



THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE

TANZANIA NATIONAL DEBT SUSTAINABILITY ANALYSIS



October 2024

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ABBREVIATIONS AND ACRONYMS

BOT	Bank of Tanzania
CI	Composite Indicator
CPIA	Country Policy and Institutional Assessment
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EAC	East African Community
ECA	Export Credit Agency
EFD	Electronic Fiscal Device
EFDMS	Electronic Fiscal Device Management System
FDI	Foreign Direct Investment
FYDP	Five Year Development Plan
GDP	Gross Domestic Product
GePG	Government Electronic Payment Gateway
IDA	International Development Association
LIC-DSF	Debt Sustainability Framework for Low-Income Countries
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MoF	Ministry of Finance
MTDS	Medium-Term Debt Management Strategy
PV	Present Value
WEO	World Economic Outlook

Foreword

In accordance with Regulation 38 (d) of the Government Loans, Guarantees, and Grant Act, Cap. 134, the Government is mandated to perform an annual Debt Sustainability Analysis (DSA). The Ministry of Finance prepares the DSA as part of fulfilling this obligation. The primary objective of this analysis is to assess the country's ability to fulfill its existing and upcoming debt commitments. It serves as a guiding framework for making informed borrowing decisions, ensuring a balance between gross financing needs and the capacity to repay debts both in the current and future periods.

The 2024 DSA reveals that all external debt burden indicators continue to remain below the established thresholds in the baseline, affirming the sustainability of Tanzania's debt in the medium and long term. Nevertheless, the country's debt carrying capacity has encountered challenges due to global shocks, notably the economic repercussions of the Russia-Ukraine war and the deceleration of exports. Consequently, under shock scenarios, the country faces constrained capacity to service its external debt.

The 2024 DSA findings reveal that both the present value (PV) of external public debt to GDP and the PV of public debt to GDP ratios remain below the threshold, at 24.1 percent and 40.3 percent, respectively; compared with their respective thresholds of 40 percent and 55 percent thresholds in 2024/25.

This positive outcome is attributed to a stable macroeconomic outlook, supported by conducive government policies, and an efficient debt management strategy.

While solvency seems to be within the thresholds, as indicated by the PV of debt to GDP, external debt servicing for the external debt is sensitive to exports, indicating that, the country has limited space to absorb liquidity shocks.

In this context, the Government is steadfast in its commitment to implementing robust measures aimed at bolstering revenue mobilization and streamlining expenditures, acknowledging their crucial role in upholding fiscal buffers over the medium term. Emphasizing the significance of vigilant monitoring of external borrowing, the government strategically prioritizes optimizing a blend of concessional loans from both multilateral and bilateral official lenders, along with semi-concessional loans from Export Credit Agencies (ECAs) in the short to medium term. This approach is in harmony with the government's overarching objective of fostering sustainable fiscal practices and exercising prudent management of financial resources.



Hon. Dr. Mwigulu Nchemba (MP),
Minister of Finance

Acknowledgement

The DSA framework is a tool jointly developed by the International Monetary Fund and World Bank for countries to evaluate their ability to service debts without compromising economic growth and stability. Tanzania 2024 DSA examined a range of factors that impact its debt profile, such as the level and structure of debt, macroeconomic conditions, external factors, and policy frameworks.

This framework starts by assessing a country's debt levels relative to its economic output, such as its debt-to-GDP ratio, and its ability to generate sufficient revenues to service its debt obligations. It also considers factors such as the composition of debt, including its currency and maturity structure, and the country's external financing needs. It also examined a range of macroeconomic indicators, such as inflation, exchange rates, and economic growth, to determine how these factors might impact a country's ability to service its debt. External factors, such as changes in global interest rates or shifts in international trade patterns, were also considered.


In view of the above, we would like to express our gratitude to IMF & WB for their invaluable support and consultations on the Tanzania's economic program under the ECF arrangement. We would also like to thank Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) for their guidance throughout the DSA workshop. Finally, we would

like to express our appreciation to a team led by the Debt Management Department of the Ministry.

The team also included officials from Policy Analysis, Budget Analysis departments, President office - Finance and Planning Zanzibar, the Bank of Tanzania, National Planning Commission, Treasury Registry Office, and the National Bureau of Statistics.



Dr. Natu E. Mwamba
Permanent Secretary - Treasury



Chapter One Introduction

The Government of Tanzania conducted a Debt Sustainability Analysis (DSA) in line with Regulation 38 (d) of the Government Loans, Guarantees and Grant Act, Cap. 134, to ensure the continued sustainability of government debt in the medium to long term, while aligning prospective new external and domestic borrowings with the macroeconomic framework. This comprehensive assessment evaluated both present and future debt levels, as well as the country's capacity to meet debt servicing obligations without compromising economic growth and development. The 2024 DSA was carried out by Tanzanian officials in collaboration with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

The 2024 DSA used the Low-Income Countries Debt Sustainability Framework (LIC-DSF) which assesses the trend of various debt burden indicators under different scenarios to inform policy decisions and design appropriate measures to maintain the public debt within sustainable levels. The debt data used for 2024 DSA comprised of public and publicly guaranteed external and domestic debt, as well as private sector external debt. The analysis covers 10 years historical data and 20 years projections, using 2023/24 as base year and 2024/25 as first year of projection.

The 2024 includes broader public debt coverage compared to previous assessments. The public sector debt scope encompasses central government debt, central bank borrowing on behalf of the government, government-guaranteed debt, and non-guaranteed debt from state-owned enterprises (SOEs). This aligns with the government's objective to enhance debt management standards and increase transparency.

Furthermore, the 2024 DSA incorporates key macroeconomic assumptions, including the implementation of various development projects and the recovery of both the domestic and global economies from recent global shocks. The assessment also considers downside risks, such as the effects of ongoing global tensions.

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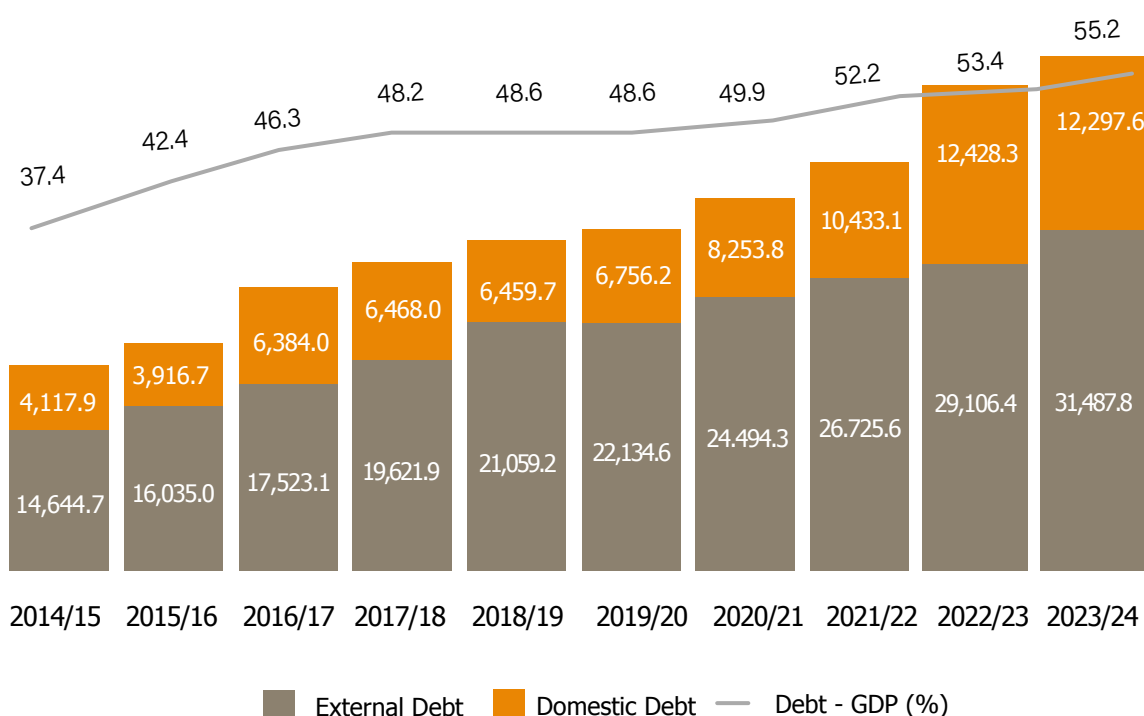
Chapter Two Debt Portfolio Review

2.1. National Debt Developments

As at end June 2024, the total national debt stock comprising public domestic and external debt, as well as private sector external debt, stood at USD 43,785.4 million, representing 55.2 percent of GDP, compared to USD 41,534.7 million recorded in June 2023. Out of this, domestic debt was USD 12,297.6 million, equivalent to 15.5 percent of GDP, and external debt (including public and private) was USD 31,487.8 million, equivalent to 39.7 percent of GDP (Chart 1.1). The annual increase is attributable to new disbursements of external loans, issuance of new Government securities and utilization of the overdraft facility.



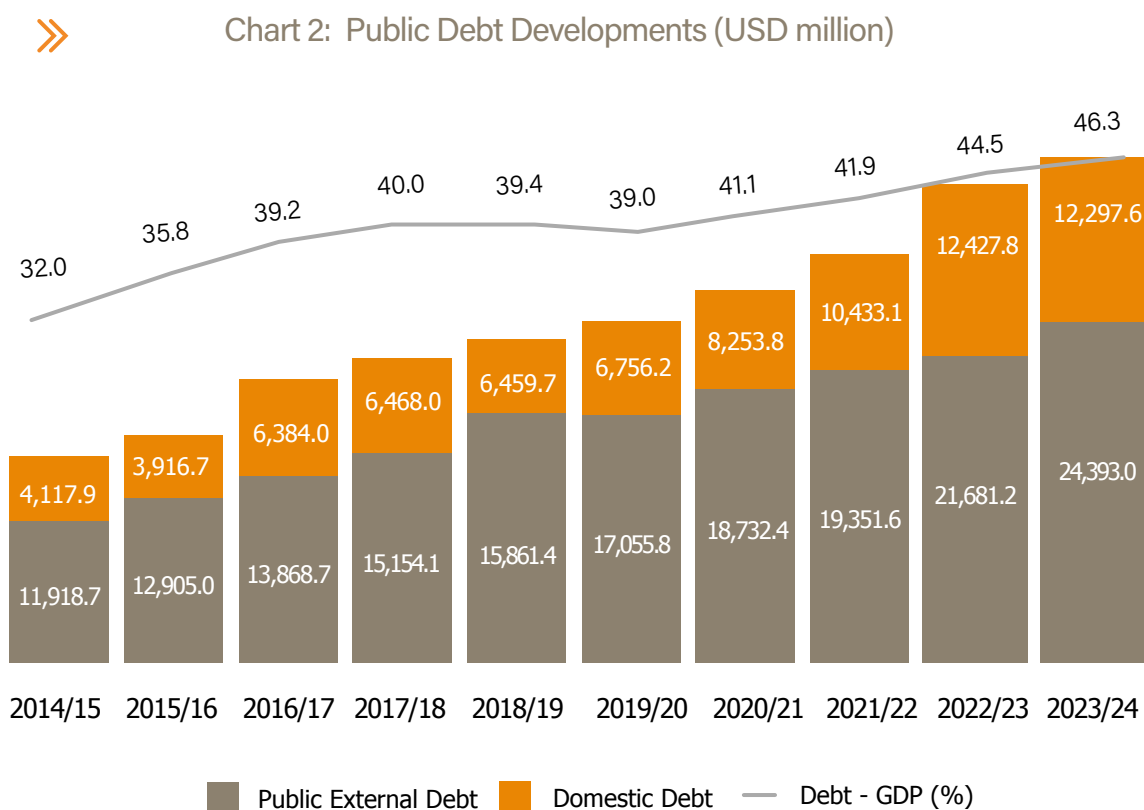
Chart 1: National Debt Developments (USD Million)



Source: Ministry of Finance, and Bank of Tanzania

2.2. Public Debt Developments

Public debt stock stood at USD 36,690.7 million (46.3 percent of GDP) at end June 2024 from USD 34,109.1 million (44.5 percent of GDP) recorded in June 2023, equivalent to an increase of 7.2 percent. External debt accounted for 66.5 percent of the public debt while domestic debt accounted for 33.5 percent (Chart 2).



