanism and Implications under the SDFP

Unsatisfactory implementation of PPAs has implications on IDA allocations through a set-aside for the first year and a discount for the second year in a row. Countries that are unable to implement their PPAs satisfactorily by the end of a fiscal year are subject to a set-aside. The set-aside is drawn from their country allocations and could be either 10 percent if the country is at a moderate risk of external debt distress under LIC DSF or if it is a MAC DSA country; or 20 percent for countries at a high risk of debt distress or in debt distress. The set-aside can be recovered if countries satisfactorily implement the unmet PPAs in the following year. Otherwise, the set-aside will be permanently discounted and redistributed to the rest of the IDA countries that have satisfactorily implemented their PPAs or those that are not required to implement PPAs. In general, countries subject to a set-aside and/or a discount under the SDFP will not be eligible for frontloading or reallocations. However, IDA Small States that are subject to a set-aside and/or a discount will be allowed to frontload up to 50 percent of their indicative allocation for the following FY. Frontloading rules for each FY are established in the IDA allocation guidelines.

25. **Management provided waivers for cancellation of PPAs for countries with extenuating circumstances and for a breach of a debt ceiling on an exceptional basis.** Management approved a waiver for cancellation of all FY22 PPAs for Sudan and one FY22 PPA for Tonga. Sudan faced military takeover in October 2021, leading to a reinstalment of OP7.30. As WBG paused engagement with Sudan, the World Bank team was unable to assess progress on the PPAs. Tonga faced volcanic eruptions, further compounding COVID-19 health emergencies, resulted in disruption of operations of the central government. The Republic of Congo, which had a zero NCB ceiling PPA, submitted an ex-post exception request for a non-concessional loan. The government contracted it assuming the loan was concessional but subsequently assessed that the grant element was below the 35 percent threshold. The exception was granted given the high economic returns from the project financed by the loan.[12] In addition, recognizing technical capacity deficits, the authorities sought technical assistance from the World Bank team on the calculation of a grant element for loans contracted, and on broader debt-related issues.

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[11] Due to a repeated breach of an NCB ceiling PPA, Maldives' financing terms were hardened from 100 percent grants to 50 percent grants and 50 percent credits on small economy terms.

[12] In case project financing is provided as a package, country teams may request a review by the SDFP Committee of the overall concessionality of an integrated financing package instead of individual loans. The review assesses if the intended use of the multiple loans is identical. The minimum grant element remains the same for a financing package at 35 percent as is the case for individual loans to qualify as concessional and thus be exempted from an NCB ceiling PPA. If the financing package is not found to be integrated, the concessionality of each element of the package will be assessed individually.

B. Formulation of FY23 PPAs

i. Preparation of FY23 PPAs

26. **60 out of 74 IDA eligible countries prepared PPAs in FY23.**[13] Based on the SDFP criteria, 63 countries were required to prepare PPAs in FY23 (Table 3.3).[14] Of which, Afghanistan and Sudan obtained a waiver of the requirement to prepare PPAs following OP7.30 assessment and continuing political uncertainties, while Kosovo, a MAC DSA country, is considered by the Management as with limited debt vulnerabilities. In FY23, three additional countries (Tanzania, Timor-Leste, and Uganda) were required to prepare PPAs due to elevation of their risk rating of external debt distress from low to moderate. Table 3.4 summarizes the characteristics of the IDA countries implementing PPAs in FY23 disaggregated by the DSEP area, IDA lending eligibility, external debt distress risk, and country classifications such as FCV and Small States.

Table 3. 3. Number of Countries that Prepared PPAs in FY23

Region	Countries that prepared FY23 PPAs		Countries exempted or non-accruals or RECA (ii)	Countries with low risk of debt distress or limited debt vulnerabilities (iii)	Total IDA countries (i)+(ii)+(iii)
	No. of countries (i)	O/w: FCV or Small States			
Eastern and Southern Africa	15	7	4	-	19
Central and Western Africa	20	10	-	-	20
East Asia and Pacific	12	11	-	2	14
Europe and Central Asia	2	-	1	1	4
Latin America & Caribbean	7	6	-	1	8
Middle East & North Africa	1	1	2	-	3
South Asia	3	2	1	2	6
Total	**60**	**37**	**8**	**6**	**74**

1/ Tanzania, Timor-Leste, and Uganda are required to prepare PPAs in FY23 due to change in DSA risk rating from “Low” to “Moderate”.
2/ In FY23, following OP7.30 assessment, Afghanistan and Sudan obtained a waiver of the requirement to prepare PPAs, while Kosovo was exempted due to limited debt vulnerabilities.
Source: *World Bank*

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13 Sri Lanka reverse graduated to IDA as a Gap country effective on December 5, 2022, after the annual screening exercise cut-off point in May 2022. Thus, as per the SDFP implementation guidelines, the country is not eligible to prepare PPAs in FY23.

14 Eleven countries that are excluded from the requirement to prepare FY23 PPAs are: Bangladesh, Cambodia, Honduras, Myanmar, Nepal, and Uzbekistan (a low risk of debt distress); Eritrea, Syria, and Zimbabwe (in the no-accrual status), and South Sudan and Yemen (eligible for IDA’s RECA).

Table 3. 4. Number of PPAs by Country Characteristics and DSEP Area in FY23

	Countries that prepared FY23 PPAs	Countries with at least one PPA by DSEP Area		
		Debt Transparency	Debt Management	Fiscal Sustainability
Number of IDA countries	**60**	**26**	**48**	**40**
IDA-only	**36**	**18**	**33**	**22**
FCV	18	8	17	8
High risk & in debt distress	13	6	13	5
Moderate risk of debt distress	5	2	4	3
Small States	11	3	11	5
High risk & in debt distress	9	2	9	4
Moderate risk of debt distress	2	1	2	1
Gap	**11**	**5**	**8**	**8**
Small States	3	1	2	2
High risk & in debt distress	1	0	1	0
Moderate risk of debt distress	2	1	1	2
Blend	**13**	**3**	**7**	**10**
FCV	5	0	3	3
High risk & in debt distress	3	0	3	1
Moderate risk of debt distress	1	0	0	1
MAC-DSA	1	0	0	1
Small States	7	1	2	6
High risk & in debt distress	4	1	2	3
Moderate risk of debt distress	1	0	0	1
MAC-DSA	2	0	0	2

Source: *World Bank.*

ii. Design of FY23 PPAs

27. **Management approved a total of 147 PPAs in 60 countries in FY23.**[15] In terms of the DSEP areas, 43 percent of the IDA countries that prepared PPAs (27 countries) are implementing at least one PPA that addressed weaknesses in public debt transparency, down from 67 percent in FY22. Eighty percent of the countries that are implementing PPAs (48 countries) have at least one PPA on debt management, up from 78 percent in FY22, and 63 percent (38 countries) established an NCB ceiling. Sixty-seven percent of the IDA countries that prepared PPAs (40 countries) are implementing at least one PPA in support of fiscal sustainability focusing on domestic revenue mobilization and/or management of fiscal risks, up from 57 percent in FY22.

28. **FY23 observes a visible shift of the DSEP areas from debt transparency to fiscal sustainability.** The number of countries that had at least one PPA in fiscal sustainability increased to 40 in FY23 from 33 and 30 in FY22 and FY21, respectively. Around 40 percent of all proposed PPAs are in the area of fiscal sustainability, while this was less than one third in the past two years. A few countries adopted PPAs on fiscal sustainability for the first time, including Cameroon,

[15] The approved PPAs include those not successfully implemented in FY22 and carried over to FY23.

Niger, Saint Lucia, Tajikistan, and Tuvalu. The shift in the DSEP areas can be seen across all categories of IDA countries in FY23.

29. **The shift in the DSEP areas reflects, to a large extent, the progress in implementation of PPAs institutionalizing debt transparency in the first two years.** Although strengthening fiscal sustainability was necessary even before the COVID-19 pandemic, it was difficult to envisage fiscal consolidation measures in the context of the pandemic. Hence, the emphasis of PPAs was on improving debt transparency and debt management which is reflected in improved outcomes. For example, in Burkina Faso and Grenada, debt reporting practices have improved substantially, reflected in the World Bank's Heatmap. After two years of progress in enhancing debt transparency and supporting improvements in debt management, several IDA countries have shifted focus toward reforms relating to the fiscal situation that has been further aggravated with the COVID-19 pandemic.

a. Debt Transparency

30. **Many countries continue to focus on debt transparency PPAs and support progress toward comprehensive debt coverage and reporting.** More than 40 percent of the eligible countries had at least one PPA that addressed weaknesses in public debt transparency in FY23. Among the countries with at least one PPA addressing debt transparency, two-thirds have focused on expanding the coverage of public debt, in most cases to SOE's debt reporting, and one third of the countries went further to institutionalizing the improvement in coverage, frequency and timeliness of the debt publication through government order or decree.

b. Debt Management

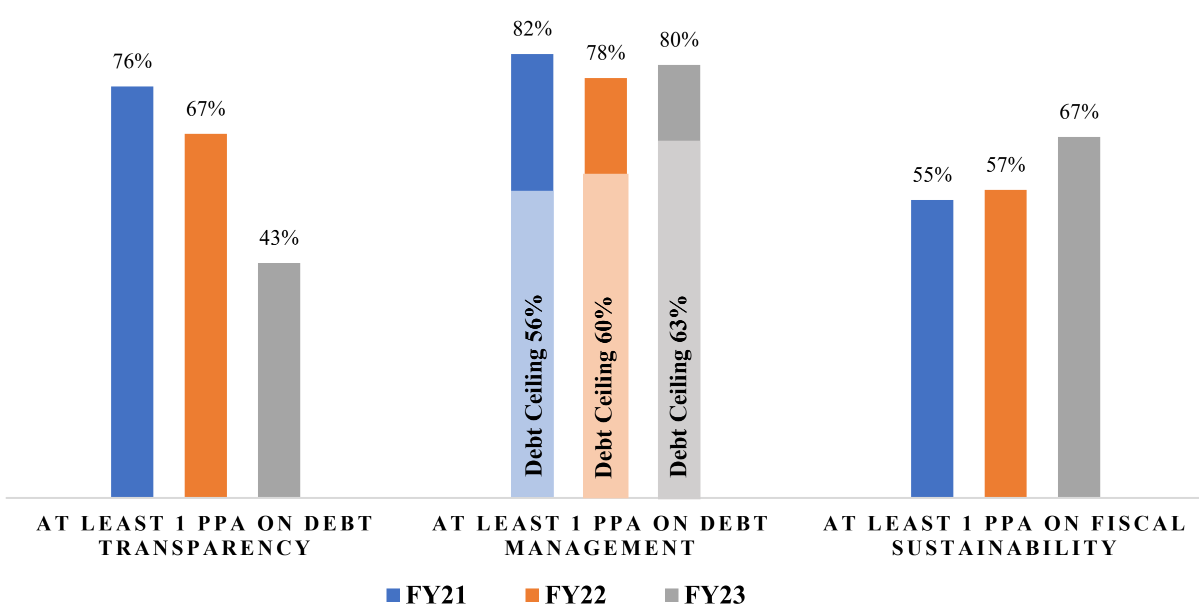
31. **More than three-fourths of eligible IDA countries preparing PPAs in FY23 had at least one PPA on debt management.** In FY23, the following reforms are being implemented: adoption of a legal framework for contracting public loans and guarantees (Comoros, Maldives, and Zambia), preparation of annual borrowing plans (Malawi, Nicaragua, Senegal, and Togo), operationalization of debt recording systems (Chad, Guinea, and Mali), adoption of rules to limit domestic and external debts (Bhutan and Comoros), and establishment of legal frameworks and institutions to create transparency and accountability around debt management (Comoros, Guinea, Pakistan, and Samoa). Furthermore, some countries also prepared PPAs on adopting strategies or approving legal frameworks for liability management of SOEs (Chad, Cote d'Ivoire, Djibouti, Kyrgyz Republic, Nicaragua, Papua New Guinea, and Tajikistan).

