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UNION OF THE COMOROS

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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Prepared by the staff of the International Development Association(IDA) and the International Monetary Fund (IMF).

UNION OF THE COMOROS: JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	No

Comoros external and overall debt are sustainable but remain at high risk of debt distress[1]. Breaches of the external debt sustainability thresholds are of limited magnitudes and durations while debt burden indicators are projected to improve over the medium term. Additional considerations that mitigate the mechanical risk signals include the authorities' recent completion of the IMF's Staff-Monitored Program (SMP) and plans for continued reforms supported by the IMF's Extended Credit Facility (ECF) and the World Bank's Development Policy Operation (DPO), as well as the consistently strong performance of remittances, which supports external sustainability. The baseline in this DSA thus reflects a policy adjustment scenario. As in the DSA of the second review of the SMP (April 2023), three of four external debt burden indicators breach their respective thresholds under the baseline. Higher level of publicly guaranteed domestic debt of State-Owned Enterprises (SOEs) has pushed up overall public debt, albeit remaining well below thresholds. This assessment is contingent on: (i) progress on domestic resource mobilization and gradual but sustained fiscal consolidation over the medium term, (ii) no additional non-concessional borrowing, and (iii) enhanced financial oversight of SOEs. The DSA suggests that Comoros is susceptible to export shocks; exchange rate and contingent liability shocks would also present downside risks to the debt outlook.

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[1] Comoros' debt carrying capacity is assessed as medium, given a Composite Indicator of 2.855 based on October 2022 WEO projections and the 2021 Country Policy and Institutional Assessment (CPIA) rating.

PUBLIC DEBT COVERAGE

1. **Public debt coverage includes all financing from the central bank to the Treasury.** The coverage of external debt includes the entire public sector, namely external debt of the central government, the central bank borrowing on behalf of the government, and government-guaranteed debt of SOEs. Subnational government entities cannot take up external debt on their own, and they have not taken on domestic debt. SOEs cannot access the external debt market without a government guarantee. Domestic debt includes central government, SOE's guaranteed debt from domestic banks, and on-lending from the central bank including the IMF SDR allocation and statutory advances.

Text Table 1. Union of Comoros: Public Debt Coverage

Subsectors of the public sector		Sub-sectors covered
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	

Sources: Comorian authorities, and IMF staff

2. **Contingent liabilities have built up significantly and the likelihood of their materialization is growing.** The magnitude of the contingent liabilities shock is 12.5 percent of GDP reflecting: (i) preliminary outcomes of an ongoing audit pointing to a higher-than-expected level of domestic arrears[1] and (ii) difficulties encountered by the SOEs involved in importing food and oil in rolling over their trade loans following the deterioration of their cash flows due to higher commodity prices. and (iii) the average cost to the government of a financial crisis in a low-income country since 1980 (Text Table 2).

Text Table 2. Union of Comoros: Coverage of the Contingent Liabilities' Stress Test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	4.5	Reflects unaudited estimates of domestic arrears.
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	3	SOEs growing debt
4	PPP	35 percent of PPP stock	0	
5	Financial market (the default value of 5 percent of GDP is the minimur	5 percent of GDP	5	
Total (2+3+4+5) (in percent of GDP)			12.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Sources: Comorian authorities, and IMF staff

[1] These domestic arrears represent unpaid bills for goods and services and are included as contingent liabilities as the figures are still preliminary. It includes arrears from the treasury to the pension system.

BACKGROUND

RECENT DEBT DEVELOPMENTS

3. **Public debt ratio has been on an upward trend, rising from 29.8 percent in 2021 of GDP to 33.7 in 2022.** External public debt, which constitutes 80 percent of total public debt, reached 27.2 percent of GDP in 2022 and is expected to rise further to 33.6 percent of GDP by end-2023, up from 21.2 percent of GDP prior to the pandemic. Domestic public debt jumped from 5.2 percent of GDP in 2021 and to 6.6 percent of GDP in 2022 7.2 by end-2023, reflecting the BCC's on-lending of the SDR allocation and a higher take-up of publicly guaranteed domestic debt by the SOEs involved in food and energy supply. The authorities have made progress in public debt management with the promulgation of a debt management law; a FY23 public policy action (PPA) of the sustainable development policy financing (SDFP).

4. **Negotiations are ongoing to finalize loans** for the El Maarouf Hospital. The authorities are seeking three concessional loans (amounting to USD 70 million), which are included in this baseline.

5. **The composition of external public debt is dominated by non-Paris Club lenders, and especially China.** At end-2022, disbursed debt owed to official bilateral creditors accounted for 61 percent of public external debt, debt to multilateral creditors for 19 percent, and debt to regional lenders for 20 percent. The share of non-concessional debt stood at 10 percent of external debt at end-2022 and is expected to grow in the next few years as the non-concessional loan for the construction of the Galawa Hotel is disbursed.

6. **With the expiration of the DSSI and tightening liquidity constraints, the authorities have accumulated new external arrears.**[2] Between end-December 2021 and end-December 2022, external arrears increased from USD 6 million to USD 7.2 million. A large part of the outstanding stock (US$5.2 million) is accounted for by the loan from the Arab Bank of Economic Development in Africa (BADEA). Of these new arrears accumulated in 2022, the authorities have paid the Kuwait Fund (US$0.12 million) and plan to repay shortly the OPEC Fund for International Development (US$0.35 million). The authorities have engaged with the French Treasury to discuss an arrears clearance strategy for debt owed to Bpifrance Assurance Export which started accumulating arrears (US$0.56 million) following the DSSI expiration. Discussions are ongoing regarding the pre-existing arrears (US$1.17 million) to Exim Bank India for a power plant project.

[2] Projections of debt service payments to clear the arrears are included in macroeconomic assumptions underlying this exercise. The arrears represent an amount lower than 1 of GDP and hence do not trigger an in-debt distress rating.

Table 1. Union of Comoros: Decomposition of Public Debt 2020-22[1]

	2020	2021	2022	2020	2021	2022
	Million USD			% GDP		
Total	318.0	383.3	416.9	26.1	29.8	33.7
External	282.5	317.0	335.4	23.2	24.7	27.1
Multilateral creditors[2]	103.9	116.7	131.4	8.5	9.1	10.6
IMF	28.7	27.6	23.4	2.4	2.1	1.9
World Bank	17.6	22.0	41.8	1.4	1.7	3.4
ADB/AfDB/IADB	2.5	7.1	8.2	0.2	0.5	0.7
Other Multilaterals	55.1	60.0	57.9	4.5	4.7	4.7
o/w: BADEA	28.3	28.0	28.0	2.3	2.2	2.3
o/w: TDB	13.2	18.3	17.4	1.1	1.4	1.4
o/w: IsDB	7.5	7.5	6.9	0.6	0.6	0.6
Bilateral Creditors	178.6	200.3	204.1	14.7	15.6	16.5
Paris Club	2.1	2.1	2.4	0.2	0.2	0.2
o/w: France	2.1	2.1	2.4	0.2	0.2	0.2
Non-Paris Club	176.5	198.2	201.7	14.5	15.4	16.3
o/w: China	91.7	113.2	112.4	7.5	8.8	9.1
o/w: Saudi Arabia	33.7	33.7	38.0	2.8	2.6	3.1
o/w: India	26.4	26.4	26.4	2.2	2.1	2.1
o/w: Kuwait	24.8	25.0	25.0	2.0	1.9	2.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	35.5	66.3	81.4	2.9	5.2	6.6
Held by residents, total[3]	35.5	66.3	81.4	2.9	5.2	6.6
SOEs debt[4]	N.A	23.0	19.2	N.A	1.8	1.6
Memo items:						
Collateralized debt[5]	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Related	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Unrelated	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities[6]	107.2	160.7	154.6	8.8	12.5	12.5
o/w: Public guarantees	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Other explicit contingent liabilities[7]	107.2	160.7	154.6	8.8	12.5	12.5
External arrears	N.A	6.0	7.2	N.A	0.5	0.6
Nominal GDP	1218	1285	1237			

Source: Country authorities and staff estimates and projections

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/ Inludes central bank on lending related to the SDR allocation.

