

Discussion paper on developments in the supranational sector

Scope seeks market participants' feedback on analytical developments

With this discussion paper, Scope invites market participants to provide feedback on several key analytical themes and developments in the supranational sector, in particular for multilateral development banks (MDBs). This document is intended solely to seek market feedback and information, and it does not propose any changes to Scope's supranational rating methodology or any other rating methodologies.

Please send any written feedback to a.lennkh@scoperatings.com by 31 December 2025, 18:00 CET. Responses will not be published and will be used solely for internal purposes.

A central area of interest relates to the evolving approaches to capital management and the ongoing changes to MDBs' business models. These changes are aimed to maximise the use and impact of existing capital resources, following recommendations from the [G20 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks \(CAF\)](#), published in mid-2022.

On capital adequacy, MDBs have placed greater emphasis on risk-based capital metrics for capital management. Additionally, there has been a significant improvement in the availability and quality of publicly available information, most importantly for data published by the Global Emerging Markets Risk Database (GEMs) Consortium on historical default and recovery rates for MDBs. These data can be used to more accurately calibrate a risk-weighted assets (RWA) approach to assess capital adequacy for MDBs.

In addition to the discussion on capital adequacy, we would like to receive feedback on institutional elements and liquidity management practices.

1. Risk-based capitalisation assessment

Scope seeks feedback on developments that point to greater relevance of a risk-based capitalisation metric to inform the analysis of capital adequacy. Such a capitalisation ratio allows for the incorporation of the increasing usage of credit enhancements and the benefits derived from preferred creditor status (PCS) on observed default and recovery rates.

The availability of public data to calibrate such a model has improved. The GEMs database provides long-run time series on MDBs' default and recovery rates. As highlighted in these datasets, default rates and recovery rates for MDBs are substantially more favourable than those incurred by private-sector creditors reflecting the special status and role afforded to them.

With feedback on the following questions, we seek views on the importance market participants see for a risk-based capitalisation metric to assess solvency and, where relevant, what granularity the metric should be calibrated to:

- i) Do you agree that placing a greater emphasis on a risk-weighted capital metric, rather than focussing mainly on risk-insensitive leverage measures, would enhance the analysis?
- ii) Would you consider the inclusion of treasury assets in the credit risk RWA calculation to improve the analysis or would the focus only on mandate-related assets, such as loans, equity investments and guarantees provide sufficient information?

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- iii) Would market participants view a risk-weight-differentiation according to exposure type and rating category as adequately granular?
- iv) Would you view as appropriate the calibration of risk weights based on MDB-specific historical default and recovery rates? Do you view the GEMs database as a robust basis for such a calibration?
- v) To what extent do market participants view risk weights under the Basel standardised approach to credit risk RWAs as relevant for MDBs, for sovereign, public sector and/or private sector exposures?
- vi) Would you consider that an assessment of risk-insensitive leverage within the capitalisation assessment still provides valuable information? If so, to what extent do you believe it is complementary to risk-based metrics?

2. Institutional aspects and shareholder support

An institution's mandate and governance aspects are important elements of supranational credit analysis. We seek market feedback on the separation between governance aspects pertaining to an institution's shareholder base versus the institution's intrinsic governance, including its strategy and track record.

Specifically, we would value feedback on the following questions:

- i) Do you consider the actual track record and expectation of shareholder cohesion and decision-making more informative than quantitative shareholder concentration metrics?
- ii) Do you consider an institutions' mandate, including social and environmental factors, to be closely linked to shareholders' willingness to provide support, for example via a capital increase?

3. Liquidity assessment

An institution's liquidity position and management are fundamental to analysing a supranational's ability to stay current on its liabilities in potential stressed scenarios.

- i) Do market participants consider that the liquidity analysis is too favourable if lower-rated securities were included in liquidity resources, for example, assets rated below AA-? If lower-rated assets were to be included, how would market participants view the calculation of haircuts on such assets? Do they see haircut values included in the Basel liquidity coverage ratio calculations as an appropriate reference for a haircut analysis of MDBs' liquid asset portfolios?

In this context, an important distinction is whether to assess an institution's ability to stay current on its liabilities and continue disbursing loans and other commitments as usual, or rather focus on a "survival horizon", where institutions would strategically limit disbursements in a scenario of balance sheet retrenchment to safeguard liquidity.

- ii) Would you consider a liquidity analysis based on contractual disbursements, rather than expected disbursements (for example as communicated publicly by the issuer), as providing more appropriate insight into the adequacy of an institution's liquidity position?

4. How to provide feedback

Market participants are invited to provide their feedback on the analytical subjects and questions discussed in this paper.

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Related research

[Scope updates its Supranational Rating Methodology](#), May 2025

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