32. **In FY23, 38 countries had a debt ceiling as a PPA and 29 of them had a zero PPG NCB ceiling**. Setting an NCB ceiling serves as an anchor to debt sustainability as well as a clear signal to lenders regarding the country's commitment to preserve debt sustainability. Nine countries (Cameroon, the Democratic Republic of Congo, Grenada, Kenya, Lao PDR, Madagascar, Niger, Papua New Guinea, and Uganda) established a non-zero NCB ceiling. In addition, three countries at moderate risk of external debt distress (Liberia, Solomon Islands, and Vanuatu) have also prepared a PPA with a zero NCB debt ceiling considering the country's debt sustainability situation.

c. Fiscal Sustainability

33. **Two-thirds of the PPAs prepared on fiscal sustainability focused on domestic resource mobilization and fiscal risk management in FY23, reflecting the renewed attention on domestic resource mobilization.** In the context of the WBG's *Evolution Roadmap*, the SDFP provides a platform to incentivize tax reforms given the increasing focus on domestic resource mobilization. PPAs on domestic resource mobilization based on enhanced diagnostics will support fiscal sustainability. On the policy side, these PPAs supported raising revenue by introducing tax measures such as broadening the tax base or adjusting tax rates (Benin, Maldives, Nigeria, Rwanda, Sao Tome and Principe, Solomon Islands, Timor-Leste, and Uganda), levying fees (Fiji), and streamlining tax expenditures and exemptions (Haiti, Sierra Leone, and Togo). On the administrative side, PPAs supported enhancing revenue collection measures and improving procedures and IT systems (Cote d`Ivoire, Guinea, Lesotho, Madagascar, Somalia, Tanzania, Timor-Leste, and Togo). Several countries also prepared PPAs on fiscal risk assessments and publication of fiscal risk statement (Burkina Faso, The Gambia, Kyrgyz Republic, Tajikistan, and Tuvalu), and monitoring and managing fiscal risks associated with SOEs and PPPs (Bhutan, Burkina Faso, Cameroon, Ethiopia, Lao PDR, Niger, Nigeria, Senegal, and Tajikistan). Dominica and St. Vincent and the Grenadines introduced fiscal sustainability PPAs to improve the countries' fiscal resilience to climate change and natural disasters. Some countries also focused on improved management of the country's SOEs such as, for example, Tajikistan which approved and published a new SOE Fiscal Risks Management Program to strengthen the Ministry of Finance capacity for monitoring and assessing fiscal risks from the SOE sector and improve corporate governance in SOEs. In addition, countries introduced PPAs to control expenditures (Kenya, Marshall Islands, Rwanda, and Zambia) and enhance the efficiency of public investment (Fiji, Guyana, St. Vincent and the Grenadines, Tanzania, and Uganda) as well as the measures to strengthen public financial processes and systems (Grenada and Saint Lucia).

Figure 3. 1. Percentage of IDA Countries with PPAs by DSEP Area for FY21, FY22 and FY23



Source: World Bank.

C. Additionality and Continuity of PPAs Over the Past Three Years

34. **Reforms in the third year of implementation supported by the SDFP built upon the foundations of the reforms in the past two years and reflect both additionality and continuity.** Advancing reforms through programmatic PPAs over the medium term needs to ensure additionality of reforms while balancing ambition with the development of countries' capacities. A programmatic approach has been successful in debt transparency where the first two years of implementation focused on institutional reforms to ensure sustained implementation in later years. The programmatic approach can help introduce intermediate steps that may not be perceived as very strong in the initial years. This would, however, contribute to the fulfillment of a line of sight of a series of PPAs, recognizing that in some years, a PPA that may not appear to be strong is a key step toward the ultimate goal. For instance, PPAs on establishing a legal framework and institutionalization of debt reports/bulletins in FY21 helped develop PPAs for publishing comprehensive debt reports in FY22 and expand their coverage in FY23 (Ghana, Guyana, Kyrgyz Republic, Pakistan, Tajikistan, and Tuvalu). In other cases, FY21 PPAs helped establish a legal and policy framework for monitoring and management of the SOEs' debt and contingent liabilities that served as a basis for improved fiscal risk monitoring and assessment in the following years (Benin, Central African Republic, Kyrgyz Republic, and Tajikistan). Table 3.5 illustrates a programmatic approach to PPAs in Sierra Leone; the middle column (PPA2) exhibits a programmatic approach on debt transparency (while the right column shows the transition of reforms from debt management to fiscal sustainability as discussed in the previous section).

Table 3. 5. Programmatic PPAs to Address Debt and Fiscal Vulnerabilities in Sierra Leone

	PPA1	PPA2	PPA3
FY21	**Debt Management**: To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY21.	**Debt Transparency**: To improve debt transparency and reporting, the Government will disclose all guarantees and borrowing of the three largest State-owned Enterprises (SOEs).	**Debt Management**: To reduce public payment arrears, the government has adopted a cash management plan to build local capacity in cash flow forecasting, as mandated by a cabinet decision.
FY22	**Debt Management**: To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY22.	**Debt Transparency**: To further enhance debt transparency and reporting and reduce contingent liabilities, the Government will expand the coverage to include all guarantees and debt stock of the ten largest State-owned Enterprises as of end-December 2021.	**Fiscal Sustainability**: To improve fiscal transparency and revenue capacity, the Cabinet will approve a Policy that sets out a framework, with implementation steps and timelines, for the reduction of tax and import duty waivers.

	PPA1	PPA2	PPA3
FY23	**Debt Management**: To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23.	**Debt Transparency**: To further enhance debt transparency and reporting and reduce contingent liabilities, the Government will expand the coverage to include all guarantees and debt stock of all 17 State-owned Enterprises as of end-December 2022.	**Fiscal Sustainability**: The Government of Sierra Leone will submit to Parliament for approval an amended Revenue Code that incorporates all key provisions of the 2022 Duty and Tax Waiver Policy to strengthen the legal framework, boost revenues and improve fiscal transparency.

Source: World Bank.

D. PPAs in Broader World Bank Engagements

35. **Since 2020, the World Bank has annually produced the Heatmap, an assessment of debt data disclosure in publicly available official reports.** IDA19 aimed to strengthen countries in their reforms to enhance debt transparency and fiscal risk assessments. The IDA20 commitment advances the quality of outcomes, focusing on enhancing the comprehensiveness of debt reports and publishing comprehensive fiscal risk statements that help mitigate key risks. To achieve this goal, the annual Heatmap exercise helps track the performance of IDA countries along nine transparency indicators. Close to 43 percent of IDA countries recorded an improvement in overall debt reporting performance between 2020 and 2022.

36. **The Heatmap serves as a valuable tool that highlights gaps in debt reporting and informs the design of PPAs to address limited debt transparency.** Following the 2021 Heatmap findings, Cabo Verde improved reporting of non-guaranteed SOE debt. The authorities published the quarterly SOE bulletin with fiscal risk assessment of the six largest SOEs (FY22 PPA) and further broadened the coverage of the quarterly public debt bulletin to include SOE debt and guaranteed debt from municipalities (FY23 PPA). The Federated States of Micronesia has made significant progress in the 2022 Heatmap, supported by the implementation of PPAs. The 2020 and 2021 Heatmaps reported that the website of the Ministry of Finance did not disclose any debt data. To enhance debt transparency, FY22 PPA was designed to support the authorities to publish two debt bulletins, which include the level of PPG debt with detailed breakdown and debt servicing schedule. Senegal is one of the countries that has recorded significant improvement in the 2022 Heatmap supported by the implementation of FY22 PPA. FY21 PPA was designed to improve and validate the transparency of annual borrowing plans, followed by FY22 PPA supporting the issuance of an instruction for the publication of quarterly debt bulletins, including information on SOEs and PPP debt and assessments of the implementation of the medium-term debt management strategy and the annual borrowing plan. Overall, while there has been progress, there is still room for improvement and countries could ensure more sustained and institutionalized reforms for enhancing debt transparency.

37. **Reforms supported by Development Policy Operations (DPOs) also focused on addressing debt vulnerabilities amidst the pandemic and overlapping crises.** Out of the 55 and 57 countries that implemented PPAs in FY21 and FY22, respectively, 25 countries in each fiscal year had approved DPOs. These DPOs have, on average, 18 percent of all prior actions that were classified as fiscal prior actions, while nine percent classified as debt related.[16] Since the launch of the SDFP in FY21, there were expectations that there would be some alignment between PPAs under SDFP and prior actions in DPOs. However, the number of PPAs incorporated into DPOs has been limited. While the two years of implementation may not be sufficiently long to establish a trend, a few factors may explain this. First, DPOs cover broader macro and structural reforms than PPAs. Second, the formulation of PPAs, which are agreed before the fiscal year starts, largely cannot be revised. DPO preparation allows for the revision or dropping of prior actions when justified. As a result, incorporating PPAs into DPOs or using prior actions in DPOs under preparation as PPAs could be challenging for teams preparing DPOs under uncertain and fluid situations. Third, PPAs in the area of debt transparency and debt management, for example, publication of debt reports, and setting NCB ceilings, are neither policy nor institutional actions that would usually meet the standard for prior actions in DPOs.

E. Lessons Learned

38. **Three years of implementation of the SDFP provide a rich experience that can be used to finetune implementation going forward.** Based on the lessons from the first two years, starting from FY23, the Bank's internal governance process for PPAs review and approval has been streamlined to reduce the transaction costs for the country teams and for the country authorities while keeping the essential dialog centered on addressing the key drivers of debt vulnerabilities.

39. **The SDFP implementation reveals both its importance and challenges as an engagement tool to address debt vulnerabilities in many IDA countries.** The increased debt vulnerabilities arising from the pandemic, the food crisis, and the tightening of global financial conditions are particularly pronounced in the IDA countries. Strong preparatory efforts, including informing PPAs with core diagnostic work and assessing the feasibility of PPAs is therefore critical to support countries to identify and implement reform actions that address the drivers of debt vulnerabilities. For sustainability of PPAs, it is important to identify the needed technical assistance early on in the process and to build capacity with implementation. The SDFP has helped IDA countries introduce and maintain policies focused on debt and fiscal sustainability, with a goal of facilitating reforms to bring their debt to sustainable levels and increasing their resilience to future shocks. At the same time, the implementation experience revealed challenges in engaging in countries where the World Bank is not a major creditor, the implementation capacity of governments is limited, and the ownership and coordination of reforms are not sustained.

40. **While an NCB ceiling is a powerful tool for sustainable financing practices, its efficacy diminishes in countries where the World Bank is a small financier, which raises the need for a different engagement approach.** The number of countries that implemented an NCB ceiling PPA increased from 31 in FY21, to 35 in FY22, and 38 in FY23. Most of these countries

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16 Using the Development Policy Actions Database, each prior action is coded for a thematic area. Fiscal and debt-related Policy Actions are defined in line with analysis presented in the 2021 DPO Retrospective.

implemented this PPA satisfactorily, and the SDFP supported their sustainable financing practices and helped increase the concessionality of external borrowing. However, an NCB ceiling PPA is particularly challenging in countries where the presence of the World Bank as a financier is small relative to other creditors.[17] It is nonetheless important to highlight that an NCB ceiling is prudent in the context of countries that are at a high risk of debt distress or already in distress. Comoros, Djibouti, and Maldives breached their corresponding zero NCB ceiling PPAs in FY21. Comoros and Djibouti, however, adhered to it in the following year. In contrast, Maldives breached its zero NCB ceiling for two consecutive years due to high financing needs for its ambitious infrastructure projects against the backdrop of reduced tourism flows, a key revenue stream for its economy (Box 3.4 on engagements in Maldives). On the one hand, this raises the need to reflect on the limited incentives that the SDFP provides in such circumstances and the need for a more comprehensive approach. On the other hand, it highlights the importance of the PCO and coordination with other creditors. The importance of information sharing and organizing creditor outreach events for such cases is key.

Box 3. 4. Maldives: Challenges with the Non-Concessional Borrowing Ceilings

Maldives breached its zero NCB ceiling PPA for two consecutive years, resulting in a permanent discount and a hardening of lending terms in FY23. After breaching the zero NCB ceiling in FY21, a 20 percent set-aside of the FY22 country allocation was applied. In FY22, the country authorities were informed that a repeated breach of the zero NCB ceiling PPA in FY22 would lead to: (i) a permanent discount of the 20 percent set-aside of the FY22 country allocation; and (ii) a potential hardening of lending terms. The country contracted new NCB to complete major infrastructure projects. As the NCB ceiling was breached for the second consecutive year, IDA's financing terms to Maldives were hardened for FY23 to 50 percent grants and 50 percent credits with a 10-year grace period and 40-year maturity (the terms for Small States).

Maldives' experience reflects that some countries have access to large amounts of non-concessional financing although at a high risk of debt distress. Enforcement of the NCB ceiling has been challenging in Maldives, which is an upper middle-income country while classified as IDA eligible as a small island economy. The country has access to private and non-Paris Club creditors to support the government's growth strategy to accelerate growth through major infrastructure projects including expanding its capacity for tourism – the main driver of growth. The NCB ceiling may not provide enough incentive when the size of the set-aside and potential hardening of terms may provide relatively small leverage. In such cases, it is even more important for the authorities, development partners, and creditors to ensure that such NCBs do not build up unsustainable debts going forward. It also highlights the importance of the second pillar of the SDFP, the PCO, in convening all official and private sector creditors and advocating for more sustainable financing and debt transparency in the country.