4/ SOEs debt in Comoros is guarantee debt.

5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

6/ As defined in the customized contingent liabilities stress test of the last three published DSAs.

7/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

MACROECONOMIC FORECASTS

7. The current DSA baseline reflects the latest macroeconomic developments and an active policy scenario under the ECF. It assumes a moderate fiscal consolidation driven mainly by a higher tax revenue following reforms in tax and customs administrations. It also reflects gradual improvements in the external situation due to the normalization of oil and other commodities prices:

- Growth is projected to rise to 3.0 percent in 2023 and then to an average of 4.1 percent in 2024-28, driven by large investment projects, including hospital expansion, the construction of a hotel complex, and the refurbishment of roads, while remittances are expected to decline from their earlier record levels during the COVID-19 pandemic amid lower growth in the eurozone, albeit remaining strong. In the long run, the boosting effect of those investment projects will dissipate, and growth will come back to an average of 3.8 percent. The growth path is similar to the one underlying the DSA for the SMP completion; the impact on growth of the fiscal consolidation programmed under the ECF is expected to be muted due to the relatively small size of the public sector, the households' reliance on remittances, and the significant contribution of external grants to investment. Moreover, reforms under the Development Policy Operation (DPO) and Extended Credit Facility (ECF) are expected to have a long-lasting effect and will help catalyze supports from other partners. The long-term growth projections are driven by a projected increase in productivity, and private capital accumulation as the country is projected to benefit from the completion of transport and energy projects, and financial intermediation is projected to improve and support private investment.

- Inflation, as in the previous DSA for the SMP completion, will fall from an average of 12.4 percent in 2022 to 10.3 percent in 2023 due to the base effect, the end of shipment difficulties and to the ongoing impact from the tightening of the monetary policy. After 2023, inflation will stabilize at around 2-2½ percent reflecting the peg of the exchange rate to the Euro.

- The fiscal sector assumptions are different from April 2023 DSA, reflecting an active policy adjustment scenario under the ECF program during 2023-27 built on the following:

    - A steady increase in tax revenue of at least 0.3 percent of GDP per year from 2023 to 2027. Improvements will stem mainly from tax administration reforms aiming to restructure the administration, rise the number of taxpayers, strengthen the use of the IT system, improve tax recovery from the SOEs and recover unpaid taxes. From the tax policy side, the authorities will reintroduce the sales tax on construction material especially cement and end one-time subsidies and tax exemption introduced in 2022 as commodities price stabilize.

    - The paring back of transfers and subsidies introduced in 2021-22 to mitigate the effects of the recent shocks, containing current spending while phasing out some one-offs (e.g., domestic outlays on the AU presidency and spending on elections); and reducing investment spending to pre-pandemic levels following the completion of some significant projects particularly El Maarouf Hospital.

   - The domestic primary deficit is expected to widen from 1.9 to 2.4 percent of GDP in 2023 and narrow to 1.8 percent in 2024 reflecting the path of public investment spending, with fiscal consolidation (on domestic primary balance basis) during 2024-27 averaging 0.3 percent of GDP per year.

- Overall, *between 2023-2027, t*he consolidation is equivalent to 3.5 percent of GDP. It essentially reflects an increase in domestic revenue (1.3%) and a drop in domestic investment (1.3%). The rest stems from a shift in the composition of external support from loans to grants and containing one-offs current spending. The fiscal financing gaps starting in 2023 mainly reflect the cost of the postal bank recapitalization, investments in the El Maarouf Hospital, and increased debt service obligations and lower revenues from key state-owned enterprises that need to recoup their earlier losses. Under the ECF, the gaps are expected to be filled by grants and concessional loans (see below). Outstanding arrears to external creditors of USD 7.2 million are assumed to be cleared over time. Compared to the previous DSA, the long-term primary fiscal deficits are lower, averaging around 0.2 percent of GDP between 2023-2043, as fiscal adjustments and the mobilization of grant financing under the ECF reduce fiscal financing needs over the medium term and fiscal structural reforms sustainably increase revenues.

- The external sector assumption improved compared to April 2023 DSA following the latest WEO assumption. The external current account deficit is estimated to have widened to 2.4 percent of GDP in 2022 and is expected to widen further in 2023 to 5.2 percent before gradually declining to 4.5 percent in 2025. Exports of goods are projected to continue recovering while tourism is already recording a stronger performance compared to pre-COVID-19 levels. Comoros would benefit from the projected increase in exports of tourism services as the quality of lodging services improves and the destination becomes more attractive with the implementation of the tourism sector strategy. Imports jumped to a high level amid Russia's invasion of Ukraine and will be spurred by substantial public investment in 2023-24. Remittance inflows are expected to remain strong despite the correction from the COVID-19 levels, given the expected continued importance of the Comorian diaspora. With sustained import growth and increased interest payments from previously contracted non-concessional debt, the current account is projected to weaken over the next two years before settling at around 4.3 percent of GDP over the long term. Foreign exchange reserves coverage is projected to improve over the horizon while the fiscal financing gap translates into an external financing gap of the same size as the government faces tight domestic and external borrowing constraints.

8. This DSA assumes that the authorities will adopt a prudent borrowing strategy. Regarding financing, the assumption is that the government mobilizes mostly external financing with an average borrowing mix of 80 percent for external borrowing over the medium-term and a gradual decline to 70 percent by the end of the projected horizon.

- **Foreign financing**: Staff assumes that disbursement from already contracted loans will continue over the coming years in line with the authorities' plans. IDA financing, including through investment projects, is projected at USD 19.7 million per year on average during the period 2023-2026. The baseline includes around USD 50 million from AfDB, USD 17 million from Saudi Arabia over 4 years, and the Galawa Hotel disbursement expected in 2023. For the purposes of this DSA, staff further assumes that the fiscal financing gap would be largely filled with concessional loans. These assumptions reflect financing under the ECF and DPO programs, which catalyzes multilateral and bilateral partners' financing, as well as Comoros' commitment to limiting non-concessional borrowing as a PPA under the SDFP.[3] The average grant element of new borrowing is 49 percent.

- **Domestic financing:** the increase of the domestic financing in 2023 reflects mainly disbursement in 2023 for ONICOR, the SOE in charge of the rice import. Overall, domestic borrowing in this DSA reflects the rollover of SOE debt.