Source: Ministry of Finance, and Bank of Tanzania

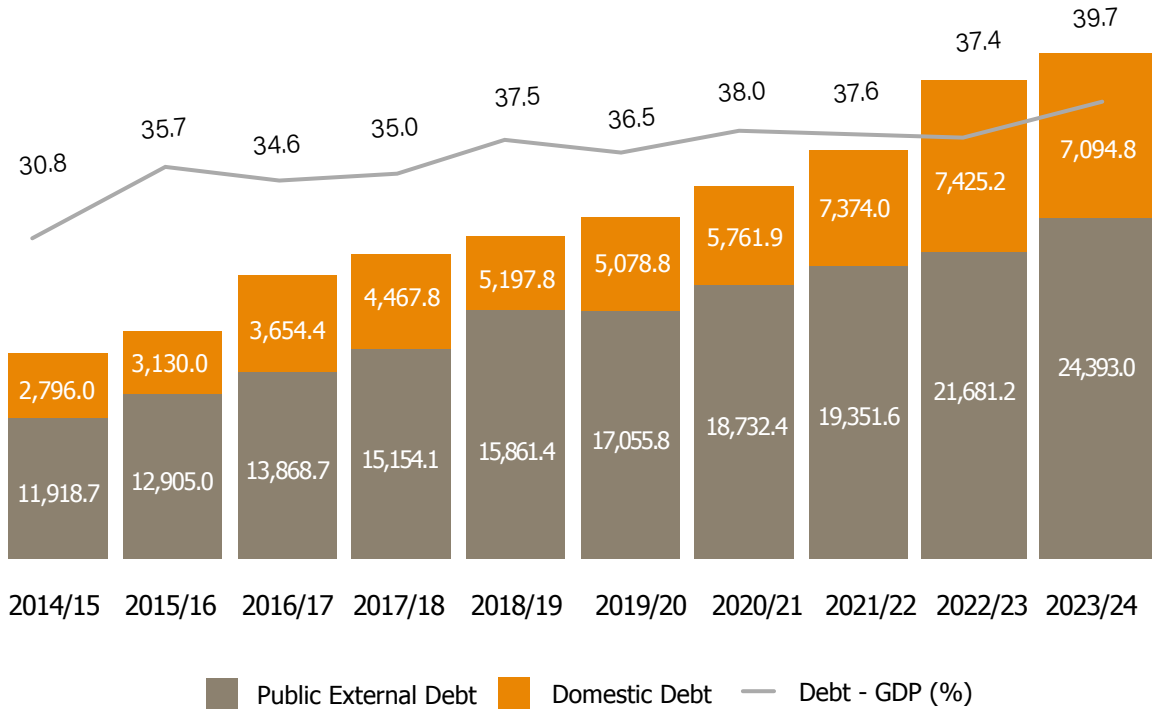
2.3 External Debt Developments

The stock of external debt (comprising public and private sector) was USD 31,487.8 million at the end of June 2024, equivalent to an increase of 8.2 percent from USD 29,106.4 million recorded in June 2023. Out of that, external public debt was USD 24,393.0¹ million and private sector debt was USD 7,094.8 million (Chart 3).

¹ The stock of external public debt includes bilateral interest arrears pending for negotiation around USD 251.9 million.



Chart 3: External Debt Developments (USD million)



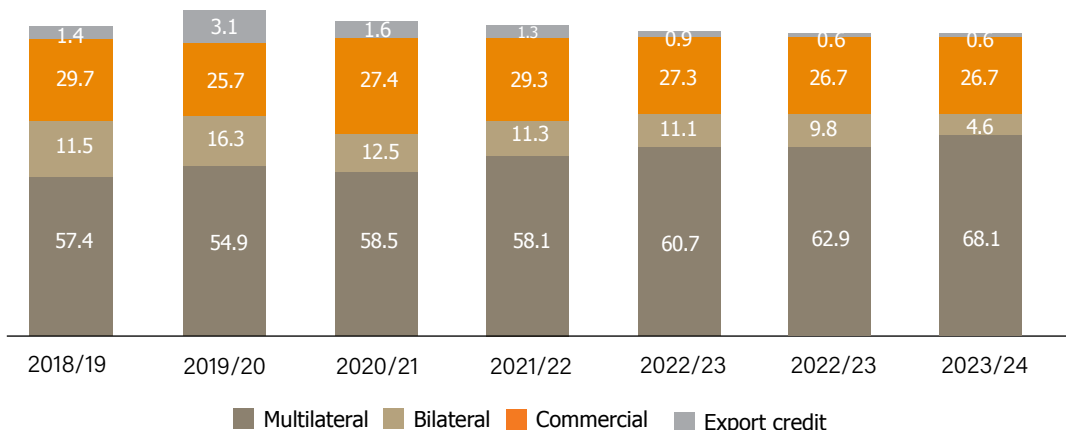
Source: Ministry of Finance, and Bank of Tanzania

2.4 External Public Debt Stock by Creditor Category

Multilaterals continued to dominate the external debt portfolio, whereby their relative share increased to 68.1 percent in June 2024 from 62.9 percent recorded in June 2023. The continued dominance of multilateral institutions is mainly on account of support from the World Bank and IMF, and this signals that a large portion of external public borrowing has been contracted on favorable terms. On the other hand, the share of Commercial creditors, remained at 26.7 percent in June 2024 as it was in June 2023 (Chart 4).



Chart 4: External Public Debt Stock by Creditor Category (Percent)

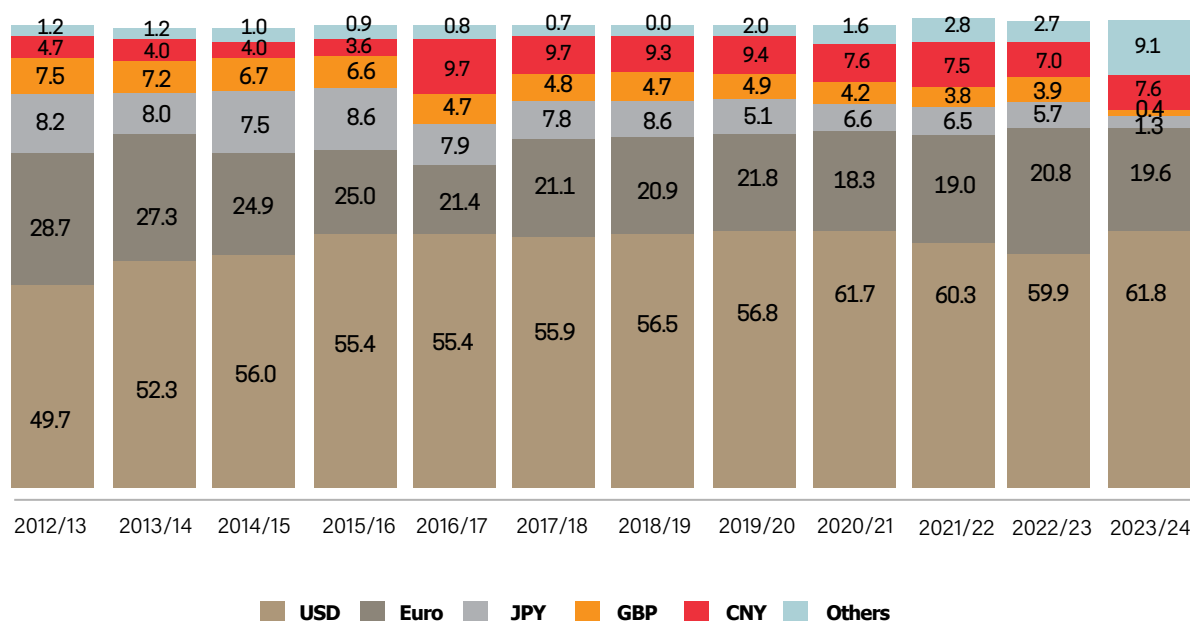


Source: Ministry of Finance, and Bank of Tanzania

2.5 External Central Debt by Currency Composition

In terms of currency, the US Dollar remained the dominant currency in the outstanding external public debt representing 61.8 percent, followed by Euro covering 19.6 percent as of June 2024 (Chart 5).

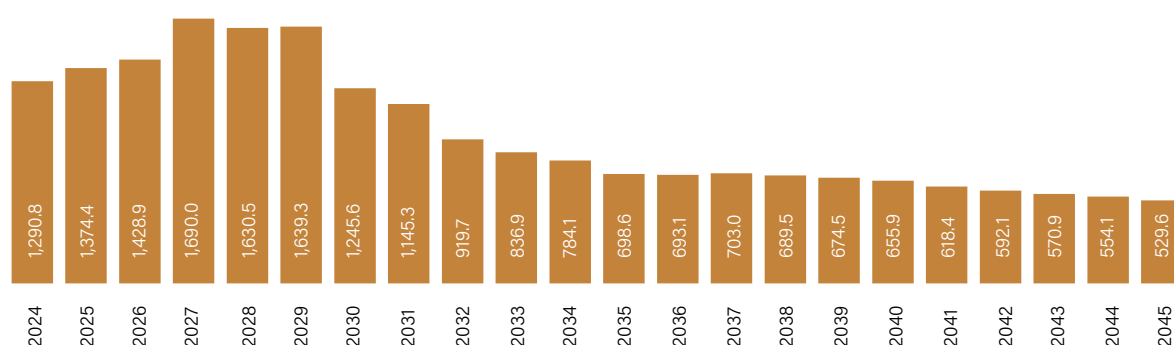
» Chart 5: Currency Composition of Central External Debt (Percent)



2.6 External Debt Redemption Profile

The outlook for redemption profile in the external debt shows that more than 50 percent of outstanding debt will fall due within the next ten years. This outlook reflects that some flagship projects will be completed, and their grace period elapsed thus their principal repayments fall within the short to medium term (Chart 6).

» Chart 6: Central Government External Debt Redemption Profile (TZS Billions)

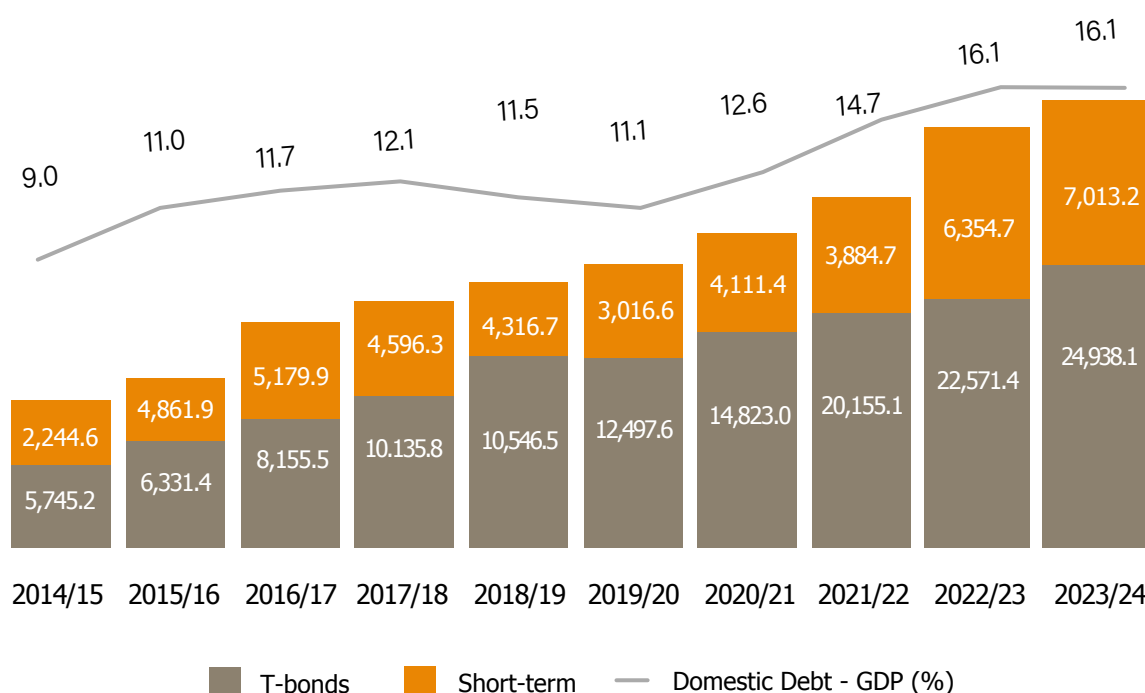


Source: Ministry of Finance, and Bank of Tanzania

2.7 Domestic Debt Developments

Tanzania domestic debt stock as at 30th June 2024 was TZS 31,951.24 billion equivalent to 16.1 percent of GDP. The domestic debt increased from TZS 28,926.10 billion recorded at end of June 2023, indicating an increase of TZS 3,025.14 billion (10.46 percent). The increase was mainly attributed to new borrowing to finance the Government budget, utilization of the overdraft facility and issuance of non-cash Special bonds in favour of NSSF and PPL. Treasury bonds remained dominant, accounting for 78.05 percent of the debt stock, consistent with the government strategy of lengthening the maturity profile of domestic debt through the issuance of long-term instruments (Chart 7).

