

## **SOVEREIGN DEBT PROVISION MATRIX**

In order to determine appropriate levels of provisions it is necessary to take the following influences into account:

### **Score**

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| 1. Whether a country is currently taking unilateral action to limit its debt servicing payments.  | Scores 3 if a current moratorium has been in force for up to 3 months. Scores 6 for between 3 and 12 months. Any moratorium over 12 months scores 10.  |
| 2. Whether a country is in the course of rescheduling official or commercial debt or has rescheduled such debt at any time in the last five years, or is currently in default.  | Scores 10 where a country has rescheduled or is in the process of rescheduling. Scores an extra 5 where a country has rescheduled the same principle amounts more than once during the last 5 years. |
| 3. Whether a country is currently in arrears on either interest or principal to any International Financial Institution (e.g. IMF, World Bank, or a regional development bank). | Scores 10.   |
| 4. Whether a country has current arrears on principal or interest from external creditors other than those in 3 above.  | Scores 4 for arrears of currently up to 3 months. Scores 8 for arrears in excess of that period.   |
| 5. The annual amount of interest payable by a country expressed as a percentage of the annual value of its exports of goods and services.                                       | A ratio between 15% and 24.9% scores 2. 25% or more scores 4.  |
| 6. The average monthly value of a country's imports (during the last 12 months) divided into its reserves (including gold).   | Import cover of 1.9 (months) or less scores 4. Cover between 2.0 and 3.9 (months) scores 2.  |
| 7. A country's total external debt divided by its Gross Domestic Product and expressed as a percentage.   | Ratios between 50% and 74.9% score 2. 75% and over score 4.  |
| 8. The total external debt of a country divided by the annual value of exports of goods and services and expressed as a percentage.   | A ratio between 300% and 499% scores 2. 500% and over scores 4.  |

**Score**

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| 9.  | A country is not meeting its IMF requirements or is unwilling to subject itself to IMF requirements.   | Scores 3.   |
| 10. | A country has an unfilled external financing gap between its prospective payments outflows and its prospective inflows after taking into account all presently available sources of finance. | Scores 2.   |
| 11. | The secondary market 'bid' price for a country's debt  | If this price is between 50% and 79.9% it scores 2. Below 50% scores 4.   |
| 12. | Whether a country has an over-dependence on a single crop or commodity   | Scores 2 if 30.0% or more of the value of a country's exports of goods and services consists of a single primary crop or commodity. |
| 13. | Whether any other factors are affecting the ability of a country to repay its debt both now and in the future.   | Scores any number from 0 to 5.  |

***Total***

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Provisions could be assessed on the following basis:

<b><u>Total Score</u></b>	<b><u>Provisions</u></b>
10-22	5-15%
23-36	16-25%
37-50	26-40%
51-64	41-60%
65-75	61-100%