Text Table 3. Union of Comoros: Summary Table of Projected External Borrowing Program

PPG external debt	2023		2024		2025		2026	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**126.6**	**100**	**90.9**	**100.0**	**78.7**	**100.0**	**53.5**	**100**
Concessional debt, of which	**70.1**	**55.4**	**81.4**	**89.5**	**69.2**	**87.9**	**44.0**	**82.2**
Multilateral debt	60.8	48.0	47.8	52.7	32.6	41.4	6.0	11.2
Bilateral debt	9.4	7.4	9.4	10.3	9.3	11.8	0.0	0.0
Other	0.0	0.0	24.2	26.6	27.3	34.7	38.0	71.0
Non-concessional debt, of which	**56.5**	**44.6**	**9.5**	**10.5**	**9.5**	**12.1**	**9.5**	**17.8**
Semi-concessional[1]	9.5	7.5	9.5	10.5	9.5	12.1	9.5	17.8
Commercial terms	47.0	37.1	0.0	0.0	0.0	0.0	0.0	0.0
By Creditor Type	**126.6**	**100.0**	**90.9**	**100.0**	**78.7**	**100.0**	**53.5**	**100.0**
Multilateral debt	70.3	55.5	57.3	63.1	42.1	53.4	15.5	29.0
Bilateral debt	9.4	7.4	9.4	10.3	9.3	11.8	0.0	0.0
Commercial terms	47.0	37.1	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	24.2	26.6	27.3	34.7	38.0	71.0
		0.0		0.0		0.0		0.0
Uses of debt financing	**126.6**	**100.0**	**90.9**	**100.0**	**78.7**	**100.0**	**53.5**	**100.0**
Infrastructure	74.0	58.5	57.2	62.9	41.9	53.2	28.0	52.4
Budget Financing	9.5	7.5	9.5	10.5	9.5	12.1	9.5	17.8
Other	43.1	34.0	24.2	26.6	27.3	34.7	16.0	29.9

1/ Projected ECF disbursements

9. **Realism tools do not flag issues (Figures 3 and 4).** The 3-year adjustment in the primary balance puts Comoros in the mid-range of adjustments seen in other LIC program countries. The projected GDP growth in 2023 is compatible with a range of plausible fiscal multipliers. The growth forecast for 2024 exceeds the fiscal multiplier expectation due to positive spillover effects from the ECF program's structural reforms and the anticipated recovery in global demand conditions which is expected to boost exports. The projected contribution of government investment over the medium term is in line with historical experience. The projected contribution from the other factors reflects the recovery from the multiple successive shocks during 2019-22, and the gradual increase in private sector and export activities, reflecting improvements in the business climate due to reforms under the ECF. The residual shown in the public debt dynamics for 2023 (Table 3) captures the higher take-up of commercial bank loans by SOEs and the Galawa loan[4]. Most of the unexpected changes in the public debt ratio over the past five years reflected the expansion in the debt coverage. Trends in debt indicators under the historical scenarios (both for public external and overall

[3] The ECF access is proposed at 180 percent of quota (SDR 32.04 million) disbursed over four years.

[4] The Galawa loan is a balance of payment transaction and therefore not captured by the primary deficit variable in Table 3.

public debt) mimic those of the baseline scenario providing credibility to the baseline macroeconomic scenario.

Text Table 4. Union of Comoros: Assumptions for DSA

	2020	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	Long Term[1]
GDP Growth Rate (percent)										
Previous DSA	-0.2	2.1	2.4	3.0	3.6	4.1	4.3	4.3	4.2	3.8
Current DSA	-0.2	2.1	2.6	3.0	3.5	4.0	4.3	4.5	4.3	3.8
Inflation, average (percent)										
Previous DSA	0.8	0.0	12.0	8.2	1.6	2.3	2.1	2.0	2.0	2.0
Current DSA	0.8	0.0	12.4	10.3	2.0	2.1	2.0	1.9	1.9	1.9
Government Revenues (percent of GDP)										
Previous DSA	9.2	10.3	9.6	9.5	9.7	10.0	10.2	10.4	10.6	12.1
Current DSA	9.2	10.3	9.8	9.7	9.9	10.3	10.7	11.0	11.3	13.6
Overall Fiscal Balance (percent of GDP)										
Previous DSA	-1.4	-3.4	-1.7	-2.7	-2.7	-1.4	-1.4	-1.4	-1.4	-1.8
Current DSA	-1.4	-3.4	-1.9	-2.4	-1.8	-1.1	-0.2	0.0	-0.1	0.0
FDI (percent of GDP)										
Previous DSA	0.3	0.3	0.4	1.5	1.1	0.6	0.6	0.6	0.6	0.6
Current DSA	0.3	0.3	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.6
Current Account Deficit (Percent of GDP)										
Previous DSA	-1.9	0.3	-4.5	-7.3	-6.4	-6.1	-6.4	-5.4	-4.7	-4.6
Current DSA	-1.9	-0.5	-2.4	-5.0	-5.1	-4.5	-4.5	-4.3	-4.3	-4.3
Export of Goods and Services (annual percentage growth)										
Previous DSA	-48.3	62.4	19.8	9.2	7.2	8.8	9.0	9.3	9.8	6.8
Current DSA	-48.3	62.4	76.7	-20.0	8.2	8.7	9.1	13.2	8.3	6.5
Import of Goods and Services (annual percentage growth)										
Previous DSA	-2.5	4.6	17.3	18.5	3.7	1.7	6.3	4.7	6.9	6.7
Current DSA	-2.5	2.4	16.6	17.4	4.5	3.8	6.7	6.7	6.3	6.8
Investment (percent of GDP)										
Previous DSA	15.6	15.7	16.7	16.9	17.2	17.3	17.5	17.6	17.7	18.3
Current DSA	15.6	15.7	16.7	17.3	17.6	17.7	17.9	18.0	18.1	18.7
Net Current transfers (percent of GDP)										
Previous DSA	20.2	20.8	18.1	17.7	17.1	15.5	14.7	14.7	14.8	15.0
Current DSA	20.2	21.6	21.3	20.4	18.6	18.3	17.6	17.0	16.5	15.1

1 Covers the period 2029-42 for current DSA, and 2029-41 for the previous DSA.

Source: IMF staff

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TEST SCENARIOS

10. Comoros is assessed to have medium debt carrying capacity, unchanged from the April 2023 DSA (Text Table 5), with a Composite Indicator (CI) of 2.855 based on October 2022 WEO projections and the 2021 Country Policy and Institutional Assessment (CPIA) rating. As a result, this DSA continues to use the same external debt burden thresholds and total public benchmarks for countries with medium debt carrying capacity (Text Table 5). The relevant thresholds indicating high risk are 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to revenue ratio. These thresholds are applicable to public and publicly guaranteed external debt. For the PV of total public debt-to-GDP ratio, the benchmark is 55 percent.

11. Standardized stress tests use default settings. In addition**,** Comoros qualifies for the natural disaster scenario given that it is exposed and vulnerable to natural disaster shocks, such as cyclones and eruptions of the Karthala volcano. The tailored stress test assumes a one-off natural disaster shock of 10 percent of GDP to external PPG debt-GDP ratio in the second year of the projection period. The financing cost of all shocks is set to the default values of the models.