41. **Country teams coped with implementation challenges in Small States and FCV countries through narrower but focused reforms calibrated in line with the capacity constraints.** Small States and FCV countries face challenging policy environments due to their limited capacity and resources. The Policy pays attention to Small States and FCV countries by allowing them to prepare only two PPAs. Country teams helped the authorities articulate narrowly

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17 Having said this, a dialog around an NCB ceiling PPA, though expected to be difficult, may help rein in the situation where a country at high risk of debt distress and/or unsustainable debt does not engage with an IMF program.

focused but impactful PPAs while considering the country's capacity to implement these PPAs (Boxes 3.5 and 3.6 on engagements in the Pacific and in Burkina Faso under FCV situations). In some cases, one of the PPAs is designed in a programmatic manner to reflect on incremental improvements in their capacity. For instance, one PPA tackles issues of debt transparency or fiscal sustainability through a programmatic approach (e.g., Kiribati and Liberia), while the other continues to support sustainable financing practices by setting an NCB ceiling. Programmatic approaches can also help with implementation challenges. When adopting a programmatic approach, it will be important to maintain flexibility so that PPAs can adapt to the evolving circumstances in the country and incentivize the formulation of substantial and ambitious reforms.

Box 3. 5. Pacific Islands: Challenges for Small States with Limited Capacity

Capacity constraints in the Pacific Island countries require tailor-made solutions to maximize the benefits of the SDFP. Most Pacific Island countries lack capacity for simple debt management functions while SDFP has sought significant institutional and policy changes. The SDFP implementation is often challenging due to limited country capacity amid other competing priorities. Also, due to the remoteness of countries and weak internet connectivity, country teams found difficulties in providing immediate technical assistance to support reforms. To tackle these challenges, country teams flexibly accommodated country-specific requests to support their implementation.

Despite these country constraints, Pacific Island countries have made progress toward achieving the three DSEP objectives. To improve debt management, countries with sizeable contingent liabilities, including Papua New Guinea, Samoa, and Tonga, adopted policies that helped address the associated fiscal risks. Fiji prepared an annual borrowing plan consistent with its medium-term debt management strategy. To enhance debt transparency, Micronesia, Tuvalu, and Vanuatu published regular debt bulletins, and Kiribati expanded the budget coverage to include comprehensive public debt data, including details on government guarantees. To support fiscal sustainability, Solomon Islands strengthened tax administration, and the Republic of Marshall Islands established a legal framework to improve public financial management.

However, the SDFP may be more effective if it can accommodate country-specific circumstances. Some country teams argue that the 12-month reform cycle is too short to prepare a set of reforms and the Policy may consider a 24-month cycle instead in small countries with limited implementation capacity to lower the administrative burden on clients and country teams. Substantive reforms often require sustained client dialog, analytical underpinnings, and technical assistance. As opposed to DPOs, the SDFP provides limited room for PPAs to be adjusted or dropped if reform implementation is slightly delayed or the design of the reform is adjusted to country circumstances along the way.

42. **Small States may consider focusing on implementing PPAs to address fiscal problems arising from natural disasters.** Small States face difficulties in preparing robust policy and/or institutional actions on an annual basis and key risks derive from natural disasters. Therefore, they may consider climate-related performance actions for fiscal sustainability that reflect their circumstances. Such climate-related actions could include, for instance, the use of financial instruments to manage the government's exposure to climate and disaster risks, assessment of fiscal risks arising from climate change, and tagging and reporting of public expenditures that support measures for climate adaptation and resilience (Box 3.7 on climate-related PPAs).

Box 3. 6. Burkina Faso: Experience in Fragile, Conflict, and Violence Conditions

Despite being an FCV country, Burkina Faso has successfully leveraged the SDFP to make significant improvements in debt transparency, debt management, and fiscal sustainability. In January 2022, a military junta seized power, and the Bank immediately paused its formal engagement with the country until the completion of the OP7.30 assessment in May 2022. The Ministry of Finance (MoF) enhanced debt transparency by introducing a new regulation on debt reporting and aligning its methodological and analytical tools with international good practices. For the second year in a row, Burkina Faso is the only IDA country that met the "full disclosure" rating for all nine categories on the World Bank's Debt Reporting Heatmap. On debt management, new regulations were implemented to better monitor contingent liabilities and strengthen related data transmission processes. Regarding fiscal sustainability, MoF developed new policy tools, including fiscal risk statements (FRS), to better identify and mitigate fiscal risks. The annually produced FRS has comprehensive coverage of macroeconomic, fiscal, and climate-related risks. Supported by FY21 PPA, the Government also enhanced its fiscal accountability mechanisms by introducing a crisis-response governance framework with adequate control arrangements in the context of the COVID-19 shock. As a result, Burkina Faso was among the first in IDA to embed a COVID-19 tagging-and-tracking system in its Integrated Financial Management Information Systems.

Critical factors behind the success include: (i) sustained ownership of reforms; (ii) the design of PPAs calibrated against the capacity with timely technical assistance; and (iii) continuing policy dialog between the MoF and the World Bank. First, MoF proactively took advantage of the SDFP to accelerate the implementation of internal reforms, with the World Bank's technical assistance to ensure high-quality standards despite several changes at the head of MoF. Second, to ensure ownership and sustainability of the reforms, PPAs were designed to strengthen capacity in a programmatic manner. At each step, the focus was on sharing international good practices, supported by a series of timely technical assistance implemented under roadmaps agreed upfront with the relevant government units. Third, continuing dialog between the Bank and the government at both technical and political levels was crucial for information sharing and risk taking, particularly regarding the scope and ambition of the reforms. Multiple policy dialog platforms, including DPOs, CPIA, and the WBG-IMF Annual and Spring Meetings, were used to ensure continued engagement.

43. **Ownership and coordination of reforms are important, especially when the authorities deciding on PPAs do not have control over agencies that implement the PPAs.** For instance, in highly decentralized countries, the fiscal autonomy of subnational governments is enhanced, in some cases, without establishing a mechanism to coordinate fiscal targets for the consolidated government. The lack of coordination mechanisms is relevant not only for fiscal targets but also for debt management for the consolidated government in cases where subnational governments can borrow from the market without the central government's consent. Different political parties governing central and subnational governments further compound the coordination problem. Such circumstances make it difficult to implement PPAs designed by a central government for subnational governments without their ownership. This can be partly addressed by investing substantial efforts in actively facilitating coordination and sustained technical engagement over the long term (Box 3.8 on subnational engagements in Pakistan).

Box 3. 7. Using PPAs to Help Build Resilience Against Climate-Related Events

PPAs in countries with a high risk of climate-related events can focus on strengthening fiscal buffers to build resilience against such events. Small Island States are particularly exposed to risks from periodic disasters, such as floods, droughts, and storms, and face challenges in maintaining the needed fiscal buffers and bearing the costs associated with long-term climate change adaptation. Crisis preparedness can help these countries mitigate the economic and human costs associated with these events. The SDFP can support the crisis preparedness of IDA countries from the fiscal and public financial management perspectives through the implementation of PPAs focusing on climate-related events. Though not exhaustive, below is a brief list of PPAs that countries may consider based on their context and available capacity.

- **Sovereign risk mitigation:** Use/set-up of financial instruments to manage government's exposure to climate and disaster risks, such as contingency funds, contingency finance, and parametric and indemnity insurance.
- **Fiscal risk reporting:** Assessment and reporting on fiscal risks and contingent liabilities arising from natural disasters and climate change, particularly for Small Island States where identification, management, and mitigation of fiscal risks is an integral part of fiscal sustainability measures.
- **Climate budgeting:** Tagging and reporting on public expenditure supporting measures for climate adaptation and resilience (including expenditure for risk-proofing infrastructure and for operations and maintenance).
- **Green financing:** Issuance of green bonds and financing instruments that integrate climate adaptation considerations or mitigate financial risk from climate change or natural disasters and thereby support fiscal sustainability.
- **Public assets inventory:** Preparing and maintaining a geolocated inventory of public assets and infrastructure and an assessment of their criticality and vulnerability to climate shocks.

Box 3. 8. Pakistan: Experience of Engaging with Subnational Governments

The Constitutional amendment in 2010 enhanced the fiscal autonomy of Pakistan's provinces without establishing a mechanism for coordination on fiscal targets. The Constitution assigns the federal government to collect, for instance, personal and corporate income tax (except for agricultural income), capital value tax (excluding immovable property), and the General Sales Tax (GST) on goods, while the subnational governments collect agricultural income tax, capital gains tax on property, and GST on services. This fragmentation challenges the federal government's ability to implement consistent tax policies.

Addressing the fiscal mismatch requires an institutional framework that coordinates macro-fiscal policymaking and commitments by both federal and subnational governments to common goals. To address the fiscal mismatch between the federal and subnational governments, the federal government has committed to the following PPAs: (i) harmonization of the GST framework; and (ii) commitment to a coordinated national fiscal policy through a national medium-term fiscal framework.

Harmonizing fiscal policy across the country is challenging due to political instability. The consensus for the common GST framework has not been reached in a timely manner due to delayed dialog between the federal and subnational governments. After extensive discussions, an agreement was reached on the definitions of goods and services and place of supply rules paving path for GST harmonization. Gradual progress is also being made on a coordinated national fiscal policy, however, a lack of commitment by the subnational governments remains a challenge. Given that the responsibility of macroeconomic management rests solely with the federal government, the subnational governments have no legal responsibility to commit to common goals.

IV. PROGRAM OF CREDITOR OUTREACH

44. **Activities under the PCO scaled up significantly in this third year of the SDFP implementation.** There were three high-level global events, two regional events, and two in-country events. These creditor outreach activities, conducted as part of the World Bank's overall debt agenda, aim to support countries' efforts in improving debt sustainability and enhancing debt transparency. The in-country outreach activities are tailored to the country's challenges and contexts. While it is too early to assess the effect of the outreach on creditor's behaviors, this section takes stock of the implementation of the PCO in the past year and highlights emerging outcomes that are early indicators of long-term results and impact.

A. Strategic Objectives and Results Framework

45. **The PCO is designed to leverage IDA's role as a convener to promote stronger collective action, greater debt transparency, and closer coordination among borrowers and creditors to mitigate debt-related risks.** It supports the implementation of the DSEP, complements the existing mechanisms to promote coordination among creditors, and helps IDA countries strengthen their ability to address debt vulnerabilities.

46. **The creditor outreach aims to deepen coordination among creditors to facilitate information sharing and promote dialog on debt transparency and debt sustainability.** It includes coordination with multilaterals and traditional bilateral creditors, as well as engagement

with non-Paris Club bilateral creditors and private commercial creditors. This is particularly important in the new and evolving development finance landscape as non-traditional and private sector creditors have been playing an increasingly important role. Effective coordinated efforts among stakeholders are thus crucial to support IDA countries in enhancing their understanding of the changing financial situations and mitigating risks of unsustainable debt accumulation. Through a range of creditor outreach activities at the global, regional, and country levels as well as regular dialog and engagements with stakeholders, the PCO aims to strengthen information sharing on common principles, improve country-level coordination, and enhance communication on debt and sustainable financing. Figure 4.1 lays out the theory of change of the PCO.

Figure 4. 1. Theory of Change of PCO

PCO activities

- Advance dialog among a broader range of development partners;
- Facilitate coordination at the country-level among different creditors, including traditional and non-traditional creditors and IMF, on technical assistance and advisory support;
- Scale-up efforts on communication in the context of existing MDB consultation mechanisms and convening partners, including traditional and non-traditional creditors.

Expected outcomes

- Promote good practices of supporting information sharing and coordination with respect to the implementation of country allocation frameworks and lending practices;
- Support prudent debt management, debt transparency, and sustainable lending practices;
- Foster cooperation, dialog, and innovative solutions to enhance debt data sharing and debt reporting and transparency.

B. Creditor Outreach Activities to Foster Information Sharing and Support Debt Sustainability

47. **PCO activities ramped up in the past year to support IDA countries to improve debt sustainability and enhance debt transparency in the broader context of the World Bank's debt agenda.** IDA is well positioned to play a convening role on debt related issues given its strong country presence and global knowledge. With a keen focus on the importance of debt transparency and information sharing, IDA briefed the OECD's Party on Export Credits and Export Guarantees and the Paris Club through regular meetings as well as started engagements with non-Paris Club creditors and private sector creditors. IDA continued to closely coordinate with IMF and other MDBs to promote stronger collective action, greater debt transparency, and closer coordination among borrowers and creditors to help mitigate debt-related risks. Through a series of hybrid and in-person creditor outreach events, IDA provided a platform for information sharing among creditors to enhance the alignment of policy frameworks and support knowledge exchange and capacity building on debt transparency and sustainable financing.

48. **The outreach events promoted coordination and discussions among development partners.** The activities comprised a series of events with ministry officials, creditors, civil society, and the public. Organizing partners included the Eastern Caribbean Central Bank, the

Sierra Leonean Ministry of Finance, and the Ugandan Ministry of Finance.[18] Through the outreach, IDA continued deepening the engagements with multilateral creditors, enhancing communication in multiple fora with the OECD and Paris-Club creditors, and finding entry points to engage with non-Paris club bilateral creditors to promote dialog on debt transparency with, among others, private commercial creditors.