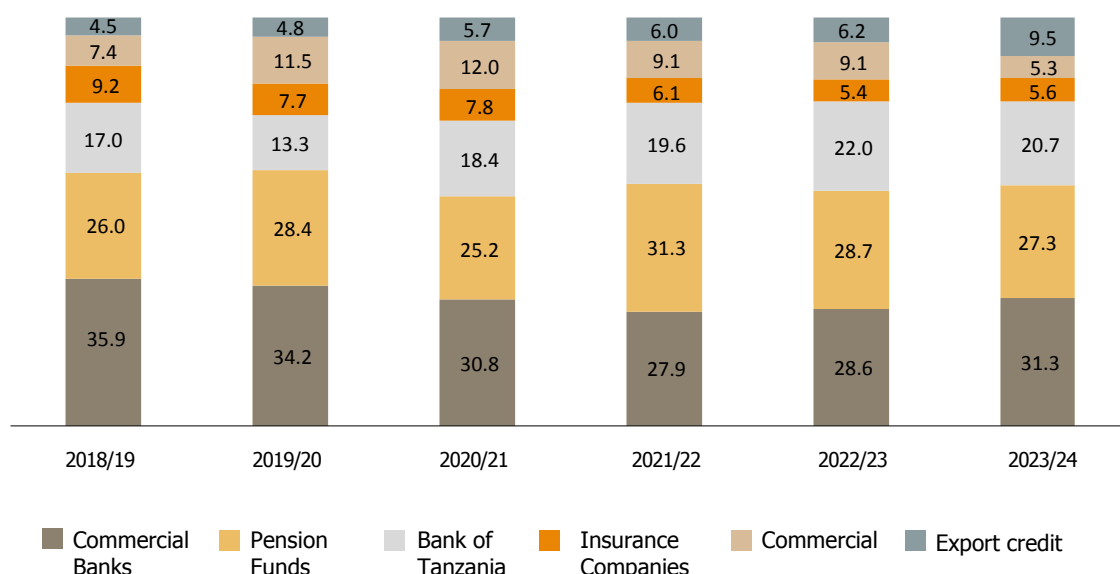
» Chart 7: Central Government Domestic Debt Developments (TZS Billion)



Source: Ministry of Finance, and Bank of Tanzania

Commercial banks and social security schemes remained the leading Government domestic debt creditors, accounting for 31.3 percent and 27.4 percent, respectively. In comparison to the previous year, there is a change in leading dominance from Pension Funds with 28.7 percent in 2022/23 to commercial banks with 31.3 per cent in 2023/24. The trend shows a notable gradual increase in the individual share of domestic debt over the past decade but with a significant increase from 6.2 percent in 2022/23 to 9.6 percent in 2023/24 (Chart 8).

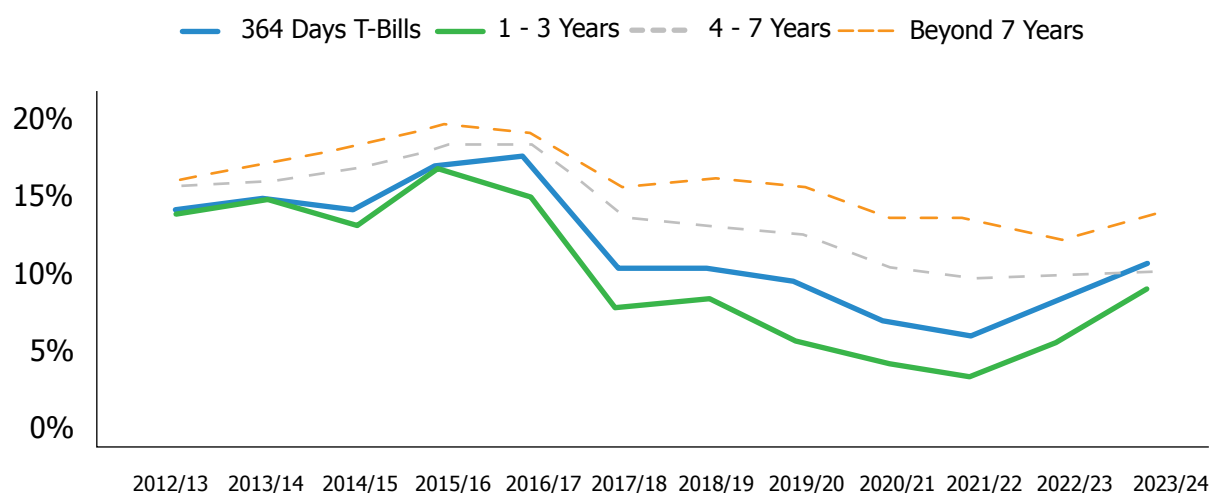
» Chart 8: Domestic Debt by Holder's Category (Percent)



Source: Ministry of Finance, and Bank of Tanzania

Yields on government securities depicted mixed trends in 2023/24. The 364-day bills and 1- to 3-year bonds recorded an increase in yields, yields for 4- to 7-year bonds remained the same as in the previous year while yields for treasury bonds beyond 7-year increased gradually (Chart 9). Increased investors' participation, especially individuals and intensified competition of comparable instruments in the market are the factors behind slight increase in the yields for beyond 7-year treasury bonds.

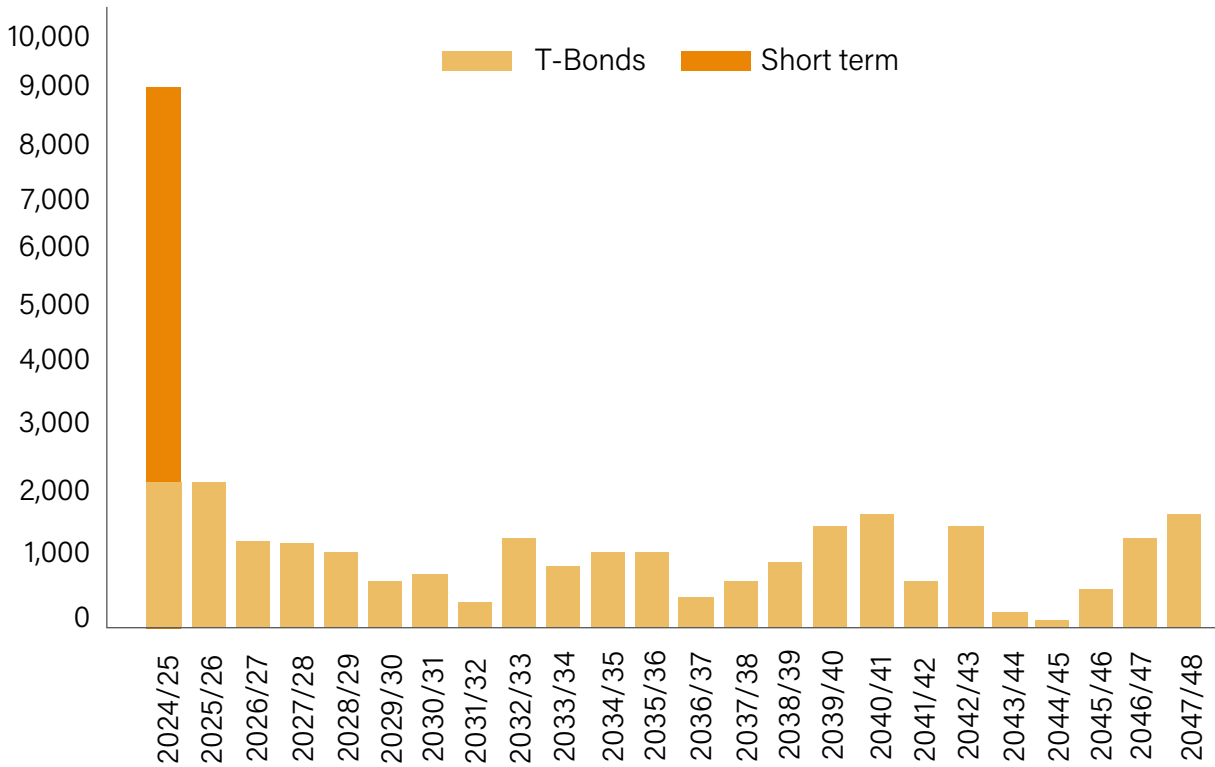
» Chart 9: Trend of Weighted Average Yields for Government Securities



Source: Ministry of Finance, and Bank of Tanzania

Domestic debt redemption profile shows that a large proportion of domestic debt matures in 2024/25, owing to repayment of short-term obligations which include overdraft facility amounting to TZS 4,666.07 billion. There is a mixed trajectory of the redemption profile overtime, with higher levels attributed to re-openings of long-term bonds (Chart 10).

» Chart 10: Domestic Debt Redemption Profile (TZS Billions)



Source: Ministry of Finance, and Bank of Tanzania

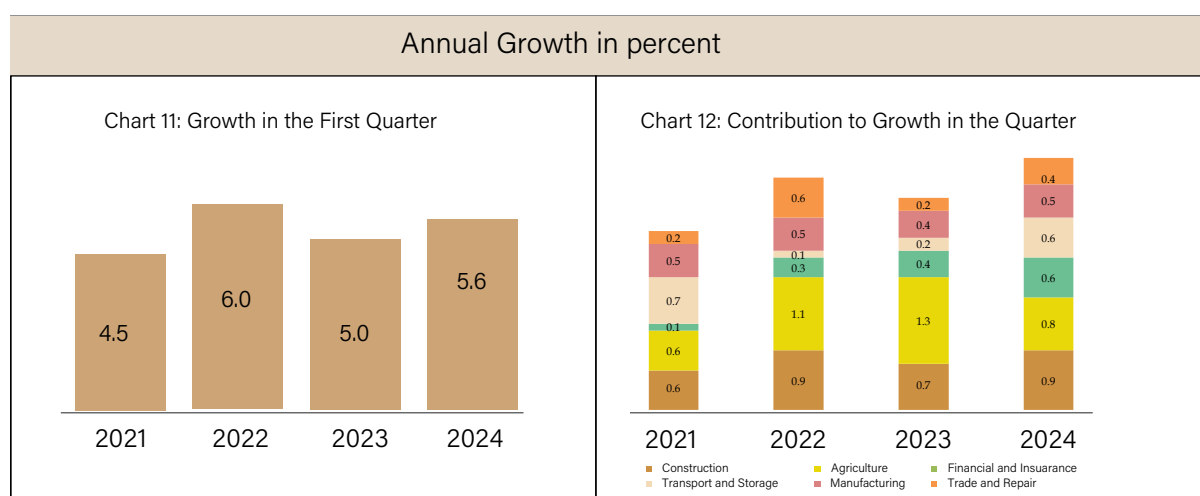
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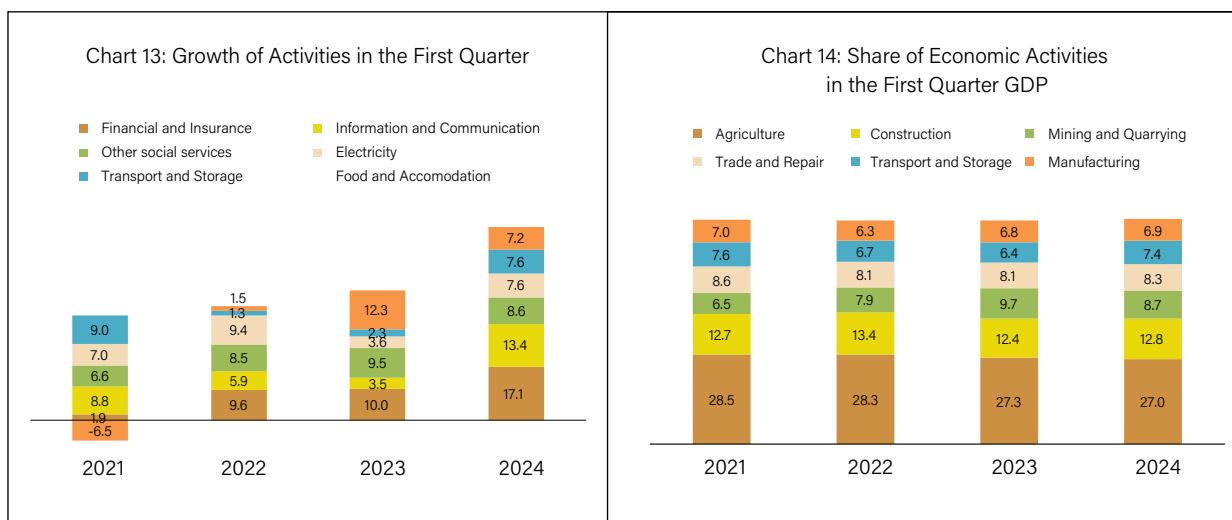
Chapter Three

Recent Economic Developments

The economy has remained resilient despite facing a series of shocks emanating from both external and domestic economies. Real GDP grew by 5.1 percent in 2023 from 4.7 percent recorded in 2022 supported by continued Government spending on strategic public investments in energy, social sector, and transportation infrastructures; increased production of minerals, especially gold and coal; and increased credit to the private sector that stimulated economic activities.