Text Table 5. Union of Comoros: Calculation and Contribution of the CI Score Components

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.85	Medium 2.89	Medium 2.89

Applicable thresholds

External debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

Total public debt benchmark	
PV of total public debt in percent of GDP	55

Source: LIC DSF

DEBT SUSTAINABILITY

EXTERNAL DEBT SUSTAINABILITY

12. Three out of four external debt burden indicators breach their respective thresholds under the macroeconomic assumptions underlying this exercise (Figure 1). Although breaches are temporary and not of significant importance, they occur over the medium term. With respect to the previous DSA, the breaches are shorter reflecting the fiscal consolidation and the reduced financing needs. The outstanding external arrears represented less than 1 percent of GDP at end-2022 and hence do not trigger an in-debt-distress rating. Results of the external debt sustainability assessment can be summarized as follows:

- The PV of external debt-to-GDP ratio is still below the threshold and is projected to decline more rapidly compared to the DSA from the second review of the SMP (April 2023).
- The breach of the PV of debt-to-export ratio persists during 2023-27 before declining below the threshold.
- The debt service-to-exports ratio and the debt service-to-revenue ratio breach their thresholds during 2025-26.

13. The stress tests suggest that export shock have the largest negative impact on the debt trajectory. The export shock would cause threshold breaches for two of four indicators. The depreciation shock would cause a threshold breach for the debt service to revenue ratio and the combination shock for the PV of external debt-to-GDP. The results indicate that a natural disaster shock may increase the PV of external debt-to-GDP ratio from 22 percent to 28 percent, and debt service to revenue ratio from 14 to 21.

TOTAL PUBLIC DEBT SUSTAINABILITY

14. Overall public debt is projected to rise until 2025 before declining progressively, remaining well below its indicative benchmark under the baseline and stress tests (Figure 2). The domestic debt accumulation under this scenario is lower compared to the last DSA. The fiscal space resulting from the fiscal consolidation will be devoted to limit external debt more strongly than domestic debt. The results of the stress tests indicate that the most significant negative effects on the debt trajectory are caused by contingent liabilities and exchange rate shocks. In the medium term, a contingent liabilities shock could increase the present value of the debt-to-revenue ratio from 170 percent to just below 225 percent and the debt service to revenue ratio from 10 percent to 18 percent. However, the impact of a contingent liabilities shock is expected to be greater in the medium term but lessen in the long run.

RISK ASSESSMENT AND VULNERABILITIES

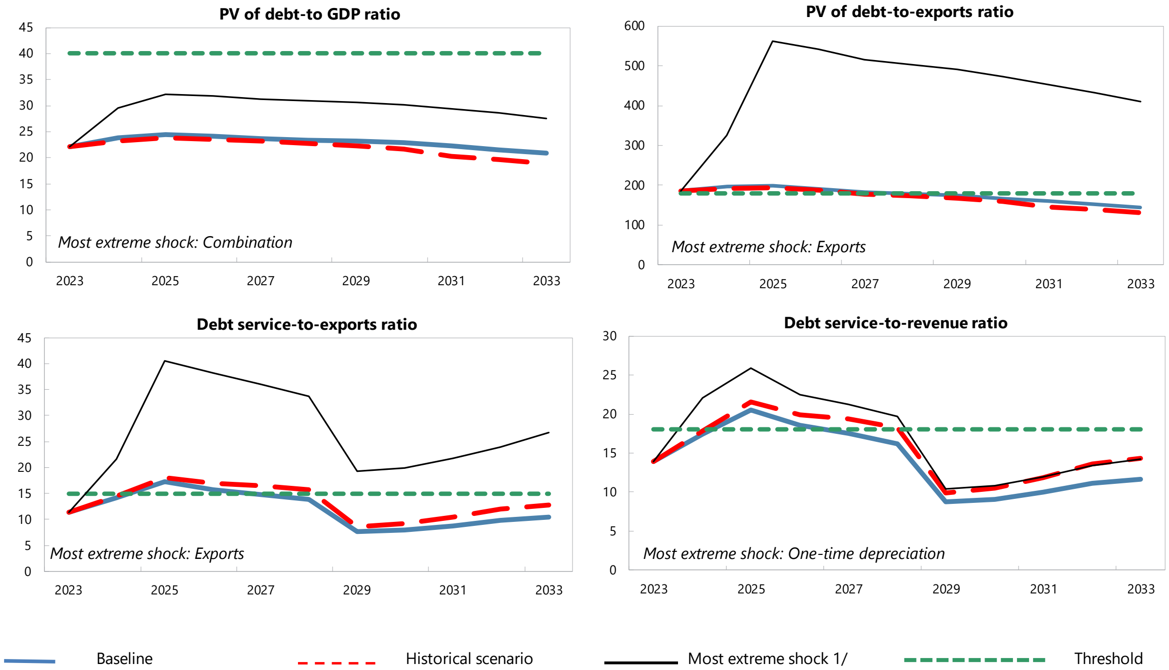
15. Comoros external and overall debt are sustainable but remain at a high risk of debt distress. Both ratings on the external public debt and overall public debt are determined by the levels and trajectories of debt, together with any breaches of the debt indicators. However, the levels and trajectories continue to be assessed as sustainable. The magnitude of the breaches of the external debt indicators is limited and the projected debt burden metrics have improved over the forecast horizon as a result of the envisaged fiscal consolidation. Additional considerations that mitigate the mechanical risk signals in support of the analysis include the authorities' plans for an economic reform program to be supported by the IMF's Extended Credit Facility (ECF) and the World Bank's Development Policy Operation (DPO), which are expected to catalyze additional grant and concessional financing. Another factor is the consistently strong performance of remittances, which supports external sustainability.

16. Mitigating risks to public debt requires several policy actions: Building on the successful completion of the SMP, the authorities have requested an ECF program that will help mitigate risks to public debt via (i) making faster progress on domestic resource mobilization and ensuring gradual but sustained fiscal consolidation over the medium term, (ii) avoiding additional non-concessional borrowing, (iii) enhancing financial oversight of SOEs, which should help reduce the size of a contingent liability shock should it materialize. Additional measures related to the diversification of the export base could help further lessen debt vulnerabilities as underscored by the sensitivity analysis.

AUTHORITIES' VIEWS

17. The authorities broadly shared Fund staff's assessment, emphasizing that reducing debt vulnerabilities is a key priority for their development agenda. They emphasized the significant impact of recent successive shocks on the macroeconomic picture and agreed that fiscal reforms will be needed to gradually reduce risks over the medium term. They reiterated their commitment to the reforms supported by the ECF.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023-2033



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	No	No
Commodity price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	8	8