49. **Under the PCO, IDA continues to promote sustainable lending and debt practices and provide a platform for information sharing.** This sub-section presents the creditor outreach activities in line with the PCO's stated strategic objectives and their emerging outcomes.

i. Advance Dialog among Development Partners to Support Common Principles

50. **IDA continued to advance dialog among development partners to support common principles through information sharing at high-level public PCO events, as well as through regular meetings with development partners.** At these events, IDA convened country authorities, development partners, the private sector, and civil society and promoted dialog on debt policy, debt transparency, and debt sustainability.

a. Global-Level Engagement

51. **At the global level, IDA brought together a range of stakeholders to explore ways to help developing economies tackle debt vulnerabilities for building a durable foundation for growth and prosperity—amid the overlapping crises.**

a. At the **WBG-IMF Spring Meetings in Washington, D.C.** in April 2022, a high-level event, titled "Making Debt Work: Financing for Sustainable Growth", was held to rally official and private creditors to devise ways of speeding up debt-restructuring processes and generating more sustainable long-term finance. High-level government officials, from Benin (Finance Minister) and Pakistan (Central Bank Governor), representatives from the China-based Multilateral Cooperation Center for Development Finance (Chief Executive Officer) and Standard Chartered (Head of Research), and senior management of WBG spoke on the panel.[19] The discussion covered ways to improve debt transparency, which is essential to sustainable borrowing and lending practices and to improve legal frameworks for debt management.

b. At the **IDA20 Launch in Tokyo** in September 2022, a high-level event, titled "Making Debt Work: How to Incentivize Sustainable and Transparent Financing and Improve Creditor Coordination," explored ways to strengthen the partnership among stakeholders and further coordinate to support the most vulnerable countries in addressing their debt risks for sustainable recovery and prosperity. The discussion focused on information sharing and discussing: (a) how sustainable financing and debt policies support client countries; (b) key results and lessons from the implementation of IDA's SDFP; and (c)

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[18] The IMF panelists engaged and supported the PCO events in Sierra Leone, St. Kitts and Nevis, and Uganda.

[19] Over 300 participants, including representatives from IDA borrower and creditor governments as well as other MDBs and development stakeholders, tuned in to the event.

examples of successful initiatives on debt transparency and information sharing, including from the private sector.

c. At the **WBG-IMF Annual Meetings in Washington, D.C.** in October 2022, a high-level event, titled "**Managing Debt amid Rising Uncertainty**," explored what governments can do to avoid buildups of unsustainable debt amid shocks like conflict and COVID-19.[20] In cases where debt was already unsustainable, speakers focused on lessons learned and plans going forward. Zambia's Minister of Finance, alongside high-level representatives from Ukraine's finance ministry, the United Kingdom, Moody's, and the World Bank exchanged ideas. The roundtable provided a platform for stakeholders to share information and exchange ideas of how to manage debt amid rising uncertainty with the overlapping crises and highlighted lessons learned from the SDFP in facilitating debt transparency in LICs.

b. Regional-Level Conferences

52. **At the regional level, IDA focused on the outreach to two groups of small islands developing states – the Pacific and the Caribbean.** Given the common challenges small island developing states are facing – where the compounding impacts of the COVID-19 pandemic and climate shocks worsened debt vulnerabilities and undermined development outcomes – regional level outreach events provided a platform to effectively coordinate among the key global and regional creditors for concerted effort.

a. In November 2022, IDA participated in the discussion on debt and fiscal sustainability in the Pacific at the **9th Friends of Pacific Budget Support Meeting**. Representatives included bilateral and multilateral creditors (including AsDB, Australia's Department of Foreign Affairs and Trade, EU, IMF, the Japan International Cooperation Agency, New Zealand, the United States, and the World Bank). Given the Pacific Island Countries are highly dependent on natural resources with a limited industrial base, the discussion focused on DSA, the SDFP, technical assistance on debt management and good practice principles, as external support was deemed crucial. The event provided a platform for creditors to share information about the SDFP, particularly on NCB and blended financing, and on the key challenges facing the countries and how to foster greater collaboration at the country level in the Pacific Island Countries.

b. In February 2023, IDA collaborated with the Eastern Caribbean Central Bank, headquartered in St. Kitts and Nevis, to organize a high-level creditor outreach *event*, titled "**Building Resilience through Sustainable Development Financing in the Caribbean**," which was headlined by four ministers of finance from Caribbean small islands states.[21] Along with the sub-region's vulnerabilities to climate change and natural disasters, high indebtedness, lack of fiscal space, and connectivity issues (physical and digital), the crises have accentuated food insecurity, poverty, and gender inequality. The event highlighted the region's challenges and called for stronger partnership between all stakeholders, including international financial institutions, regional development banks, private sector,

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[20] Over 60 participants, including government representatives, development partners, World Bank staff, civil society, and members of the media participated in the event.

[21] Over 60 people joined in-person and more than 800 viewed on YouTube and Facebook *online*.

civil society, and nongovernmental organizations to support the Caribbean countries to improve "The Four Ds" - debt sustainability, development finance, diversification, and data (frequency, coverage, and transparency).

53. **Furthermore, through regular dialog, IDA continued to collaborate with IMF, MDBs, the OECD, the Paris Club, and traditional bilateral creditors to enhance the alignment of policy frameworks and support knowledge sharing and capacity building on debt transparency and sustainable financing.** The continuous information sharing among development partners contributed to strengthening the application of common principles. Through periodic meetings with AsDB and AfDB, IDA continued the collaboration on resource allocation and improved consistency of the SDFP with these MDB's policies to enhance debt sustainability of client countries.[22]

ii. Facilitate Creditor Coordination at the Country-Level among Creditors to Support Prudent Debt Management

54. **A crucial part of the PCO, in-country activities to facilitate country-level creditor coordination, started to take place in the past year as the travel constraints of the pandemic were eased.** IDA conducted two in-country creditor coordination activities to provide a platform for information sharing and coordination with traditional and non-traditional creditors. The selection of these two pilots was mainly demand-driven and the events aimed at supporting the countries to address their key debt vulnerabilities through coordination with a range of creditors.

a. The first event was held in *Kampala* in May 2022 in collaboration with the Ugandan Ministry of Finance, Planning, and Economic Development because the country's risk of external debt distress had deteriorated from low to moderate in 2021 and semi-concessional and non-concessional debt was on the rise. The event, titled "**Building Stronger Partnership for Sustainable Financing in Uganda**," was designed to strengthen coordination between the authorities and key creditors, including the private sector, bilateral and multilateral organizations.[23]

b. The second event was held in *Freetown* in December 2022 in collaboration with the Minister of Finance of Sierra Leone. The event, titled "**Strengthening Global and Local Partnerships for Sustainable Development Financing in Sierra Leone**," highlighted the impact of the overlapping crises on the country and discussed how fiscal space can be increased sustainably and the progress on the country's PPAs.[24] Both events received national media coverage, and the conference in Freetown was broadcast live through local media. The first event was held in Uganda because the country's risk of external debt distress had deteriorated from low to moderate in 2021 and semi-concessional and non-concessional debt was on the rise. The second event was held in Sierra Leone because the country is already at a high risk of debt distress and close collaboration among creditors is

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[22] The PPAs of AsDB's SDFP are the same as the PPAs of IDA's for most countries and the Agreed Policy Actions of AfDB's Sustainable Borrowing Policy complement IDA's PPAs to reduce redundancies and bring in more additionality (while the unsatisfactory implementation of IDA's PPAs will result in set-aside or discount, Agree Policy Actions will not impact African Development Fund allocations).

[23] Over 100 people participated in person and an additional 200+ participants who connected virtually.

[24] Over 100 people participated in person and another 100+ tuned in on YouTube.

crucial for supporting the country's effort to prioritize debt management and debt transparency. Going forward, the criteria of in-country outreach selection will include, among others, country demand, importance of creditor collaboration, and capacity building needs.

55. **The pilot creditor outreach activities and feedback from participants helped inform the design of the PCO**. For the two in-country creditor outreach events, the activities included both a public country-level conference to share information and stimulate policy debate as well as closed-door events to convene creditors to have candid discussions of the key challenges of debt sustainability that the countries faced and the plans for financing. To support capacity building and the implementation of the SDFP, IDA also organized technical workshops with technical staff from the ministry of finance and the central bank to discuss the rationale, technical components, analytical underpinnings and implications of the SDFP.

56. **IDA also convened borrower country authorities, and traditional and non-traditional creditors for candid closed-door discussions on debt vulnerabilities, while exchanging information on programs, portfolios, and pipelines in both in-country outreach events in Uganda and Sierra Leone.** The format of these meetings allowed for open dialog about challenges facing each country—while giving key creditors and development partners a platform on which to speak frankly about their intentions and concerns. The Uganda-focused roundtable included representatives from the Absa Bank in Uganda, AfDB, the African Export-Import Bank, Belgium, China, EU, IFAD, IMF, the Islamic Development Bank, and the United States. The Sierra Leone roundtable saw participation from the embassies of China, EU, Germany, Ireland, Japan, the United Kingdom, and the United States, among others.

iii. Support Information Sharing and Dialog on the SDFP to Enhance Debt Transparency

57. **IDA has been supporting IDA countries in addressing their debt transparency challenges and enhancing debt management, including through advisory services, technical assistance, and lending operations.[25]** The Heatmap allows monitoring improvements in public debt reporting and reflects improvements in the quality of dissemination practices. All IDA-eligible countries are required to report external public debt on a loan-by-loan basis to the Debt Reporting System (DRS) on a quarterly and annual basis. Establishing and maintaining an effective debt recording system has been an important factor in realizing improvements in the quality of public debt data. The most recent DRS status report using end-2021 data assessed an improvement in the quality of DRS reporting for five IDA-eligible countries: Burundi, the Democratic Republic of Congo, Lao PDR, Senegal, and Somalia. Each of these five countries has at least one PPA focusing on debt transparency, and all were satisfactorily implemented. There have been improvements in coverage, accuracy, and consistency of the data reported with the information published in national debt bulletins.

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[25] The World Bank provided technical assistance and training to IDA-eligible countries on debt issues, which are largely financed by the Debt Management Facility (DMF). The DMF plays a key role in strengthening public debt management policies and capacity in developing countries to reduce debt-related vulnerabilities and improve debt transparency through three components: (i) technical assistances; (ii) training on debt issues; and (iii) knowledge management.

58. **As part of the effort to support information sharing, IDA continued to use the 'Lending to LICs' mailbox as an important channel of engagement with creditors.** This e-mail service account was created to help creditors make lending decisions that take debt sustainability and concessionality requirements into account. Creditors continued to report on lending (actual or potential) and request clarifications on the implications of the SDFP and the approved PPAs in countries in which they are either interested or considering investing. Since the last update in April 2022, the 'Lending to LICs' mailbox has received over 30 inquiries and notifications regarding 14 IDA countries. As in previous years, the inquiries focused on clarification of borrowing limits and grant-element calculations. This continuous engagement helps bring closer alignment to borrowing limits as prescribed in PPAs and/or in the context of IMF programs. IDA will continue to raise awareness of the 'Lending to LICs' mailbox and support information sharing.

59. **As part of the effort to support dialog on the SDFP, IDA posts key information on debt for all IDA-eligible countries on its external *Debt Website* main page.** The IDA website continues to publish the information of PPAs of each country and in a timely manner, including their formulation, DSEP areas, and implementation status, as well as the information of NCB ceilings if applicable. The formulations of the approved PPAs of all countries since the implementation of the SDFP in the past two years are available online on IDA's public website. If the implementation of a PPA is not satisfactory, set-aside and discount information are also included following the submission of the SDFP update to the Board. To supplement the SDFP-related information, the website provides debt risk levels of each IDA country as per the most recent DSAs as well as the total lending at the project level. The website is updated regularly to capture new developments in the SDFP implementation, with special attention to the debt characteristics of IDA countries. An easily accessible link to all PPAs over the life of the SDFP will be included on IDA's public website.

60. **As part of the effort to further support the implementation of the SDFP, IDA actively ramped up the knowledge sharing and capacity building activities.** Through technical meetings, the SDFP secretariat supported countries to identify key drivers of debt vulnerabilities using analytical tools and devise PPAs to help improve debt transparency, debt management, and fiscal sustainability. Examples include technical workshops with staff of the ministries of finance from Uganda and Sierra Leone, held in Kampala and Freetown, respectively, as part of the creditor outreach events to support the countries' efforts in strengthening debt sustainability. The training supported the implementation of the DSEP. During the workshops, country officials and the World Bank country office staff brainstormed and shared ideas on the formulation of PPAs to address the key debt vulnerabilities the countries faced, including through programmatic actions. Nearly 100 technical staff from Sierra Leone, Tanzania, and Uganda participated in the training workshops in person or online. Participants generally considered the quality and content of the training useful and timely.

