

As previewed last year, the IMF has introduced a new matrix for setting borrowing ceilings for low income country Fund programmes. The new matrix replaces conditions prohibiting contraction of debt with a grant element of less than 35%. Instead the borrowing ceiling will take account of a country's debt vulnerability (measured by its DSF debt distress rating) and its macroeconomic and public financial management capacity (measured by CPIA and PEFA indices). Countries with high debt vulnerabilities and low capacity will face tighter concessionality requirements (minimum 35% grant element) than those with low debt vulnerabilities and high capacity (for the most more advanced LICs there will be no concessionality limit).

For a more detailed discussion of these limits see www.imf.org/external/ and www.imf.org