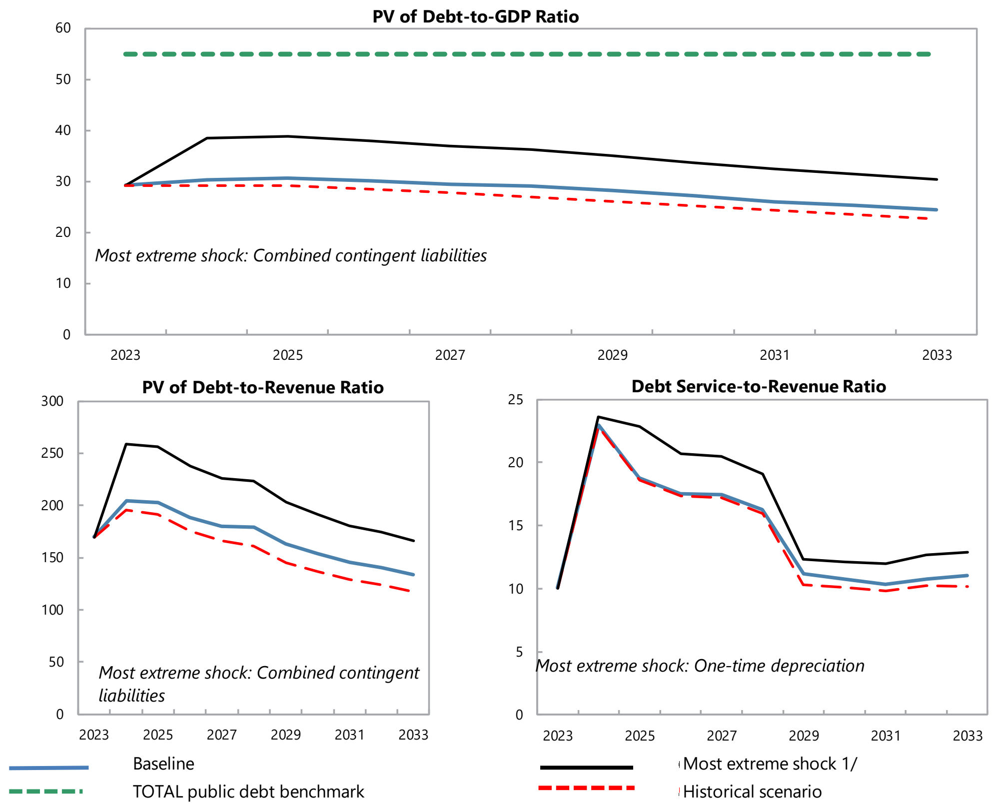
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Indicators of Public Debt Under Alternative Scenarios, 2023-2033



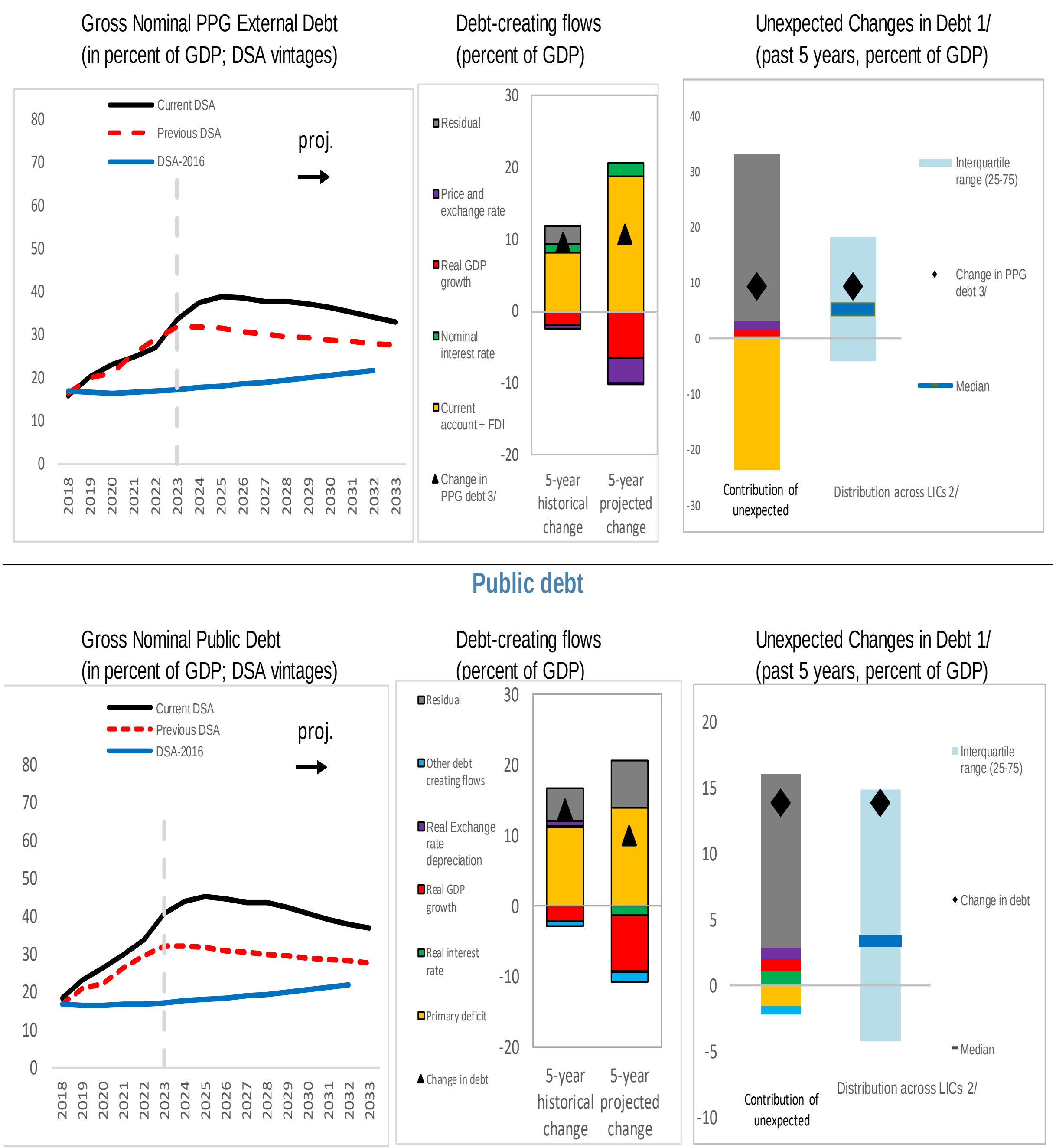
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	83%	83%
Domestic medium and long-term	16%	16%
Domestic short-term	1%	1%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
Avg. maturity (incl. grace period)	33	33
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.1%	4.1%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	-4.3%	-4.3%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Drivers of Debt Dynamics – Baseline Scenario External Debt



Sources: Country authorities; and staff estimates and projections.

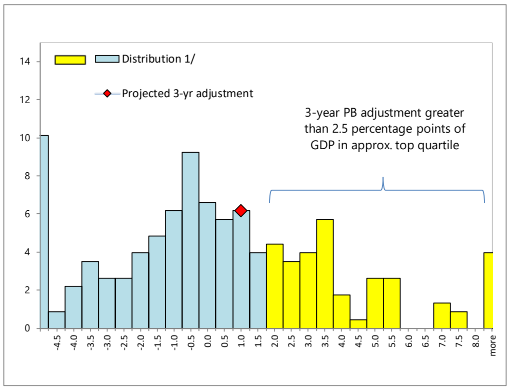
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

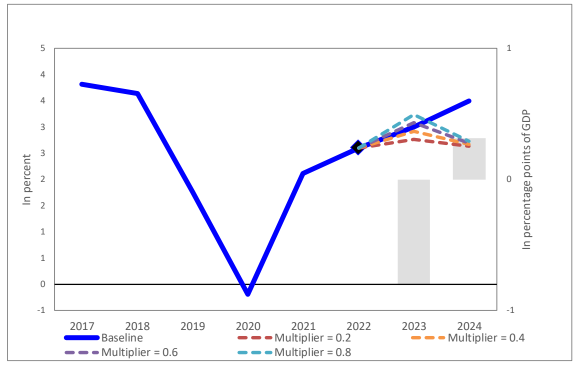
Figure 4. Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