61. **The SDFP secretariat also hosted a series of training events for Work Bank staff working in IDA countries**. The three training events focused on the nuts and bolts of the implementation of the SDFP with hands-on sessions for in-depth discussions of how to formulate PPAs with a balance of ambition and realism tailored to the specific country context. The World Bank-wide seminar on integrated financing packages provided a venue for country economists to share their experiences. Building on the experience sharing from the cases of Burundi, the

Democratic Republic of Congo, and Maldives, participants discussed how to assess compliance with a debt ceiling PPA and apply the relevant criteria to measure the concessionality of a financing package. To help Small States address their specific climate-related risks, participants discussed how to identify and implement PPAs centered on building resilience against climate change and strengthening fiscal and external buffers. The series of training helped support the implementation of the DSEP and build capacity to enhance the support to client countries.

C. Emerging Results

62. **The PCO is supporting IDA countries in their efforts toward sustainable development financing.** The outreach contributed to forming partnerships between creditors and development partners, sharing information among relevant stakeholders to improve communication and coordination, and conducting candid and challenging conversations. The public conferences also provided a platform for civil society, members of the public and media representatives to have discussions focused on debt sustainability with their country leaders. While the results on strengthening debt sustainability take time to materialize, the creation of these spaces for conversations around debt aligns strongly with the mission of the PCO and is an important prerequisite for progress on debt transparency.

63. **With the significant scale-up of creditor outreach in the past year, progress has also been recorded in facilitating information sharing among creditors and enhancing debt transparency in IDA countries.** The main outcomes of the PCO include:

a. **Nascent engagements with non-Paris Club bilateral creditors, private sector creditors and rating agencies** to find entry points to strengthen coordination, including through information sharing at high-level public events and closed-door discussions of development challenges, work programs, and project pipelines.

b. **Close collaboration with IMF and other MDBs** to enhance the alignment of policy frameworks, including the application of the non-concessional borrowing ceilings in coordination with IMF, alignment of PPAs between IDA and AsDB, and coherence with the Agreed Policy Actions of AfDB.[26]

c. **Systematic information sharing on NCB limits** with the OECD’s export credit agencies group and through the IDA webpage to support transparency and aid client countries with prudent borrowing practices.

64. **The outreach contributed to the creation of open- and closed-door forums dedicated to discussions around debt sustainability.** Given the specific country and regional contexts, these events were widely reported in local/regional news headlines with keen interest from the media. For example, the first in-country outreach event in Uganda facilitated an open dialog between the country authorities and traditional and non-traditional creditors after a long absence of engagement due to COVID-19. Together with the regular meetings with traditional creditors and through IDA website and the ‘Lending to LICs’ mailbox, IDA supported information sharing at the global,

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[26] IFAD will update its NCBP in 2024 to start the new cycle IFAD13 (2025-2027) with applicable new policy.

regional, and country levels and facilitated creditor coordination, despite the challenging overlapping crises.

65. **Feedback from participants has been encouraging.** For example, at the high-level outreach public event in Uganda, Hon. Henry Musasizi, the country's State Minister for Finance Planning and Economic Development, indicated that "*Uganda continues to face challenges in managing our debt portfolio…Engagements such as this are therefore of the utmost importance*." At the high-level outreach public event in Sierra Leone, five out of six participants agreed or strongly agreed that the event helped provide a platform for information sharing among key stakeholders on common principles of sustainable financing; improved the understanding of some challenges faced by the country in accessing sustainable financing for development; supported experience sharing on the importance of improving fiscal sustainability and communication on debt issues; and promoted dialog among creditors on debt sustainability in the country. Similarly, survey findings for the high-level regional Caribbean Program of Creditor Outreach on February 10, 2023, in Basseterre, St. Kitts and Nevis, revealed that the majority of the respondents strongly agreed or agreed that the event provided a platform for information sharing on the common principles of sustainable debt, and that they had a better understanding of the challenges faced by the Caribbean countries in accessing sustainable financing for development because of this event. Ms. Lilian Chatterjee, Canada's High Commissioner to Barbados and the Organisation of Eastern Caribbean States highlighted that, through the participation of IDA's creditor outreach event, "*we therefore understand the importance of working together to leverage all financing flows as a complement to traditional ODA flows.*"

D. Lessons Learned

66. **Lessons learned from the nearly three years of implementation of the SDFP highlight its role in enhancing IDA's global platform and convening role, including by expanding the PCO to promote creditor coordination on sustainable lending practices.** Partnerships and collaboration among all creditors are crucial in helping countries implement reforms to enhance debt sustainability. Convening all stakeholders in the same room to discuss the challenges and solutions of debt sustainability is only the first step to fostering a concerted effort. A return to the path of sustainable growth and prosperity for countries with elevated debt vulnerabilities will require enhanced debt transparency and creditor coordination, including with the private sector and traditional and non-traditional bilateral creditors.

67. **However, challenges remain, particularly in countries where the Bank is a small player and non-concessional borrowing is significant.** In some countries where financing from IDA and other MDBs remained a small share, incentives that set-asides or discounts from unsatisfactory implementation of PPAs could provide are often insufficient. Coordinated efforts and consistent policies by MDBs can help strengthen the Policy's ability to incentivize countries for reforms. For example, the alignment of IDA's PPA with AsDB's PPAs provided additional leverage to the development financing policies of both institutions while reducing the burden on countries' capacity; and the coherence of IDA's PPA with AfDB's Agreed Policy Actions sent consistent signals from both organizations on sustainable debt policies at the country level.

68. **A global cooperative approach to coordinate among all creditors and support country reforms in strengthening debt transparency is becoming an imperative for**

supporting countries' efforts to enhance debt sustainability. WBG is working to enhance investors' access to payment history for private sector projects in developing markets through the Global Emerging Markets Risk Database, aiming to make the aggregated statistics available to investors as a global public good with appropriate safeguards and quality standards. IDA can strengthen the coordination with all stakeholders, in particular, through building on the nascent engagements with non-traditional bilateral creditors and private sector creditors and providing a platform to continue sharing information and fostering dialog on sustainable financing. IDA will continue to reach out for feedback and suggestions from stakeholders to enhance the effectiveness of the outreach.

V. CONCLUSION

69. **This paper suggests areas where the SDFP may benefit from refinements to continue to help IDA countries address debt vulnerabilities.** The SDFP has helped IDA countries introduce and maintain policies focused on debt and fiscal sustainability, with a goal of facilitating reforms to support clients bring their debt levels to sustainable levels and increasing their resilience to future shocks. While the SDFP is on the right track to achieve its goals, the implementation experience thus far suggests opportunities that should be explored further and challenges that need to be addressed both in the DSEP and PCO pillars.

70. **Reflecting on successful reforms supported by the DSEP, a programmatic approach for PPAs will be encouraged going forward.** Advancing reforms through programmatic PPAs over the medium term will ensure additionality of reforms while balancing ambition with countries' capacities. A programmatic approach allows authorities with limited capacity to start reforms incrementally that could deliver results over the medium term. This process will be supported with World Bank's technical assistance and operations, to select PPAs that focus on key drivers of countries' debt vulnerabilities as well as reinforce the credibility of reforms. If applied systematically and institutionalized in a legal framework, a programmatic approach would support continuity and sustainability of reforms.[27]

71. **The three-year implementation reveals challenges for engaging in countries where the World Bank is not a major creditor, the government's implementation capacity is limited, and the ownership and coordination of reforms are not sustained.** While an NCB ceiling is a powerful tool for sustainable financing practices, it has proved challenging in countries where the financing from the World Bank is small relative to that of other financiers. It is essential that all stakeholders support the countries' development financing needs in a more sustainable manner. Small States and FCV countries face challenging policy environments due to their limited capacity and resources. While the Policy considers different country characteristics, further consideration may be given to the greater use of administrative performance actions. Small Island States, for instance, may consider climate-related actions for fiscal sustainability. Ownership and coordination of reforms are important, especially when the authorities which are committed to the implementation of PPAs do not have control over agencies that implement them. For instance, in

[27] While a programmatic approach for incremental improvements is ideal, tracking results of reforms remaining in place are also important. In this context, going forward the SDFP Secretariat may introduce a mechanism that reviews if the previous achievements remain sustained.

decentralized countries with subnational governments, engagements with subnational governments need careful attention when designing PPAs. As it would be difficult to implement PPAs designed by a central government for subnational governments without their ownership, investments in facilitating coordination and sustained technical engagement with subnational governments over the long term should be pursued.

72. **The implementation experience may also point to further enhancements of the Policy**. The Policy, currently allowing revisions and cancellations of PPAs only on an exceptional basis, may add some flexibility in the revision of PPAs to explore greater synergies between PPAs and DPOs while carefully avoiding losing their credibility. Implementation will further encourage a programmatic approach for complex and difficult reforms to be achieved over several years.

73. **Through the PCO, IDA plans to continue ramping up its effort to engage with stakeholders to support information sharing and advance dialog and coordination for sustainable financing.** This will be achieved by focusing more on the following three areas:

a. Continue convening high-level events at the global and regional levels, including around the WBG-IMF Spring Meetings and Annual Meetings, to avail the opportunity to exchange views with high-level representatives from key stakeholders, enhance information sharing and support the application of consistent debt policies at the country level.

b. Step up the outreach to support countries with the most daunting challenges of creditor coordination, including countries in fragile and conflict situations and countries where the World Bank is a small player and non-concessional borrowing was significant, building on the experience of the two in-country outreach events in Sierra Leone and Uganda.

c. Further the collaboration with multilateral financial mechanisms to deepen the engagement with traditional and non-traditional creditors, including private commercial banks, other MDBs, and find entry points to strengthen the coordination with all prominent stakeholders.

74. **As IDA countries grapple with an alarming number of economic crises brought about by high debt, natural disasters, food insecurity, high inflation, and the impact of Russia's invasion of Ukraine, the mission of the SDFP has become even more urgent.** Because the financing landscape continues to shift and the share of the non-traditional bilateral creditors and private sector creditors continues to increase (relative to that of bilateral debt from Paris Club creditors and multilateral creditors), furthering the coordination between all types of creditors is essential to support IDA countries' effort to enhance debt sustainability and debt transparency. While it is still too early to determine whether the PCO has led to behavioral changes of creditors, outreach to strengthen country ownership, support open conversations, and facilitate engagement from key stakeholders on debt sustainability and transparency are essential steps in the right direction. Improving debt transparency and enhancing debt sustainability are a joint responsibility of borrowing governments and of all stakeholders, including creditor governments, MDBs, and private sector creditors. Going forward, IDA will continue to scale up the coordination with all creditors to support IDA countries' effort to enhance debt transparency for sustainable financing.

ANNEX 1. FY23 APPROVED PPAS

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
Benin	IDA-only	Moderate	No	No	PPA2. To improve debt transparency, the Ministry of Economy and Finance and the Debt Office (CAA) will report on the stock of arrears through their publication in the quarterly debt bulletins and the fiscal risk annex to the 2023 Budget Law.	PPA3. To reduce fiscal risks, the CAA and DGPED will adopt through a circulaire or similar regulatory instrument a credit risk assessment score card for the provision of public guarantees and on-lending to SOEs that will be annually reported in an internal report between CAA and DGPED; and complete their first report for the three largest SOEs.	PPA1. To expand the tax base and secure tax revenue, the Ministry of Economy and Finance has adopted by arrete the simplification of property tax calculated on the basis of the rental value based on published objective criteria.
Bhutan	Gap	Moderate	No	Yes		PPA2. To strengthen the legal framework for effective public debt management, the Cabinet has, by March 31, 2023, approved the Public Financing Policy 2022, which establishes broad guidelines for borrowing decisions by the public sector, and sets out institutional arrangements for the risk assessment and monitoring of public debt.	PPA1. To strengthen SOE oversight and fiscal risk monitoring, the Ministry of Finance has published, by March 31, 2023, on the Ministry of Finance website, the annual SOE report for the calendar year 2021, which includes comprehensive enterprise-level information on financial and non-financial performance of all SOEs under the Ministry of Finance and Druk Holding and Investments, the state holding company.
Burkina Faso	IDA-only	Moderate	Yes	No			PPA1. The MoF has adopted an Order defining the regulatory and institutional framework for the annual production and publication of fiscal risk statements (FRS) and published the FRS associated with

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
							the 2023 budget, in compliance with this Order. The order should define (a) the key modalities of the production of the FRS (including the timeline, roles, and responsibilities of the relevant entities); (b) the scope and content of the FRS; and (c) the mandatory annexation of the FRS to the draft Budget Law submitted to Parliament. PPA2. The country's independent anti-corruption body ASCE-LC has published two audit reports: one for the National Electricity Corporation (SONABEL) and one for the National Hydrocarbons Corporation (SONABHY), covering organizational, financial, accounting, management, and operational practices for the period from January 1, 2019, to December 31, 2021.
Burundi	IDA-only	High	Yes	No	PPA2. Burundi will institutionalize recent improvements in debt transparency by creating a formal requirement (through a service note signed by the Minister of Finance) to publish debt reports annually, within six months of the end of the reporting period and including information on all	PPA1. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY22, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in	