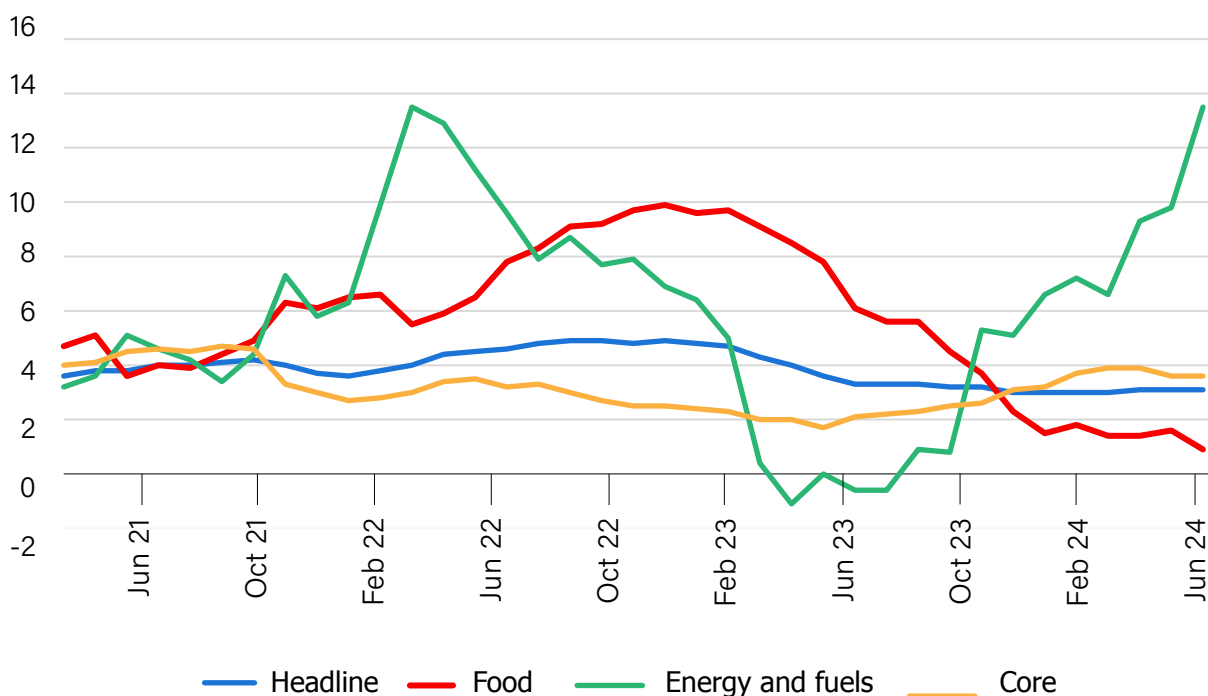
During the first quarter of 2024, the economy grew by 5.6 percent compared to 5.0 percent recorded in the corresponding period of 2023 (Chart 11). Agriculture continued to dominate by holding 27.0 percent of GDP followed by Construction which hold 12.8 percent (Chart 12) and remains to be significant contributors to growth at 0.8 percent and 0.9 percent, respectively, bolstered by the ongoing projects of roads, health, education, and energy and implementation of the programs like Agriculture Sector Development Programme (ASDP II) and Building a Better Tomorrow- Youth Initiatives for Agribusiness(BBT-YIA) (Chart 13). Finance and insurance activities recorded the highest growth rates reflecting progressively growing awareness of using financial products and services (Chart 14). In addition, Information and communication activities experienced an uptick in growth from 3.5 percent recorded in the first quarter of 2023 to 13.4 percent, indicating increased use of ICT in the country as the Government continues to create an enabling environment for telecommunication companies to operate.





Despite higher energy prices and sharp currency depreciation, inflation has remained moderate and within regional benchmarks throughout 2023/24. Headline inflation averaged 3.1 percent, lower than the 4.6 percent recorded in 2022/23. This was mainly attributed to the implementation of prudent monetary policy and adequate food supply. Food inflation declined to an average of 3.0 percent from 8.8 percent in 2023/24. Energy and fuel inflation depicted a downward trend, averaging 5.3 percent from 5.9 percent (Chart 15). Core inflation increased to an average of 3.1 percent from 2.6 percent in 2022/23.

» Chart 15: The Trend of Inflation Between June 2021 and June 2024



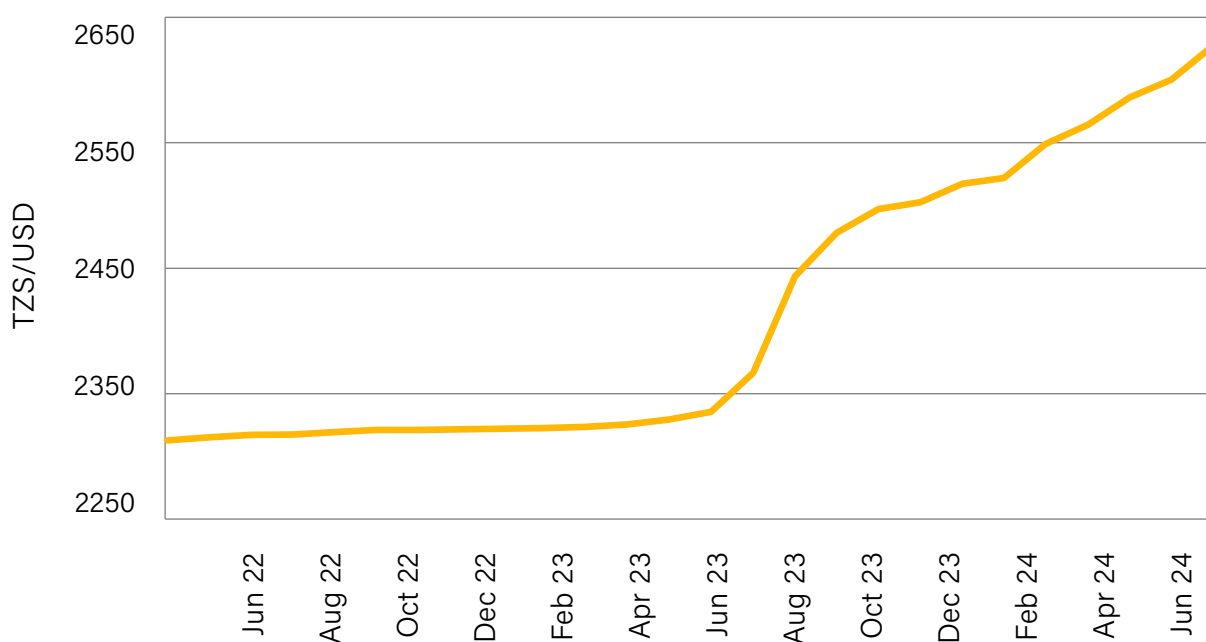
Source: National Bureau Statistics

In 2023/24, the government budget execution showcased satisfactory revenue performance and prudent expenditure management, in line with fiscal consolidation targets as agreed in Extended Credit Facility (ECF) program with the IMF. Accordingly, domestic revenue increased to 15.1 percent of GDP from 14.6 percent registered in 2022/23 with the tax effort reaching pre-pandemic level of 12.5 percent of GDP from 11.9 percent recorded in 2022/23. On the other side, expenditure in 2023/24 decreased to 18.4 percent of GDP from 19.2 percent in 2022/23.

As a result, fiscal deficit improved in 2023/24 to 3.1 percent of GDP from 4.3 percent of GDP recorded in 2022/23. Fiscal deficit was financed by foreign (2.0 percent of GDP) and domestic (1.1 percent of GDP) borrowing. Further, domestic primary balance of -1.2 percent of GDP was within the IMF-ECF program performance criteria.

In 2023/24, the Tanzanian shilling faced significant pressure from the increased demand for foreign exchange as well as the effects of monetary policy tightening in advanced economies coupled with rising global commodity prices. The pressure was particularly pronounced during the first and third quarters, reflecting seasonal fluctuations in foreign exchange inflows from tourism and export crops. As a result, the shilling depreciated by 12.5 percent in the year ending June 2024, a notable increase compared to 0.87 percent depreciation recorded at the end of June 2023 (Chart 16).

» Chart 16: Nominal Exchange Rate Movements (Period Average)



Source: Bank of Tanzania

Current account balance: The current account narrowed as effects of global shocks continue to subsidize following deliberate measures taken by the Government to enhance exports. The current account deficit decreased by 50.2 percent to USD 2,469.5 million (3.1 percent of GDP) in 2023/24 from USD 4,955.6 million (6.4 percent of GDP) in 2022/23 (Table 17). The outturn was on account of earnings from tourism and decline in import bill.

» Table 1: Tanzania Current Account USD million

Items	July-June		Percentage Change
	2022/23	2023/24 ^P	
Goods account (net)	-7,049.2	-5,915.9	-16.6
Exports*	7,351.8	7,869.5	7.0
Imports	14,445.9	13,785.4	-4.6
Services account (net)	2,894.2	4,552.8	57.3
Receipts	5,428.7	6,794.4	25.2
Payments	2,534.5	2,241.6	-11.6
Goods and Services (net)	-4200.0	-1363.1	-67.5
Export of goods and services	12,780.4	14,663.9	14.7
Import of goods and services	16,980.4	16,027.0	-5.6
Primary Income account (net)	-1,403.0	-1,665.2	18.7
Receipts	187.5	196.9	5.0
Payments	1,590.5	1,862.1	17.1
Secondary income account (net)	647.4	558.8	-13.7
Inflows	761.0	748.1	-1.7
o/w General government	96.1	72.2	-24.9
Outflows	113.7	189.3	66.5
Current account balance	-4955.6	-2,469.5	-50.2

*Includes adjustment for unrecorded trade

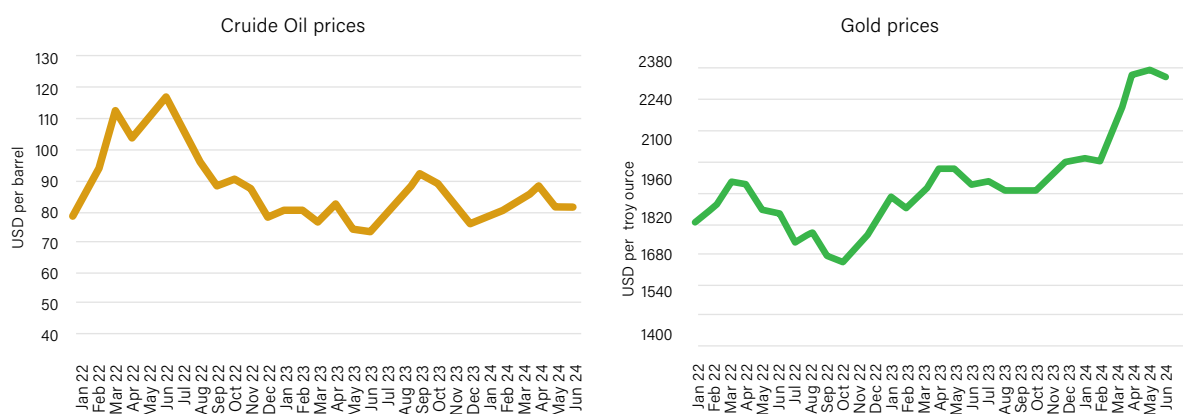
Export of goods and services have maintained strong performance, rising by 14.9 percent to USD 14,663.9 million from 2022/23. The rise was primarily driven by higher service receipts from travel and increased export of gold, traditional goods, and horticultural products. Export of gold rose to USD 3,121.8 million, in 2023/24 from USD 2,909.2 in 2022/23, accounted for 20.9 percent of total goods and services exported.

Service receipts amounted to USD 6,794.4 million in 2023/24, marking an increase of USD 1,365.8 million compared to 2022/23. The growth was driven primarily by travel receipts, which rose to USD 3,642.5 million, accounting for 53.5 percent of total service receipts. Accordingly, the number of international tourists' arrivals increased to 1,994,242 in 2023/24 from 1,638,846 in 2022/23 equivalent to 21.7 percent.

During the year 2023/24, import of goods and services amounted to USD 16,027 million, lower than USD 16,980.4 million in the corresponding period in 2022/23, primarily driven by decrease in the goods import, largely white petroleum products. Import of goods decreased to USD 13,785.4 million in 2023/24 compared to USD 14,445.9 million recorded in previous year, equivalent to a decrease of 4.6 percent. Capital and intermediate goods accounted for 89.9 percent, and consumer goods (10.1 percent).

Import of intermediate goods fell by 4.4 percent with much of the decrease registered in white petroleum products and fertilizers. White petroleum products, which account for 20.3 percent of the total import bill, fell by 10.2 percent to USD 2,802.2 million, due to decline of oil prices in the world market. The average price of crude oil during 2023/24 decreased by 1.7 percent to USD 82.9 per barrel from USD 84.3 per barrel in 2022/23 (Chart 17).

» Chart 17: Crude oil and gold prices



Source: <https://www.worldbank.org/en/research/commodity-markets>

Services payments slightly decreased to USD 2,241.6 million during 2023/24 from USD 2,534.5 million in 2022/23, due to a fall in freight payments consistent with the decrease in goods import bill.

The stock of foreign exchange reserves was USD 5,345.5 million in 2023/24 compared to USD 5,446.1 million at the end of June 2023. The reserves were adequate to cover about 4.4 months of projected import of goods and services, above the country's target of not less than 4 months.

4 Chapter Four

Recent Economic Developments

4.1 Macroeconomic assumptions

Economic growth: During the year 2023, the real GDP grew at 5.1 percent and is projected to pick up to 5.4 percent in 2024. In the medium term (2024 – 2028), real GDP is projected to grow at an average of 6.1 percent. The projected growth is attributed to the assumptions on economic transformation associated with measures: to increase efficiency in productive sectors including agriculture through on-going construction and rehabilitation of irrigation schemes; return due to improvement in enabling infrastructure in transport and energy sectors attributed to delivery results on SGR whereby Lot I – (Dar es Salaam – Morogoro) and Lot II (Morogoro to Makutupora) is operational and part of Julius Nyerere Hydropower Project (JNHPP) is operational and successfully injected 470 MW into the National Grid to support undertaking of economic activities. Further, inclusive participation of private sector due to increase in credit to private sector and improved business environment and investment climate will increase the growth of the economy, hence multiplier effect.