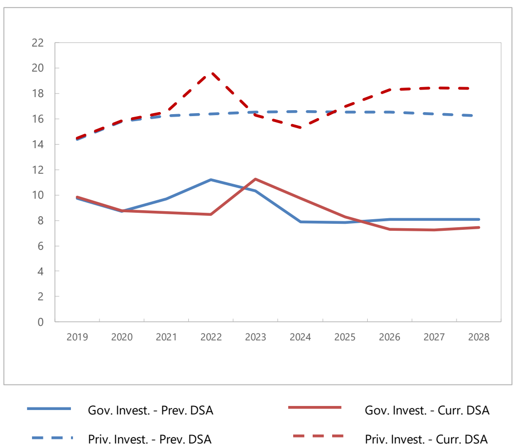
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

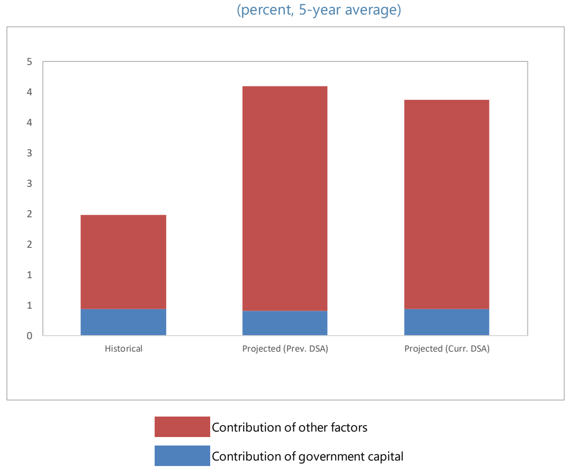


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

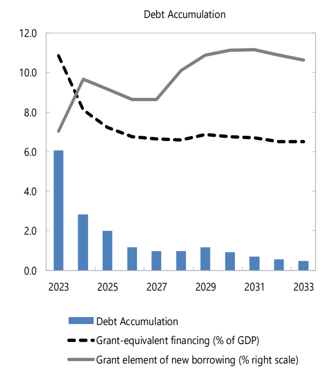


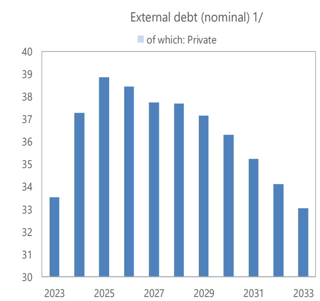
Sources: Country authorities; and staff estimates and projections.
The significant difference between 'Prev. DSA' and 'Çurr. DSA' lines in the 'Public and Private Investment Rates' chart is predominantly due to a calculation error in the previous DSA. Specifically, foreign financed public investment was erroneously included in private investment rather than public investment, hence artificially inflating the former and deflating the latter. The sum of private and public investment in the two DSA versions is broadly similar.

Table 2. Union of Comoros: External Debt Sustainability Framework, Baseline Scenario, 2020-2043

	Actual			Projections												Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2043	Historical	Projections
External debt (nominal) 1/	23.2	24.7	27.1	33.5	37.3	38.8	38.4	37.7	37.7	37.1	36.3	35.2	34.1	33.0	21.7	17.8	36.3
of which: public and publicly guaranteed (PPG)	23.2	24.7	27.1	33.5	37.3	38.8	38.4	37.7	37.7	37.1	36.3	35.2	34.1	33.0	21.7	17.8	36.3
Change in external debt	2.9	1.5	2.5	6.4	3.8	1.6	-0.4	-0.7	-0.1	-0.5	-0.9	-1.1	-1.1	-1.1	-1.0		
Identified net debt-creating flows	1.1	-1.1	3.0	3.8	3.5	2.5	2.3	2.1	2.2	2.8	2.8	3.7	2.1	2.0	5.3	1.7	2.7
Non-interest current account deficit	1.7	0.2	1.9	4.6	4.7	4.1	4.1	3.9	4.0	4.4	4.4	5.3	3.7	3.5	6.5	2.4	4.2
Deficit in balance of goods and services	22.7	22.6	23.9	25.8	24.4	23.0	22.3	21.5	21.1	20.7	19.6	19.4	19.3	19.2	20.3	19.4	21.5
Exports	5.5	9.9	13.3	11.9	12.1	12.3	12.6	13.0	13.2	13.4	13.6	13.9	14.2	14.4	15.9		
Imports	28.2	32.5	37.3	37.7	36.5	35.3	34.9	34.5	34.2	34.1	33.2	33.3	33.4	33.6	36.2		
Net current transfers (negative = inflow)	-20.2	-21.6	-21.3	-20.4	-18.6	-18.3	-17.6	-17.0	-16.5	-15.7	-14.6	-13.6	-15.1	-15.2	-13.4	-16.3	-16.6
of which: official	-3.4	-1.8	-0.7	-3.0	-2.0	-1.9	-1.3	-1.3	-1.3	-1.9	-1.9	-1.9	-1.7	-1.7	-1.0		
Other current account flows (negative = net inflow)	-0.7	-0.7	-0.7	-0.8	-1.1	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.4	-0.6	-0.6
Net FDI (negative = inflow)	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.4	-0.6
Endogenous debt dynamics 2/	-0.3	-1.0	1.5	-0.4	-0.7	-1.0	-1.2	-1.2	-1.2	-1.0	-1.0	-1.0	-0.9	-0.9	-0.6		
Contribution from nominal interest rate	0.2	0.3	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2		
Contribution from real GDP growth	0.0	-0.5	-0.7	-0.8	-1.1	-1.4	-1.6	-1.6	-1.5	-1.4	-1.3	-1.3	-1.3	-1.2	-0.8		
Contribution from price and exchange rate changes	-0.5	-0.8	1.6	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	1.8	2.5	-0.6	2.6	0.3	-0.9	-2.7	-2.8	-2.3	-3.3	-3.6	-4.8	-3.2	-3.1	-6.3	-1.4	-2.2
of which: exceptional financing	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	...	...	17.8	22.1	23.8	24.4	24.1	23.7	23.4	23.2	22.8	22.2	21.5	20.8	13.3		
PV of PPG external debt-to-exports ratio	...	...	133.7	185.8	196.3	197.9	191.4	181.9	178.1	173.8	167.4	159.9	152.1	144.4	83.5		
PPG debt service-to-exports ratio	11.8	7.0	8.5	11.4	14.2	17.3	15.7	14.8	13.9	7.6	8.0	8.8	9.8	10.4	6.5		
PPG debt service-to-revenue ratio	7.0	6.7	11.8	13.9	17.5	20.5	18.5	17.5	16.2	8.8	9.1	10.0	11.1	11.7	6.5		
Gross external financing need (Million of U.S. dollars)	25.1	7.7	32.7	74.4	82.4	83.1	86.6	87.5	91.1	90.1	95.5	123.2	98.1	102.2	282.7		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	-0.2	2.1	2.6	3.0	3.5	4.0	4.3	4.5	4.3	3.8	3.8	3.8	3.8	3.8	3.8	2.5	3.9
GDP deflator in US dollar terms (change in percent)	2.7	3.4	-6.2	5.2	1.0	1.7	1.6	1.4	0.8	1.9	1.9	1.9	1.9	1.9	1.9	-0.3	1.9
Effective interest rate (percent) 4/	1.0	1.2	2.1	1.5	1.4	1.2	1.0	1.1	1.0	0.9	0.9	0.9	1.0	1.0	1.1	0.8	1.1
Growth of exports of G&S (US dollar terms, in percent)	-52.1	88.9	29.2	-3.5	6.8	7.5	8.4	9.5	6.3	7.6	8.0	7.9	7.7	7.7	6.6	12.2	6.7
Growth of imports of G&S (US dollar terms, in percent)	-2.9	21.5	10.4	9.5	1.3	2.4	4.6	4.8	4.2	5.3	3.1	6.2	6.2	6.2	6.3	4.5	4.9
Grant element of new public sector borrowing (in percent)	...	...	...	35.2	48.3	45.9	43.2	43.3	50.5	54.3	55.7	55.8	54.5	53.1	54.9	...	49.1
Government revenues (excluding grants, in percent of GDP)	9.4	10.3	9.6	9.7	9.9	10.3	10.7	11.0	11.3	11.6	11.9	12.3	12.5	12.8	15.9	10.1	11.3
Aid flows (in Million of US dollars) 5/	107.7	86.8	56.7	149.7	129.8	119.0	127.2	134.2	143.4	146.0	149.4	155.9	161.6	172.8	265.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.9	8.1	7.2	6.8	6.6	6.6	6.9	6.8	6.7	6.5	6.5	6.0	...	7.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	63.9	70.7	71.5	77.8	79.5	80.3	87.1	88.7	89.2	88.3	87.6	92.7	...	80.4
Nominal GDP (Million of US dollars)	1,218	1,285	1,237	1,340	1,401	1,482	1,572	1,665	1,751	1,852	1,960	2,074	2,194	2,321	4,077		
Nominal dollar GDP growth	2.5	5.5	-3.8	8.3	4.6	5.8	6.0	5.9	5.2	5.8	5.8	5.8	5.8	5.8	5.8	2.3	5.9
Memorandum items:																	
PV of external debt 7/	...	...	17.8	22.1	23.8	24.4	24.1	23.7	23.4	23.2	22.8	22.2	21.5	20.8	13.3		
In percent of exports	...	...	133.7	185.8	196.3	197.9	191.4	181.9	178.1	173.8	167.4	159.9	152.1	144.4	83.5		
Total external debt service-to-exports ratio	11.8	7.0	8.5	11.4	14.2	17.3	15.7	14.8	13.9	7.6	8.0	8.8	9.8	10.4	6.5		
PV of PPG external debt (in Million of US dollars)			220.4	295.4	333.1	361.0	378.5	393.8	410.0	430.4	447.5	461.3	472.8	483.1	540.7		
(PVt-PVt-1)/GDPt-1 (in percent)				6.1	2.8	2.0	1.2	1.0	1.0	1.2	0.9	0.7	0.6	0.5	0.1		
Non-interest current account deficit that stabilizes debt ratio	-1.2	-1.2	-0.6	-1.8	0.9	2.5	4.6	4.6	4.0	5.0	5.2	6.4	4.8	4.6	7.5		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