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
					SOE debt as well as domestic arrears. Implementation of this requirement will start for calendar year 2022, and therefore further evidence will be provided by the actual publication of the annual debt reports for 2021 and 2022 by May 2023. The reports will expand coverage by adding to central government debt and central government guaranteed debt, the debt (guaranteed, on-lent, and non-guaranteed) of all state-owned enterprises (about 17 additional SOEs) and domestic arrears. The reports will include loan terms, creditors, outstanding loan amounts, debt service and currency risks in the portfolio.	coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	
Cabo Verde	Blend	High	No	Yes	PPA2: To increase debt transparency, the Ministry of Finance Treasury Department will issue a regulatory decree to broaden the coverage of the quarterly public debt bulletin to include debt of SOEs, and guaranteed debt from municipalities, and publish the quarterly public	PPA1 To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY22, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of	

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
					debt report with this broader coverage	circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	
Cameroon	Blend	High	Yes	No		PPA2. To improve debt management, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, beyond the cap of XAF 512.9 billion for the present value of newly contracted or guaranteed external public debt, except if the ceiling is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limits Policy.	PPA1. To strengthen fiscal risks management, the Government will: (i) publish through the Debt Department a report with expanded coverage including direct costs and contingent liabilities stemming from PPPs using the PFRAM tool and (ii) adopt a regulation clarifying roles and responsibilities in monitoring and disclosing the fiscal costs and contingent liabilities during the project lifecycle.
Central African Republic	IDA-only	High	Yes	No	PPA1. To improve debt management and transparency, the government through the Ministry of Finance and Budget, has prepared and published in accordance with the arrêté #27/PM.21 of November 5, 2021, an annual report on the financial performance and	PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of	

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
					fiscal risks associated with all three largest SOEs in the energy, telecommunications, and water sectors (ENERCA, SODECA, SOCATEL), covering the period January-December 2021.	circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	
Chad	IDA-only	In distress	Yes	No		PPA1. The Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP). PPA2. The government: i) to improve the accuracy of debt transactions and payments recording and reporting, will install and make effective the use of SYGADE-6 software, transfer the debt data currently in Excel into the new SYGADE-6 database; ii) to increase the supervision of debt management, will adopt an arrêté to ensure that annual debt reports are published on time	

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
						(no later than six (6) months after the end of the year) and use SYGADE-6 to publish annual reports of 2020 and 2021.	
Comoros	IDA-only	High	Yes	Yes		PPA1. The Government will not enter into any contractual obligations for new PPG non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP). PPA2. The Government submitted to the Parliament a debt management law that addresses issues related to the modalities of the issuance of sovereign bonds, the signature of loan agreement, the issuance of government guarantee, the use of public debt proceeds and public debt servicing, debt restructuring and retrocession, transparency, control, monitoring and sanctions and requires State-owned enterprises (SOEs) to transmit quarterly data reports on	

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						external and domestic debt to the Ministry of Finance.	
Congo, Democratic Republic of	IDA-only	Moderate	Yes	No	PPA2: DRC publishes, in the annual debt report for 2021 and quarterly debt bulletins for 2022, data on the debt of key SOEs and selected provincial governments, as well as data on domestic arrears and contingent liabilities, in addition to reporting public and publicly-guaranteed external and domestic debt. Key SOEs include SNEL, MIBA and Gecamines, which were covered in the Q4 2021 debt bulletin, as well as at least two additional SOEs.	PPA1: To ensure debt sustainability, the Government will not enter into new contractual obligations for external public and publicly guaranteed (PPG) debt with cumulative net present value exceeding USD 1.5 billion in FY23. The World Bank may adjust this limit to a) reflect any material change of circumstances and/or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	
Congo, Republic of	Blend	In distress	Yes	No		PPA1. To strengthen debt sustainability and reduce debt vulnerabilities, the Government has: (i) Repaid domestic arrears between July 2022 and March 2023 in the amount defined by the IMF ECF Indicative Targets on "floor on repayment of domestic arrears accumulated by the central government" for the said period; (ii) Between July 1, 2022, and June 30, 2023, complied with a zero-ceiling accumulation of new arrears on external debt	

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						contracted or guaranteed by the central government; (iii) Adopted through the Council of Ministers a strategy with a new scheme for domestic arrears repayments and published it on the website of the Ministry of Finance. PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	
Cote d'Ivoire	Gap	Moderate	No	No	PPA2: To enhance transparency and limit the risk from contingent liabilities, the Public Debt Department will publish on a quarterly basis, a table on its website with details of on-lent loans to state-owned enterprises (SOEs).	PPA3: To enhance debt management and limit the risk from contingent liabilities, the Ministry of Budget has adopted a mechanism for approving on-lending to SOEs, extending the current framework covering guaranteed lending.	PPA1: To optimize the collection of non-tax revenues, the Council of Ministers has adopted and transmitted to Parliament a non-tax revenue procedure law that sets out the legal framework for the collection and oversight of non-tax revenue by the Treasury.

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
Djibouti	Gap	High	No	Yes		PPA1. To improve debt management and reduce contingent liabilities related to state-owned enterprises' (SOEs), the government of Djibouti has issued and published in the official gazette, a decree stipulating conditions and process for the granting of guarantees to SOEs. PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	
Dominica	Blend	High	No	Yes			PPA1: The Cabinet of Ministers has: (i) issued an order mandating and specifying quarterly and annual financial and debt reporting standards and requirements for the 10 commercial SOEs, including any non-guaranteed debt; and (ii) approved the creation of an SOE

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
							Monitoring and Oversight Committee and the definition of its composition, mandate, roles, and responsibilities. PPA2: The Cabinet of Ministers has approved the creation of a debt repayment fund with a minimum monthly capitalization commitment of EC$500,000 (EC$6.0 million annually) to be used to pay down debt at an accelerated rate.
Ethiopia	IDA-only	High	Yes	No		PPA1. To accelerate the resolution of outstanding state-owned enterprise debts and reduce liquidity and credit risks in the financial system, the government has approved a financing strategy for the Liability and Asset Management Company that covers the full period until the maturity of all debts transferred to LAMC. PPA3. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any	PPA2. The Council of Ministers has approved for submission to Parliament a draft Public Enterprises Proclamation that empowers the Ministry of Finance to monitor, analyze, and mitigate the impacts of SOEs on public finances, in particular the fiscal risks caused by the fulfillment of public service obligations, to ensure the sustainability of the SOEs and the broader public sector.

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
						material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	
Fiji	Blend	MAC-DSA	No	Yes			PPA1. To enhance fiscal sustainability, the Government in its 2022-2023 Budget, has approved the following tax policy measures: (i) removal of concessional corporate rates on specific companies to enforce a standard and single corporate tax rate of 20 percent, and (ii) increase in import duty rates on used and new passenger cars by FJ$1,000 per unit and 5 percent respectively, and a FJ$10,000 luxury vehicle levy on passenger vehicles with engine capacity greater than 3000cc. PPA2. To improve public investment efficiency, Cabinet has approved the institutionalization of the appraisal process of major investment projects using publicly available standard assessment criteria. Starting January 2023, project proposals from the 9 Ministries, Departments and Agencies (MDAs) will be assessed by the Committee using the criteria as part of FY24 budget formulation. (i) a Committee

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
							headed by the Ministry of Economy and comprising selected MDAs, and independent experts (where required) has been charged with assessing all infrastructure projects and human and social capital projects of FJ$500,000 and above, and; (ii) the Cabinet has approved Public Sector Investment Program (PSIP) guidelines, and a User Manual for the preparation, appraisal and approval of projects under the PSIP guidelines.
Gambia, The	IDA-only	High	No	No	PPA1. To improve debt transparency, the MOFEA will publish the annual public debt bulletin for 2022 including a table on government guarantees extended to all SOEs on its website.	PPA3. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	PPA2. To improve fiscal and debt sustainability, the MOFEA will publish the first Fiscal Risk Statement (FRS) on its website.
Ghana	Gap	High	No	No			PPA1. Approve by Parliament the 2023 Budget with a comprehensive set of tax policy measures aimed at improving revenue collection by at least 1

Country	Country Characteristics				PPAs		
	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
							percent of GDP in 2023, and: (i) approve by Parliament an increase of the VAT rate to 15 percent; (ii) submit to Parliament a revision of the income tax regime to introduce a new tax bracket of 35 percent a return and a withholding tax for gains on realization of assets and liabilities, and a review of the upper limits for vehicle benefits; and (iii) approve by the Ghana Revenue Authority (GRA) an order to remove the benchmark discount policy for imports. PPA2. The Auditor-General has completed the audit of the COVID-19 spending undertaken between March 2020 and June 2022, submitted it to Parliament, and published it on its website. PPA3. The Cabinet has approved the sale of assets of seventeen (17) identified defunct and/or inactive state-owned entities.
Grenada	Blend	In distress	No	Yes		PPA1. The government will not enter any contractual obligations for new external public or publicly guaranteed (PPG) non-concessional debt in a total amount exceeding US$80 million throughout FY23, except if the non-concessional debt limit is adjusted by the WB to (a)	PPA2. The government has approved the climate change budget tagging methodology for application to all budget circulars and annual budget bills, starting in FY24.

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						reflect a material change of circumstances; or (b) in coordination with the IMF, in particular in line with adjustment in in the IMF debt limit policy.	
Guinea	IDA-only	Moderate	No	No		PPA3. To improve the accuracy and comprehensiveness of data in the quarterly Debt bulletin and in the annual Medium-term debt strategy, and to strengthen debt management and transparency, the debt unit (DNDAPD) has put in use a modern debt data recording, reporting, and monitoring system (DMFAS).	PPA1. To improve efficiency and transparency in tax management, the DGI will generate monthly revenue reports from the government's digitally-integrated tax system, use the reports in the regular cash management meetings, and post the monthly reports on the MEFP website. PPA2. To improve mining tax collection, the Ministry of Mining and Geology, the Ministry of Budget, and the Ministry of Economy, Finance and Planning have adopted and are implementing a new inter-Ministerial regulation on transfer pricing that provides a reasonable approximation of the arm's length price, applicable by default to all bauxite companies.
Guinea-Bissau	IDA-only	High	Yes	No	PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-	PPA1. To increase debt transparency, the Government will: (i) expand the coverage of the published annual debt bulletin to cover debt from the two largest SOEs in terms of fiscal risk (EAGB and the civil	

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
					concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	aviation authority) and (ii) issue a Ministerial Order requiring publication of quarterly debt bulletins and publish a quarterly debt bulletin that includes central government debt and guarantees.	
Guyana	Gap	Moderate	No	Yes	PPA1. To inform assessment of fiscal risks and improve transparency, the Ministry of Finance assures the publication of audited financial statements for 2019, 2020 and 2021 for five [5] of the most important SOEs with outstanding audits and that have previously required support from the budget. The audits will be published by April 2023.		PPA2. To strengthen the efficiency of public investments, the Ministry of Finance has approved, by February 2023, a five-year public investment plan (PIP) for two priority sectors (agriculture and infrastructure), including key prioritization criteria, consistent with the newly approved public investment management framework.
Haiti	IDA-only	High	Yes	No		PPA1. The Government will not enter into any contractual obligations for new external public or publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect a material change of circumstances or b) in coordination with the IMF, in	PPA2. The government has approved measures to rationalize tax expenditures stemming from its tax incentive regime and starts implementation in the Haitian FY2023 budget.