Inflation: The rate of inflation is forecasted to remain within the domestic medium-term target of 3-5 percent in line with EAC and SADC convergence criteria. The low inflation forecast is associated with low cost of production on account of reliable power supply emanating from an increase installed capacity for power generation and prudent fiscal and monetary policies. However, the upward risk on inflation remains attributed to supply shocks to foods as a results of climate change impacts and energy price spikes.

Fiscal policy: The fiscal outlook anticipates a rise in domestic revenue aligned with GDP growth, and government initiatives as outlined in the Medium-Term Revenue Strategy 2024/25 – 2026/27, formalization of the informal sector, and improvements in electronic revenue collection systems. Projection of grants and external borrowing is aligned with implementation of the Development Cooperation Framework (DCF) and flagship projects including the Standard Gauge Railway (SGR) line. Moreover, Net Domestic Financing (NDF) is projected around 1% of GDP each year.

Expenditure is anticipated to increase in the near term to accommodate ongoing and new projects, public sector hiring, general and local government elections-related costs, and preparations for the Africa Cup of Nations (AFCON). Development expenditure is expected to decline over the medium term, indicating the completion of some flagship projects. Fiscal consolidation in line with the ECF programme will be maintained as the fiscal deficit is projected to remain within the East African Community's convergence criteria of less than 3% of GDP.

Fiscal Development and Medium -Term Outlook

Chart 18: Tax Revenue

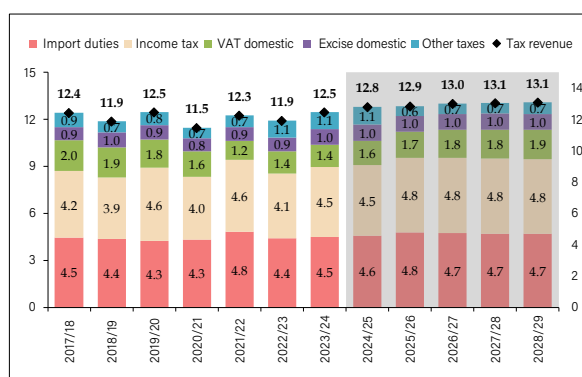


Chart 19: Expenditure

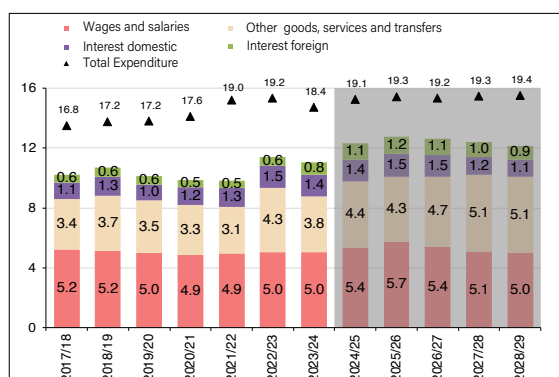


Chart 20: Development Expenditure

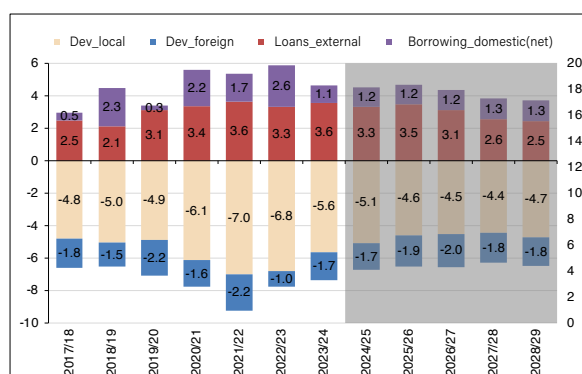
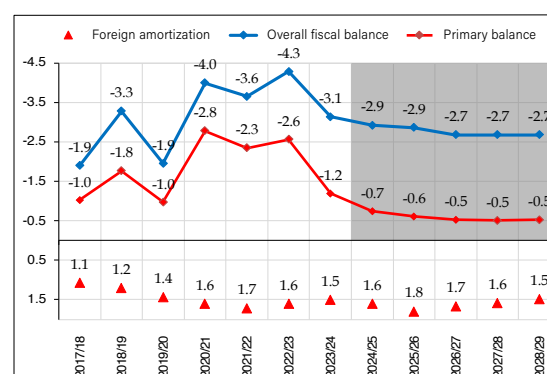


Chart 21: Fiscal deficit & Primary Balance



External sector: Current account deficit is projected to continue narrowing reflecting fiscal consolidation, easing commodity prices, and tight external financing conditions. The assumption behind include; rise in traditional exports supported by government initiatives on agriculture, rise in non-traditional exports– gold, projected rise in tourist arrivals along with import substitution initiatives on fertilizer, sugar, wheat and edible oil that could ultimately reduce import bill.

4.2 Risks to the projection

Despite the upside risks, outlook risks are tilted to the downside that including: Increasing global geopolitical tensions, especially an escalation of conflict in the Middle East may lead to supply disruption and spike in oil prices that will ultimately be passed to increase in production and transportation costs which will dampen growth trajectory and increase inflation; Increased frequency and intensity of adverse weather events are likely to trigger food inflation and undermine growth prospects. Agriculture still accounts for the largest share of GDP; thus, climate change poses a greater risk going forward; Exchange rate stability is banked on monetary policy easing in developed economies, however a change in policy direction prompted by crippling inflation could further put pressure on the Shilling which will have detrimental effect on increase in external debt service and import costs. This will lead to higher inflation and lower growth; Slower recovery of global economy especially China will adversely affect demand for mineral exports and thus lower output; and Increased government debt distress, especially if elevated public debt cannot be stabilized or new sources of financing do not become available (Table 2).

» Table 2: Projection of Selected Macro-Economic Indicators

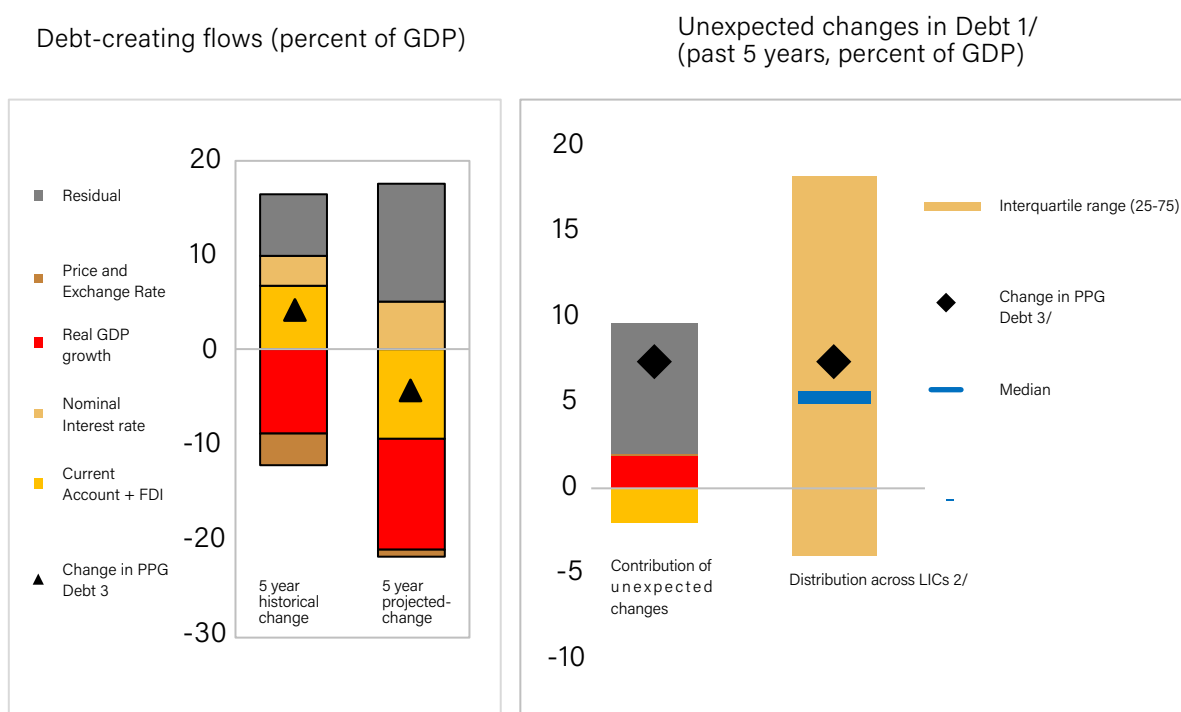
	2023/24	2024/25	2025/26	2026/27	2027/28
GDP Growth (Calendar Year)	5.4%	5.8%	6.1%	6.2%	6.5%
Inflation	3.1%	4.1%	4.1%	4.1%	4.1%
Domestic Revenue/GDP	15.0%	15.8%	16.0%	16.1%	16.2%
Tax/GDP	12.5%	12.8%	12.9%	13.0%	13.1%
Expenditure/GDP	18.4%	19.1%	19.3%	19.2%	19.3%
Current Account/GDP	-3.1%	-2.4%	-1.8%	-1.3%	-1.2%
Reserve (Months of Imports)	4.4	4.5	5.0	4.9	4.7
Exchange rate	2504.92	2727.27	2844.56	2919.95	2975.43

4.3 Realism of Macroeconomic Projections

The realism checks suggest that the key macroeconomic and debt projections which are the main inputs into the LIC DSF are robust based on a point of comparison for forecasts, from Tanzania's own historical performance, cross-country experience and on relationships drawn from economic theory. The realism checks did not flag any significant optimistic or pessimistic on key drivers of the macroeconomic baseline debt projections based on Tanzania's experience.

For instance, external public debt increased by 2.1 percent of GDP during the previous five years but is projected to decline by 5.0 percent of GDP over the next five years. The main driver of the decline in external debt is real GDP growth, while the nominal interest rate contributes to a rise in external debt in both the previous and next five years (Chart 22).

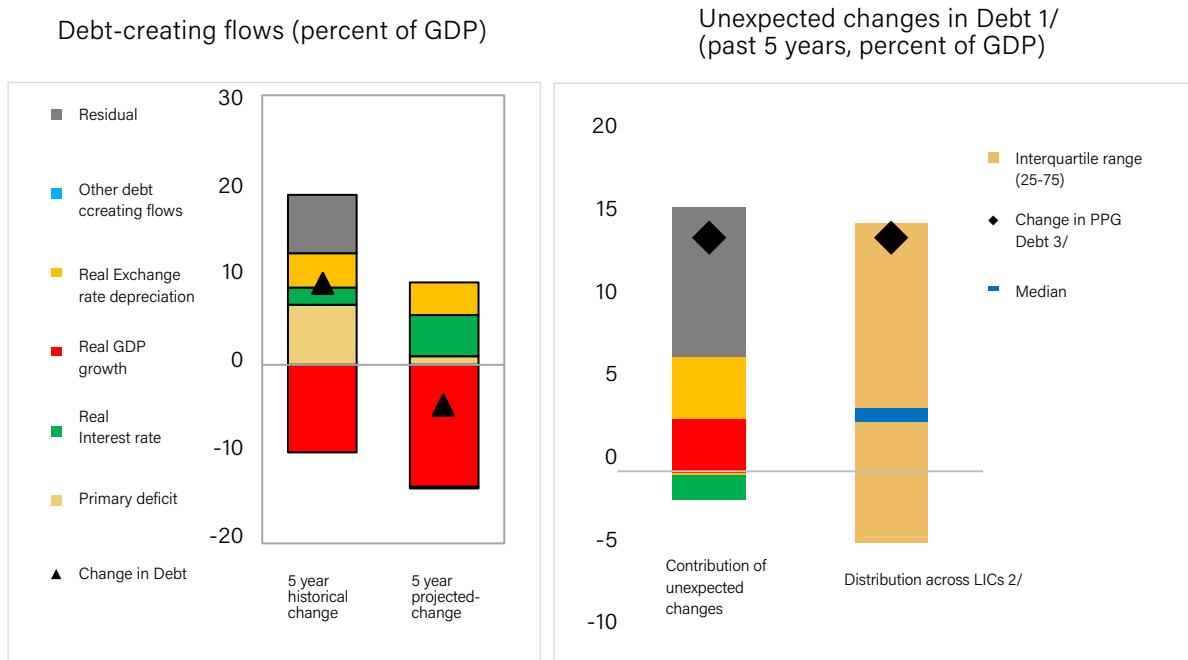
» Chart 22: Drivers of External Debt Dynamics and Unexpected Changes in Debt- Baseline



Source: Ministry of Finance

On the public DSA, debt is projected to decrease by 4.7 percent of GDP over the next five years compared to an increase of 9 percent of GDP over the previous five years. A significant increase in real GDP growth will drive the decline in debt during the projection period (Chart 23).