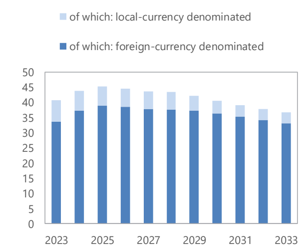
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

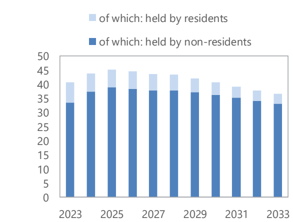
Table 3. Union of Comoros: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020-2043

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**26.1**	**29.8**	**33.7**	**40.7**	**43.8**	**45.2**	**44.5**	**43.6**	**43.3**	**36.6**	**24.5**	**20.3**	**41.6**
of which: external debt	**23.2**	**24.7**	**27.1**	**33.5**	**37.3**	**38.8**	**38.4**	**37.7**	**37.7**	**33.0**	**21.7**	**17.8**	**36.3**
							6.1	5.8	5.7	3.6	2.8		
Change in public sector debt	3.2	3.7	3.9	7.0	3.2	1.4	-0.7	-0.9	-0.2	-1.2	-1.2		
Identified debt-creating flows	**-0.2**	**1.7**	**5.4**	**3.8**	**2.9**	**1.3**	**-0.8**	**-1.0**	**-0.6**	**-1.2**	**-0.8**	**-0.2**	**-0.1**
Primary deficit	**0.0**	**2.5**	**3.7**	**4.5**	**4.2**	**2.7**	**1.3**	**1.0**	**1.5**	**0.5**	**-0.1**	**0.1**	**1.6**
Revenue and grants	18.3	17.0	14.2	17.2	14.8	15.1	16.0	16.4	16.2	18.3	21.3	**17.6**	**16.8**
of which: grants	8.8	6.8	4.6	7.5	5.0	4.8	5.3	5.3	4.9	5.5	5.5		
Primary (noninterest) expenditure	18.2	19.5	18.0	21.8	19.1	17.9	17.3	17.4	17.7	18.8	21.2	**17.7**	**18.4**
Automatic debt dynamics	**-0.2**	**-0.9**	**1.2**	**-1.3**	**-1.6**	**-2.0**	**-2.2**	**-2.2**	**-2.0**	**-1.6**	**-0.6**		
Contribution from interest rate/growth differential	0.2	-0.7	-0.8	-1.3	-1.6	-2.0	-2.2	-2.2	-2.0	-1.6	-0.6		
of which: contribution from average real interest rate	0.1	-0.2	-0.1	-0.3	-0.2	-0.3	-0.3	-0.2	-0.2	-0.3	0.3		
of which: contribution from real GDP growth	0.0	-0.5	-0.8	-1.0	-1.4	-1.7	-1.9	-1.9	-1.8	-1.4	-0.9		
Contribution from real exchange rate depreciation	-0.4	-0.2	2.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.1**	**0.4**	**0.5**	**0.3**	**0.6**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**
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		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.1	0.4	0.5	0.3	0.6	0.1	0.1	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		
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		
Residual	**3.4**	**2.0**	**-1.5**	**3.2**	**0.3**	**0.1**	**0.1**	**0.1**	**0.3**	**0.0**	**-0.4**	**1.2**	**0.4**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**24.4**	**29.2**	**30.3**	**30.7**	**30.1**	**29.5**	**29.1**	**24.4**	**16.1**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**171.6**	**169.7**	**204.6**	**202.9**	**188.7**	**180.1**	**179.0**	**133.4**	**75.3**		
Debt service-to-revenue and grants ratio 3/	**3.9**	**4.6**	**9.1**	**10.0**	**23.0**	**18.7**	**17.5**	**17.5**	**16.3**	**11.0**	**7.4**		
Gross financing need 4/	0.7	3.4	5.5	6.7	7.8	6.1	4.2	3.9	4.1	2.5	1.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-0.2	2.1	2.6	3.0	3.5	4.0	4.3	4.5	4.3	3.8	3.8	**2.5**	**3.9**
Average nominal interest rate on external debt (in percent)	1.0	1.2	2.1	1.5	1.4	1.2	1.0	1.1	1.0	1.0	1.1	**0.8**	**1.1**
Average real interest rate on domestic debt (in percent)	1.7	3.4	-3.6	-3.2	-0.6	-0.1	0.4	0.9	1.4	1.1	2.0	**0.6**	**0.5**
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.9	-0.9	8.3	...	...	...	...	...	...	...	...	**1.5**	**...**
Inflation rate (GDP deflator, in percent)	0.8	-0.3	5.3	4.3	1.8	2.1	2.0	1.9	1.9	1.9	1.9	**1.5**	**2.1**
Growth of real primary spending (deflated by GDP deflator, in percent)	-6.6	9.4	-5.6	24.8	-9.3	-2.6	1.2	5.2	5.9	5.3	4.5	**5.1**	**4.6**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-3.2	-1.2	-0.1	-2.4	1.1	1.4	2.1	2.0	1.7	1.7	1.1	**-1.5**	**1.3**
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		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-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 stabilizes 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.