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						particular in line with adjustments in the IMF Debt Limit Policy.	
Kenya	Blend	High	No	No	PPA1: To increase debt transparency, the government has published on the National Treasury website an enhanced annual debt report which expands debt coverage to include the outstanding debt of state-owned enterprises	PPA3. To improve debt management, the government will limit the present value of new external debt contracted or guaranteed through June 2023 to $11,630 million (cumulative since June 2021), except if this limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limits Policy.	PPA2: To strengthen fiscal sustainability by enhancing wage bill control, the Unified Payroll System has been rolled out to the Teachers Service Commission and at least 200 MDAs
Kiribati	IDA-only	High	Yes	Yes	PPA2. To improve debt transparency, (i) Cabinet has approved and published a Fiscal Reporting Policy, which sets out new standards for regular public reporting on revenues, expenditure, State-Owned Enterprises, Revenue Equalization Reserve Fund (RERF) performance and public debt (including lender, loan term, interest rate, terms, purpose, amount borrowed, repayments and outstanding balance); and (ii) the Ministry of Finance and	PPA1. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
					Economic Development (MFED) has published the first intra-year Budget Performance Report, covering Q1-2022, in accordance with the Fiscal Reporting Policy.		
Kyrgyz Republic	IDA-only	Moderate	No	No	PPA1. To improve debt transparency the Ministry of Finance (MoF): (i) mandates, through an Order of the Minister of Finance, the preparation and publication of the annual public debt reports and issues instructions regarding the format and main requirements of these reports to cover public debt of central government, government guaranteed debt and on-lending, and containing analysis and statistical annexes on domestic and external debt by creditors, terms, currencies, maturities, and other details; and (ii) approves through an Order of the Minister of Finance and publishes on the MoF website the CY22 public debt report in line with the format specified in the Finance Minister's Order.	PPA3: To improve public debt management, the government approves a Cabinet decision to: (i) mandate restructuring of the energy sector SOEs debt to the government; and (ii) stipulate that any new sub-financing from the government to energy sector SOEs shall be provided on terms at least equal to the terms of financing received by the government from various financiers.	PPA2: To ensure fiscal sustainability the Government continues annual preparation and publication of the Information on Fiscal Risks (IFR) and anchors this process in stronger institutional and methodological frameworks and improved analytical content by: (i) approving, through a Cabinet Decree, the institutional representation of the Working Group on IFR, including the coverage of IFR and data request templates: (ii) approving, through the Finance Minister's Order, the upgraded Methodological Guidelines on preparation and publication of IFR; and (iii) publishing on the MoF's website the 2023-25 IFR with enhanced analyses on public debt sustainability, restructured budget loans and fiscal risks associated with SOEs and joint-stack companies, including energy sector SOEs.

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Lao People's Democratic Republic	Gap	High	No	No	PPA1. The Ministry of Finance will publish on its webpage a comprehensive 2022 public debt bulletin that builds on the 2021 bulletin by: (i) expanding its coverage and granularity, by incorporating information on newly contracted loans and bonds, renegotiated and deferred debt, average maturity and interest rate, non-guaranteed SOE debt, and other known contingent liabilities; and (ii) adding a debt statement summarising performance, risks, and strategy.	PPA2. The Government will only enter into contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt to meet the amortization of existing non-concessional debt. Any such new non-concessional debt will not exceed US$ 605 million in the World Bank's Fiscal Year 2023 (i.e., July 2022 to June 2023), except if the non-concessional debt limit is adjusted by the World Bank a) to reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	PPA3. The Government will approve and publish a Decree on State-Owned Enterprises (SOEs) in the official gazette. The Decree instructs SOEs to: (i) submit annual financial reports (with information on assets and liabilities) to the Ministry of Finance within three months after the end of the year, and (ii) seek approval from the Ministry of Finance before accessing sources of finance.
Lesotho	Gap	Moderate	No	No			PPA1. To ensure transparency of public payments, Lesotho, through its (a) Ministry of Finance, has issued a Circular to all its Chief Accounting Officers, which mandates the use of Electronic Funds Transfer (EFT) through the Integrated Financial Management Information System (IFMIS) for purposes of making all government's payments; (b) the Accountant-General has issued guidelines mandating compliance with EFT implementation to all Finance

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							Directorates. PPA2. To improve revenue collection, Lesotho, through its Ministry of Finance, has issued a treasury circular, which mandates the introduction of cashless payments for non-tax revenues. PPA3. To improve the allocative efficiency of the budget, Lesotho, through its Ministry of Finance, has issued guidelines for a revised Medium-Term Expenditure Framework (MTEF), which lays the foundation for MTEF implementation from the FY24/25 budget.
Liberia	IDA-only	Moderate	No	No	PPA1. The Government through the Ministry of Finance and Development Planning will expand the coverage of debt reporting by publishing in the annual debt report for 2022 the verified and validated stock of domestic arrears of the Central Government, including reporting on spending category (compensation of employees, acquisition of goods and services, transfers, acquisition of nonfinancial assets) and economic agents who are	PPA2. The Ministry of Finance and Development Planning (MFDP) and the Central Bank of Liberia (CBL) have signed a Memorandum of Understanding (MoU) that allows the CBL to automatically debit a government account for debt servicing purposes to ensure that debt service obligations are fully paid, and no new arrears are accumulated on debt obligations. PPA3. To maintain debt sustainability, the Government will not enter into any contractual obligations for new	

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					owed payments by the Central Government (private sector suppliers, government employees, SOEs, others).	external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	
Madagascar	IDA-only	Moderate	No	No	PPA1. To improve debt transparency, the government will adopt through a decree a new framework for the evaluation and management of fiscal risks, including those related to contingent liabilities	PPA3. To improve debt management, the Government will limit contractual obligations for new external public and publicly guaranteed (PPG) debt to a maximum of US$ 800 million in present value from March 2022 to March 2023. Thereafter, the ceiling will be adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in line with adjustments in the IMF Debt Limit Policy.	PPA2. To improve fiscal sustainability, the Government will implement measures aimed at improving tax arrears collection relative to FY22 and will adopt a decree governing the management of tax arrears to prevent their accumulation, including the establishment of a system of compensation of cross liabilities between State-Owned Enterprises and the Central Government.
Malawi	IDA-only	High	No	No		PPA1. To improve debt management, the authorities will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt or swaps in	PPA3. The government through the MoFEA publishes a performance report of 15 large projects in the PSIP. This performance report provides details on the financial and physical status of the projects, as

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						FY23, except if the non-concessional debt limit is adjusted by the World Bank a) to reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy. PPA2. In accordance with section 72 of the Public Finance Management Act (PFMA, 2022), the government prepares, submits to Cabinet, and publishes on its website an Annual Borrowing Plan 2023/2024 no later than 30th April. The Borrowing Plan sets out quantitative targets for borrowing operations understood as financing limits.	well as risks and policy issues, and proposes mitigation measures for non-performing projects.
Maldives	IDA-only	High	No	Yes		PPA2. To improve accountability and strengthen and consolidate the legal framework governing public debt management, the Government of Maldives will submit to Parliament for its assent thereof, a Debt Management Bill. PPA3. To improve debt sustainability, the Government will not enter into any contractual obligations for new	PPA1. To enhance revenue mobilization and increase fiscal sustainability, the Government of Maldives will submit to Parliament for its assent thereof, a revised Goods and Services Tax (GST) Bill to: (i) increase the General GST (GGST) rate from 6 to 8 percent; and (ii) raise the Tourism GST (TGST) rate from 12 to 16 percent.

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						external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to: a) reflect any material change of circumstances, or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	
Mali	IDA-only	Moderate	Yes	No	PPA2. To improve debt transparency, the Government will publish timely debt reports and information, including debt statistical bulletins, which include the stock of debt (loans) on-lent by the government to each of the state-owned enterprises in Mali, annual borrowing plans and medium-term debt strategies, through a dedicated window for the Debt Office (DGDP) on the website of the Ministry of Economics and Finance (MEF).	PPA1. To strengthen the debt recording system (SIGED), the Government will deploy the new version of the public debt recording system which integrates information on domestic and external debt.	
Marshall Islands	IDA-only	High	Yes	Yes		PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly	PPA1. To strengthen fiscal sustainability by improving the efficiency of public spending, the Cabinet has approved and submitted to the Nitijela a

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						guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	Procurement Bill that introduces a new and modernized legal framework that facilitates the use of electronic procurement arrangements among other enhancements to the procurement system.
Mauritania	Gap	High	No	No	PPA1. To improve debt transparency the Ministry of Finance will publish a comprehensive Annual debt bulletin including detailed information on the stock and terms of SOE debt (including guarantees and non-guaranteed debt, on-lending, new borrowing, and arrears) and institutionalize this measure through a decision note/deliberation from the Public National Debt Committee.	PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	PPA3. To improve debt sustainability, the Government will publish and annex to the 2024 budget a Medium-Term Expenditure Framework (MTEF) with a clearly defined annual fiscal anchor (deficit and/or debt target).
Micronesia, Federal States of	IDA-only	High	Yes	Yes	PPA1. To enhance debt transparency: (a) the Government of FSM will increase the frequency of the publication of Debt Bulletins from semi-annually to quarterly by producing three Debt	PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional	

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					Bulletins from October 2022 to April 2023, which includes the level of public and publicly guaranteed (PPG) debt actuals (including historical data commencing from FY2018), with breakdown by (1) national and state government,[1] (2) domestic and external debt, (3) creditor, (4) government guarantees, and (5) debt servicing schedule (historical and forward-looking up to FY2025), on the DoFA website before end-April 2023; and (b) the Cabinet has issued a directive to mandate the quarterly publication of Debt Bulletins on the DoFA website.	debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	
Mozambique	IDA-only	High	Yes	No	PPA1. The Government of Mozambique (GoM) has prepared a comprehensive report using accurate external PPG and private nonguaranteed debt, addressing the severe inconsistencies between stocks and flows identified in the 2021 Debtor Reporting System (DRS) Report, and has published	PPA2. The Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY22, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with	

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	Lending Category	**Risk of Debt Distress, May 2022**	**FCV (Y/N)**	**Small States (Y/N)**	**Debt Transparency**	**Debt Management**	**Fiscal Sustainability**
					an error-free debt report for 2022.	adjustments in the IMF Debt Limit Policy (DLP).	
Nicaragua	Gap	Moderate	No	No	PPA1. The Ministry of Finance and Public Credit (MHCP) strengthens debt reporting by institutionalizing, through an internal proceeding (Procedimiento), the gradual inclusion of detailed data and information on loan guarantees, on-lending, non-guaranteed debts of SOEs with audited financial statements, and local government debt in the annual public debt report. For FY23, information on local government debt will initially be for the Managua municipality (Alcaldía de Managua, ALMA). The additional data will be available as annexes to the annual public debt report, published on the MHCP website by March 2023. PPA4 (Carry-over from FY22): The Ministry of Finance and Public Credit (MHCP) completes the implementation of FY22 PPA1 by overseeing the preparation and publication	PPA2. The Ministry of Finance and Public Credit (MHCP) strengthens the procedures for issuing guarantees and on-lending by revising the current institutional framework elaborated in the MHCP's internal rules and procedures. Specifically, the MHCP will prepare, approve and issue a Normativa on the issuance and management of credit guarantees and on-lending by March 2023. The framework should include: (i) the policy objectives that govern the provisions of the guarantee/on-lending; (ii) the requirement to proceed with comparative analyses of costs and benefits of alternative financing options (e.g., government transfers, guarantees, on-lending and direct debt contracting); (iii) the obligation to conduct annual risk assessments of beneficiaries of guaranteed debt and on-lent funds; (iv) guidelines for producing all required analyses; and (v) the obligation to create a registry system for on-lending agreements. The framework would form the basis for a	

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					of external audits of the financial statements of the two outstanding SOEs – PETRONIC and EPN – covering the period 2015-21. The approved external audits of the financial statements of the SOEs will be published on their respective websites by March 2023.	future stand-alone regulation in the Debt Law. PPA3. The Ministry of Finance and Public Credit (MHCP) strengthens debt management by preparing and publishing an Annual Borrowing Plan (ABP) that implements the medium-term debt strategy (MTDS). The MHCP will also institutionalize, through a Procedimiento, the annual publication of the evaluation of the previous year's MTDS implementation (FY22 PPA3), including an explanation of discrepancies. The ABP should be published on the MHCP website by the end of March 2023, along with an evaluation of the previous year's MTDS implementation.	
Niger	IDA-only	Moderate	Yes	No		PPA1. To improve debt management the Government will not enter into contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, above the limit of FCAF 250 billion expressed in preset value except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in	PPA2. To improve fiscal sustainability, the monitoring of fiscal risk and performance from state-owned enterprises, an annual portfolio report covering the largest SOEs, and presenting financial and non-financial information (including procurement activities, implementation of investment projects, debt, guarantees, human resources), will be published on

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						coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	the official website of the Ministry of Finance.
Nigeria	Blend	MAC-DSA	Yes	No			PPA1. To increase non-oil revenues, a green excise duty on vehicles has been introduced by a presidential order. PPA2. To safeguard non-oil revenues, (i) the Nigerian Electricity Regulatory Commission (NERC) under the guidance and supervision of the Budget Office of the Federation issues a revised Multi-Year Tariff Order before September 30, 2022, that reduces tariff shortfalls in the electricity sector by moving the average commercial tariff closer to cost-reflective levels, and (ii) the Federal Ministry of Finance, Budget, and National Planning issues a Financing Plan for the 2022 expected tariff shortfalls before end-2022. PPA3. To increase non-oil revenues, a presidential order that specifies the rate and defines key aspects of collection processes of the excise duty on telecoms services, as required by section 37 of Finance Act 2020, has been duly issued.