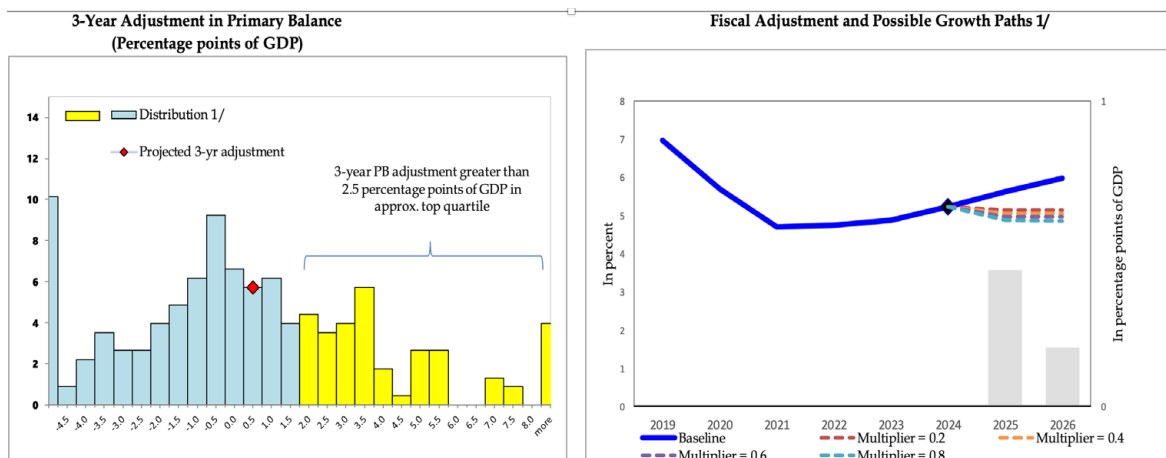
» Chart 23: Drivers of Public Debt Dynamics- Baseline



Source: Ministry of Finance

The projected three years' fiscal adjustment falls within the acceptable range for comparable Low-Income Countries (LICs) that have conducted fiscal adjustments in recent times (Chart 24). In 2024/25, the projected growth of 5.96 percent is higher than the 4.86 percent implied by the typical low-income country fiscal multiplier of 0.4². This is in line with Tanzania's growth experience, which has historically been above the average of Sub-Saharan African countries and that of other low-income countries. In addition, the deviation between growth rates is mainly caused by realization of the significant multiplier effects of the ongoing implementation of strategic projects.

» Chart 24: Tanzania Realism Tools



² The fiscal multiplier is the historical observed change in growth in low-income countries as a result of fiscal adjustment.

4.4 New Financing Assumptions

The 2024 Debt Sustainability Analysis (DSA) projects external financing based on several determinants, such as potential financing sources, a five-year historical trend of loans, the undisbursed portion of contracted loans, upcoming and new contracted loans from concessional sources and non-concessional sources. These projections align with the Government's Medium-Term Debt Management Strategy (MTDS).

Over the medium term, the Government plans to balance financing from both concessional and non-concessional sources. The preference will be on concessional loans from bilateral and multilateral lenders. The remaining financing gaps will predominantly be filled by semi-concessional loans from ECAs sources and Partial Credit-Guaranteed loans, and a minor portion will be filled with Commercial loans, which will be allocated mainly to key infrastructure projects that amplify economic growth and enhance exports.

The reliability of grant and concessional loan projections is based on confidence in Development Partners' track record of fulfilling their commitments to support development, as outlined in the Development Cooperation Framework. In addition to the anticipated signing of agreements for 22 pipeline projects in the 2024–2025 fiscal year, 20 more pipeline projects are expected to be signed in 2025–2026 as per September 2024 update. These achievements are the result of the government's strategic efforts to prioritize securing external funding through grants and concessional loans.

Domestic financing: The Government will continue to borrow from domestic market in line with the MTDS objectives of developing the financial markets and minimizing foreign exchange rate risk. In doing so, the following assumptions were made:

i	Net Domestic Financing limit for financial year 2024/25 is 1.2 percent of the GDP and will be maintained in the medium to long term to ensure adequate resources to private sector;
ii.	All marketable and non-marketable debt instrument will be rolled over on maturity.
iii.	364-days Treasury bills and long-term instruments will be used for financing purpose;
iv.	The maturing Government securities will be rolled over, while interest will be paid through Government revenue;

v.	Short-term borrowings for 2024/25 to 2029/30 will be maintained at 31 percent of the gross borrowing and thereafter decrease to 28 percent and 27 percent for 2030/31 to 2039/40 and 2040/41 to 2044/45 respectively (Table 3); and
vi.	Generally, yields are projected to increase slightly in the year 2025/26 and thereafter picked a gradual decrease from the year 2026/2027 across the maturity spectrum. The yield is expected to increase slightly again in 2030/31. The slight increase in yields is mainly driven by the general election during the period (Table 4).

» Table 3: Domestic debt financing strategy

Source of Financing	2025-30	2031-35	2036-40	2041-45
Central Bank Financing	3%	0%	0%	0%
Short term (T-Bills)	31%	31%	30%	27%
Bonds (1 to 3 Years)	11%	11%	11%	12%
Bonds (4 to 7 Years)	12%	13%	13%	13%
Bonds (beyond 7 Years)	43%	45%	46%	48%
Total	100%	100%	100%	100%

Source: Ministry of Finance and Bank of Tanzania

» Table 4: Yield Assumptions in the medium-term from Different sources

Source of Financing	2024/25	2024/25	2026/27	2027/28	2028/29	2029/30
Central Bank Financing	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Short term (T-Bills)	11.0%	12.5%	11.5%	11.0%	11.0%	10.5%
Bonds (1 to 3 Years)	12.3%	13.0%	12.5%	12.0%	11.0%	11.50%
Bonds (4 to 7 Years)	13.3%	14.0%	13.5%	12.5%	11.8%	12.0%
Bonds (beyond 7 Years)	15.0%	15.5%	14.5%	14.0%	14.0%	14.0%

Source: Ministry of Finance and Bank of Tanzania

5 Chapter Five

DSA Methodology and Results

5.1.1 Methodology

The 2024 DSA applied the LIC-DSF and indicative debt burden thresholds which are based on the Composite Indicator (CI). The CI is computed using country-specific information that includes the Country Policy and Institutional Assessment (CPIA) and relevant macroeconomic variables, specifically real GDP growth, foreign exchange reserves, remittances and world economic growth.

The LIC-DSF assesses the risk of debt distress by comparing the evolution of debt burden indicators against predetermined thresholds set according to countries' debt-carrying capacities. Table 5 summarizes the solvency and liquidity thresholds of debt burden indicators.

 Table 5: Indicative Debt Burden Thresholds

Category	Composite Indicator Range	PV of external debt in percent of		External Debt service in percent of		PV of external debt in percent of
		GDP	Exports	Exports	Revenue	GDP
Weak	CI < 2.69	30	140	10	14	35
Medium	$2.69 \leq \text{CI} \leq 3.05$	40	180	15	18	55
Strong	CI > 3.05	55	240	21	23	70

The CI for Tanzania, computed from data published in the World Economic Outlook (WEO) update of October 2023, is 2.89. Based on the CI score, the country's debt-carrying capacity is a medium performer (Table 6). The CI is mainly supported by the country's foreign exchange reserves, which are above 4 months of imports.

» Table 6: Composite Indicator Table for Tanzania

Components	Coefficients (A)	10 year average values (B)	CI Score components (A*B)=(C)	Contribution of components
CPIA	0.385	3.483	1.35	46%
Real growth rate (in percent)	2.719	5.974	0.16	6%
Import coverage of reserves (in percent)	4.052	41.004	1.66	58%
Import coverage of reserves ^2 (in percent)	-3.990	16.813	-0.67	-23%
Remittances (in percent)	2.022	0.037	0.00	0%
World economic growth (in percent)	13.520	2.889	0.39	14%
CI Score			2.89	100%
CI Rating			Medium	

Source: International Monetary Fund /World Bank (2023)

5.1.2 Public Debt Coverage

The public debt coverage includes the central government, central bank borrowing on behalf of the government, government-guaranteed debt, and non-guaranteed SOE debt. Guarantees to other entities in the public and private sectors, including SOEs, are also covered (Table 7). The DSA 2024 slightly improved public sector debt coverage by including an analysis of the debt stock of non-guaranteed SOEs amounting to TZS 394,753.50 million from some public corporations.

» Table 7: Public Debt Coverage

	Subsectors of the public sector	Checkbox
1.	Central government	X
2.	State and local government	
3.	Other elements in the general government	
4.	o/w: Social security fund	
5.	o/w: Extra budgetary funds (EBFs)	
6.	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7.	Central bank (borrowed on behalf of the government)	X
8.	Non-guaranteed SOE debt	X

The 2024 Debt Sustainability Analysis identified various sources of contingent liabilities (CL). These sources encompass guarantees, insurance, government debt owed to the Public Service Social Security Fund (PSSSF pre-1999), state-owned enterprises (SOEs) non-guaranteed debt, external bilateral interest arrears, and domestic arrears, amounting to TZS 9,675,008.62 million.

The DSA contingent liability stress test captures public sector exposure to SOEs, calibrated at 2.58 percent of GDP, reflecting estimated size of contingent liabilities, including 2.43 percent of GDP in guarantees to the National Insurance Corporation and 0.14 percent of GDP non-guaranteed SOEs debt, other elements of the general government, such as claims from security funds, local government authorities, bilateral interest arrears, and domestic arrears, are estimated at 2.1 percent of GDP. The contingent stress test also includes default minimum value of 5 percent of GDP for a financial markets shock, incorporated in the LIC DSA, representing the average cost to the government of a financial crisis in LICs. The total contingent liability as percent of GDP is 9.7 (Table 8).

» Table 8: Public Debt Coverage and the magnitude of Contingent Liability

The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
Other elements of the general government not captured in 1.	0 percent of GDP	2.1	Claims from Security Funds , LGAs, Bilateral Interest arrears and domestic arrears estimated AT TZS 4,175.1 billion NIC-Insurance Policy plus guarantees and non-guaranteed SOE debt (with no clear repayment plan) TZS 5,125.012 Billion
SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.58	
PPP	35 percent of PPP stock	0.00	
Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
Total (2+3+4+5) (in percent of GDP)		9.7	

5.1.3 DSA Results

5.1.4 External Public Debt Indicators under Baseline Scenario

The solvency indicators show that PV of external public debt to GDP is projected at 24.1 percent in 2024/25 and afterwards decrease to 20.3 percent in 2028/29 and thereafter decrease to 16.6 percent by 2034/35, all below the threshold of 40 percent. Likewise, the PV of external public debt-to-exports is projected to decline from 123.8 percent in 2024/25 to 106.4 percent in 2028/29 and thereafter decrease to 85.2 percent by 2034/35, well below the threshold of 180 percent.

The liquidity indicators show that the ratio of debt service to exports is projected to decrease from 13.9 percent in 2024/25 to 12.6 percent in 2028/29 and thereafter decrease to 9.0 percent in 2034/35, which is below the threshold of 15 percent. The debt service to revenue is projected to decrease from 17.2 percent in 2024/25 to 15 percent in 2029/30 and decrease to 10.9 percent by 2034/35, also below the threshold of 18 percent (Table 9).

» Table 9: External Public Debt Sustainability Indicators

Public DSA	Threshold	2023/24 ³	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35
PV of debt-to GDP ratio	40	23.6	24.1	24.0	23.0	21.4	20.3	19.6	16.6
PV of debt-to-exports ratio	180	127.5	123.8	124.5	119.5	111.9	106.4	100.3	85.2
Debt service-to-exports ratio	15	11.7	13.9	12.8	12.3	12.8	12.6	12.4	9.0
Debt service-to-revenue ratio	18	14.5	17.2	15.5	14.8	15.2	14.8	15.0	10.9

Source: Ministry of Finance

5.1.5 Public Debt Burden Indicators Under Baseline Scenario

The DSA results for public (external and domestic) debt indicate that the PV of debt to GDP is projected at 40.3 percent in 2024/25 and afterwards decrease to 36.5 in 2028/29 and thereafter slightly decrease to 35.9 percent by 2034/35. The ratio, therefore, remains below the benchmark level of 55 percent throughout the projection period.

The PV of public debt-to-revenue and grant is projected to decrease from 267.6 percent in 2024/25 to 222.3 percent in 2028/29 and thereafter decrease to 219.0 percent by 2034/35. The ratio of debt service to revenue and grants is projected to decrease from 50.9 percent in 2024/25 to 39.9 percent in 2028/29 and slightly decrease to 37.0 percent in 2034/35 (Table 10).