Table 4. Union of Comoros: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023-2033

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
						PV of debt-to GDP ratio					
Baseline	22	24	24	24	24	23	23	23	22	22	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	22	23	24	24	23	23	22	22	20	20	19
B. Bound Tests											
B1. Real GDP growth	22	25	26	26	26	25	25	25	24	23	23
B2. Primary balance	22	25	27	27	26	26	26	26	25	25	24
B3. Exports	22	27	31	31	31	30	30	29	29	28	27
B4. Other flows 3/	22	27	31	30	30	29	29	29	28	27	26
B5. Depreciation	22	30	26	26	25	25	25	25	24	23	22
B6. Combination of B1-B5	22	30	32	32	31	31	31	30	29	29	27
C. Tailored Tests											
C1. Combined contingent liabilities	22	29	29	28	28	28	28	27	27	26	25
C2. Natural disaster	22	28	28	28	28	27	27	27	27	26	25
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
						PV of debt-to-exports ratio					
Baseline	**186**	**196**	**198**	**191**	**182**	178	174	167	160	152	144
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**186**	**191**	**193**	**187**	178	173	167	159	146	138	131
B. Bound Tests											
B1. Real GDP growth	**186**	**196**	**198**	**191**	**182**	178	174	167	160	152	144
B2. Primary balance	**186**	**207**	**221**	**214**	**204**	**200**	**196**	**189**	**182**	173	165
B3. Exports	**186**	**325**	**561**	**542**	**515**	**504**	**491**	**473**	**453**	**432**	**410**
B4. Other flows 3/	**186**	**223**	**249**	**240**	**228**	**223**	**217**	**209**	**201**	**191**	**181**
B5. Depreciation	**186**	**196**	168	163	154	151	148	142	136	129	122
B6. Combination of B1-B5	**186**	**275**	**235**	**330**	**314**	**307**	**299**	**288**	**276**	**263**	**249**
C. Tailored Tests											
C1. Combined contingent liabilities	**186**	**236**	**234**	**226**	**216**	**212**	**208**	**201**	**193**	**184**	175
C2. Natural disaster	**186**	**234**	**233**	**226**	**216**	**213**	**209**	**202**	**194**	**186**	178
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
						Debt service-to-exports ratio					
Baseline	11	14	**17**	**16**	15	14	8	8	9	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	11	15	**18**	**17**	**16**	**16**	9	9	10	12	13
B. Bound Tests											
B1. Real GDP growth	11	14	**17**	**16**	15	14	8	8	9	10	10
B2. Primary balance	11	14	**17**	**16**	**15**	14	8	8	9	10	11
B3. Exports	11	**22**	**40**	**38**	**36**	**34**	**19**	**20**	**22**	**24**	**27**
B4. Other flows 3/	11	14	**18**	**17**	**16**	15	8	9	10	10	12
B5. Depreciation	11	14	**17**	**15**	14	13	7	8	8	9	10
B6. Combination of B1-B5	11	**17**	**26**	**24**	**22**	**21**	12	12	14	15	**18**
C. Tailored Tests											
C1. Combined contingent liabilities	11	14	**18**	**16**	**15**	15	8	9	9	10	11
C2. Natural disaster	11	15	**18**	**17**	**16**	15	8	9	10	11	11
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
						Debt service-to-revenue ratio					
Baseline	14	17	**21**	**19**	17	16	9	9	10	11	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	14	18	**22**	**20**	**19**	**18**	10	10	12	14	14
B. Bound Tests											
B1. Real GDP growth	14	**18**	**22**	**20**	**19**	18	10	10	11	12	13
B2. Primary balance	14	17	**21**	**19**	18	17	9	10	10	11	13
B3. Exports	14	18	**22**	**21**	**19**	18	10	10	11	12	14
B4. Other flows 3/	14	17	**21**	**20**	**19**	17	10	10	11	12	14
B5. Depreciation	14	**22**	**26**	**22**	**21**	**20**	10	11	12	13	14
B6. Combination of B1-B5	14	**19**	**24**	**22**	**20**	**19**	11	11	12	13	15
C. Tailored Tests											
C1. Combined contingent liabilities	14	17	**21**	**19**	**18**	17	9	10	11	12	12
C2. Natural disaster	14	17	**21**	**19**	**18**	17	9	10	11	12	12
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 5. Union of Comoros: Sensitivity Analysis for Key Indicators of Public Debt, 2023-2033

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	29	30	31	30	29	29	28	27	26	25	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	29	29	29	28	28	27	26	25	24	23	23
B. Bound Tests											
B1. Real GDP growth	29	32	35	35	35	35	34	34	33	32	32
B2. Primary balance	29	34	37	36	35	35	33	32	31	30	29
B3. Exports	29	32	36	36	35	35	34	32	31	30	29
B4. Other flows 3/	29	34	37	36	35	35	34	33	32	31	30
B5. Depreciation	29	36	35	33	31	30	28	26	24	23	21
B6. Combination of B1-B5	29	33	34	32	31	31	30	29	28	27	26
C. Tailored Tests											
C1. Combined contingent liabilities	29	38	39	38	37	36	35	34	32	31	30
C2. Natural disaster	29	37	38	37	36	36	35	34	32	31	31
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	170	205	203	189	180	179	163	154	145	140	133
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	170	196	191	175	166	161	145	137	129	124	117
B. Bound Tests											
B1. Real GDP growth	170	215	227	213	207	209	193	185	178	175	170
B2. Primary balance	170	227	244	226	215	213	194	182	172	166	158
B3. Exports	170	219	241	224	214	213	194	184	174	169	160
B4. Other flows 3/	170	226	244	227	217	216	197	186	177	171	162
B5. Depreciation	170	247	235	212	196	187	166	153	140	130	119
B6. Combination of B1-B5	170	222	225	201	192	191	174	164	154	148	141
C. Tailored Tests											
C1. Combined contingent liabilities	170	259	257	238	226	223	203	191	181	175	166
C2. Natural disaster	170	251	250	232	222	220	200	189	179	174	166
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	10	23	19	17	17	16	11	11	10	11	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	10	23	19	17	17	16	10	10	10	10	10
B. Bound Tests											
B1. Real GDP growth	10	23	20	18	18	17	12	12	12	12	13
B2. Primary balance	10	23	20	19	19	18	13	12	11	11	12
B3. Exports	10	23	19	18	18	17	12	11	11	11	12
B4. Other flows 3/	10	23	19	18	18	17	12	11	11	11	12
B5. Depreciation	10	24	23	21	20	19	12	12	12	13	13
B6. Combination of B1-B5	10	22	18	17	17	16	11	11	10	11	11
C. Tailored Tests											
C1. Combined contingent liabilities	10	23	23	20	20	18	13	13	11	11	12
C2. Natural disaster	10	23	22	20	19	18	13	13	11	12	12
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.