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Pakistan	Blend	MAC-DSA	No	No	PPA3. (i) The Debt Management Office (DMO) publishes an annual report on public debt that compares debt management strategy implementation with targets for end-FY22 and the provincial Finance Departments publish semi-annual debt bulletin for July-December 2022 by following reporting standards as per international standards for Public Sector Debt Statistics. (ii) The Debt Management and Financial Analysis System (DMFAS) used by the DMO records total domestic debt portfolio.	PPA1. The Finance Division issues a notification to mandate annual publication of Debt Sustainability Analysis by the Macro Fiscal Policy Unit and publishes the Debt Sustainability Analysis report on the website of the Finance Division.	PPA2. Federal Government issues a notification assigning the functions of medium-term fiscal planning and fiscal risk management, including the publication of national medium term fiscal framework and fiscal risk statement on an annual basis, to Macro-Fiscal Policy Unit (MFPU) within the Finance Division.
Papua New Guinea	Blend	High	Yes	No		PPA1. To improve debt sustainability, the Government will not enter into contractual obligations for new long-term external public and publicly guaranteed (PPG) non-concessional borrowing in a total amount exceeding US$ 1.0 billion throughout FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in	

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						particular in line with adjustments in the IMF Debt Limit Policy (DLP). PPA2: To improve management of fiscal risks, the Government (a) will approve, through its National Executive Council, a revised On-lending Policy that introduces credit risk assessment and strengthens enforcement arrangements, recording and reporting requirements; and (b) will not issue any new on-lending until the revised On-lending Policy is adopted.	
Rwanda	IDA-only	Moderate	No	No	PPA1. The Ministry of Finance and Economic Planning (MINECOFIN) has published the quarterly budget execution reports with expanded coverage of the general government to include Rwanda Social Security Board (RSSB)		PPA2. The Cabinet has approved multiyear expenditure ceilings at the Budget Agency and district level earlier in the budget process, that is included as an Annex to the Outlook paper by the end of December. PPA3. MINECOFIN has submitted to the Parliament the revisions of the Excise Tax Law, replacing ad valorem taxes on beer, wine, and spirits with a specific excise tax; increasing the share of specific taxes on cigarettes; and imposing excises levied on sugar content.

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Samoa	IDA-only	High	No	Yes		PPA1. To improve the monitoring and management of existing government guarantees and enhance transparency, the Ministry of Finance: (1) conducts credit risk assessment using the Credit Risk Assessment Framework mandated by the Government Guarantee Policy for the Development Bank of Samoa and Samoa Airways and makes a Cabinet submission, which includes the outcome of the credit risk assessment and recommendations to address risks and (2) publishes the gross financial exposure, which includes stock of all government guarantees breakdown by creditor and borrower (SOE) for December 2021, September 2022 and December 2022 quarters in the December Quarter Debt Bulletin by April 2023. PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any	

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						material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	
Sao Tome and Principe	IDA-only	In distress	No	Yes		PPA2. The Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY22, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	PPA1. To improve domestic revenue mobilization, the GoSTP issues a ministerial order to implement the VAT and Excise Tax.
Senegal	Gap	Moderate	No	No		PPA2. To improve debt management, transparency and monitoring of fiscal risks, the Interministerial Committee for PPPs will comply with the PPP decree No 2021-1443 by (i) issuing four Ministerial Orders (Arrêtés) referenced in the PPP Decree (ii) publishing on an official government website quarterly PPP database allowing the centralization of all existing and new PPP projects programming documents, starting from April	PPA1. To improve fiscal risk management, the Ministry of Finance will issue an Arrete setting out the methodology for provisioning main fiscal risks (including SOEs and PPPs) in its budgets based on its annual fiscal risk assessments; and task the director responsible for the budget to apply the methodology to the 2024 budget law.

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						2023 and subsequently the timing aligned with the debt bulletin. PPA3. To improve debt management and strengthen the content of the Annual Borrowing Plan ABP, the Ministry of Finance has issued an instruction requesting the General Directory of Public Accounting and Treasury and its Debt Management Office to publish annually and as an annex to the draft budget law (i) a detailed description of the ABP and (ii) an assessment of the implementation of the previous year's ABP.	
Sierra Leone	IDA-only	High	No	No	PPA2. To further enhance debt transparency and reporting and reduce debt and guarantees, the Ministry of Finance will expand the coverage and publish an updated version of the "Report on the Outstanding Loans of Major State-Owned Enterprises" to include all guarantees and debt stock of all 17 registered State-owned Enterprises as of end-December 2022 and disaggregate these by SOE.	PPA1. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	PPA3. The Government of Sierra Leone will submit to Parliament for approval an amended Revenue Code that incorporates all key provisions of the 2022 Duty and Tax Waiver Policy to strengthen the legal framework, boost revenues and improve fiscal transparency.

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Solomon Islands	IDA-only	Moderate	Yes	Yes		PPA1. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt during the period July 2022-June 2023, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular, in line with adjustments in the IMF Debt Limits Policy (DLP).	PPA2. To improve fiscal sustainability and economic growth, Cabinet has approved, for tabling in Parliament, a Value-Added Tax Bill, which will encourage tax compliance and reduce distortions to competition.
Somalia	IDA-only	In distress	Yes	No		PPA1. To improve debt management, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy"	PPA2. To support the application of a single import tariff schedule across the major ports of Mogadishu, Bosaso and Kismayo the Recipient's Ministry of Finance issues regulations on the Customs Reference Values and Customs Declarations.
St. Lucia	Blend	MAC-DSA	No	Yes			PPA1. the Government, through its Cabinet, has approved the

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							Public Asset Management Policy to enhance effective public asset management and improve fiscal resilience to climate change and other extreme weather events. PPA2. the Government, through its Cabinet, has approved the Public Financial Management Regulations, to implement the Public Finance Management Act and enhance public financing accountability and debt management, including in the events of natural disasters.
St. Vincent and the Grenadines	Blend	High	No	Yes			PPA1. The Government has integrated the definition and consideration of contingent liabilities (fiscal risks) arising from disasters in the National Emergency and Disaster Management Act (NEDMA) and the Finance Administration Act (FAA), and the associated regulations under these Acts. PPA2. The Government has: (i) completed a Public Investment Management Assessment (PIMA) in order to better prioritize, implement, and sustainably finance its public investment plans; and (ii) approved the adoption of public investment management reforms as identified through the PIMA, and agreed to

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							as substantive by the Government and the Bank, that would strengthen public investment management, and improve investment efficiency and effectiveness.
Tajikistan	IDA-only	High	No	No	PPA1. By April 28, 2023, the Ministry of Finance shall publish on its website (i) an annual public debt report for 2022, with terms of credits and breakdown of the debt stock by creditors; and (ii) a fiscal risk statement for 2021, covering all 27 state-owned enterprises (SOEs) that are subject to monitoring by the Ministry of Finance. Public debt reports should be presented with and without government guarantees, taken from external and domestic creditors.	PPA3. In FY23, the Government will not enter into any contractual obligations for new external public and publicly guaranteed non-concessional debt, except if the non-concessional debt limit is adjusted by the World Bank to (a) reflect any material change of circumstances or (b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	PPA2. By April 28, 2023, the Government will approve and publish a new SOE Fiscal Risks Management Program for 2022-2026, aiming to strengthen the Ministry of Finance capacity for monitoring and assessment of fiscal risks from the SOE sector and improve corporate governance in SOEs that are subject to monitoring by the Ministry of Finance. The Program will be supplemented with a medium-term action plan for the implementation of the Program.
Tanzania	IDA-only	Moderate	No	No	PPA1. To strengthen debt transparency, the Ministry of Finance and Planning (MoFP) and Bank of Tanzania have: (i) expanded the coverage of the Public and Publicly Guaranteed (PPG) to include debt of the major state-owned enterprises (SOEs) and publish in the Monthly		PPA2. To strengthen efficiency of Public Investment Management (PIM), the MoFP through the Pay Master General's Circular has adopted the new criteria for prioritization and implementation of public investment projects, which includes climate and value for money (VFM) considerations. PPA3. To strengthen the

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					Economic Review (MER) on the BoT website by December 2022; and (ii) published quarterly domestic borrowing calendar on the BoT website, with the first calendar published by December 2022.		efficiency and transparency of VAT refund system and increase domestic revenue mobilization, the Tanzania Revenue Authority (TRA) has: (i) applied risk-based approach for the VAT refunds; and (ii) strengthened E-filing systems to speed up VAT refund.
Timor-Leste	Blend	Moderate	Yes	Yes			PPA1. To strengthen fiscal sustainability, the Council of Ministers has approved and submitted to Parliament a new VAT Code that applies a uniform VAT rate of 10 percent on domestically traded and imported goods with limited exceptions. PPA2. To strengthen fiscal sustainability, the Council of Ministers has approved the submission of a revised Tax Procedures Code to the Parliament that provides for: (i) adoption of e-filing procedures; (ii) risk-based tax audit functions; (iii) establishment of a tax-payer service function.
Togo	IDA-only	Moderate	No	No		PPA1. To improve debt management, the Ministry of Economy and Finance will adopt a circulaire requiring that the Annual Report on Public Debt (ARPD) includes an assessment of the	PPA2. To improve fiscal sustainability and enable effective tax policy reforms, the Revenue Office (OTR) will complete a country-wide fiscal census of taxpayers in both formal and informal sectors and will publish

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						implementation of the Annual Borrowing Plan (ABP) with lessons learned for the debt management strategy moving forward, and will publish the assessment in the next ARPD in March 2023.	on its website a report containing (i) the main results of the Census and (ii) follow up actions on tax registration and tax collection based on the new data. PPA3. To improve fiscal sustainability and reinforce the authorities ability to evaluate the efficiency of tax expenditures, the Ministry of Economy and Finance will adopt an arrêté establishing a new framework for the periodic evaluation of the efficacy of tax and customs exemptions and other preferential tax regimes, including the division of responsibilities, the sharing of information, and methodologies used for these evaluations, and will publish a pilot impact study for selected tax exemptions in the 2022 Tax Expenditure Report.
Tonga	IDA-only	High	No	Yes		PPA1. To strengthen debt management and fiscal sustainability, Cabinet has approved a Public Financial Management bill for submission to Parliament that, among other actions, outlines key fiscal responsibility principles to guide fiscal policy and a numerical limit on the stock of government guaranteed debt.	

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						PPA2. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	
Tuvalu	IDA-only	High	Yes	Yes		PPA1. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to: a) reflect any material change of circumstances; or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy (DLP).	PPA2. To promote transparency on contingent liabilities, the Minister of Finance has issued a Ministerial Order requiring the annual disclosure of fiscal risks as a stand-alone report on the Ministry of Finance's (MOF) website.
Uganda	IDA-only	Moderate	No	No		PPA1. To improve debt sustainability, the Government limited the present value of	PPA2. To improve fiscal sustainability, the Cabinet has approved a Public Investment

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						new external borrowing to US$2,748 million in FY22/23, except if this limit was adjusted: (a) by the World Bank to reflect any material change of circumstances, or (b) in coordination with the IMF, in particular, in line with adjustments to the IMF Debt Limit Policy.	Management Policy streamline to the processes for identification, appraisal, selection, financing, implementation, and maintenance of projects and, consequently, MFPED has undertaken a review of the public investment program (PIP) and exited non-compliant projects accounting for at least 10% of FY21 stock of projects in the PIP to raise fiscal savings. PPA3. To raise Uganda's revenue effort, Cabinet has approved and submitted to Parliament a VAT reform Bill that expands the tax base through removal of redundant tax expenditures and taxation of digital transactions, and introduces rules to clarify hitherto nontaxed special cases.
Vanuatu	IDA-only	Moderate	No	Yes	PPA2. The Government of Vanuatu has published on the website of the Ministry of Finance and Economic Management (MFEM) three quarterly reports that provide accurate and timely information on the domestic and external debt stock, including creditor residency, currency composition, repayment profile, average maturity, on-lending and debt of statutory corporations.	PPA1. To improve debt sustainability, the Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt during the period July 2022-June 2023, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular, in line with	

Country	Country Characteristics				PPAs		
	Lending Category	Risk of Debt Distress, May 2022	FCV (Y/N)	Small States (Y/N)	Debt Transparency	Debt Management	Fiscal Sustainability
						adjustments in the IMF Debt Limits Policy (DLP).	
Zambia	Gap	High	No	No		PPA1. To strengthen fiscal and debt management, the Recipient, through its Parliament, has enacted the Public Debt Management Act, which aims to strengthen debt management, accountability, and transparency. PPA2. The Government will not enter into any contractual obligations for new external public and publicly guaranteed (PPG) non-concessional debt in FY23, except if the non-concessional debt limit is adjusted by the World Bank to a) reflect any material change of circumstances or b) in coordination with the IMF, in particular in line with adjustments in the IMF Debt Limit Policy.	PPA3. To improve budget credibility and expenditure control, the Recipient, through its Ministry of Finance and National Planning has (a) required that Ministries, Provinces and Spending Agencies (“MPSAs”) submit annual cashflow plans for 2022, and (b) issued quarterly cashflow ceilings to MPSAs for 2022, to enable strategic allocation of resources and service delivery going forward.