» Table 10: Public Debt Sustainability Indicators

Public DSA	Threshold	2023/24 ⁴	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35
PV of debt-to GDP ratio	55	41.1	40.3	39.5	38.1	36.8	36.5	36.4	35.9
PV of debt-to-revenue and grant ratio	N/A	267.6	251.1	241.3	232.1	224.4	222.3	221.7	219.0
Debt service-to-revenue and grant ratio	N/A	35.4	50.9	40.8	37.1	35.9	36.1	39.9	37.0

Source: Ministry of Finance

³ Represent actual ratios as of 30th June 2024

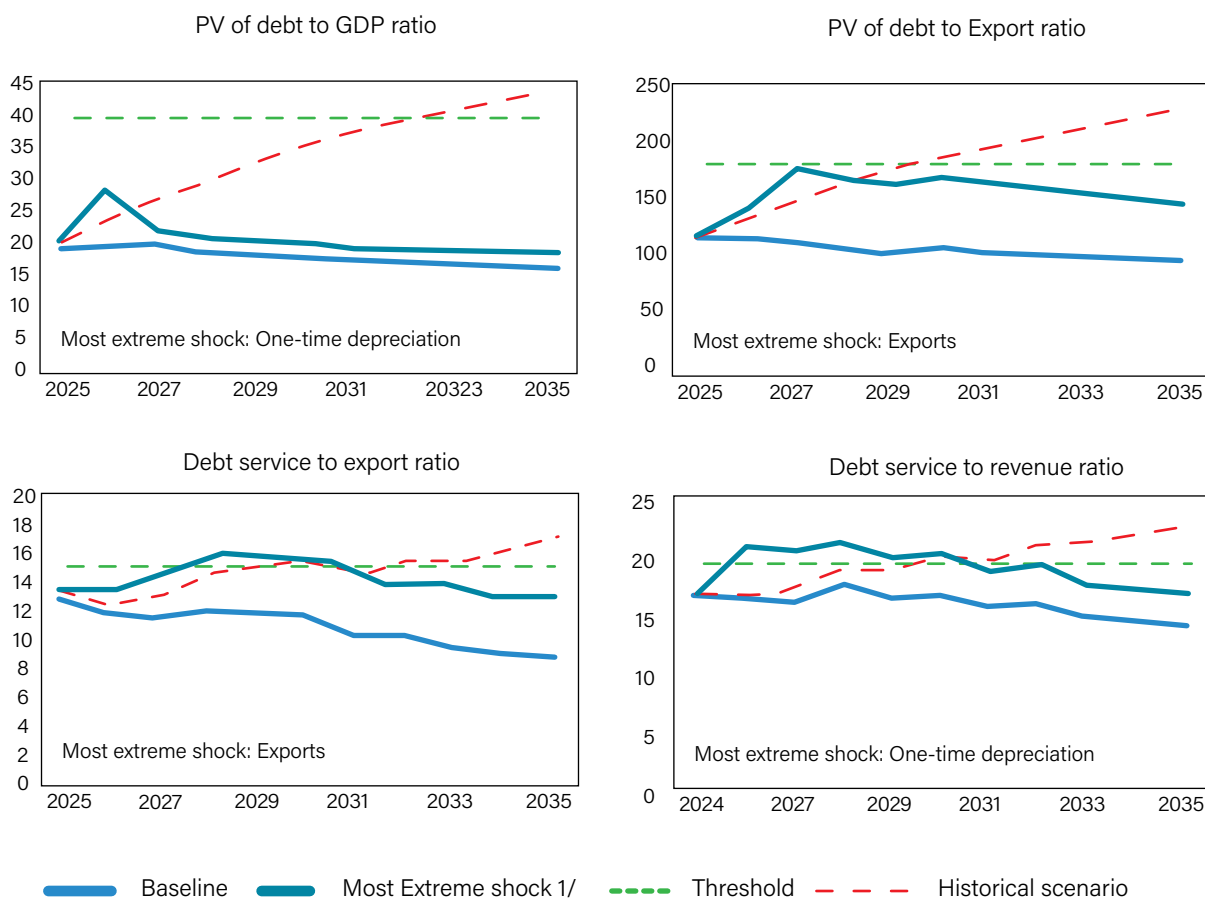
⁴ Represent actual ratios as of 30th June 2024

5.1.6 External Public Debt Burden Indicators Under Stress Scenario

One-time depreciation causes the value of PV of external public debt to GDP to rise to 30 percent in 2025/26 from a baseline of 24 percent, which is below the threshold of 40 percent. One standard deviation of export causes the value of PV of external public debt to exports GDP to rise to 176 percent in 2026/27 from a baseline of 119 percent, which is below the threshold of 180 percent (Chart 25).

A one standard deviation shock of exports causes the debt service to export ratio to go above the threshold of 15 percent in 2027/28 at a value of 17 percent and thereafter decreases to 16 percent in 2029/30. On the other hand, one standard deviation shock of exports leaves the debt service to revenue ratio above the threshold of 18 percent from after 2025/26 at a value of 20 percent, and afterwards decrease to 18 percent in 2029/30 and thereafter fall below the threshold.

» Chart 25: External Public Debt Burden Indicators



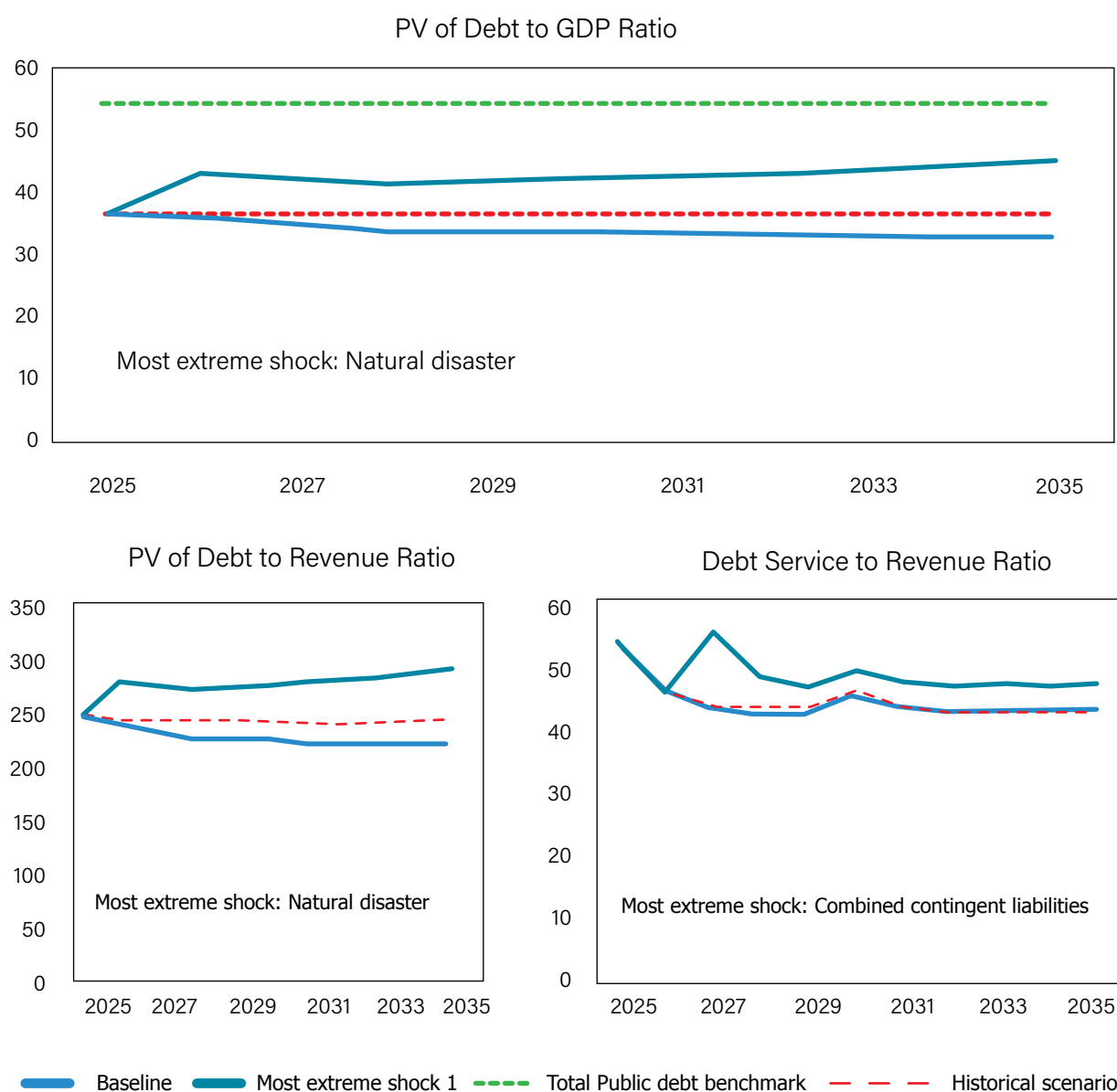
Source: Ministry of Finance

5.1.7 Public Debt Burden Indicators Under Stress Scenario

The PV of public debt to GDP stays below the threshold of 55 percent of GDP throughout the projection period under shock scenario (Chart 26).

Nonetheless, the portfolio is sensitive to natural disaster shocks and combined contingent liabilities shocks. The combined contingent liability shock raises PV of debt to revenue ratio to 298 percent and 277 percent in the medium and long-term. Similarly, the contingent liability shock raises debt service to revenue to 53 percent in 2026/27 and then decreases to 30 percent in 2029/30.

» Chart 26: Public Debt Burden Indicators Under Shock Scenario



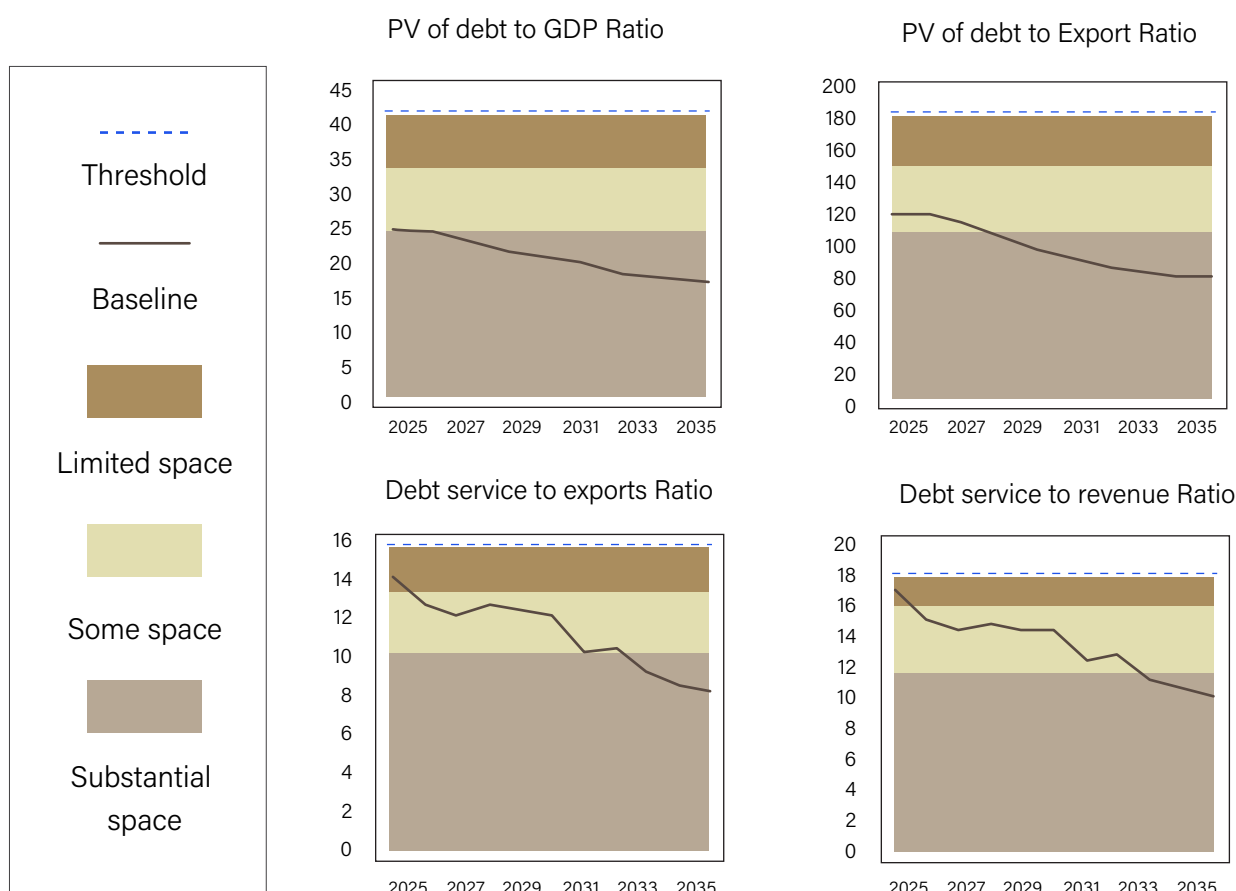
5.1.8 Assessment of Tanzania's Risk of Debt Distress

The mechanical risk signals determine the risk ratings of external and overall public debt distress. The risk signal is determined based on the number of breaches of the indicative threshold by the four debt burden indicators under the baseline scenario and the stress scenarios.

In accordance with the rule, Tanzania's risk of external debt distress is assessed as moderate. This determination arises because the debt burden indicators have not breached the thresholds in the baseline scenario. However, it is noteworthy that the debt service to export ratio did breach the threshold in the shock scenario, contributing to this moderate rating.

In view of the moderate risk rating, an assessment of the space available to absorb shocks without moving into a high risk of debt distress category is important to shed light on the robustness of the debt position. According to the moderate risk assessment tool, Tanzania has some space to absorb shocks (Chart 27).

» Chart 27: Moderate Risk Assessment Results



Source: Ministry of Finance

5.1.9 Primary Deficit That Stabilizes Debt

Going forward, the primary deficit that stabilizes debt is projected to be 0.6% compared to a surplus of 0.67 for the past 10 years. In the past, the country's primary deficit of 0.9% of GDP has been higher than what is required to stabilise debt hence the persistent trend of growth in the public debt to GDP ratio (Table 11).

» Table 11: Primary deficit that stabilizes debt

	2022	2023	2024	2025	2026	2028	Historical	Projections
The primary deficit that stabilizes the debt to GDP ratio	-2.41	2.88	-2.5	0.28	0.97	1.56	-0.67	0.61
Primary deficit	1.93	2.15	0.81	0.37	0.17	0.1	0.96	0.05

Source: Ministry of Finance

6 Chapter Six

Conclusion and Way Forward

The 2024 DSA results show that Tanzania's debt remains sustainable in the medium to long-term. All liquidity and solvency debt burden indicators remain below their respective thresholds under baseline scenario for both external and public DSA. However, the risk of debt distress remains moderate due to the breach of thresholds for the external debt service to export and debt service to revenue under shock scenario.

Uncertainty on global economic recovery due to negative effects of the Russia - Ukraine war and instability in Middle East continue to pose risks to Tanzania's capacity to service external debt under shock scenario, with severe effect on exports and GDP growth. Other fiscal risks to the Government include contingent liability which are anticipated from implicit and explicit guarantee to the State-Owned Enterprises (SOEs).

The Government will maintain prudent debt management policies by ensuring committed fiscal consolidation in the medium term to minimize risks through: prudent borrowing and use of proceeds to invest in projects with high economic returns; and enhancing revenue mobilization in order to safeguard the countries macroeconomic stability. Also, the Government will prioritize borrowing on concessional and semi-concessional terms, including seeking financing from export credit agencies, while carefully venturing to non-concessional sources for projects of significant importance to the economy. In addition to that, the Government will continue to strengthen supervision of both financial institutions and state-owned enterprises to minimize risks associated with contingent liabilities.

ANNEX No I: External Debt Sustainability Framework, Baseline Scenario, 2022-2045

Table 1. Tanzania: External Debt Sustainability Framework, Baseline Scenario, 2022-2045
(In percent of GDP, unless otherwise indicated)

	Actual			Projections										Average 8/ Projections	
	2022	2023	2024	2025	2026	2028	2029	2030	2035			Historical	Projections		
External debt (nominal) 1/ <i>of which: public and publicly guaranteed (PPG)</i>	36.0	36.4	41.3	41.9	41.8	40.2	37.8	36.2	36.0	31.7	27.2	38.1	36.4		
	27.3	28.1	32.3	32.7	32.7	31.3	29.3	27.9	27.7	24.1	20.8	28.3	28.1		
Change in external debt															
Identified net debt-creating flows	-2.7	0.4	4.9	0.6	-0.1	-1.6	-2.4	-1.6	-0.2	-0.6	-0.1	0.2	-2.9		
Non-interest current account deficit	0.0	1.3	0.3	-2.1	-3.0	-3.6	-3.8	-3.1	-2.2	-3.3	-3.3	0.2	-2.9		
Deficit in balance of goods and services	4.3	5.8	2.3	1.1	0.8	0.3	0.2	0.1	0.5	0.3	-1.2	3.4	0.5		
Exports	3.8	5.4	1.7	0.6	0.4	0.2	0.0	0.0	0.0	0.2	0.4	3.1	0.2		
Imports	15.5	16.4	18.5	19.4	19.3	19.2	19.1	19.1	19.6	19.5	19.1	19.6	19.5		
Net current transfers (negative = inflow)	19.3	21.8	20.2	20.1	19.7	19.4	19.2	19.1	19.6	19.8	19.6	19.6	19.6		
<i>of which: official</i>	-0.8	-0.8	-0.7	-0.8	-0.9	-1.0	-1.0	-0.9	-1.0	-1.0	-0.9	-0.8	-1.0		
Other current account flows (negative = net inflow)	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.4	-0.1	1.1	1.3		
Net FDI (negative = inflow)	1.3	1.2	1.3	1.3	1.3	1.1	1.1	1.1	1.0	1.5	1.1	-2.0	-2.2		
Endogenous debt dynamics 2/	-1.8	-2.0	-2.1	-2.1	-2.5	-2.5	-2.4	-2.4	-2.2	-1.6	-1.5	1.0	2.1		
Contribution from nominal interest rate	-2.4	-2.5	0.1	-1.0	-1.4	-1.4	-1.4	-1.5	-1.4	-0.9	-0.6	1.0	2.1		
Contribution from real GDP growth	0.6	0.6	0.8	1.3	1.0	1.0	0.9	0.9	0.9	0.8	0.7	1.0	2.1		
Contribution from price and exchange rate changes	-1.7	-1.6	-1.9	-2.3	-2.4	-2.4	-2.3	-2.4	-2.3	-1.7	-1.3	1.0	2.1		
Residual 3/	-1.3	-1.5	1.2	...	...	...	...	...	...	...	...	1.0	2.1
<i>of which: exceptional financing</i>	-2.7	-0.9	4.5	2.7	3.0	2.0	1.2	2.2	2.9	1.5	3.1	1.0	2.1		
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.1		
Sustainability indicators															
PV of PPG external debt-to-GDP ratio	...	...	23.6	24.1	24.0	23.0	21.4	20.3	19.6	16.6	14.0	5.9	6.1
PV of PPG external debt-to-exports ratio	...	...	127.5	123.8	124.5	119.5	111.9	106.4	100.3	85.2	73.3	-0.6	0.5
PPG debt service-to-exports ratio	14.1	12.7	11.7	13.9	12.8	12.3	12.8	12.6	12.4	9.0	7.9	1.8	2.5		
PPG debt service-to-revenue ratio	14.6	14.3	14.5	17.2	15.5	14.8	15.2	14.8	15.0	10.9	8.6	5.8	7.1		
Gross external financing need (Million of U.S. dollars)	4055.4	4779.1	2321.0	1819.6	1200.5	676.1	774.3	657.8	1411.3	1581.0	-2393.4	...	...
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.7	4.9	5.2	5.6	6.0	6.1	6.3	6.7	6.6	5.5	5.0	5.9	6.1		
GDP deflator in US dollar terms (change in percent)	3.5	4.3	-3.1	-3.3	-0.5	2.3	3.3	0.6	-1.2	1.2	1.4	-0.6	0.5		
Effective interest rate (percent) 4/	1.6	1.8	2.3	3.1	2.5	2.5	2.5	2.6	2.5	2.5	2.5	1.8	2.5		
Growth of exports of G&S (US dollar terms, in percent)	24.9	16.1	14.7	7.3	4.6	8.3	9.3	7.0	8.2	6.4	6.3	5.8	7.1		
Growth of imports of G&S (US dollar terms, in percent)	39.4	23.8	-5.6	1.3	3.6	7.0	8.5	6.9	8.2	7.2	6.4	2.9	6.4		
Grant element of new public sector borrowing (in percent)	...	...	...	25.0	29.7	31.0	27.1	29.0	42.7	29.8	39.4	...	32.2
Government revenues (excluding grants, in percent of GDP)	14.9	14.6	15.0	15.7	15.9	16.0	16.1	16.1	16.1	16.2	17.6	14.3	16.1		
Add flows (in Million of US dollars) 5/	308.3	258.1	253.4	1268.2	1523.0	1690.2	1322.7	1350.9	2364.0	1769.2	5153.4	...	...
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.2	1.5	1.3	1.0	0.9	1.5	0.8	1.0	...	1.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	32.3	37.3	39.2	35.2	36.2	47.4	35.2	42.9	...	38.6
Nominal GDP (Million of US dollars)	71,142	77,787	79,275	80,954	85,318	92,626	101,767	109,237	115,052	159,692	309,423	5.2	6.6		
Nominal dollar GDP growth	8.4	9.3	1.9	2.1	5.4	8.6	9.9	7.3	5.3	6.8	6.5	5.2	6.6		
Memorandum items:															
PV of external debt 7/	...	...	32.5	33.3	33.2	31.8	29.9	28.6	27.9	24.2	20.4	...	...
In percent of exports	...	...	175.9	171.2	172.0	165.6	156.2	149.9	142.5	124.1	106.7	...	...
Total external debt service-to-exports ratio	21.2	14.1	14.8	17.0	15.9	15.3	15.7	15.4	15.1	11.5	9.7	...	...
PV of PPG external debt (in Million of US dollars)	...	...	18897.0	19477.8	20467.0	21274.3	21768.3	22159.4	22594.6	26579.7	43408.7	...	...
(PV-PV-1)/GDP-1 (in percent)	...	...	...	1.0	1.2	0.9	0.6	0.4	0.4	0.8	0.7	...	...
Non-interest current account deficit that stabilizes debt ratio	6.9	5.4	-2.6	0.5	0.9	2.0	2.6	1.7	0.7	1.0	-1.0	...	...

ANNEX No. II: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022-2045

Table 2. Tanzania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022-2045
(in percent of GDP, unless otherwise indicated)

	Actual											Average 6/	
	Projections											Historical	Projections
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045		
Public sector debt 1/	42.0	44.2	48.6	48.3	47.8	46.2	44.5	43.9	44.3	43.3	45.0	40.9	44.8
of which: external debt	27.3	28.1	32.3	32.7	32.7	31.3	29.3	27.9	27.7	24.1	20.8	28.3	28.1
Change in public sector debt	0.9	2.2	4.4	-0.3	-0.5	-1.6	-1.7	-0.6	0.4	0.1	0.7	0.4	-1.1
Identified debt-creating flows	0.5	0.5	2.0	-1.9	-1.7	-1.9	-1.8	-0.8	-1.2	1.1	0.4	0.4	-1.1
Primary deficit	1.9	2.2	0.8	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.0	1.0	0.1
Revenue and grants	15.4	15.0	15.3	16.0	16.4	16.4	16.4	16.4	16.4	16.4	17.7	14.9	16.4
of which: grants	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.1	0.1
Primary (noninterest) expenditure	17.3	17.1	16.2	16.4	16.6	16.5	16.5	16.5	16.5	16.5	17.8	15.9	16.5
Automatic debt dynamics	-1.4	-1.7	1.2	-2.3	-1.9	-2.0	-1.9	-0.9	-1.4	1.1	0.3	15.9	16.5
Contribution from interest rate/growth differential	-1.5	-1.9	-2.1	-2.3	-1.9	-2.0	-1.9	-0.9	-1.4	1.1	0.3	0.0	0.0
of which: contribution from average real interest rate	0.4	0.0	0.1	0.3	0.8	0.8	0.9	1.9	1.4	3.4	2.4	0.0	0.0
of which: contribution from real GDP growth	-1.9	-1.9	-2.2	-2.6	-2.7	-2.8	-2.7	-2.8	-2.7	-2.3	-2.1	0.0	0.0
Contribution from real exchange rate depreciation	0.1	0.3	3.4	--	--	--	--	--	--	--	--	0.0	0.0
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual	0.3	1.7	2.4	1.6	1.2	0.3	0.1	0.2	1.8	-1.0	0.4	1.4	0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	41.1	40.3	39.5	38.1	36.8	36.5	36.4	35.9	38.2	...	...
PV of public debt-to-revenue and grants ratio	...	...	267.6	251.1	241.3	232.1	224.4	222.3	221.7	219.0	216.1	...	...
Debt service-to-revenue and grants ratio 3/	35.1	34.2	35.4	50.9	40.8	37.1	35.9	36.1	39.9	37.0	38.6	...	...
Gross financing need 4/	7.3	7.3	6.2	8.5	6.9	6.2	6.0	6.0	6.7	6.0	6.9	...	...
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.7	4.9	5.2	5.6	6.0	6.1	6.3	6.7	6.6	5.5	5.0	5.9	6.1
Average nominal interest rate on external debt (in percent)	1.8	2.2	2.5	3.7	2.8	2.8	2.8	2.8	2.8	2.8	2.8	1.9	2.8
Average real interest rate on domestic debt (in percent)	7.1	4.9	4.5	3.5	8.6	8.1	7.9	10.8	12.8	11.2	11.2	7.4	9.8
Real exchange rate depreciation (in percent, + indicates depreciation)	0.2	1.0	12.9	...	--	--	--	--	--	--	--	5.0	--
Inflation rate (GDP deflator, in percent)	3.5	4.8	5.0	5.3	5.0	5.3	5.0	5.3	5.0	5.3	5.0	3.8	3.1
Growth of real primary spending (deflated by GDP deflator, in percent)	13.5	3.8	-0.6	7.3	6.9	5.9	6.3	6.4	7.0	5.5	4.5	5.3	6.2
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.1	-0.1	-3.6	0.7	0.7	1.7	1.8	0.7	-0.2	-0.1	-0.6	-0.9	0.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	...

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Currency-based.

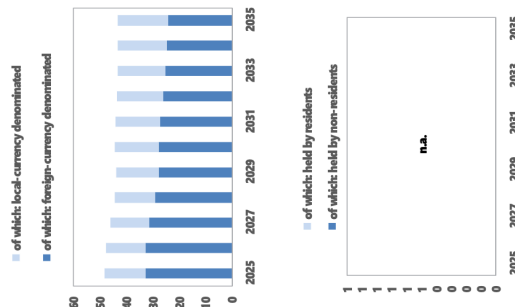
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (> a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.



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